

WML Group plc

(formerly Whinney Mackay-Lewis PLC)

REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE

8 MONTHS

ENDED

31ST DECEMBER 1997



WML Group plc

CONTENTS

	PAGE
DIRECTORS AND ADVISERS	2
REPORT OF THE DIRECTORS	3
STATEMENT OF DIRECTORS' RESPONSIBILITIES	7
AUDITORS' REPORT	8
CONSOLIDATED PROFIT AND LOSS ACCOUNT	10
CONSOLIDATED BALANCE SHEET	11
COMPANY BALANCE SHEET	12
CONSOLIDATED CASH FLOW STATEMENT	13
STATEMENT OF ACCOUNTING POLICIES	14
NOTES TO THE FINANCIAL STATEMENTS	16
NOTICE OF MEETING	25

WML Group plc

DIRECTORS AND ADVISERS

DIRECTORS

Walter Goldsmith, FCA CIMgt FRSA *Chairman*
Barry Shaw *Chief Executive*
Ian Gardner, BSc FCA *Finance Director*
Christopher Cotton, RIBA
Richard Kennedy, Comp.CIBSE
Michael Harris, ARICS
Stephen Russell, BA ACA *Non-executive*

SECRETARY AND REGISTERED OFFICE

Ian Gardner BSc. FCA
Maple House, 149 Tottenham Court Road, London W1P 0DJ

REGISTERED NUMBER

2004015

NOMINATED ADVISER

Guinness Mahon & Co Limited
32 St Mary at Hill, London EC3P 3AJ

NOMINATED BROKER

Townsley & Co
44 Worship Street, London EC2A 2JT

AUDITORS

Pannell Kerr Forster
New Garden House, 78 Hatton Garden, London EC1N 8JA

SOLICITORS

Rowe & Maw
20 Black Friars Lane, London EC4V 6HD

BANKERS

Barclays Bank PLC
131 Edgware Road, London W2 2HT

REGISTRARS

IRG plc
Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

WML Group plc

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the 8 months ended 31st December 1997.

BUSINESS REVIEW

The principal activities of the group for the period under review were architecture, interior design, urban design and land planning.

The Company traded profitably during the period and has subsequently entered into a new business combination, as described below under "Post Balance Sheet Events".

RESULTS AND DIVIDENDS

The profit for the period after taxation amounted to £19,000 (year to 30th April 1997 – Loss £105,000).

The directors do not recommend the payment of a final dividend. The amount to be added to reserves is £19,000.

POST BALANCE SHEET EVENTS

With effect from 1st January 1998, the Company entered a new business combination with Prime Estates Holdings Limited ("Prime") and M & E Project Services Limited ("MEDS"), effectively repositioning itself as a property services group with three distinct but inter-related disciplines, namely property management, architecture and building services consultancy. The board has been expanded to reflect the business mix and new direction of the enlarged group and Barry Shaw, who is also Chairman of MEDS, has become Chief Executive of the group. Jeremy Mackay-Lewis, who has been Chairman since the company was floated on the USM in 1986, has now stepped down from the position and Walter Goldsmith has been appointed to succeed him as Chairman.

At the same time as this transaction was completed, the Company raised approximately £1 million by means of a placing in order to fund the costs of the transaction and to provide funds for the further development of the group.

The name of the company has been changed to WML Group plc in order to reflect its role as the holding company for the group, and to prevent confusion with the existing architectural activities. The company's quotation has been transferred from the Official List to AIM because Prime operated until recently as a division of a private company, and therefore does not have 3 years audited accounts as required by the Listing Rules for a quotation on the Official List.

The Company's accounting reference date has been changed to 31st December following these transactions.

WML Group plc

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the company at the date of this report are shown on page 2.

Mr Nigel Birch, who was a director throughout the period under review, resigned on 5th February 1998 prior to the approval by the board of the acquisitions referred to above. A compensation payment of £15,000 was made to Mr Birch.

Messrs Barry Shaw, Richard Kennedy, Michael Harris, Walter Goldsmith and Stephen Russell were appointed on 12th March 1998 following the aforementioned merger. They all hold office until the Annual General Meeting and being eligible, offer themselves for election.

Mr Jeremy Mackay-Lewis, who was a director throughout the period under review, resigned on 18th May 1998.

