Annual Report & Accounts 1999

Euromoney Institutional Investor PLC

Contents

9 54730

Chairman's Statement

Pretax profits at Euromoney Institutional Investor PLC, the international publishing, conference and training group, were £22.6 million in the year to September 30, after amortization of goodwill, and the expected losses at Internet Securities, Inc. (ISI). Pretax profits in the previous year were £32.1 million. The group is amortizing the goodwill of ISI over five years as a matter of accounting policy for internet acquisitions.

Turnover was £168 million, against £177 million. The directors recommend a final dividend of 35p making a total of 55p, the same as the previous year. Diluted earnings a share were 69.27p against 104.05p. Adjusted diluted earnings a share were 81.02p.

Profits were a record in the month of September as trading continued to recover from the effects of the financial crisis in emerging markets. Underlying pretax profits were down by 5% for the year excluding ISI losses, related interest costs and amortization - which is included in the group's results for the first time. On the same basis, profits in the second half rose to £19.3 million, a record, from £18.0 million for the second half of the previous year. The benefits of cost cuts began to flow in the second half. Group net debt was £65.7 million at year end.

Group turnover from continuing operations fell £12 million to £162 million. In spite of the downturn in revenues, particularly in the earlier part of the year, the company pressed ahead by investing in internet-related businesses, in other electronic publishing ventures and in traditional publishing. ISI, which provides financial and economic information on emerging markets, is the largest of these investments. Its revenue growth was slower than expected, although both retention rates and usage were encouraging.

Group advertising and sponsorship revenues fell by almost £10 million as financial institutions worldwide struggled with the collapse of Russian and other emerging markets and the events leading up to the rescue of Long-Term Capital Management. Cuts in advertising budgets were partially relaxed as the crisis subsided, but many of them remained at year end. Training revenues were affected for the same reason and fell by £3 million. Seminar and conference revenues, however, rose £2 million.

Chairman's Statement *continued*

Most of the group's financial titles suffered sharp falls in revenues although *Asiamoney* began to recover as sentiment improved in Asia. *Euromoney* benefited from a good 30th anniversary issue in June. Overall the financial titles recovered towards the end of the year, and profits of financial publishing ended the year 23% down, compared to a 37% fall in the first half, while business publishing profits fell 4%, although there was an excellent performance in pharmaceutical publishing. Electronic databases did well: Capital DATA continued to grow in spite of bank mergers, while Capital NET grew its revenues steadily and made its first annual profit. Adhesion did well, as did Coaltrans, MIS and InvestorAccess.

Institutional Investor demonstrated its resilience and the benefit of being less dependent on emerging markets than the rest of the group. Although II's overall profits fell by 8% because of a fall in advertising revenues at *Institutional Investor* magazine, II newsletters, journals, and conferences all increased profits.

In general, financial markets have recovered and the outlook appears better, although the results will continue to be affected by the continuing investments in the internet, traditional publishing, and conferences.

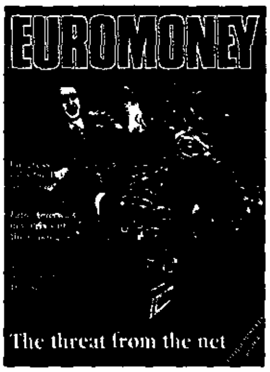
Simon Cox was appointed as the new chief operating officer and elected to the board in September. Takashi Hosomi retired as a non-executive director after 13 years excellent service. The company received its fourth Queen's Award for Exports during the year.

Padraic Fallon
Chairman

November 25 1999

In April, the company was awarded the Queen's Award for Export Achievement for a fourth time.

Operating & Financial Review



The group publishes two of the world's leading financial market titles. *Euromoney* celebrated its 30th anniversary issue in June.

The international financial markets in particular, as well as the other sectors such as energy and duty free, faced extremely tough conditions in the first half of last year. This had an immediate impact on our advertising and sponsorship revenues and, in due course, also affected other revenues such as training and renewal incomes from subscriptions.

However, the financial markets improved significantly in the second half and our revenues also began to recover. In the month of September, an important month because of the annual World Bank/IMF Meeting, the profits of financial titles were marginally ahead compared to the previous September.

Many of the non-financial titles have continued to grow revenues and profits so, for example, our pharmaceutical, transport, office products and telecoms titles have all had good years. The rewards for maintaining a scaled back presence in South East Asia were felt as Asiamoney and Asia Law and Practice both delivered improved profits over last year.

Among the event businesses, training and especially financial training were affected by the financial market downturn. However, a number of our other businesses such as Coaltrans, Euromoney Conferences, Adhesion and MIS performed strongly producing very satisfactory results.

Second half operating profits before goodwill amortization from continuing operations were up 5% on the prior year. This steady improvement together with a reduced cost base meant that overall operating margin, for continuing operations, declined just 0.4% to 19.5% for the year.

Operating & Financial Review *continued*

Electronic publishing

In January 1999, the company acquired Internet Securities, Inc., an aggregator of hard to get financial, economic and business information about emerging markets. Despite the problems in the emerging markets, ISI grew its subscription revenues by 34% in the 12 months to September 1999. Usage of the ISI service has increased by 43% in the 9 months to September 1999. In addition, ISI has brought into the group skills in new technologies that we expect to use elsewhere. A number of other new internet businesses have been launched during the course of the year which build on our existing content, brand names and relationships.

Our Capital DATA and Capital NET database businesses, run in partnership with Computasoft have had outstanding years. InvestorAccess, an acquisition in the last financial year, has also more than achieved its targets and continues to develop new electronic and internet products.

Co-operation between different operating units especially in electronic publishing is being encouraged. An example was the successful launch of a CD ROM, "Global Guide to Business Hotels", in a joint venture between InvestorAccess and Business Traveller.

Management

Towards the end of the financial year a new chief operating officer was appointed while two of our senior executives were appointed to the Euromoney board in May, including one from Institutional Investor. This strengthens the management team of the company.

We have expanded our internal training programmes and continued our policy of hiring good graduates to develop into publishing managers. Despite this, one of the challenges facing the company is to find and retain the high quality managers that we need at a time when the publishing marketplace has become extremely competitive.

We run management development training programmes in Europe and the US, together with a programme for more senior managers throughout the company. These programmes are designed to develop managers to meet the needs for the future growth of the company and also to allow for the exchange of ideas and best business practice between the different operating divisions.

Acquisitions and disposals

The acquisition of ISI has been a significant move as it takes the company into internet publishing in a major way. The acquisition in January 1999, by which the group acquired an 80% holding in ISI, cost US$45 million (£27 million) of which US$11 million (£6.7 million) was a subscription for new share capital.

The company has also acquired small increases in its holdings in Business Traveller and in World Link Publications and increased its shareholding in Mondiale, the publishers of OPI, by 20%.

***Euromoney Institutional Investor* Internet Sites (all www.)**

euromoneyplc.com
euromoney.com
iimagazine.com
securities.com

Publishing and databases

airfinancejournal.com
asialaw.com
asiamoney.com
bankregister.com
btonline.com
businesstraveller.com
capitaldata.com
capn.com
corporatelocation.com
dcnews.com
emergingmarkets.org
euromoneybooks.com
euromoneydirectory.com
euroweek.com
financialnetnews.com
globaltelecombusiness.com
iauk.com
iijournals.com
iinews.com
iipower.com
iisearches.com
investoraccess.com
latinfinance.com
lawmoney.com
operationsmanagement.com
petroleum-economist.com
portdevelopment.net
reactions.co.uk
telecomfinancingweek.com
worldlink.co.uk

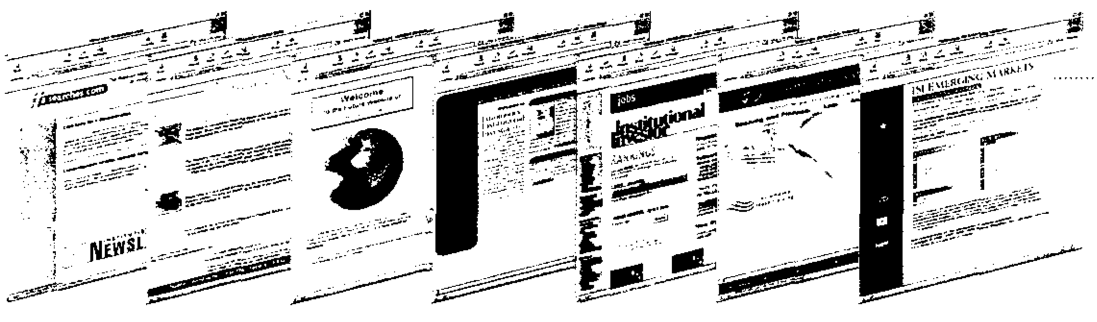
Training and events

adhes.com
coaltrans.com
emwebtraining.com
euromoneyconferences.com
euromoneytraining.com
iiconferences.com
influent.com
misti.com
sema4usa.com

For further information on all Euromoney Institutional Investor products, call the Hotline on

(UK) +44 (0) 207 779 8999
(US) +1 800 437 9997 or
+1 212 224 3570

or e-mail to
hotline@euromoneyplc.com



In March of this year the group sold its investment in 100% Design Limited for £743,000 with a performance based deferred consideration capped at £2 million. 100% Design was a business started by the company in 1994 which had developed well but had little synergy with the rest of the group.

The company continues to look for suitable acquisitions in both internet publishing and traditional print publishing and event management. Acquisitions are especially important in taking us into new industry sectors, allowing us to build on the acquisition by developing other products for that sector.

Asiamoney celebrated its 10th anniversary issue in October of this year.

Marketing and circulation

We continue to spend heavily on subscription marketing and on development of our marketing database (Eden). Subscription income from continuing businesses increased by £0.8 million but renewal rates have seen a decline which we are working hard to reverse. Eden continues to perform satisfactorily and we will continue to enhance its capabilities and performance.

During the year 16 publications were moved from external fulfilment houses onto an in-house fulfilment system to increase efficiency and integration with Eden.