Mr Ian Gardner retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election. Mr Ian Gardner has a service contract with the company terminable by either party giving to the other not less than twelve months notice in writing expiring on 12th March 2000 or at any time thereafter.

DIRECTORS' INTERESTS

Directors' interests in the company's ordinary share capital, including family interests, and options held by directors under the company's share option scheme at 31st December 1997 were as follows:

	At 31 st December 1997			At 1 st May 1997		
	Beneficial interest	Non-beneficial interest	Share options	Beneficial interest	Non-beneficial interest	Share options
J J Mackay-Lewis	1,400,000	596,200	-	1,400,000	596,200	-
I A Gardner	10,000	-	69,500	10,000	-	65,000
C J P Cotton	150,500	-	26,000	150,500	-	45,000
N M Birch	20,000	-	-	20,000	-	-

Following the acquisitions and the placing referred to above, the interests of the directors in the company's ordinary share capital, including family interests, and options held by directors under the company's share option scheme, were as follows:

	Beneficial interest	Non-beneficial interest	Share options
J J Mackay-Lewis	1,400,000	596,200	-
B T Shaw	3,968,300	-	-
I A Gardner	76,666	-	69,500
C J P Cotton	150,500	-	26,000
R Kennedy	2,645,533	-	-
M Harris	-	-	-
W Goldsmith	100,000	-	-
S Russell	42,667	-	-

The above interests were unchanged at 12th May 1998.

WML Group plc

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN CONTRACTS

There were no significant contracts in existence during or at the end of the period in which any director had a material interest.

SUBSTANTIAL INTERESTS

At 12th May 1998, the company had been notified of the following interest in the issued ordinary share capital:

	Shares	%
B&C Plaza Limited	11,825,361	41.2%

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political contributions were made during the year. Charitable donations amounted to £401 (year to 30th April 1997 - £730).

CLOSE COMPANY

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

CORPORATE GOVERNANCE

The company has complied with the Code of Best Practice on the Financial Aspects of Corporate Governance except in the following respects:

Throughout the period under review, the company had only one non-executive director, whereas the Code recommends that there should be at least three. Since 12th March 1998 the company has had two non-executive directors which complies with the recommendation of the City Group for Smaller Companies. As a consequence of there being only one non-executive director prior to 12th March 1998, the company did not have a formal Audit Committee and the Remuneration Committee consisted of the single non-executive director together with the Chairman. An Audit Committee has now been established. Both the Audit Committee and the Remuneration Committee currently comprise the non-executive directors and are chaired by Walter Goldsmith.

The Code also recommends that non-executive directors should be appointed for specified terms and that executive directors' service contracts should not exceed three years without shareholders approval. In our case, non-executive directors' contracts are subject to twelve months' notice and during the period under review, the Chairman's contract provided for a notice period of forty-eight months. Since 12th March 1998, all executive directors' service contracts have been subject to twelve months' notice expiring at any time after 12th March 2000.

WML Group plc

REPORT OF THE DIRECTORS

The Board of Directors has overall responsibility for the group's system of internal financial control and for monitoring its effectiveness. The group has a well established budgeting and management reporting process. Annual budgets are usually prepared in the last quarter of each financial year following discussions with all levels of management to forecast business in the forthcoming year. Group management accounts are prepared on a monthly basis for submission to directors, comparing financial performance with budget. The contents of management accounts are discussed at regular management meetings and at formal board meetings which are held on a quarterly basis. Accounting policies, capital expenditure and treasury management are subject to control by the directors.

The directors have reviewed the effectiveness of the system of internal financial control, which can provide only reasonable and not absolute assurance against material misstatement or loss.

POLICY ON PAYMENT OF SUPPLIERS

The company does not have a policy to follow any code or standard on payment practice. However, with respect to the financial year to 31st December 1998, the company will continue to settle the terms of payment with its suppliers when agreeing the terms of each transaction, will ensure that those suppliers are aware of the terms of payment and will abide by those terms of payment. Trade creditors outstanding at 31st December 1998 represented 61 days trade purchases.

GOING CONCERN

After making appropriate enquires, the directors have reasonable expectations that the company and group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS

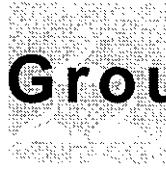
A resolution re-appointing Pannell Kerr Forster as auditors will be proposed at the annual general meeting.

By Order of the Board
Ian Gardner
Secretary



20th May 1998

WML Group plc



STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WML Group plc

AUDITORS' REPORT

To the shareholders of WML Group plc

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements on pages 10 to 24, which have been prepared under the accounting policies set out on pages 14 and 15.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 7 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall 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 31st December 1997 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

REPORT ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 8 on the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified by the London Stock Exchange for review by Auditors and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with paragraphs 1.4, 1.5, 2.3, 2.4 and 4.3 to 4.5 of the Cadbury Code of Best Practice.

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

WML Group plc

AUDITORS' REPORT

To the shareholders of WML Group plc

OPINION

With respect to the directors' statements on internal financial control and going concern on pages 5 and 6, in our opinion the statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statements on page 5 appropriately reflect the company's compliance with the paragraphs of the Code referred to above.



Pannell Kerr Forster
Chartered Accountants
Registered Auditors
London

26th May 1998

WML Group plc

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the 8 months ended 31st December 1997

	Note	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
Turnover – Continuing operations	1	2,229	3,334
Change in work in progress		120	66
		2,349	3,400
Staff costs	2	1,099	1,675
Depreciation		44	54
Other operating charges	1	1,187	1,788
		2,330	3,517
Operating profit / (loss) – Continuing operations		19	(117)
Interest receivable less payable	4	-	8
Profit / (loss) on ordinary activities before taxation	5	19	(109)
Taxation	6	-	4
Profit / (loss) retained for the period / year	16	19	(105)
Profit / (loss) per share	7	0.3p	(1.6p)

There are no recognised gains and losses in the eight months to 31st December 1997 or the year to 30th April 1997 other than the profit for the period.

Movements in reserves are shown in note 16 to the financial statements.

WML Group plc

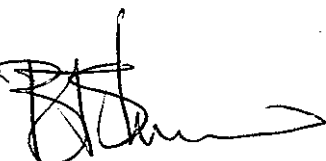
CONSOLIDATED BALANCE SHEET

At 31st December 1997

	Note	At 31 st December 1997 £000	At 30 th April 1997 £000
Fixed assets			
Tangible assets	8	211	225
		-----	-----
Current assets			
Work in progress	10	216	96
Debtors	11	923	650
Cash at bank		103	181
		-----	-----
		1,242	927
Creditors: amounts falling due within one year	12	904	621
		-----	-----
Net current assets		338	306
		-----	-----
Total assets less current liabilities		549	531
Creditors: amounts falling due after more than one year	13	38	39
		-----	-----
Net assets		511	492
		-----	-----
Capital and reserves			
Called up share capital	15	661	661
Profit and loss account	16	(150)	(169)
		-----	-----
Shareholders' funds	17	511	492
		-----	-----

The financial statements were approved by the board of directors on 20th May 1998.

Barry Shaw
Chief Executive



WML Group plc

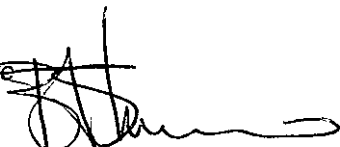
COMPANY BALANCE SHEET

At 31st December 1997

	Note	At 31 st December 1997 £000	At 30 th April 1997 £000
Fixed assets			
Tangible assets	8	-	-
		-----	-----
Current assets			
Debtors	11	556	580
Cash at bank		5	9
		-----	-----
		561	589
Creditors: amounts falling due within one year	12	104	123
		-----	-----
Net current assets		457	466
		-----	-----
Net assets		457	466
		-----	-----
Capital and reserves			
Called up share capital	15	661	661
Profit and loss account	16	(204)	(195)
		-----	-----
Shareholders' funds		457	466
		-----	-----

The financial statements were approved by the board of directors on 20th May 1998.