Year 2000

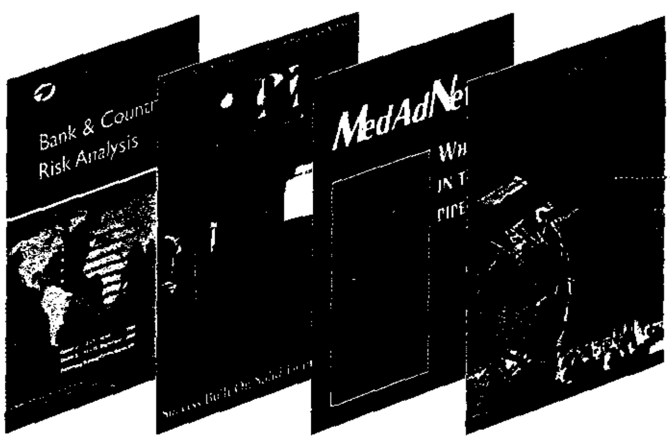
A significant exercise to progress and monitor the group's information systems towards Year 2000 compliance was carried on from last year. All business-critical systems and hardware have been assessed and known business-critical non-compliant systems replaced. Third party system inventories have been completed for all business units and we are continuing to contact all third parties where no statement of compliance has been received. Contingency plans have been produced to handle the failure of business-critical systems. However, due to the complex nature of Year 2000 problems, an absolute assurance of compliance cannot be given.

A total of £2,427,000 has been spent on the group's information technology systems this year. Of this, £331,000 was expensed in the profit and loss account. Expenditure on Year 2000 compliance is not the only reason for such improvements, and therefore Year 2000 costs are not separately itemized.

Tax and treasury

The group has a tax and treasury committee that meets twice a year and is responsible for recommending policy to the board. The committee comprises the chairman, managing director, finance director, JP Williams and A Perry of Daily Mail and General Trust plc. The group's treasury policies are directed to giving greater certainty of future costs and revenues and ensuring that the group has adequate liquidity for working capital and debt capacity for funding acquisitions.

The treasury department does not act as a profit centre, does not undertake any speculative trading activity and operates within policies and procedures approved by the board.



Operating & Financial Review *continued*

The group has funded its operations using a mixture of its strong operating cash flows, retained earnings and debt. Recent significant acquisitions have been funded by a revolving credit facility.

The group's exposure to fluctuations in interest rates on its floating rate borrowings is managed by the use of interest rate swaps and caps. The maturity profile of these derivatives is matched with the expected future debt profile of the group. The group's policy is to fix approximately 50-75% of its term debt. At September 30 1999 the group had approximately 69% of its net debt fixed by the use of interest rate hedges. As long term rates are usually higher than short term rates this hedging strategy has the effect of increasing the interest charge, but it does provide partial protection against increases in market rates.

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 results in foreign currencies 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 partial hedge of the translation of the net assets of overseas subsidiaries.

Approximately 74% of the group's revenues are in US dollars. Group companies normally do not hedge transactions in foreign currencies into the functional currency of their own operations. However, as a company Euromoney Institutional Investor has a substantial portion of its income in US dollars and has a deficit of pounds sterling to meet its sterling expenses, therefore a series of forward contracts is put in place up to 12 months forward.

Details of the financial instruments used are set out in note 19 to the accounts.

The group's effective tax rate increased to 27.6% (excluding the effect of goodwill amortization) compared to 26% in 1998 due to the change in the mix of taxable profits following the acquisition of ISI. The overall rate for the year reflects the benefit of the tax amortization of goodwill arising in the US, combined with a reduction in the UK corporation tax rate from 31% to 30% for the period.

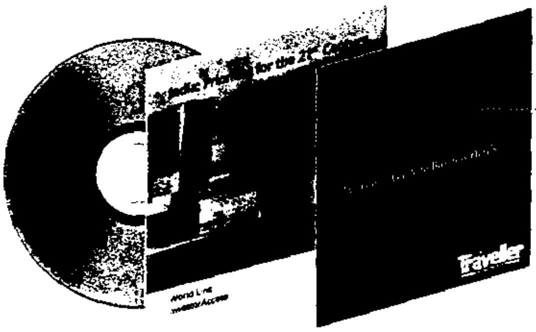
Under UK corporation tax rules all exchange gains and losses are taxable on an accruals basis. To eliminate the cash flow effect, the group has entered into a forward contract selling US$43 million in exchange for sterling, maturing on September 29 2000. The cash flow consequence of a movement in exchange rates, which creates a taxable gain or loss, is eliminated by an equal and opposite gain or loss on the forward contract.

The "Global Guide to Business Hotels" was launched, a successful joint venture between InvestorAccess and Business Traveler.

Richard Ensor
Managing Director

November 25 1999

Examples of products from the group's portfolio including training and conferences for the financial markets, and leading business publications for the pharmaceutical and office products sectors.



Directors' Report

The directors submit their annual report and group accounts for the year ended September 30 1999.

The company

The company was incorporated in England and Wales as a private company on May 22 1969 and re-registered as a public limited company on May 16 1986. On June 25 1986 the ordinary share capital of the company was admitted to the Luxembourg Stock Exchange and on January 22 1990 the ordinary share capital of the company was admitted to the London Stock Exchange. On April 28 1999 the company changed its name from Euromoney Publications PLC to Euromoney Institutional Investor PLC.

Principal activities and business review

Euromoney 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 also runs business conferences, seminars, training courses and is a provider of electronic business information through its capital market databases and the internet. In 1999, Euromoney completed the acquisition of 80% of Internet Securities, Inc., a leading internet based provider of financial, economic and company information on emerging markets. A review of operations and business developments is given in the operating and financial review on pages 4 to 7.

Group results and dividends

The group profit for the year available to shareholders amounted to £15,063,000. The directors recommend a final dividend of 35 pence per ordinary share, payable on January 21 2000 to shareholders on the register on December 10 1999. This, together with the interim dividend of 20 pence per ordinary share which was declared on May 28 1999 and paid on July 2 1999, brings the total dividend to 55 pence per ordinary share.

Directors and their interests

The directors who served during the year are listed on page 52. T Hosomi resigned as a director on January 22 1999 and DS Levin resigned as a director on February 12 1999. Under the articles of association, Sir Patrick Sergeant and CJF Sinclair will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. On May 28 1999 SM Brady and RT Lamont were appointed as directors of the company, and on October 12 1999 S Cox was appointed as a director. All three will retire at the forthcoming annual general meeting and, being eligible, will offer themselves 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 14 to 20.

Significant shareholdings

At November 24 1999, 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	%
Daily Mail and General Holdings Limited	15,511,906	70.95
Prudential Corporation group of companies	1,785,806	8.17

Banque Internationale à Luxembourg SA has issued international depositary receipts in bearer form in respect of a total of 329,000 shares (1.5%) registered in its name.

Directors' Report *continued*

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

Political and charitable contributions
During the year the group made £42,000 (1998 - £40,000) in charitable contributions. 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.

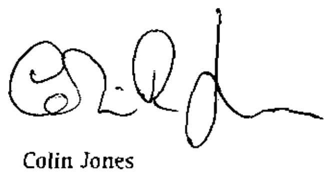
Employee involvement
The group recognises the importance of good communication in relationships with its staff. This is pursued in a number of ways, including training and regular meetings between management and staff, which seek to achieve common awareness on the part of all employees of the financial 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 of the 1999 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 group had 55 days of purchases in creditors at September 30 1999 (1998 - 54 days).

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

Annual general meeting
The annual general meeting of the company will be held on January 20 2000.

By order of the board



Colin Jones
Company Secretary

November 25 1999

Corporate Governance

The company is committed to high standards of corporate governance. In June 1998 the London Stock Exchange issued the Combined Code on corporate governance based on the report of the Hampel Committee. The company has substantially complied with the Code save the limited exceptions outlined in the directors' compliance statement on pages 12 to 13. A narrative statement explaining how the company has applied the Code's fourteen principles appears under relevant subheadings below and in the report by the board on remuneration on pages 14 to 20.

Directors

Board

Details of directors who served during the year are explained in the directors' report on page 8. The board currently comprises the chairman, managing director, ten other executive directors and five non-executive directors (including one executive member appointed to the board October 12 1999). Of the five non-executive directors, four are also directors of Daily Mail and General Trust plc. There are clear divisions of responsibility within the board such that no one individual has unfettered powers of decision. There is an agreed procedure for all directors in the furtherance of their duties to take independent professional advice, if necessary, at the company's expense. They also have access to the advice and services of the company secretary. All non-executive directors submit themselves for re-election at least once every three years. The board meets at least ten times a year and there is frequent contact between meetings. Board 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 fulfil 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 Fourth Viscount Rothermere is chairman of Daily Mail and General Trust plc, an intermediate parent company. Sir Patrick Sergeant is a founder of Euromoney Institutional Investor PLC and was chairman until September 30 1992 and he is also a non-executive director of Daily Mail and General Trust plc. CJF Sinclair and JP Williams are executive directors of Daily Mail and General Trust plc. CJF Sinclair is also a non-executive director of Reuters Group PLC and Schroders plc. JC Botts is chairman of Botts & Company Limited and a non-executive director of United News & Media plc. He was formerly head of Citicorp's investment banking business in Europe.

Executive committee

Chaired by the company chairman, the executive committee comprises the executive directors and senior management. It meets each month to discuss and determine key operational issues.

Nominations committee

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

Remuneration committee

The remuneration committee met five times during the year and 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 their service contracts, are set out on pages 14 to 20.

Corporate Governance *continued*

Relations with shareholders

Directors encourage regular dialogue with shareholders. Meetings are held on a regular basis, both in the US and UK, to discuss annual and interim results, to highlight significant changes such as large acquisitions and on request of institutions. 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 introduced and are available for questioning.

Accountability and audit

Internal financial control procedures

The board is responsible for the group's system of internal financial control. Such a system can provide only reasonable but not absolute assurance against material misstatement or loss.

The board has reviewed the effectiveness of the group's system of internal financial control and has taken account of material developments which have taken place since September 30 1999. The review was performed on the basis of the criteria set out in the Guidance for Directors Internal Control and Financial Reporting (the Rutteman Guidance) issued in December 1994. It has considered the major business and financial risks, the control environment and the results of the internal audit function's work.

Key procedures which the directors have established with a view to providing effective internal financial control are as follows:

Management structure

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.

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 through the employee handbook provided to all employees, now also available on the group's intranet.

Annual forecast process

The board as a whole approves the annual forecast after performing a review of key risk factors. Performance is monitored regularly to enable relevant action to be taken. Revised forecasts are also presented to the board in the third quarter. The board considers longer-term financial projections as part of its regular discussions on the group's strategy.

Investment appraisal

The managing director and business group managers consider proposals for the launch of new businesses. Proposals beyond specified limits are put to the board for approval. All acquisitions are approved by the board 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 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 authorisation 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 four times 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, disaster recovery and Year 2000 compliance.