Barry Shaw
Chief Executive



WML Group plc

CONSOLIDATED CASH FLOW STATEMENT

For the 8 months ended 31st December 1997

	Note	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
Net cash outflow from operating activities	18	(52)	(92)
Returns on investment and servicing of finance			
Interest received		4	10
Interest element of finance lease rental payments		(4)	(2)
		-	8
Capital expenditure and financial investment			
Payments to acquire fixed assets		(31)	(145)
Receipts from sale of fixed assets		4	14
		(27)	(131)
Acquisitions and disposals			
Cash recoveries from subsidiary in receivership		14	45
Financing			
Capital element of finance leases repaid		(13)	(16)
Decrease in cash in the period / year	19	(78)	(186)

WML Group plc

STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

BASIS OF CONSOLIDATION

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiaries made up to the end of the financial year. Subsidiaries acquired or disposed of are included in the financial statements from the date of acquisition or to the date of disposal as appropriate. Goodwill arising on the acquisition of businesses is taken directly to reserves in the year of acquisition. Where a new business combination satisfies the relevant criteria set out in FRS 6, merger accounting is applied in accordance with the Standard.

TURNOVER

Turnover is the total amount receivable for services provided in the ordinary course of business excluding value added tax.

DEFERRED TAXATION

Deferred taxation is provided in the financial statements except to the extent that it is anticipated that the liability will not be payable in the foreseeable future.

DEPRECIATION

Depreciation is calculated to write down the cost of tangible fixed assets by equal annual instalments or, in the case of motor vehicles, on the reducing balance basis over their expected useful lives.

The periods and rates applicable are:

Leasehold improvements	Unexpired period of the lease
Computer equipment	3 years
Fixtures and fittings	10 years
Motor vehicles	25% per annum
Office equipment	5 years

WML Group plc

STATEMENT OF ACCOUNTING POLICIES

WORK IN PROGRESS

Short term work in progress is stated at the lower of cost and net realisable value. Cost comprises direct labour and attributable overheads. The amount of work in progress has been reduced by progress payments received and receivable. Net realisable value means estimated contract value, less all further costs to completion.

Long terms contracts are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. The amount by which recorded turnover is in excess of payments on account is classified as "Amounts recoverable on contracts" and separately disclosed within debtors. Where payments on account exceed recorded turnover, the excess is classified as "Fees in advance", and separately disclosed within creditors. Provision is made for foreseeable losses and to the extent that such provision exceeds relevant contract balances included in debtors or stock and work in progress, it is included within either provisions for liabilities and charges or creditors as appropriate.

FINANCE LEASES

Assets held under finance lease agreements are included in tangible fixed assets and are depreciated using the appropriate rates. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. Finance charges are taken to the profit and loss account so that the annual rate of charge on the outstanding obligation at the end of each accounting period is approximately constant.

PENSION COSTS

The company contributes to individual personal pension schemes. Contributions payable for the year are charged in the profit and loss account.

OPERATING LEASES

Operating lease rentals are charged to the profit and loss account as the annual charges are incurred.

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

1	1	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
	1		
	TURNOVER		
	The turnover of the group arises in the United Kingdom and the directors consider that the group's activities consist of one inter-related class of business.		
	Turnover comprises:		
	Fees for architectural services	1,521	2,310
	Contracting income	708	1,024
		-----	-----
		2,229	3,334
		-----	-----
	Sub-contracting costs of £690,000 (year to 30 th April 1997 - £998,000), relating to the above contracting income, are included in other operating charges.		
	2		
	STAFF COSTS		
	Staff costs include fees paid to personnel engaged by the Group for specific projects who do not have contracts of service with the Group. During the period staff costs of the Group were:		
	Fees	268	572
	Wages and salaries	732	956
	Social security costs	69	99
	Other pension costs	30	48
		-----	-----
		1,099	1,675
		-----	-----
	The average number of employees of the Group during the period was:		
		Number	Number
	Technical	25	22
	Administrative	10	8
		-----	-----
		35	30
	and the average number of personnel engaged by the Group who do not have contracts of service with the Group was:		
	Technical	13	18
		-----	-----
		48	48
		-----	-----

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

3 DIRECTORS' EMOLUMENTS

	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
Emoluments of directors of the parent company were:		
Fees	12	11
Salary payments (including benefits in kind)	189	279
Pension contributions	5	8
	206	298

Remuneration by director was:

	Salary £	Benefits £	Fees £	Total emoluments excluding pensions 8 months to 31 st December 1997 £	Year to 30 th April 1997 £	Pension Contributions 8 months to 31 st December 1997 £	Year to 30 th April 1997 £
Executive directors							
J J Mackay-Lewis	65,000	9,228	-	74,228	109,817	-	-
I A Gardner	43,667	5,274	-	48,941	71,222	2,370	3,167
C J P Cotton	60,733	5,645	-	66,378	97,838	3,037	4,417
Non-executive directors							
N M Birch	-	-	11,577	11,577	11,449	-	-
Total emoluments	169,400	20,147	11,577	201,124	290,326	5,407	7,584

All pension contributions in respect of directors were to money purchase schemes.

Share options granted to directors were as follows:

	At 1/5/97	Granted/ (Expired) during period	At 31/12/97	Exercise price	Date from which exercisable	Expiry date
I A Gardner	50,000	-	50,000	92p	July 1991	July 1998
	15,000	-	15,000	34p	February 1999	February 2006
	-	4,500	4,500	20p	September 2000	September 2007
C J P Cotton	25,000	(25,000)	-	300p	June 1990	June 1997
	20,000	-	20,000	34p	February 1999	February 2006
	-	6,000	6,000	20p	September 2000	September 2007

The market price of the ordinary shares at 31st December 1997 was 26½p and the range during the period was 19p to 30p.

No options were exercised during the year.

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

4	INTEREST RECEIVABLE LESS PAYABLE	8 months to 31st December 1997 £000	Year to 30th April 1997 £000
	Interest receivable	4	10
	Interest on finance leases and hire purchase	(4)	(2)
		-----	-----
		-	8
		-----	-----
5	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	8 months to 31st December 1997 £000	Year to 30th April 1997 £000
	Profit/loss on ordinary activities is stated after charging:		
	Auditors' remuneration as auditors	15	16
	Auditors' remuneration for non-audit work	2	9
	Operating lease rentals	90	127
		-----	-----
6	TAXATION		

The group has trading losses available for carry forward for tax purposes amounting to approximately £130,000 (30th April 1997 - £160,000) and capital tax losses of approximately £3.7 million (30th April 1997 - £3.7 million) available for carry forward against future capital gains.

7 PROFIT/(LOSS) PER SHARE

The calculation of profit/(loss) per share is based on the profit/(loss) after taxation of £19,000 (year to 30th April 1997 - £(105,000)) and the number of shares in issue during the period of 6,613,833 (year to 30th April 1997 - 6,613,833).

The potential dilution from the exercise of all options outstanding is not material.

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

8 TANGIBLE FIXED ASSETS

	Leasehold improvements £000	Fixtures equipment and vehicles £000	Total £000
Group			
Cost at 1 st May 1997	121	692	813
Additions	-	31	31
Disposals	-	(13)	(13)
	-----	-----	-----
Cost at 31 st December 1997	121	710	831
	-----	-----	-----
Depreciation at 1 st May 1997	17	571	588
Charge for the year	12	32	44
Disposals	-	(12)	(12)
	-----	-----	-----
Depreciation at 31 st December 1997	29	591	620
	-----	-----	-----
Net book value 31st December 1997	92	119	211
	-----	-----	-----
Net book value 1 st May 1997	104	121	225
	-----	-----	-----

	Fixtures equipment and vehicles £000	Total £000
Company		
Cost at 1 st May 1997 and 31 st December 1997	3	3
	-----	-----
Depreciation at 1 st May 1997 and 31 st December 1997	3	3
	-----	-----
Net book value at 1st May 1997 and 31st December 1997	-	-
	-----	-----

Group fixtures equipment and vehicles include assets under finance leases with a net book value of £75,000 at 31st December 1997 (30th April 1997 - £71,000). The depreciation charge in these financial statements on those assets was £14,000 (year to 30th April 1997 - £16,000).

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The principal subsidiary undertakings of the company during the year were:

	<i>Principal activities</i>
The Whinney Mackay-Lewis Partnership Limited	Architecture and interior design
Whinney Mackay-Lewis Services Limited	Service company

Both companies are incorporated in Great Britain and operate principally in England.

Both companies are wholly-owned subsidiaries of WML Group plc.

The investment in shares in subsidiary undertakings at a cost of £10,000 at 1st May 1997 and 31st December 1997 has been fully provided against in previous years.

10 WORK IN PROGRESS

Work in progress comprises short-term contract balances only. Long-term contract balances are included in debtors or creditors as appropriate.