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 to the centre; adherence to group 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 review each year. The internal audit manager reports his findings to management and to the audit committee.

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 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 work 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
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 confirm that these requirements have been satisfied.

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.

Statement by the directors on compliance with the Combined Code

The Listing rules require the board to report on compliance with the forty-five Code provisions throughout the accounting period. Save the limited exceptions outlined below, the group has complied

Corporate Governance *continued*

throughout the financial year ended September 30 1999, with the provisions set out in Section 1 of the Combined Code.

Provision A.3.2 requires that non-executive directors should comprise not less than one third of the board and that the majority of non-executive directors should be independent. The board currently comprises seventeen directors (including the director appointed on October 12 1999) of which five are non-executive. Four of the five non-executive directors are also directors of Daily Mail and General Trust plc, the 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 board members in question. The board is taking advice from the nominations committee on the appointment of an additional independent non-executive director.

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.

Provision A.6.2 requires that all directors should be subject to election by shareholders at the first opportunity after their appointment, and to re-election thereafter at intervals of no more than three years. Executive directors are not currently obliged to retire and offer themselves for re-election under the current Articles of Association. A resolution to amend the Articles is proposed for the annual general meeting.

Provisions B.2.2 and D.3.1 require the remuneration and audit committee to comprise entirely of independent non-executive directors. Both committees comprise three non-executive directors, two of whom are also directors of Daily Mail and General Trust plc but 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 United States of America. The board considers the interests of all non-executive directors to be aligned with other shareholders of the group.

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.

As permitted by the London Stock Exchange, the group has complied with Code provision D.2.1 on internal control by reporting on internal financial control in accordance with the Guidance on Internal Control and Financial Reporting issued on December 12 1994.

On behalf of the board

Padraic Fallon
Chairman

November 25 1999

Report by the Board to Shareholders on Directors' Remuneration

Remuneration committee

The remuneration committee was established in 1993. The current members are The Fourth Viscount Rothermere, its chairman, JC Botts and CJF Sinclair. All are non-executive directors of the company. The Fourth 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 seeks 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 its remuneration policy since the company's 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 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 or the growth in profits. 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 executives on profit shares are aware that if profits rise, so does their pay. Similarly if profits fall, they earn less and the company's payroll costs fall. The profit shares of executive directors and senior managers make up much of their total pay. For example, of the total remuneration of the eleven executive directors who served in the year, 52% was derived from the profit share incentives.

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 at the annual general meeting on January 18 1996 and the performance criteria under which options granted under this scheme may be exercised are set out on page 20.

During the year share options were granted to PM Fallon, PR Ensor, CR Brown, CR Jones, E Bounous, RT Lamont and SM Brady. 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 will contribute to the performance that we seek in the coming years.

The remuneration of the non-executive directors is determined by the board within the limits set out in the company's Articles of Association.

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. None of the non-executive directors has a service contract.

	1999 Fees as a director £	1999 Salary and benefits £	1999 Profit share £	1999 Pension contributions £	1999 Total £	1998 Total £
Executive directors' remuneration						
PM Fallon	25,788	140,323	927,273	728,800	1,822,184	2,160,344
PR Ensor	25,788	99,864	813,243	407,688	1,346,583	1,677,468
NJ Bance	–	–	–	–	–	51,836
NF Osborn	–	94,725	163,645	14,529	272,899	353,297
DC Cohen	–	73,572	53,859	69,785	197,216	264,762
CR Brown	–	116,780	262,978	9,512	389,270	491,877
GB Strahan	–	68,754	11,716	34,334	114,804	116,037
DS Levin	–	51,232	40,000	8,440	99,672	468,882
E Bounous	–	66,683	195,213	5,236	267,132	254,079
R Jell	–	57,608	37,450	4,752	99,810	63,450
CR Jones	–	111,171	46,784	8,701	166,656	142,225
RT Lamont	–	36,266	67,717	897	104,880	–
SM Brady	–	27,145	8,333	1,759	37,237	–
Non-executive directors' remuneration						
The Third Viscount Rothermere	–	–	–	–	–	25,126
The Fourth Viscount Rothermere	25,788	–	–	–	25,788	–
Sir Patrick Sergeant	51,576	11,039	–	–	62,615	57,297
CJF Sinclair	25,788	–	–	–	25,788	25,126
T Hosomi	6,364	–	–	–	6,364	25,126
JP Williams	25,788	–	–	–	25,788	25,126
JC Botts	28,819	–	–	–	28,819	25,126
	215,699	955,162	2,628,211	1,294,433	5,093,505	6,227,184

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 £728,800; PR Ensor £400,000; NF Osborn £8,674; DC Cohen £65,000; GB Strahan £30,000. Profit share waived was paid into a pension scheme on the directors' behalf. The remuneration of NJ Bance is his remuneration until his resignation on April 24 1998 and The Third Viscount Rothermere until his death on September 1 1998. The remuneration of T Hosomi is his remuneration until his retirement on January 22 1999. The remuneration of DS Levin is his remuneration until his resignation on February 12 1999. The remuneration of RT Lamont and SM Brady is from their appointment on May 28 1999.

Directors' pensions

Executive directors can participate in the Harmsworth Pension Scheme (a defined benefit scheme) or elect to have contributions paid to 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	–	–	728,800	728,800
PR Ensor	7,688	–	400,000	407,688
NF Osborn	–	5,855	8,674	14,529
DC Cohen	–	4,785	65,000	69,785
CR Brown	9,512	–	–	9,512
GB Strahan	–	4,334	30,000	34,334
DS Levin	–	–	8,440	8,440
E Bounous	–	5,236	–	5,236
R Jell	4,752	–	–	4,752
CR Jones	8,701	–	–	8,701
RT Lamont	–	–	897	897
SM Brady	–	1,759	–	1,759
	30,653	21,969	1,241,811	1,294,433

Under the Harmsworth Pension Scheme, the following pension benefits have been 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	1,171	12,164	31,848
CR Brown	4,171	40,792	23,500
R Jell	705	8,204	5,430
CR Jones	1,549	8,034	4,971

The pension entitlement shown is that which would be paid annually on retirement based on service to September 30 1999 and ignores any increase for future inflation. The transfer values above represent a potential liability of the company, not a sum paid or due to the individual director, and has been calculated on the basis of actuarial advice in accordance with the Actuarial Note GN11 less directors' contributions. The normal retirement age for the defined benefit scheme is 62 years.

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

Directors' interests

The interests of the directors and their families in the ordinary shares of the company as at September 30 1999 and October 1 1998 were as follows:

	Ordinary shares of 1p each September 30 1999	October 1 1998
PM Fallon	174,068	174,068
PR Ensor	30,750	30,750
Sir Patrick Sergeant	92,676	92,676
CJF Sinclair	1,000	1,000
NF Osborn	7,096	4,400
DC Cohen	4,104	4,104
GB Strahan	3,307	1,935
JP Williams	250	250

At September 30 1999, The Fourth Viscount Rothermere was beneficially interested in 746,700 ordinary shares and non-beneficially interested in 10,000 preference shares of Rothermere Continuation Limited, the company's ultimate parent company. There have been no changes in directors' interests since October 1 1999.

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 were as follows:

	Ordinary shares of 50p each September 30 1999	October 1 1998	'A' ordinary non-voting shares of 50p each September 30 1999	October 1 1998
The Fourth Viscount Rothermere	2,954,408	2,823,294	20,966,366	12,447,917
PM Fallon	1,000	1,000	9,000	9,000
Sir Patrick Sergeant	1,000	1,000	20,000	20,000
CJF Sinclair	-	-	65,281	33,964
JP Williams	-	-	15,974	11,818

In addition, The Fourth Viscount Rothermere had a non-beneficial interest as a trustee at September 30 1999 in 1,750,000 'A' ordinary non-voting shares (1998 - 1,760,000 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 Fourth Viscount Rothermere is deemed to have been interested in 3,139,191 ordinary shares (1998 - 3,008,177 shares).

CJF Sinclair and JP Williams had options over, respectively 40,500 and 43,000 'A' ordinary non-voting shares in Daily Mail and General Trust plc at September 30 1999 (1998 - 80,600 and 65,500 shares respectively).

The Fourth Viscount Rothermere had options over 15,000 'A' ordinary non-voting shares in Daily Mail and General Trust plc at September 30 1999 (1998 - nil).

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 1p each in the company, or acquire existing ordinary shares of 1p each from the Euromoney Employees' Share Ownership Trust as follows:

	Number of options						
	At start of year	Granted during year	Exercised during year	At end of year	Exercise price	Date from which exercisable	Expiry date
PM Fallon	88,095	–	–	88,095	£5.98	now	19.01.02
	86,567	–	–	86,567	£14.16	now	19.06.05
	–	21,250	–	21,250	£15.83	11.02.02	11.02.09
	–	63,750	–	63,750	£17.25	25.06.02	25.06.09
	174,662	85,000	–	259,662			
PR Ensor	44,048	–	–	44,048	£5.98	now	19.01.02
	43,284	–	–	43,284	£14.16	now	19.06.05
	–	18,750	–	18,750	£15.83	11.02.02	11.02.09
	–	56,250	–	56,250	£17.25	25.06.02	25.06.09
	87,332	75,000	–	162,332			
NF Osborn	2,696	–	2,696	–	£3.51	now	14.06.00
	4,405	–	–	4,405	£5.98	now	19.01.02
	4,329	–	–	4,329	£14.16	now	19.06.05
	2,000	–	–	2,000	£15.82	07.01.01	07.01.05
	13,430	–	2,696	10,734			
DC Cohen	2,907	–	–	2,907	£5.98	now	19.01.02
	1,472	–	–	1,472	£14.16	now	19.06.05
	3,000	–	–	3,000	£15.82	07.01.01	07.01.05
	7,379	–	–	7,379			
CR Brown	4,000	–	–	4,000	£14.07	now	29.11.03
	2,761	–	–	2,761	£14.16	now	19.06.05
	25,000	–	–	25,000	£13.30	now	08.02.03
	3,000	–	–	3,000	£15.82	07.01.01	07.01.05
	–	7,000	–	7,000	£16.76	29.01.02	29.01.09
	34,761	7,000	–	41,761			
GB Strahan	2,696	–	2,696	–	£3.51	now	14.06.00
	4,405	–	–	4,405	£5.98	now	19.01.02
	4,329	–	–	4,329	£14.16	now	19.06.05
	2,000	–	–	2,000	£15.82	07.01.01	07.01.05
	13,430	–	2,696	10,734			

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

Directors' share options *continued*

	Number of options						
	At start of year	Granted during year	Exercised during year	At end of year	Exercise price	Date from which exercisable	Expiry date
DS Levin	20,000	–	20,000	–	£16.18	now	08.12.04
(Resigned 12.02.99)	20,000	–	–	20,000	£13.30	now	08.02.03
	3,000	–	–	3,000	£15.82	07.01.01	07.01.05
	43,000	–	20,000	23,000			
CR Jones	2,112	–	–	2,112	£14.20	07.02.00	07.02.07
	7,888	–	–	7,888	£14.30	24.02.00	24.02.04
	3,000	–	–	3,000	£15.82	07.01.01	07.01.05
	–	8,000	–	8,000	£16.76	29.01.02	29.01.09
	–	15,000	–	15,000	£17.25	25.06.02	25.06.09
	13,000	23,000	–	36,000			
R Jell	5,000	–	5,000	–	£13.30	now	08.02.03
	2,000	–	–	2,000	£14.30	24.02.00	24.02.04
	7,000	–	5,000	2,000			
E Bounous	1,000	–	–	1,000	£5.13	now	05.12.01
	2,000	–	–	2,000	£8.48	now	08.12.02
	2,000	–	–	2,000	£14.07	now	29.11.03
	2,000	–	–	2,000	£16.18	now	08.12.04
	10,000	–	–	10,000	£13.30	now	08.02.03
	2,000	–	–	2,000	£14.30	24.02.00	24.02.04
	6,000	–	–	6,000	£15.82	07.01.01	07.01.05
	–	5,000	–	5,000	£16.76	29.01.02	29.01.09
	25,000	5,000	–	30,000			
RT Lamont (Appointed 28.05.99)	–	2,500	–	2,500	£16.76	29.01.02	29.01.09
	–	2,500	–	2,500			
SM Brady	750	–	–	750	£14.07	now	29.11.03
(Appointed 28.05.99)	2,500	–	–	2,500	£16.18	now	08.12.04
	8,000	–	–	8,000	£13.30	now	08.02.03
	2,000	–	–	2,000	£14.30	24.02.00	24.02.04
	5,000	–	–	5,000	£15.82	07.01.01	07.01.05
	–	4,000	–	4,000	£16.76	29.01.02	29.01.09
	18,250	4,000	–	22,250			
Total	437,244	201,500	30,392	608,352			

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

Directors' share options *continued*

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 are exercisable at the rate of 8.33% quarterly and fully vested in three years.

		Number of options					
	At start of year	Granted *during* year	Exercised *during* year	*At end* of year	*Exercise* price	Date *from which* exercisable	To
DS Levin	–	6,000	–	6,000	US$7.40	13.05.99	13.05.02
JS Botts	–	6,000	–	6,000	US$7.40	13.05.99	13.05.02

The market price of the company's shares on September 30 1999 was £17.825. The high and low share prices during the year were £20.75 and £12.875 respectively. The options granted in the year were granted on January 29 1999, February 11 1999 and June 25 1999. The average share price over the three business days before January 29 1999 was £16.76, before February 11 1999 was £15.83 and before June 25 1999 was £17.25. The aggregate gain made by directors on the exercise of share options in the year was £105,162 (1998 - £19,550).

	Number of shares exercised	Date	Exercise price	Market value	Gain
DS Levin	20,000	27.11.98	£16.18	£17.00	£16,400
GB Strahan	2,696	01.02.99	£3.51	£17.40	£37,447
R Jell	5,000	26.02.99	£13.30	£15.75	£12,250
NF Osborn	2,696	22.07.99	£3.51	£18.00	£39,065
					£105,162

None of the directors' share options lapsed during the year.

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 29 1999, February 11 1999 and June 25 1999, the performance test set by the remuneration committee requires the growth in the company's earnings per share for the three consecutive financial years commencing with the year ended September 30 1999 to exceed the growth in the retail price index by an average of at least 4% a year. For the grants of options made on June 25 1999 only, there is an additional performance condition which requires that Internet Securities, Inc. must have achieved an operating profit for three consecutive months and a cumulative operating profit over a period of six months.

Rothermere.

The Viscount Rothermere
Chairman

November 25 1999

Auditors' Report

Auditors' report to the members of Euromoney Institutional Investor PLC
(formerly Euromoney Publications PLC)

We have audited the financial statements on pages 22 to 50 which have been prepared under the accounting policies set out on pages 28 to 29.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities on page 12, the company's directors are responsible for the preparation of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

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

We review whether the statement on pages 12 to 13 reflects the compliance with those provisions of the Combined Code specified for our review by the Stock Exchange, and we report if it does not. We are not required to form an opinion on the effectiveness of the corporate governance procedures or the group's internal controls. We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 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 1999 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
Hill House
1 Little New Street
London EC4A 3TR

November 25 1999

Group Profit & Loss Account

for the year ended September 30 1999

	Note	1999 £000's	1998 As restated £000's
Turnover	2		
Continuing operations		162,290	174,599
Acquisitions		5,947	–
Discontinued operations		6	2,331
		168,243	176,930
Operating profit before goodwill amortization			
Continuing operations		31,650	34,734
Acquisitions		(3,045)	-
Discontinued operations		(172)	478
		28,433	35,212
Goodwill amortization		(3,446)	-
Operating profit	2, 3		
Continuing operations		31,650	34,734
Acquisitions		(6,491)	-
Discontinued operations		(172)	478
		24,987	35,212
Share of operating profit in associates		416	585
Profit on sale of discontinued operations	14	893	-
Interest receivable	5	1,410	1,593
Interest payable and similar charges	6	(5,137)	(5,305)
Profit on ordinary activities before tax		22,569	32,085
Tax on profit on ordinary activities	7	(7,184)	(8,342)
Profit on ordinary activities after tax		15,385	23,743
Equity minority interests		(322)	(1,194)
Profit for the financial year		15,063	22,549
Dividends paid and proposed	8	(11,934)	(11,899)
Retained profit for the financial year		3,129	10,650
Basic earnings per share	9	69.49p	104.52p
Diluted earnings per share	9	69.27p	104.05p
Adjusted diluted earnings per share before goodwill amortization and profit on sale of discontinued operations	9	81.02p	104.05p
Dividend per share	8	55.00p	55.00p

Group Balance Sheet

at September 30 1999

	Note	1999 £000's	1998 As restated £000's
Fixed assets			
Intangible assets	10	21,958	–
Tangible assets	11	8,239	8,397
Investments	12	1,417	896
		31,614	9,293
Current assets			
Debtors	15	33,942	41,223
Cash at bank and in hand	16	13,776	19,827
		47,718	61,050
Creditors: amounts falling due within one year	17	(84,368)	(89,051)
Net current liabilities		(36,650)	(28,001)
Total assets less current liabilities		(5,036)	(18,708)
Creditors: amounts falling due after one year	18	(73,816)	(60,609)
Provisions for liabilities and charges	20	(3,628)	(4,539)
		(82,480)	(83,856)
Capital and reserves			
Called up share capital	22	219	218
Share premium account	23	32,582	31,797
Capital redemption reserve	23	8	8
Profit and loss account	23	(115,610)	(115,878)
Equity shareholders' deficit		(82,801)	(83,855)
Equity minority interests		321	(1)
		(82,480)	(83,856)

The accounts were approved by the board of directors on November 25 1999.

Richard Ensor
Colin Jones
Directors

Company Balance Sheet

at September 30 1999

	Note	1999 £000's	1998 £000's
Fixed assets			
Tangible assets	11	4,262	4,646
Investments	13	65,895	57,997
		70,157	62,643
Current assets			
Debtors	15	29,952	45,247
Cash at bank and in hand	16	5,247	4,669
		35,199	49,916
Creditors: amounts falling due within one year	17	(64,361)	(66,673)
Net current liabilities		(29,162)	(16,757)
Total assets less current liabilities		40,995	45,886
Creditors: amounts falling due after more than one year	18	-	(4,119)
		40,995	41,767
Capital and reserves			
Called up share capital	22	219	218
Share premium account	23	32,582	31,797
Capital redemption reserve	23	8	8
Capital reserve	23	1,842	1,842
Profit and loss account	23	6,344	7,902
Equity shareholders' funds		40,995	41,767

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 £10,464,000 (1998 - £15,245,000).

The accounts were approved by the board of directors on November 25 1999.

Richard Ensor
Colin Jones
Directors

Group Cash Flow Statement

for the year ended September 30 1999

	Note	1999 £000's	1998 £000's
Net cash inflow from operating activities	A	32,599	34,698
Dividends received from associated undertakings		348	417
Returns on investments and servicing of finance			
Interest received		1,683	1,659
Interest paid		(5,141)	(5,410)
Dividends paid to minorities		(1,419)	(1,615)
		(4,877)	(5,366)
Taxation			
UK tax paid		(7,939)	(6,032)
Overseas tax paid		(2,582)	(1,455)
UK tax received		123	866
Overseas tax received		280	669
		(10,118)	(5,952)
Capital expenditure			
Purchase of tangible fixed assets		(2,299)	(2,435)
Sale of tangible fixed assets		155	283
		(2,144)	(2,152)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(20,656)	(118)
Purchase of additional interest in subsidiary undertakings		(227)	(722)
Purchase of other investments		(216)	-
Cash acquired with subsidiary undertakings		52	366
Sale of subsidiary undertaking		743	-
Institutional Investor, Inc. price adjustment		-	2,296
Sale of business units		-	2,467
		(20,304)	4,289
Equity dividends paid		(12,000)	(11,413)
Cash (outflow)/inflow before financing		(16,496)	14,521
Financing			
Issue of new ordinary share capital		786	427
Redemption of secured loan stock		(1,093)	(25)
Cash paid into escrow		(882)	-
Bank loans repaid		(318)	-
Revolving credit facilities:			
Increase in borrowings		39,589	-
Repayment of borrowings		(28,558)	(21,037)
		9,524	(20,635)
Decrease in cash during the year	B	(6,972)	(6,114)

Notes to the Cash Flow Statement

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

	1999 £000's	1998 £000's
Group operating profit	24,987	35,212
Amortization of goodwill	3,446	-
Depreciation of tangible fixed assets	3,097	2,648
Loss on sale of tangible fixed assets	99	137
Decrease/(increase) in debtors	4,631	(1,828)
(Decrease)/increase in creditors	(2,196)	550
Utilization of property rental provision	(1,465)	(1,055)
Utilization of reorganisation provision	-	(966)
Net cash inflow from operating activities	32,599	34,698

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

	1999 £000's	*1998 £000's*
Decrease in cash during the year	(6,972)	(6,114)
Cash paid into escrow	882	-
	(6,090)	(6,114)
Cash (inflow)/outflow from (increase)/decrease in debt finance	(9,620)	21,062
	(15,710)	14,948
Loan note issued for acquisition	(882)	-
Debt acquired with subsidiary undertakings	(1,852)	-
Currency translation differences	(1,792)	3,056
Movement in net debt in the year	(20,236)	18,004
Net debt at October 1	(45,470)	(63,474)
Net debt at September 30	(65,706)	(45,470)

C. Analysis of net debt

	October 1 1998 £000's	Cash flow £000's	*Loan note* issued for acquisition £000's	Acquisitions £000's	Exchange movement £000's	September 30 1999 £000's
Cash at bank and in hand	16,227	(6,972)	-	-	39	9,294
Cash held in escrow	3,600	882	-	-	-	4,482
	19,827	(6,090)	-	-	39	13,776
Debt due within one year	(4,688)	1,093	(882)	(1,189)	-	(5,666)
Debt due in more than one year	(60,609)	(10,713)	-	(663)	(1,831)	(73,816)
	(65,297)	(9,620)	(882)	(1,852)	(1,831)	(79,482)
Total net debt	(45,470)	(15,710)	(882)	(1,852)	(1,792)	(65,706)

Group Statement of Total Recognised Gains and Losses

for the year ended September 30 1999

	Note	1999 £000's	1998 As restated £000's
Profit for the financial year		15,063	22,549
Foreign exchange translation differences	23	(1,276)	1,544
Foreign exchange translation difference on hedging loan	23	(1,831)	3,619
Tax credit/(charge) on hedging loan translation	23	246	(302)
Total recognised gains and losses for the year		12,202	27,410

Reconciliation of Movements in Shareholders' Funds

for the year ended September 30 1999

	1999 £000's	1998 As restated £000's
Profit for the financial year	15,063	22,549
Dividends paid and proposed	(11,934)	(11,899)
	3,129	10,650
Proceeds from exercise of share options	786	427
Other recognized gains and losses relating to the year	(2,861)	4,861
Goodwill on acquisitions written off to reserves	-	(8,609)
Goodwill reinstated on disposals	-	3,564
Institutional Investor, Inc. purchase price adjustment	-	2,296
New ordinary shares issued for acquisition	-	6,605
Net reduction in shareholders' deficit	1,054	19,794
Opening shareholders' deficit	(83,855)	(103,649)
Closing shareholders' deficit	(82,801)	(83,855)

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. A number of new Financial Reporting Standards have been adopted in the preparation of these accounts and prior year amounts have been restated as required. 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, of 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 (or the equity of a partnership) that is not equity accounted or consolidated, 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.

Goodwill

Following the issue of FRS 10, *Goodwill and Intangible Assets*, the group now capitalizes and amortizes goodwill on acquisitions with effect from October 1 1998 over a maximum of 20 years on a straight line basis. Goodwill relating to prior year acquisitions, previously shown in a separate goodwill write off reserve, has been transferred to the profit and loss reserve and is reinstated and recognised in the profit and loss account on disposal of the relevant businesses.

Earnings per share

The earnings per share calculations in note 9 follow the provisions of FRS 14, *Earnings per Share*, after calculating the dilution effect of the full exercise of all ordinary share options granted by the company and excluding the ordinary shares held by the Euromoney Employees' Share Ownership Trust. Dividends payable have been restated to show the amount payable net of dividends received by the trust.

Turnover

Turnover represents income from subscriptions, advertising, sponsorship and delegate fees, net of value added tax.

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. 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 as incurred.

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. Assets and liabilities 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 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. Gains or losses and the related taxation on hedges of foreign currency borrowings are taken to reserves if the foreign exchange movement on the related borrowing is also taken to reserves. All other exchange differences are taken to the profit and loss account.

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 switch currency funds into sterling to meet sterling costs. Realised exchange gains and losses are recognised in the Profit and Loss account.

The premium or discount on interest rate instruments is recognised 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.

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 furniture and equipment	25%-33$^{1}/_{3}$%
Short-term leasehold premises	over term of lease
Freehold premises	2%

Deferred taxation
Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits stated in the accounts. Deferred taxation is accounted for to the extent that it is probable that such taxation will become payable in the foreseeable future. No provision has been made for taxation that would arise if distributions are made out of the retained profits of overseas subsidiary and associated undertakings.

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.

2 Segmental analysis

	United Kingdom		Rest of Europe		North America		Rest of World		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover										
By destination:										
Continuing operations	23,635	27,749	25,499	32,960	61,740	68,643	51,416	45,247	162,290	174,599
Acquisitions	994	–	1,825	–	2,484	–	644	–	5,947	-
Discontinued operations	6	1,674	–	–	–	657	–	–	6	2,331
	24,635	29,423	27,324	32,960	64,224	69,300	52,060	45,247	168,243	176,930

	United Kingdom		North America		Rest of World		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover								
By source:								
Continuing operations	75,025	82,555	72,047	74,729	15,218	17,315	162,290	174,599
Acquisitions	2,864	–	1,178	–	1,905	–	5,947	–
Discontinued operations	6	1,674	–	657	–	–	6	2,331
	77,895	84,229	73,225	75,386	17,123	17,315	168,243	176,930

	United Kingdom		North America		Rest of World		Total	
	1999	1998	1999	1998	1999	1998	1999	1998
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Turnover								
By activity and source:								
International financial publishing	21,930	27,100	43,761	46,940	2,079	2,227	67,770	76,267
International business publishing	29,425	28,531	4,845	4,173	1,953	2,914	36,223	35,618
Training and consultancy	14,095	15,499	13,988	14,650	1,973	3,303	30,056	33,452
Seminars and conferences	8,897	7,872	9,344	8,966	9,213	8,817	27,454	25,655
Databases and information services	3,542	3,553	1,287	–	1,905	54	6,734	3,607
Discontinued operations	6	1,674	–	657	–	–	6	2,331
	77,895	84,229	73,225	75,386	17,123	17,315	168,243	176,930

Notes to the Accounts *continued*

2 Segmental analysis *continued*

	United Kingdom 1999 £000's	United Kingdom 1998 £000's	North America 1999 £000's	North America 1998 £000's	Rest of World 1999 £000's	Rest of World 1998 £000's	Total 1999 £000's	Total 1998 £000's
Operating profit								
By activity and source:								
International financial publishing	6,149	10,089	9,993	10,861	(47)	(106)	16,095	20,844
International business publishing	7,749	8,605	1,222	1,019	437	177	9,408	9,801
Training and consultancy	2,258	3,470	785	1,145	370	287	3,413	4,902
Seminars and conferences	2,452	2,776	2,513	2,538	1,876	1,798	6,841	7,112
Databases and information services	1,942	1,600	(1,985)	(30)	(1,757)	(64)	(1,800)	1,506
Discontinued operations	(172)	363	-	115	-	-	(172)	478
Unallocated corporate costs	(5,298)	(9,431)	(54)	-	-	-	(5,352)	(9,431)
	15,080	17,472	12,474	15,648	879	2,092	28,433	35,212
Goodwill amortization	(130)	-	(3,218)	-	(98)	-	(3,446)	-
Operating profit after goodwill amortization	14,950	17,472	9,256	15,648	781	2,092	24,987	35,212

The goodwill amortization of £3,446,000 can be allocated as follows; International financial publishing, £79,000; International business publishing, £24,000; Seminars and conferences, £103,000 and Databases and information services, £3,240,000.

	United Kingdom 1999 £000's	United Kingdom 1998 £000's	North America 1999 £000's	North America 1998 £000's	Rest of World 1999 £000's	Rest of World 1998 £000's	Total 1999 £000's	Total 1998 £000's
Net (liabilities)/assets								
By activity:								
International financial publishing	509	984	(15,365)	(13,273)	(155)	52	(15,011)	(12,237)
International business publishing	3,200	7,205	1,129	832	(513)	(454)	3,816	7,583
Training and consultancy	(1,946)	(274)	849	1,114	(125)	(323)	(1,222)	517
Seminars and conferences	(949)	536	(3,245)	(2,573)	446	715	(3,748)	(1,322)
Databases and information services	511	(131)	503	-	-	-	1,014	(131)
Associated undertakings	-	102	-	-	-	-	-	102
Net operating (liabilities)/assets	1,325	8,422	(16,129)	(13,900)	(347)	(10)	(15,151)	(5,488)
Net non-operating (liabilities)/assets	(13,323)	(29,626)	(74,792)	(56,632)	(1,172)	7,890	(89,287)	(78,368)
Goodwill	1,058	-	20,900	-	-	-	21,958	-
	(10,940)	(21,204)	(70,021)	(70,532)	(1,519)	7,880	(82,480)	(83,856)

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

The goodwill net book value of £21,958,000 can be allocated as follows; Seminars and conferences, £24,000 and Databases and information services, £21,934,000.

Prior year segmental analyses given above have been restated to reflect discontinued operations.

3 Operating profit

	1999 £000's Continuing	1999 £000's Acquisitions	1999 £000's Discontinued	1999 £000's Total	1998 £000's Continuing	1998 £000's Discontinued	1998 £000's Total
Turnover	162,290	5,947	6	168,243	174,599	2,331	176,930
Cost of sales	53,128	1,850	81	55,059	53,284	1,122	54,406
Gross profit	109,162	4,097	(75)	113,184	121,315	1,209	122,524
Distribution costs	6,119	146	3	6,268	6,463	(9)	6,454
Administrative expenses	71,393	10,442	94	81,929	80,118	740	80,858
Operating profit	31,650	(6,491)	(172)	24,987	34,734	478	35,212

Included in administrative expenses for acquisitions is goodwill amortization of £3,446,000 (1998 - £nil).

Operating profit is stated after charging:

	1999 £000's	1998 £000's
Goodwill amortization	3,446	-
Depreciation	3,097	2,648
Auditors' remuneration	371	393
Property operating lease rentals	4,713	4,718
Loss on sale of fixed assets	99	137

£135,000 (1998 - £133,000) was expensed for services provided on an arm's length basis by subsidiaries of the company's ultimate parent undertaking.

1999 auditors' remuneration includes £135,000 for non-audit services to Deloitte & Touche (1998 - £34,000) and £nil for Ernst & Young (1998 - £144,000). In addition, Deloitte & Touche received £209,000 for non-audit services which has been capitalized within the investment cost for Internet Securities, Inc.

4 Staff costs

(i) Directors' emoluments

	1999 £000's	1998 £000's
The emoluments of the directors of Euromoney Institutional Investor PLC were as follows:		
Fees	216	226
Management remuneration	3,584	4,941
Pension contributions	1,294	1,060
	5,094	6,227

Details of directors' remuneration are set out in the report by the board to shareholders on directors' remuneration on pages 14 to 20.

Notes to the Accounts *continued*

4 Staff costs *continued*

(ii) Number of staff

	1999 Average in year	1999 At year end	1998 Average in year	1998 At year end
United Kingdom	674	668	713	780
North America	594	604	554	544
Rest of World	266	335	164	145
	1,534	1,607	1,431	1,469

(iii) Staff costs

	1999 £000's	1998 £000's
Wages and salaries	52,723	51,373
Social security costs	4,006	3,747
Pension contributions	1,991	1,611
	58,720	56,731

(iv) Pension contributions

The company operates two pension schemes and a savings and investment plan under which contributions are paid by the employer and employees.

The Harmsworth Pension Scheme which is administered by the immediate parent company, Daily Mail and General Holdings Limited, is a defined benefit pension arrangement providing service related benefits on final pensionable salary. The assets of this scheme which are held independently from the finances of both the group and Daily Mail and General Holdings Limited, are administered by trustees. Pension costs are assessed on the advice of an independent qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent valuation of the principal scheme was at March 31 1998. The assumptions having the most significant effect on the results of the valuation are shown in the following table.

Price inflation	3% pa
Salary increases	4.75% pa
Pension increases	3% pa
Investment return	7.25% pa
Dividend growth	3.5% pa

On the advice of the actuary the 1998 valuation was carried out using a market related approach. This change is prompted by the Minimum Funding Requirement valuation basis introduced by the Pensions Act 1995 and the change in the pattern of UK shareholder returns. The new method will not, by itself, alter the funding level materially. The market value of the principal scheme's assets was £287 million as at March 31 1998, sufficient to cover 110% of accrued liabilities. The most recent valuation as at March 1999 puts the market value of the principal scheme's assets at £306 million.

The contribution rate paid by employees for the principal scheme is 5% of pensionable salaries. The company's contribution to this scheme is 12% of pensionable salaries. Over the estimated average service life of employees the pension cost to the company of its principal scheme is expected to represent 10% of pensionable salaries, before allowing for any benefit improvements which may be granted to members following the valuation.

4 Staff costs *continued*

(iv) Pension contributions *continued*

The Euromoney Pension Plan is a money purchase arrangement administered by an insurance company. The company contribution is 5.95% on earnings up to the State Upper Earnings Limit for National Insurance Contributions and 9.75% on earnings above this limit.

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 50% of employee contributions up to 5% of salary.

The pension charge for the year comprised:

	1999 £000's	1998 £000's
Harmsworth Pension Scheme	204	152
Euromoney Pension Plan	238	172
Private schemes	1,549	1,287
	1,991	1,611

5 Interest receivable

	1999 £000's	1998 £000's
Interest receivable from short-term investments	1,410	1,593

6 Interest payable and similar charges

	1999 £000's	1998 £000's
Bank overdrafts	99	121
ESOT loan	59	68
Secured loan stock	226	196
Revolving credit	4,312	4,729
Interest rate hedges	441	191
	5,137	5,305

7 Tax on profit on ordinary activities

	1999 £000's	1998 £000's
The tax charge is based on the profit for the year and is made up as follows:		
UK corporation tax at 30.5% (1998 - 31%)	6,060	7,047
Overseas tax	1,124	1,295
	7,184	8,342

The tax charge on profits from associated undertakings included above is £32,000 (1998 - £210,000).

The effective tax rate has increased this year due to non-allowable goodwill amortization that has been charged against profits. Excluding this goodwill charge, the effective rate of tax reflects losses on Internet Securities, Inc. and the tax allowable amortization of goodwill arising in the USA.

Notes to the Accounts *continued*

8 Dividends

	1999 £000's	1998 £000's
Interim paid 20p per share (1998 - 20p)	4,370	4,357
Final proposed 35p per share (1998 - 35p)	7,652	7,630
	12,022	11,987
ESOT dividend	(88)	(88)
	11,934	11,899

9 Earnings per share

	1999 £000's	1998 £000's
Basic earnings	15,063	22,549
Goodwill amortization	3,446	–
Profit on sale of discontinued operations	(893)	–
Adjusted earnings before goodwill amortization and profit on sale of discontinued operations	17,616	22,549
	Number 000's	Number 000's
Weighted average number of shares	21,836	21,733
Shares held by the Employees' Share Ownership Trust	(159)	(159)
	21,677	21,574
Effect of dilutive share options	67	98
Diluted weighted average number of shares	21,744	21,672
	Pence per share	Pence per share
Basic earnings per share	69.49	104.52
Effect of dilution	(0.22)	(0.47)
Diluted earnings per share	69.27	104.05
Effect of goodwill amortization	15.85	–
Effect of profit on sale of discontinued operations	(4.10)	-
Adjusted diluted earnings per share before goodwill amortization and profit on sale of discontinued operations	81.02	104.05

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

10 Intangible fixed assets

	Goodwill £000's
Cost	
Additions	25,404
At September 30 1999	25,404
Amortization	
Charge for the year	3,446
At September 30 1999	3,446
Net book value at September 30 *1999*	21,958

The goodwill arising in the year is principally attributable to the acquisition of Internet Securities, Inc. which is being amortized over a period of five years.

11 Tangible fixed assets

	Motor vehicles £000's	*Office* furniture *and* equipment £000's	Short-term *leasehold* premises £000's	*Freehold* premises £000's	Total £000's
Group					
Cost					
At October 1 1998	554	11,225	6,553	849	19,181
Exchange adjustment	-	209	119	-	328
Obtained on acquisition	-	1,581	-	-	1,581
Additions	95	2,097	94	13	2,299
Disposals	(161)	(4,819)	(65)	-	(5,045)
At September 30 1999	488	10,293	6,701	862	18,344
Depreciation					
At October 1 1998	190	7,734	2,763	97	10,784
Exchange adjustment	-	167	72	-	239
Obtained on acquisition	-	776	-	-	776
Charge for the year	101	2,454	525	17	3,097
Disposals	(99)	(4,681)	(11)	-	(4,791)
At September 30 1999	192	6,450	3,349	114	10,105
Net book value at September 30 1999	296	3,843	3,352	748	8,239
Net book value at October 1 1998	364	3,491	3,790	752	8,397

Notes to the Accounts *continued*

11 Tangible fixed assets *continued*

	Motor vehicles £000's	Office furniture and equipment £000's	Short-term leasehold premises £000's	Freehold premises £000's	Total £000's
Company					
Cost					
At October 1 1998	427	3,112	2,709	849	7,097
Additions	9	492	3	12	516
Transfers	–	478	248	–	726
Disposals	(60)	(1,135)	(36)	–	(1,231)
At September 30 1999	376	2,947	2,924	861	7,108
Depreciation					
At October 1 1998	151	1,587	617	96	2,451
Charge for the year	75	859	170	17	1,121
Transfers	–	364	111	–	475
Disposals	(44)	(1,121)	(36)	–	(1,201)
At September 30 1999	182	1,689	862	113	2,846
Net book value at September 30 1999	194	1,258	2,062	748	4,262
Net book value at October 1 1998	276	1,525	2,092	753	4,646

12 Fixed asset investments – group

	At October 1 1998 £000's	Additions £000's	Transfers £000's	At September 30 1999 £000's
Cost of shares	4,087	33	(4,009)	111
Share of post acquisition reserves	508	384	(1,397)	(505)
Dividends received	(417)	(348)	765	–
Goodwill	(4,076)	5	4,052	(19)
Investment in associated undertakings	102	74	(589)	(413)
Loans to associated undertakings	–	623	–	623
Transfer to provisions for liabilities and charges	–	(74)	487	413
ESOT investment in own shares	794	–	–	794
	896	623	(102)	1,417

The investment in own shares is held by the Euromoney Employees' Share Ownership Trust (ESOT). At September 30 1999 the ESOT held 158,604 shares carried at a historic cost of £5.01 per share with a market value of £2,827,116. Options have been granted on these shares which may be exercised at any time before January 19 2002. As part of these arrangements a loan facility of up to £804,000 has been granted to the trust guaranteed by the company. Interest and administrative costs are charged to the profit and loss account of the ESOT as incurred.

13 Fixed asset investments - company

	Subsidiaries £000's	Associated undertakings £000's	ESOT investment in own shares £000's	Other investments £000's	Total £000's
At October 1 1998	53,116	4,073	794	14	57,997
Additions	7,865	33	-	-	7,898
Transfers	4,073	(4,073)	-	-	-
At September 30 1999	65,054	33	794	14	65,895

The principal associated undertaking at September 30 1999 was Capital NET Limited whose principal activity was electronic database and hardcopy financial publishing.

The details of the principal subsidiary undertakings at September 30 1999 are as follows:

Direct	Proportion held	Principal activity	Country of incorporation and operation
Adhesion Limited	100%	Conventions	England
Business Traveller (Holdings) Limited	77.4%*	Holding company	England
Coaltrans Conferences Limited	95%	Conferences	England
Euromoney Corporate Profiles Limited	60%	Publishing	England
Euromoney Publications (Jersey) Limited	100%†	Publishing	Jersey
Euromoney Publications (Overseas) Limited	100%	Holding company	England
Euromoney US Holdings LP	100%	Holding company	USA
Glenprint Limited	100%	Publishing	England
InvestorAccess Limited	95%	Electronic media	England
Mondiale Corporation Limited	60%	Publishing	England
Mundy Perry Limited	80%	Publishing	England
The Petroleum Economist Limited	95%	Publishing	England
Tipall Limited	100%	Property holding	England
World Link Publications Limited	46%‡	Publishing	England

All holdings are of ordinary shares, except where noted.

*100% preference shares held.

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

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

Notes to the Accounts *continued*

13 Fixed asset investments - company *continued*

Indirect	Proportion held	Principal activity	Country of incorporation and operation
Adhesion et Associes SA	100%	Conventions	France
Business Conventions Internationale	100%	Conventions	France
Carlcroft Limited	95%	Publishing	England
EII Holdings, Inc.	100%*	Holding company	USA
Engel Publishing Partners	80%	Publishing	USA
Euromoney, Inc.	100%	Holding company	USA
Euromoney Massachusetts, Inc.	100%	Holding company	USA
Euromoney Training, Inc.	100%	Holding company	USA
Euromoney (Singapore) Pte Limited	100%	Training	Singapore
Institutional Investor, Inc.	100%	Publishing	USA
International Media Partners, Inc.	100%	Publishing	USA
Internet Securities, Inc.	80.88%	Electronic publishing	USA
Latin American Financial Publications, Inc.	100%	Publishing	USA
Lingua Franca, Inc.	88.75%	Training	USA
Med Ad, Inc.	100%	Holding company	USA
MIS Partners	50%	Training	USA
MIS Training, Inc.	50%	Training	USA
MIS Training (UK) Limited	50%	Training	England
Perry Publications Limited	77.4%	Publishing	England
Perry Publications, Inc.	77.4%	Publishing	USA
PREP Institute of America, Inc.	100%	Training	USA
Semaphore Europe Limited	88.75%	Training	England
System Security Limited	50%	Training	England

All holdings are of ordinary shares, except where noted.

*100% preference shares held.

14 Acquisitions and disposals

Acquisitions

In October 1998, the group acquired an additional 2.5% interest in Business Traveller (Holdings) Limited. The shares were acquired from N Perry, a director of Business Traveller (Holdings) Limited, and his immediate family, for a cash consideration of £96,000. Goodwill on this acquisition amounted to £92,000.

In May 1999, the group acquired an additional 1% interest in World Link Publications Limited. The shares were acquired from L Knobel, a director of World Link Publications, for a cash consideration of £25,000. Goodwill on this acquisition amounted to £24,000.

In January 1999, the group increased its equity shareholding in Mondiale Corporation Limited by 20% to 60%, for a consideration of £988,000 comprising cash of £106,000 and the issue of redeemable secured loan stock of £882,000, giving rise to additional goodwill of £984,000.

In January 1999, the group acquired an 80.88% holding in Internet Securities, Inc. (ISI) for a cash consideration of US$45 million (£27 million) of which US$11 million (£7 million) was a subscription for new share capital. After taking account of the fair value of the net assets acquired, goodwill on the acquisition amounted to £24 million. Provisionally, no fair value adjustments or accounting policy alignments were required.

	Book value and provisional fair values		
	ISI total £000's	Other total £000's	Total £000's
Fixed assets	667	41	708
Debtors	797	112	909
Bank loans	(750)	-	(750)
Cash at bank and in hand	5,391	78	5,469
Creditors	(1,788)	(223)	(2,011)
Loan stock	(748)	-	(748)
Net assets	3,569	8	3,577
Goodwill arising on acquisitions	24,087	1,317	25,404
Total consideration	27,656	1,325	28,981
Total cash consideration	27,656	443	28,099
Non-cash consideration	-	882	882
Total consideration	27,656	1,325	28,981
Subscription for new share capital	(7,000)	-	(7,000)
	20,656	1,325	21,981

During the period since acquisition, ISI utilized £3,467,000 of the group's net operating cash flows, paid £55,000 in respect of interest and paid £763,000 for capital expenditure.

Notes to the Accounts *continued*

14 Acquisitions and disposals *continued*

Acquisitions *continued*

The performance of ISI for the year to December 1998 and for the first month prior to acquisition is set out below. There were no other recognized gains or losses.

	Unaudited month ended January 31 1999 £000's	Audited year ended December 31 1998 £000's
Turnover	465	4,826
Operating loss	(327)	(3,938)
Interest	(10)	(50)
Loss before taxation	(337)	(3,988)
Taxation	–	–
Loss after taxation	(337)	(3,988)

Disposals

In March 1999, the group sold its investment in 100% Design Limited for a cash consideration of £743,000 and a maximum performance based deferred consideration of £2 million. A profit of £893,000 has been recognized on the disposal, which takes no account of the deferred consideration.

15 Debtors

	Group 1999 £000's	Group 1998 £000's	Company 1999 £000's	Company 1998 £000's
Amounts falling due within one year				
Trade debtors	28,760	28,787	14,957	16,808
Amounts owing from group undertakings	–	–	13,342	24,540
Other debtors	1,343	5,179	281	624
Prepayments and accrued income	3,839	5,349	1,372	1,367
	33,942	39,315	29,952	43,339
Amounts falling due after more than one year				
Other debtors	–	1,908	–	1,908
	33,942	41,223	29,952	45,247

16 Cash at bank and in hand

	Group 1999 £000's	Group 1998 £000's	Company 1999 £000's	Company 1998 £000's
	13,776	19,827	5,247	4,669

Included in the above are cash deposits held in escrow as security for redeemable loan stock which can be redeemed at par at the holder's option at various dates between October 1999 and July 2008. The amounts are set out below.

Funds held in escrow	4,482	3,600	4,482	3,600

17 Creditors: amounts falling due within one year

	Group 1999 £000's	Group 1998 £000's	Company 1999 £000's	Company 1998 £000's
Bank overdrafts	-	-	-	3,621
Bank loan	264	-	-	-
Redeemable secured loan stock	4,598	3,884	4,578	3,884
ESOT loan	804	804	804	804
Trade creditors	5,142	3,782	2,856	2,765
Due to immediate parent company	1,944	2,076	1,944	1,916
Due to other group undertakings	-	-	23,793	17,933
Other creditors	6,067	8,933	3,670	3,104
Corporation tax	7,541	13,493	2,886	6,903
Accruals	17,596	17,664	8,644	11,621
Deferred income	32,760	30,785	7,534	6,492
Proposed dividend	7,652	7,630	7,652	7,630
	84,368	89,051	64,361	66,673

18 Creditors: amounts falling due after more than one year

	Group 1999 £000's	Group 1998 £000's	Company 1999 £000's	Company 1998 £000's
Revolving credit	73,471	60,609	-	4,119
Bank loan	345	-	-	-
	73,816	60,609	-	4,119

19 Treasury

Overview

An overview of treasury policies is included within the Operating and Financial Review on pages 4 to 7. As permitted by FRS 13, comparative figures for the year ended September 30 1998 have not been provided since it is impracticable to do so. Short-term debtors and creditors have been excluded from the following disclosures other than the currency profile of monetary assets and liabilities.

Financial liabilities

	1999 £000's	1998 £000's
Bank loan	609	-
Redeemable secured loan stock	4,598	3,884
ESOT loan	804	804
Revolving credit	73,471	60,609
	79,482	65,297

Notes to the Accounts *continued*

19 Treasury *continued*

The redeemable secured loan stock can be redeemed at par at the holder's option at various dates between October 1999 and July 2008. Interest is payable at rates of between 0.5%-1% below LIBOR and at current money market rates. The loan stock is secured by cash deposits held in escrow (see note 16). The ESOT loan is repayable on January 28 2001, and bears interest at 1% above LIBOR.

The committed revolving credit facilities totalled US$170 million on September 30 1999 and reduce on the dates as set out below. The facilities that terminate on November 30 2002, carry interest at 0.35% to 0.50% over US dollar LIBOR and are secured on the assets of certain subsidiary undertakings.

	Facility amount US$ millions
November 30 1999	155
November 30 2000	130
February 23 2001	105
November 30 2001	75
November 30 2002	-

The bank loan is secured on the assets of Internet Securities, Inc. and carries interest at 1% to 1.5% over US dollar PRIME.

Maturity profile of financial liabilities

The maturity profile of the group's financial liabilities as at September 30 1999 was as follows:

	Loan stock £000's	Bank loans £000's	Revolving credit £000's	Total £000's
Amounts falling due:				
In one year or less or on demand	4,598	1,068	-	5,666
In more than one year but not more than two years	-	197	12,751	12,948
In more than two years but not more than five years	-	148	60,720	60,868
Gross financial liabilities	4,598	1,413	73,471	79,482

Borrowing facilities

The group's borrowing limit at September 30 1999 as defined in its Articles of Association was £125 million. The undrawn committed facilities available as at September 30 1999 in respect of which all conditions precedent had been met at that date were as follows:

	£000's
Expiring:	
In one year or less	21,313
In more than one year but not more than two years	2,429
Total	23,742

19 Treasury *continued*

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 1999 was as follows:

Currency	US dollars £000's	Sterling £000's	Total £000's
Floating rate	34,612	5,402	40,014
Fixed rate	39,468	–	39,468
	74,080	5,402	79,482

Of the fixed rate liabilities

Weighted average interest rate	6.17% per annum
Weighted average period for which the rate is fixed	2 years

Further protection is provided by an interest rate cap on US$10 million at 8% expiring on May 29 2002. The group also has a collar on US$15 million at 5.55% floor/7.5% cap expiring on March 29 2001.

Since the year end, the group entered a further interest rate swap with a forward start date of September 29 2000. The notional amount of the swap is US$20 million, its expiry date is September 29 2003 and the swap fixes interest on the notional amount at 6.57% per annum.

Currency and interest profile of financial assets

The group held the following financial assets as at September 30 1999.

	US dollars £000's	Sterling £000's	Other £000's	Total £000's
Escrow cash deposits (see note 16)	–	4,482	–	4,482
Cash deposits	2,469	5,399	1,426	9,294
	2,469	9,881	1,426	13,776

The group interest rate risk profile of financial assets as at September 30 1999 was as follows:

Currency	US dollars	Sterling	Other	Total
Floating rate	237	7,888	526	8,651
Non-interest bearing	2,232	1,993	900	5,125
	2,469	9,881	1,426	13,776

Floating rate cash deposits comprise bank deposits and funds placed on overnight money markets which earn returns linked to variable bank interest rates.

Notes to the Accounts *continued*

19 Treasury *continued*

Currency profile of net monetary assets

The table 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, other than certain non-sterling borrowings 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.

As at September 30 1999 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	–	–	1,054	1,054
US dollar	223	–	391	614
Other	8	1,060	257	1,325
Total	231	1,060	1,702	2,993

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 1999. Market values have been used to determine the fair value of all swaps, caps and foreign currency contracts. The fair values of all other items have been calculated by discounting expected future cash flows at prevailing interest rates.

	Book value £000's	Fair value £000's
Primary financial instruments held to finance the group's operations:		
Short term borrowings and current portion of long term borrowings	5,666	5,666
Long term borrowings	73,816	73,816
Cash deposits	(13,776)	(13,776)
	65,706	65,706
Derivative financial instruments held to manage the interest rate and currency profile of the group:		
Interest rate swaps	–	201
Interest rate caps and collars	–	9
	–	210
Derivative financial instruments held or issued to hedge the currency exposures on expected future sales:		
Currency swaps	–	7
Forward foreign currency contracts	–	485
	–	492

19 Treasury *continued*

Hedges

As explained in the operating and financial review on pages 4 to 7 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 US dollar revenues.

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

On September 30 1998 the group also entered into a tax equalization swap in order to neutralize 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$34 million in exchange for sterling maturing on September 30 1999.

This year the group has hedged this same risk by entering into a forward contract selling US dollars in exchange for sterling. The contract is for a 12 month period, maturing on September 29 2000 and is for a value of US$43 million.

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 1998	643	(1,071)	(428)
Gains and losses arising in previous years that were recognized in 1999	(636)	97	(539)
Gains and losses arising before October 1 1998 that were not recognized in 1999	7	(974)	(967)
Gains and losses arising in 1999 that were not recognized in 1999	794	875	1,669
Unrecognized gains and losses on hedges as at September 30 1999	801	(99)	702
Of which:			
Gains and losses expected to be recognized in the year to September 30 2000	569	(82)	487
Gains and losses expected to be recognized in the year to September 30 2001 or later	232	(17)	215

20 Provisions for liabilities and charges

	Institutional Investor, Inc. onerous lease provision £000's	Group share of net liabilities in associated undertakings £000's	Group total £000's
At October 1 1998	4,539	-	4,539
Used in the year	(1,465)	-	(1,465)
Exchange differences	141	-	141
Share of net liabilities in associated undertakings	-	413	413
At September 30 1999	**3,215**	**413**	**3,628**

The onerous lease provision is expected to be utilized within three years. The provision has not been discounted since the effect of discounting is not material.

Notes to the Accounts *continued*

21 Deferred taxation

The unrecognized deferred tax asset for the group and the company, comprised:

	Group not recognized 1999 £000's	Group not recognized 1998 £000's	Company not recognized 1999 £000's	Company not recognized 1998 £000's
Accelerated capital allowances	200	100	200	112
Other timing differences	981	1,473	-	-
	1,181	1,573	200	112

No provision has been made for taxes which could arise if subsidiary or associated undertakings were disposed of, or if overseas companies were to remit dividends to the UK in excess of those reflected in these accounts, as there is no current intention to remit further profits.

22 Called up share capital

	1999 £000's	1998 £000's
Authorised:		
28,000,000 ordinary shares of 1p each	280	280
Allotted and fully paid:		
21,860,352 (1998 - 21,800,879) ordinary shares of 1p each	219	218

During the year, 59,473 ordinary shares of 1p each with an aggregate nominal value of £594.73 were issued for a cash consideration of £786,140 following the exercise of share options granted under the company's share option scheme.

22 Called up share capital *continued*

Share options

The following options are outstanding at September 30 1999 and are options to subscribe for new ordinary shares of 1p each in the company, except those indicated (*) which are options to purchase ordinary shares of 1p each under the Euromoney ESOT.

Number of ordinary shares under option September 30 1999	October 1 1998	Option price £	Period during which option may be exercised
463	7,686	3.51	Before June 14 2000
3,000	3,000	5.13	Before December 5 2001
*143,860	143,860	5.98	Before January 19 2002
4,750	4,750	8.48	Before December 8 2002
12,000	16,750	14.07	Before November 29 2003
16,000	46,500	16.18	Before December 8 2004
142,742	142,742	14.16	Before June 19 2005
19,935	29,744	13.30	Before February 8 2006
96,065	118,256	13.30	Before February 8 2003
23,101	24,516	14.20	Between February 7 2000 and February 7 2007
41,649	50,234	14.30	Between February 24 2000 and February 24 2004
38,013	46,408	15.82	Between January 7 2001 and January 7 2008
78,987	86,092	15.82	Between January 7 2001 and January 7 2005
113,500	-	16.76	Between January 29 2002 and January 29 2009
40,000	-	15.83	Between February 11 2002 and February 11 2009
138,000	-	17.25	Between June 25 2002 and June 25 2009
912,065	720,538		

23 Statement of movements on reserves

Group

	Called up share capital £000's	Share premium account £000's	Capital redemption reserve £000's	Goodwill write off reserve £000's	Profit & loss account £000's
At October 1 1998	218	31,797	8	(158,976)	43,098
Goodwill transfer	-	-	-	158,976	(158,976)
At October 1 1998 as restated	218	31,797	8	-	(115,878)
Retained profit for the year	-	-	-	-	3,129
Foreign exchange translation differences	-	-	-	-	(3,107)
Tax on hedging loan translation	-	-	-	-	246
Exercise of share options	1	785	-	-	-
At September 30 1999	**219**	**32,582**	**8**	**-**	**(115,610)**

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 1999 is £172,893,000 (1998 - £169,447,000).

Notes to the Accounts *continued*

23 Statement of movements on reserves *continued*

Company

	Called up share capital £000's	Share premium account £000's	Capital redemption reserve £000's	Capital reserve £000's	Profit & loss account £000's
At October 1 1998	218	31,797	8	1,842	7,902
Retained loss for the year	–	–	–	–	(1,558)
Exercise of share options	1	785	–	–	–
At September 30 1999	219	32,582	8	1,842	6,344

24 Commitments

Acquisitions

The group has a number of contingent commitments under put options given to various parties under acquisition agreements estimated at an aggregate £9,500,000 at September 30 1999 (1998 – £12,500,000).

Operating leases

Annual commitments under operating leases at September 30 1999 are set out below.

Land and buildings	Group 1999 £000's	Group 1998 £000's	Company 1999 £000's	Company 1998 £000's
Operating leases which expire:				
Within one year	245	114	–	–
Between two and five years	4,240	4,110	225	127
Over five years	339	605	268	317
	4,824	4,829	493	444

25 Contingent liability

Claims in Malaysia

Four writs claiming damages for libel have been issued 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*, in November 1995. The writs were served on the company on October 22 1996. The total amount claimed is 280 million Malaysian ringgits (£45 million). No provision has been made in these financial statements as the directors do not believe that the company has any material liability in respect of these writs.

Claims in England and Wales

A claim related to the article published in *International Commercial Litigation* has been brought in England against the company and three of its employees. This claim seeks a 100% contribution towards damages and legal costs incurred in Malaysia by sources quoted in the article. The total amount claimed is 23 million Malaysian ringgits (£4 million). Leading counsel has advised that the company has good prospects of succeeding with its defence. On this basis no provision has been made in these financial statements.

26 Related party transcations

(i) The operating lease charge includes property rental payments amounting to £80,000 (1998 - £80,000) made to the president of MIS Training, Inc., a subsidiary undertaking.

(ii) Other operating charges include amounts for services provided by subsidiaries of the company's ultimate parent undertaking. See note 3 for further details.

(iii) During the year the group made a number of related party acquisitions. See note 14 for further details.

27 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, 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
Kensington
London W8 5TT

Five Year Record

Group profit and loss extracts

	1995 £000's	1996 £000's	1997 £000's	1998 £000's	1999 £000's
Turnover	*116,226*	*104,283*	*131,050*	*176,930*	*168,243*
Operating profit before goodwill amortization	15,276	23,366	29,306	35,212	28,433
Goodwill amortization	-	-	-	-	(3,446)
Operating profit	15,276	21,959	29,475	35,212	24,987
Share of profits in associated undertakings	1,135	349	303	585	416
Profit on disposal of subsidiaries	-	1,407	(169)	-	893
Net interest receivable/(payable)	1,807	1,789	729	(3,712)	(3,727)
Profit before taxation	18,218	25,504	30,338	32,085	22,569
Taxation	6,806	8,213	9,185	8,342	7,184
Profit after taxation	*11,412*	*17,291*	*21,153*	*23,743*	*15,385*
Minority interests	415	628	1,857	1,194	322
Available for shareholders	10,997	16,663	19,296	22,549	15,063
Dividends	9,639	9,877	10,905	11,899	11,934
Retained profit	1,358	6,786	8,391	10,650	3,129
Diluted earnings per share (as restated)	49.79p	76.11p	90.62p	104.05p	69.27p
Dividends per share (net)	43.50p	46.00p	51.00p	55.00p	55.00p

Group balance sheet extracts

	1995	1996	1997	1998	1999
Intangible fixed assets	-	-	-	-	21,958
Tangible fixed assets	7,072	5,582	10,142	9,293	9,656
Net current (liabilities)/assets	*5,736*	*3,428*	*(22,833)*	*(28,001)*	*(36,650)*
Creditors: amounts falling due after more than one year	(804)	-	(84,963)	(60,609)	(73,816)
Provisions for liabilities and charges	-	-	(5,806)	(4,539)	(3,628)
Net (liabilities)/assets	12,004	9,010	(103,460)	(83,856)	(82,480)

Earnings per share have been calculated on the basis of the following diluted weighted average number of ordinary shares for each year:

1995	21,949,196
1996	21,801,385
1997	21,262,102
1998	21,671,745
1999	21,744,517

Directors and Advisors

Chairman PM Fallon‡

Managing Director PR Ensor‡

Directors
The Fourth Viscount Rothermere*†
Sir Patrick Sergeant*‡§
CJF Sinclair*†‡
NF Osborn
DC Cohen
CR Brown
GB Strahan
JP Williams*§
JC Botts*†‡§
CR Jones
E Bounous
R Jell
SM Brady
RT Lamont
S Cox

*non-executive
†member of the remuneration committee
‡member of the nominations committee
§member of the audit committee

President Sir Patrick Sergeant

Company Secretary CR Jones

Registered Office Nestor House, Playhouse Yard, London EC4V 5EX

Registered Number 954730

Auditors Deloitte & Touche, Hill House, 1 Little New Street, London EC4A 3TR

Solicitors Nabarro Nathanson, Lacon House, Theobald's Road, London WC1X 8RW

Stockbrokers Warburg Dillon Read, 1 Finsbury Avenue, London EC2M 2PP

Depositary Banque Internationale à Luxembourg SA, 2 Boulevard Royal, 2953 Luxembourg

Agents of the Depositary
Citicorp Investment Bank (Switzerland), Bahnhofstrasse 63, PO Box 224, CH 8021 Zurich
Citibank NA, Citibank House, 336 Strand, London WC2R 1HB
Citibank NA, Avenue de Tervuren 249, B1150 Brussels

Registrars IRG plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