11 DEBTORS	Group		Company	
	At 31 st December 1997 £000	At 30 th April 1997 £000	At 31 st December 1997 £000	At 30 th April 1997 £000
Trade debtors	670	368	-	-
Amounts owed by subsidiary undertakings	-	-	528	560
Other debtors	14	28	8	20
Prepayments and accrued income	80	29	20	-
Amounts recoverable on contracts	159	225	-	-
	923	650	556	580

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

		Group		Company	
12	CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR	At 31 st December 1997 £000	At 30 th April 1997 £000	At 31 st December 1997 £000	At 30 th April 1997 £000
	Fees in advance	74	103	-	-
	Trade creditors	300	80	-	-
	Social security and other taxes	94	106	-	-
	Accruals	416	313	104	123
	Finance leases	20	19	-	-
		<u>904</u>	<u>621</u>	<u>104</u>	<u>123</u>
13	CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	At 31 st December 1997 £000		At 30 th April 1997 £000	
	Finance leases	38		39	
	Repayable as follows:				
	1-2 years	11		13	
	2-5 years	27		26	
		<u>38</u>		<u>39</u>	
14	OBLIGATIONS UNDER OPERATING LEASES	At 31 st December 1997		At 30 th April 1997	
		Land and Buildings £000	Other £000	Land and Buildings £000	Other £000
	The following amounts are payable within the next year on operating leases expiring:				
	Within one year	-	-	-	-
	Within two to five years	-	16	-	20
	After more than five years	130	-	73	-
		<u>130</u>	<u>16</u>	<u>73</u>	<u>20</u>
	The above lease obligations are analysed between group companies as follows:				
	Company	130	-	73	-
	Subsidiaries	-	16	-	20
		<u>130</u>	<u>16</u>	<u>73</u>	<u>20</u>

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

15 CALLED UP SHARE CAPITAL

The authorised share capital at the beginning and end of the period was £1,000,000, being 10,000,000 ordinary shares of 10p each.

Allocated, issued and fully paid share capital:	Shares	£000
Ordinary shares in issue at 1 st May 1997 and 31 st December 1997	6,613,833	661

On 11th March 1998, the authorised share capital was increased from £1,000,000 to £4,000,000 by the creation of an additional 30,000,000 new ordinary shares of 10p each. A total of 18,739,194 shares were issued as consideration for the acquisitions referred to under "Post Balance Sheet Events" in the Report of the Directors, and 3,333,333 shares were issued for cash in the associated placing. The total number of shares in issue at 12th May 1998 was 28,686,360.

At 31st December 1997 options granted under the company's share option scheme were outstanding on a total of 253,000 ordinary shares as follows:

- 50,000 shares granted on 19th July 1988 at 92p.
- 5,000 shares granted on 6th November 1990 at 36p.
- 142,500 shares granted on 2nd February 1996 at 34p.
- 55,500 shares granted on 17th September 1997 at 20p.

The options can be exercised between 3 and 10 years from the date granted.

16 RESERVES

	Profit and loss account £000
Group	
At 1 st May 1997	(169)
Profit for the year	19

At 31st December 1997	(150)

Company	
At 1 st May 1997	(195)
Profit for the year	1

31st December 1997	(194)

As permitted by Section 230 of the Companies Act 1985 a separate profit and loss account is not presented for WML Group plc.

The loss for the period of the parent undertaking was £9,000 (year to 30th April 1997 – loss £107,000).

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

17	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
	Profit/(loss) for the period	19	(105)
	Opening shareholders' funds	492	597
		-----	-----
	Closing shareholders' funds	511	492
		-----	-----
18	NET CASH OUTFLOW FROM OPERATING ACTIVITIES	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
	Operating profit/(loss)	19	(117)
	Depreciation charge	44	54
	Profit on sale of fixed assets	(3)	(3)
	Movement in working capital:		
	Work-in-progress	(120)	(66)
	Debtors	(287)	260
	Creditors	295	(220)
		-----	-----
		(52)	(92)
		-----	-----

WML Group plc

NOTES TO THE FINANCIAL STATEMENTS

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS	8 months to 31 st December 1997 £000	Year to 30 th April 1997 £000
(Decrease) in cash in the period	(78)	(186)
Cash used to repay finance leases	13	16
New finance leases	(14)	(45)
	-----	-----
Movement in net funds in the year	(79)	(215)
Net funds at 1 st May 1997	123	338
	-----	-----
Net funds at 31 st December 1997	44	123
	-----	-----

Analysis of movement in net funds:

	At 31 st December 1997 £000	Cash flows £000	Other changes £000	At 1 st May 1997 £000
Cash at bank	103	(78)	-	181
Finance leases	(59)	13	(14)	(58)
	-----	-----	-----	-----
	44	(65)	(14)	123
	-----	-----	-----	-----

20 PENSION SCHEMES

Contributions are made in respect of certain members of staff to personal pension schemes. The total pension cost charged in the period in respect of these schemes was £30,000 (year to 30th April 1997 - £48,000).

WML Group plc

NOTICE OF MEETING

Notice is hereby given that the twelfth annual general meeting of the members of WML Group plc will be held at Maple House, 149 Tottenham Court Road, London W1P 0DJ on 23rd June 1998 at 12.00 noon for the following purposes:

- 1 To receive and adopt the accounts for the 8 months ended 31st December 1997 and the reports of the directors and auditors thereon.
- 2 To re-elect the following retiring director:

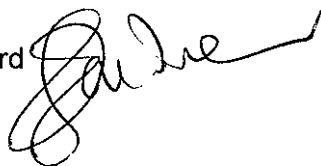
Mr I A Gardner

and to elect as directors the following:

Mr B T Shaw
Mr R M Kennedy
Mr M R Harris
Mr W K Goldsmith
Mr S A Russell

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

By Order of the Board
Ian Gardner
Secretary



20th May 1998

NOTES

- 1 Any member entitled to attend and vote at the meeting may appoint another person (whether a member or not) as his proxy to attend and, on a poll, to vote instead of him. A proxy card is enclosed. To be valid, forms of proxy must be deposited at the company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for the holding of the meeting.
- 2 The register of directors' shareholdings and their contracts of service and copies of the amended Rules of the Executive Share Option Schemes will be available for inspection at the registered office of the company, during normal business hours, from the date of this Notice until the date of the meeting and at the place of the Annual General Meeting for fifteen minutes prior to and until the conclusion of the meeting.

WML Group plc

FORM OF PROXY

I/We
(BLOCK CAPITALS)

of

being (a) member(s) of the above named company, hereby appoint the Chairman of the Meeting/
.....

as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the company, to be held on 23rd June 1998 and at any adjournment thereof.

I/We desire to vote in respect of the resolutions to be submitted to the meeting as follows:

- | | | For | Against |
|---|---|--------------------------|--------------------------|
| 1 | To receive and adopt the accounts for the 8 months ended 31 st December 1997 and the reports of the directors and auditors thereon | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 | To re-elect the following retiring director:

Mr I A Gardner | <input type="checkbox"/> | <input type="checkbox"/> |
| | and to elect as directors the following: | | |
| | Mr B T Shaw | <input type="checkbox"/> | <input type="checkbox"/> |
| | Mr R M Kennedy | <input type="checkbox"/> | <input type="checkbox"/> |
| | Mr M R Harris | <input type="checkbox"/> | <input type="checkbox"/> |
| | Mr W K Goldsmith | <input type="checkbox"/> | <input type="checkbox"/> |
| | Mr S A Russell | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 | To re-appoint Pannell Kerr Forster as auditors and to authorise the directors to fix their remuneration | <input type="checkbox"/> | <input type="checkbox"/> |

Dated this day of 1998

Signed

NOTES

- 1 Please indicate with a tick above how you would like your votes to be cast. If for any resolution neither box is ticked, the Proxy will abstain or vote at his discretion.
- 2 This Proxy, to be valid, must be lodged with the company's Registrars not less than forty-eight hours before the meeting.
- 3 In the case of a Corporation, this Proxy must be executed under its Common Seal, or under the hand of an officer or attorney duly authorised in that behalf, in which case the written authority must also be lodged with the company's Registrars along with the Proxy.
- 4 In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the joint holders, seniority being determined by the order in which the names stand in the Register of Members.
- 5 If a member wishes to appoint his own Proxy he should delete the words 'the Chairman of the Meeting' and insert the Proxy's name in the space provided. A Proxy need not be a member of the company.

Please return to: IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU.