

Annual Report & Accounts 2000

Euromoney Institutional Investor PLC

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Queen's Award for Export Achievement 1999
to Euromoney Publications PLC

Chairman's Statement

Your company had a strong year. Operating profits rose 27% to a record £40.7 million before new media investment and goodwill amortization. Turnover rose by 14% to £192 million, also a record.

New media investment rose from £3.7 million to £8.2 million. After charging this, and goodwill amortization of £5.5 million, net profit before tax was £22.6 million, the same as last year.

The directors recommend a final dividend of 9.75p, making a total of 14.75p, a record, against 13.75p.

Diluted earnings a share were 16.2p against 17.3p, while adjusted diluted earnings a share increased by 10% to 22.2p. All earnings and dividend figures have been adjusted to reflect the company's four-for-one share split approved by shareholders in July.

While profits in the first half recovered strongly, driven largely by cost savings implemented in 1999, the recovery in revenues was held back by a patchy recovery from the financial markets crisis of 1998. Growth in the second half was much stronger, with revenues increasing 20% to £108 million, helped by a strong US dollar and the performance of new businesses.

Profits from international financial publishing increased by a third to £21.4 million. Both *Euromoney* and *Institutional Investor* demonstrated the strengths of their brands in their respective markets, recovering well from 1999, and finishing close to their previous records. Traffic on *euromoney.com* increased sharply during the year. *Corporate Finance*, *Euroweek* and *Project Finance* also performed well while titles exposed to regional markets, particularly *Asiamoney* and *Latin Finance*, continued to suffer.

The international business publishing division increased profits 6% to nearly £10 million. Engel, the pharmaceutical publishing business, continued its impressive record with a 55% increase in profits. Petroleum Economist's profits recovered sharply and World Link had an excellent result following a record Davos millennium issue. Profits of the legal publishing business fell in the second half because of a reorganization.

Training was the best performing division with profits nearly doubling to £6.7 million after a slow first half. Financial training's revenues and profits improved significantly across all its markets, after a difficult 1999. MIS Training Institute, the U.S. based technology training business, increased profits nearly 38% to £2.2 million, benefiting from customers' increased focus on the security issues and risks from the internet. The 3% increase in profits from conferences and seminars would have been greater but for start-up losses from the launch of three additional membership groups and a new conference stream at Institutional Investor.

The group invested £9.4 million in the year in new businesses, all of which was charged against profits. Most of the investment was in new media, particularly Internet Securities (ISI), the emerging markets information service acquired in 1999. The performance of ISI has been encouraging since the management team has been strengthened: net new annual subscription sales totalled £1.8 million compared to £1.1 million in 1999 and year on year revenue growth was 20%. The excellent subscriber retention rate improved further and usage of the service by customers has nearly doubled. During the second half ISI also completed two small acquisitions which should help revenue growth this year.

Chairman's Statement continued

Investment in other new media has largely focused on using existing content to create new products or add value to existing services. Examples include *Peoplemoves.com*, a global online directory of people in financial markets, *PharmaLive.com*, a news and database service covering marketing and research and development in the pharmaceutical industry, and *iisearches.com*, a marketing and research database for investment managers. The group spent £1.2 million launching new products in traditional media, including four new business magazines and a number of newsletters and journals from Institutional Investor.

At September 30, net debt was £73.5 million, an increase of £7.8 million since last year-end, of which £7.7 million was due to the fall in the year-end US dollar rate. The company spent £7.3 million increasing its investments in MIS, Mondiale and Business Traveller, while a further £6.3 million was invested in ISI to cover acquisitions, new businesses and operating losses. In September, the group arranged fresh banking facilities in tandem with Daily Mail & General Trust plc, which owns 71% of the company.

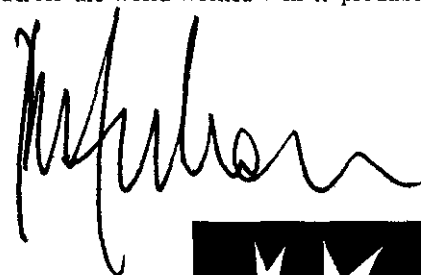
The initial outlook for 2001 appears encouraging. Revenues for the first three months, although traditionally the least important quarter of the year, are showing further growth compared to the same period last year when the recovery in financial markets was still patchy. Investments in new media are expected to continue at a similar level to last year.

We welcomed John Bolsover, chairman of Baring Asset Management; Diane Alfano of Institutional Investor and Gary Mueller of ISI to the board during the year.

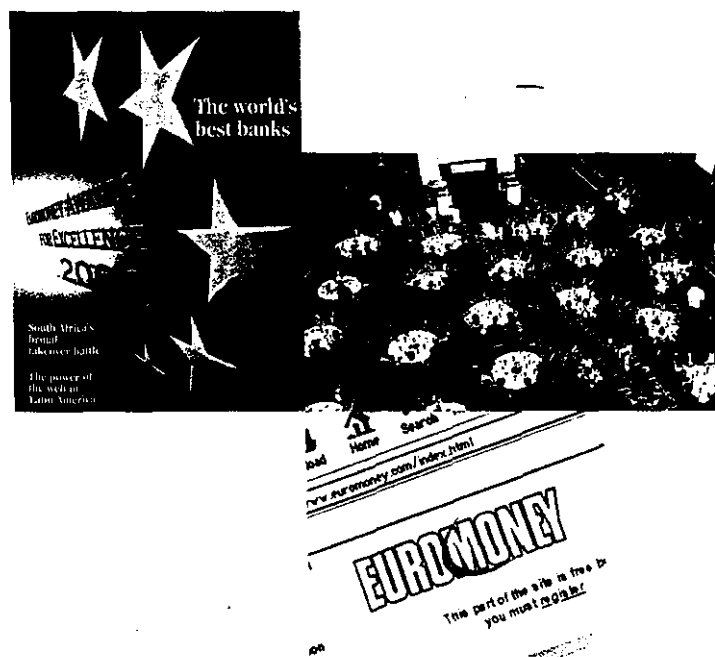
Our colleagues in our businesses across the world worked well to produce good progress, and I thank them on your behalf.



Padraic Fallon
Chairman
November 28 2000



Euromoney Institutional
Investor website
euromoneypic.com
euromoney.com
iimagazine.com
securities.com



Operating & Financial Review

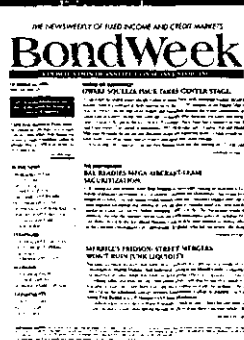
Operating and financial review

In 2000, the recovery of the international financial markets, as well as other sectors such as energy, provided a more benign environment for advertising revenues while delegate fees for the event businesses have performed well and internet subscription income has grown strongly. However, the improvement in advertising revenues has not been seen by all the financial titles and the regional titles operating in Latin America, Asia and Central Europe have continued to find trading difficult. Event businesses have been less affected regionally and training has performed very well in Hong Kong, Boston and New York, as well as London. The performance of the other sectors in which the company operates has been more varied. The pharmaceutical business, for example, had another excellent year while legal publishing was disappointing.

Electronic publishing

During the year the company's internet strategy has become more focused. Many of the sites are being linked together under the umbrellas of the Euromoney and Institutional Investor brands. This has helped to improve traffic growth and thus the scope for building advertising revenues. However, the revenue model has increasingly been aimed at building subscription income to the sites, particularly ISI; growing subscription income and improving renewal rates to the underlying magazines through the sites; and building sites such as *iisearches.com* and *Peplemoves.com* that provide a particular function to the user base such as the selection of a fund manager or the provision of an online directory. Sites such as *euromoney.com* have also concentrated on building online communities to match the underlying communities that are served within the financial markets. In addition, ISI launched a local financial portal in Poland - *euromoney.pl* which has begun to show rapid growth in traffic and some local advertising revenue.

Financial and business publishing websites
aircraftconomics.com
airfinancejournal.com
airtrafficmanagement.com
asialaw.com
asiamoney.com
assetfinance.com
centraleuropean.com
corporatefinancemag.com
corporatelocation.com
emergingmarkets.org
euromoney.com
euromoneybooks.com
euromoneydirectory.com
euromoneyfunds.com
euroweek.com
evantagenow.com
ew-sfi.com
globalinvestormagazine.com



Operating & Financial Review *continued*

Linking the sites is also enabling technology to be shared and therefore costs to be reduced. However, generating advertising revenues is proving highly competitive so expenditure on site development is being closely monitored.

Acquisitions

The early part of the year was spent in absorbing the acquisition of ISI. In the second half ISI made two small acquisitions, an information aggregator in Mexico which is being merged into the service, and a business to business publisher in Poland which provides content for the Polish domestic portal. ISI also continued to build its own content generation team through the acquisition of a small Central European based information company.

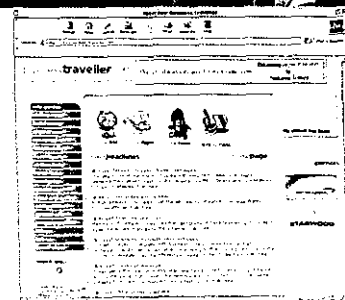
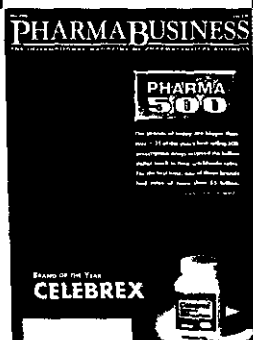
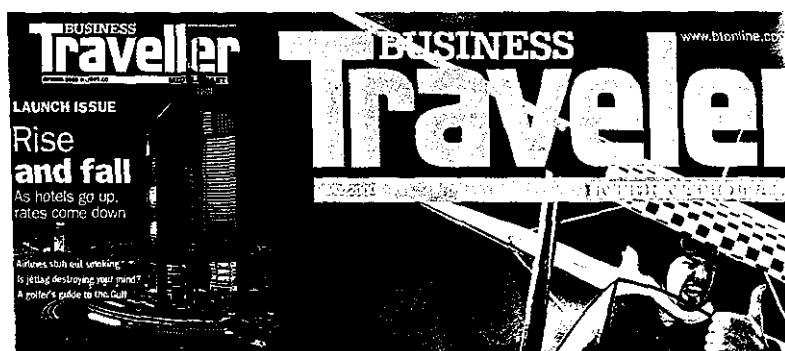
A number of major possible acquisitions were also considered in the second half and the company will continue to look for suitable opportunities.

Management

Two new executive directors were appointed to the board of the company in July of this year; the chief executive of ISI and the managing director of the Institutional Investor conference business. A new director of business development was appointed in the second half of the year who took over responsibilities for the acquisition programme and a new director of marketing joined the company just after the year end.

The internal training programmes have been maintained and expanded as has our policy of hiring and training good graduates for both editorial and sales positions who may all in due course become publishing managers of our businesses. A training programme for new sales people – the sales university – started at year end. During the first part of the year in particular

Financial and business publishing websites continued
globaltelecombusiness.com
iflr1000.com
iflnet.com
iimagazine.com
iinews.com
internationaltaxreview.com
latinfinance.com
legalmediagroup.com
mipnetwork.com
netlawreview.com
opi.net
petroleum-economist.com
portdevelopment.net
projectfinancemagazine.com
reactions.co.uk
tradefinancemag.com
worldlawbusiness.com
worldlink.co.uk



Operating & Financial Review *continued*

we found that competition from dotcom businesses and others made the employment market even more competitive and was one factor in increasing our staff turnover, a trend we wish to reverse during the present year. In response we introduced an equity incentive scheme for the key individuals in many of the electronic businesses.

Marketing and circulation

We have continued to spend heavily on subscription marketing and on developing the central marketing database (Eden). Subscription income has been affected by weaknesses in renewal rates, especially in the first part of the year, which we have been working hard to reverse. Eden continues to perform satisfactorily and we will further enhance its capabilities and performance.

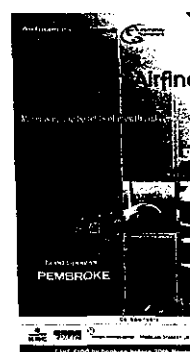
New businesses

We continue to offer financial incentives to encourage the internal development of new businesses. In the past year Institutional Investor has been particularly active with the launch of new newsletters and new membership businesses while the group as a whole has launched four new magazines. A number of new electronic businesses have also been launched.

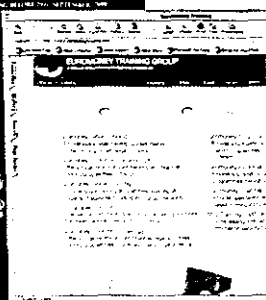
Risk management

The company has continued to develop its processes for risk management and has taken deliberate action during the year to address a number of significant risks and improve its processes. Management of significant risks has regularly been on the agenda of the board and other senior management meetings. A recent external review found the organisation to be highly resilient

Conferences and
seminars websites
adhes.com
business-meetings.co.uk
coaltrans.com
euromoneyconferences.com
iiconferences.com



Training and
consultancy websites
euromoneytraining.com
emwebtraining.com
euromoneyleasetraining.com
influent.com
misti.com
sema4usa.com
sema4europe.com
svstem-security.co.uk



Operating & Financial Review *continued*

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.

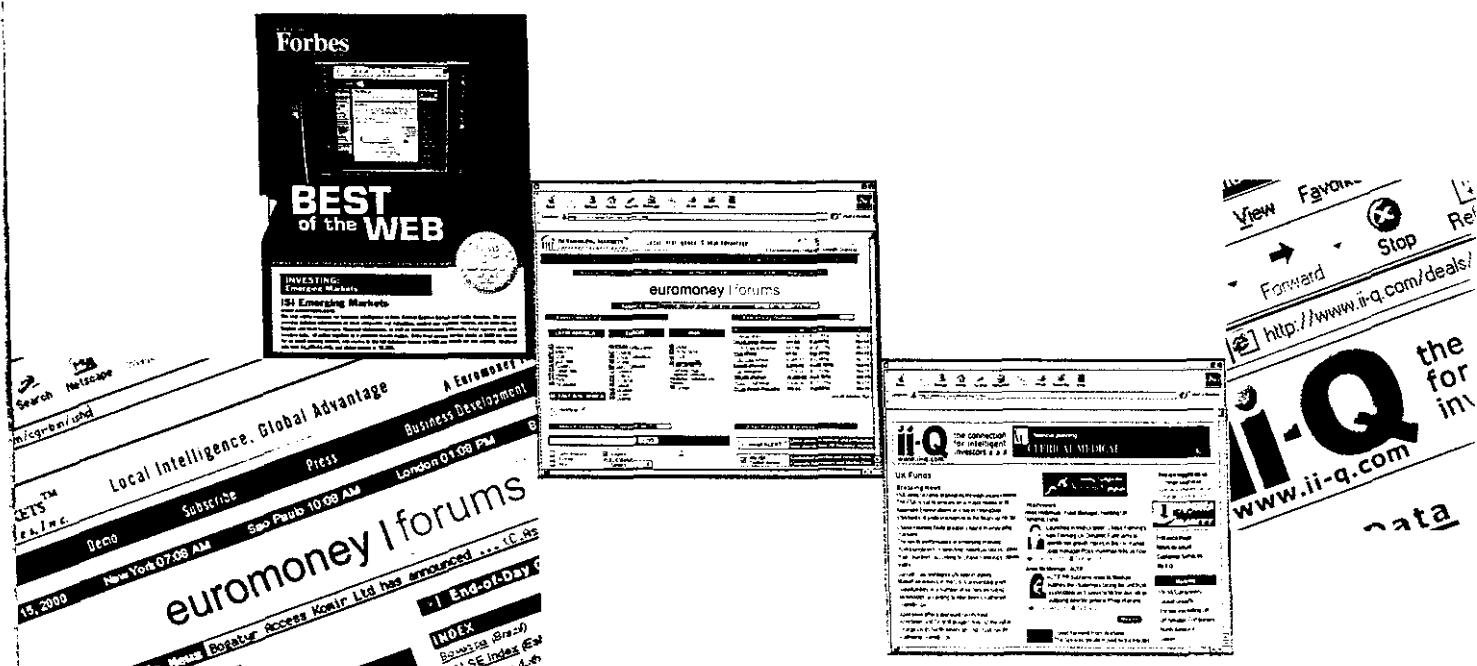
Interest rate swaps and caps are used to manage the group's exposure to fluctuations in interest rates on its floating rate borrowings. The maturity profile of these derivatives is matched with the expected future debt profile of the group. The group's policy is to fix approximately 50-75% of its term debt. At September 30 2000 the group had 63% of its net debt fixed by the use of interest rates 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 hedge for the translation of the net assets of overseas subsidiaries.

Approximately 75% 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 series of forward contracts in place up to 12 months forward.

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

Databases and information services websites
businessstraveller.com
capitaldata.com
capn.com
deal-watch.com
e-roadshows.com
euromoney.pl
ii-q.com
investoraccess.com
peoplemoves.com
pharmalive.com
privateequityonline.com
securities.com



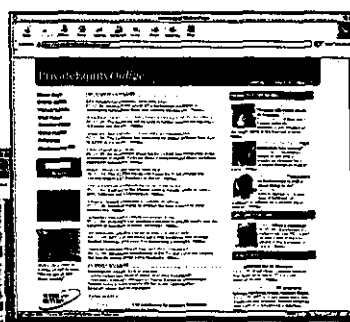
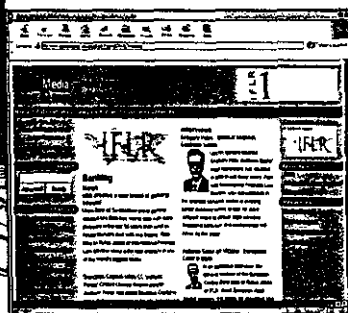
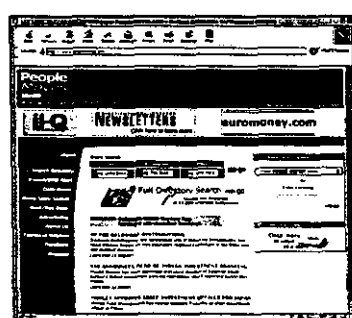
Operating & Financial Review *continued*

The group's effective tax rate decreased to 25.7% (excluding the effect of goodwill amortization) compared to 27.6% in 1999 due to a change in the mix of taxable profits. The UK benefited from a reduction in the UK corporation tax rate from 31% to 30% for the full year. The overall rate for the year reflects the benefit of the tax amortization of goodwill arising in the US.

Generally under UK corporation tax rules all exchange gains and losses are taxable on an accruals basis. To hedge the cash flow effect of the tax on these exchange gains and losses, the group has entered into a forward contract selling US\$7 million in exchange for sterling, maturing on September 29 2001. The cash flow consequence of a movement in exchange rates, which creates a taxable gain or loss, is eliminated by the cash effect of an equal gain or loss on the forward contract.

Richard Ensor

Richard Ensor
Managing Director
November 28 2000



Directors' Report

The directors submit their annual report and group accounts for the year ended September 30 2000.

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.

Principal activities and business review

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

Group results and dividends

The group profit for the year attributable to shareholders amounted to £14,285,000. The directors recommend a final dividend of 9.75 pence per ordinary share, payable on January 19 2001 to shareholders on the register on December 15 2000. This, together with the interim dividend of 20 pence per ordinary share (or 5 pence after the sub-division of shares) which was declared on May 24 2000 and paid on July 3 2000, brings the total dividend payable to 14.75 pence per ordinary share.

Directors and their interests

The directors who served during the year are listed on page 54. R Jell resigned as a director on May 31 2000. Following best practice under corporate governance, a resolution was passed at the last annual general meeting amending the company's articles to require all directors to subject themselves for re-election every three years. Accordingly, PM Fallon, PR Ensor, NF Osborn, DC Cohen, CR Brown, GB Strahan, JC Botts, CR Jones and E Bounous will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. Also as required by the articles of association concerning age, Sir Patrick Sergeant will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election. On May 24 2000 JD Bolsover was appointed a non-executive director and on July 14 2000 G Mueller and D Alfano were appointed executive directors. 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 16 to 22.

Significant shareholdings

At November 28 2000, 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 | 62,147,624 | 70.84 |
| Prudential Corporation group of companies | 5,009,048 | 5.70 |

Banque Internationale à Luxembourg SA has issued international depository receipts in bearer form in respect of a total of 1,314,000 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 company's next annual general meeting. A resolution to renew this authority for a further period will be put to shareholders at this meeting.

Sub-division of shares

By an ordinary resolution passed at an extraordinary general meeting on July 14 2000, each ordinary share of 1p each in the capital of the company was sub-divided into four new ordinary shares of 0.25p each with effect from July 19 2000.

Political and charitable contributions

During the year the group made £46,000 (1999 - £42,000) 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 in the savings related share option scheme.

Supplier payment policy

Each Euromoney Institutional Investor business agrees payment terms with its suppliers on an individual basis and it is group policy to make payments in accordance with these terms. The company had 52 days of purchases in creditors at September 30 2000 (1999 - 55 days).

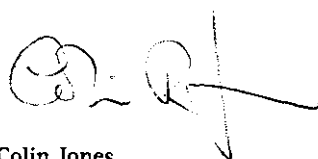
Auditors

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

Annual general meeting

The company's annual general meeting will be held on January 18 2001.

By order of the board



Colin Jones
Company Secretary
November 28 2000

Corporate Governance

The company is committed to high standards of corporate governance.

The Combined Code on corporate governance is part of the listing rules of the UK Listing Authority. The paragraphs below and in the Remuneration Report on pages 16 to 22 set out how the company has applied the principles laid down by the Code. The company has substantially complied with the Code, save for a few exceptions disclosed in the directors' compliance statement on page 15.

As permitted by the UK Listing Authority, the company has complied with Code provision D.2.1 on internal control in accordance with the ICAEW's guidance for directors on *Internal Control and Financial Reporting* that was issued in December 1994.

Directors

Board

Details of directors who served during the year are set out in the directors' report on page 10. The board comprises the chairman, managing director, eleven other executive directors and six non-executive directors. Of the six non-executive directors, two are independent whilst the remaining four are also directors of Daily Mail & General Trust plc. There are clear divisions of responsibility within the board such that no one individual has unfettered powers of decision. There is a procedure for all directors in the furtherance of their duties to take independent professional advice, at the company's expense. They also have access to the advice and services of the company secretary. All directors submit themselves for re-election at least once every three years. The board meets every two months 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 Viscount Rothermere is chairman of Daily Mail & 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. He is a non-executive director of Daily Mail & General Trust plc. CJF Sinclair and JP Williams are executive directors of Daily Mail & 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 and Amerindo Internet Fund plc. He was formerly head of Citicorp's investment banking business in Europe. JD Bolsover is chairman and chief executive of Baring Asset Management Holdings Limited.

Executive committee

Chaired by the company's 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; Sir Patrick Sergeant, CJF Sinclair, and JC Botts.

Corporate Governance *continued*

Remuneration committee

The remuneration committee meets twice a year and additionally as required. It is responsible for determining the contract terms, remuneration and other benefits for executive directors, including performance related profit share schemes. The composition of the committee, details of directors' remuneration and interests in share options, together with information on directors' service contracts, are set out on pages 16 to 22.

Communication with shareholders

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

Audit and internal control

The Combined Code introduced a requirement that directors review the effectiveness of the group's system of internal controls. This requirement extends the directors' review to cover all controls including operational, compliance and risk management, as well as financial. Guidance for directors *Internal Control Guidance for Directors on the Combined Code* (the Turnbull guidance) was published in September 1999. However, the directors have taken advantage of the UK Listing Authority's transitional rules and have continued to review and report upon internal financial controls in accordance with the ICAEW's 1994 guidance *Internal Control and Financial Reporting*.

The board has modified its existing risk management and internal control processes necessary to implement the Turnbull guidance, such that the company can fully comply with it for the financial year ending September 30 2001.

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 2000. It has considered the major business and financial risks, the control environment and the results of the internal auditor'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 and are also available on the group's intranet.

Annual forecast process

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

Corporate Governance *continued*

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

Internal audit

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

Corporate Governance *continued*

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

The directors confirm that these requirements have been satisfied.

Statement by the directors on compliance with the Combined Code

The listing rules require the board to report on compliance with the 45 provisions of the Combined Code throughout the accounting period. Save for the limited exceptions outlined below, the group has complied throughout the financial year ended September 30 2000, with the provisions set out in Section 1 of the Combined Code.

Provisions A.3.1 and A.3.2 require 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 nineteen directors of which six are non-executive. Four of the six non-executive directors are also directors of Daily Mail & General Trust plc, the parent undertaking of Euromoney Institutional Investor PLC. The board does not consider that the relationship with Daily Mail & General Trust plc has any influence on the independence of the non-executive board members in question.

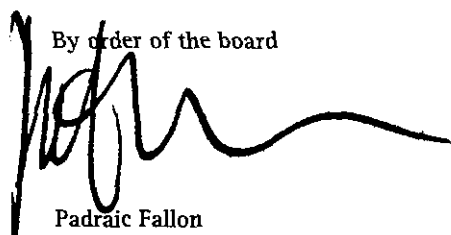
Contrary to provision A.2.1, the board has not identified a senior non-executive director as the directors are of the opinion that all matters relating to the effective governance of the group must be dealt with by the board as a whole.

Provisions B.2.2 and D.3.1 require the remuneration and audit committees to comprise entirely of independent non-executive directors. Both committees comprise three non-executive directors, two of whom are also directors of Daily Mail & 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 UK Listing Authority, 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.

By order of the board



Padraic Fallon

Chairman

November 28 2000

Report by the Board to Shareholders on Directors' Remuneration

Remuneration committee

The remuneration committee was established in 1993. The current members are The Viscount Rothermere, its chairman, JC Botts and CJF Sinclair. All are non-executive directors of the company. The Viscount Rothermere and CJF Sinclair are directors of Daily Mail & 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, so do their profit shares. The profit shares of executive directors and senior managers make up much of their total pay. For example, of the total remuneration of the fourteen executive directors who served in the year, 59% was derived from profit shares.

The creation of shareholder value is also encouraged through an executive share option scheme. The company's previous scheme was approved by shareholders in 1985 and expired in 1995, although options granted under this scheme may be exercised before various dates through to 2005. A new executive share option scheme was approved by shareholders in January 1996 and the performance criteria under which options granted under this scheme may be exercised are set out on page 22.

During the year share options were granted to S Cox. 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.

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.

Directors' remuneration

| | Year to September 30 | | | | | |
|--------------------------------|----------------------|-----------------------------|----------------------|--------------|--------------------|--------------------|
| | Fees £ | Salary and benefits £ | Profit share £ | Pension £ | 2000 Total £ | 1999 Total £ |
| Executive directors | | | | | | |
| PM Fallon | 26,519 | 128,987 | 1,092,579 | 728,800 | 1,976,885 | 1,822,184 |
| PR Ensor | 26,519 | 109,216 | 950,834 | 408,550 | 1,495,119 | 1,346,583 |
| NF Osborn | — | 96,329 | 289,563 | 14,558 | 400,450 | 272,899 |
| DC Cohen | — | 73,475 | 279,888 | 69,785 | 423,148 | 197,216 |
| CR Brown | — | 110,079 | 320,500 | 12,579 | 443,158 | 389,270 |
| GB Strahan | — | 66,429 | 26,805 | 34,355 | 127,589 | 114,804 |
| DS Levin | — | — | — | — | — | 99,672 |
| E Bounous | — | 69,508 | 240,661 | 5,396 | 315,565 | 267,132 |
| R Jell | — | 34,160 | 37,447 | 3,060 | 74,667 | 99,810 |
| CR Jones | — | 152,349 | 64,115 | 12,876 | 229,340 | 166,656 |
| RT Lamont | — | 111,017 | 206,747 | 2,776 | 320,540 | 104,880 |
| SM Brady | — | 85,508 | 100,307 | 7,135 | 192,950 | 37,237 |
| S Cox | — | 111,534 | 40,912 | 13,348 | 165,794 | — |
| D Alfano | — | 19,676 | 38,036 | 246 | 57,958 | — |
| G Mueller | — | 23,235 | 8,859 | — | 32,094 | — |
| Non-executive directors | | | | | | |
| The Viscount Rothermere | 26,519 | — | — | — | 26,519 | 25,788 |
| Sir Patrick Sergeant | 53,038 | 21,544 | — | — | 74,582 | 62,615 |
| CJF Sinclair | 26,519 | — | — | — | 26,519 | 25,788 |
| T Hosomi | — | — | — | — | — | 6,364 |
| JP Williams | 26,519 | — | — | — | 26,519 | 25,788 |
| JC Botts | 29,766 | — | — | — | 29,766 | 28,819 |
| JD Bolsover | 9,440 | — | — | — | 9,440 | — |
| | 224,839 | 1,213,046 | 3,697,253 | 1,313,464 | 6,448,602 | 5,093,505 |

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 shares waived were paid into private pension schemes on the directors' behalf. The remuneration of R Jell is his remuneration until his resignation on May 31 2000. The remuneration of S Cox is from his appointment on October 12 1999. The remuneration of D Alfano and G Mueller is from their appointment on July 14 2000.

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

Directors' pensions

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

Pension contributions

| | Harmsworth Pension Scheme £ | Contributions to Euromoney Pension Plan £ | Private schemes £ | Total £ |
|------------|--------------------------------------|---|-------------------------|------------|
| Director | | | | |
| PM Fallon | — | — | 728,800 | 728,800 |
| PR Ensor | 8,550 | — | 400,000 | 408,550 |
| NF Osborn | — | 5,884 | 8,674 | 14,558 |
| DC Cohen | — | 4,785 | 65,000 | 69,785 |
| CR Brown | 12,579 | — | — | 12,579 |
| GB Strahan | — | 4,355 | 30,000 | 34,355 |
| E Bounous | — | 5,396 | — | 5,396 |
| R Jell | 3,060 | — | — | 3,060 |
| CR Jones | 12,876 | — | — | 12,876 |
| RT Lamont | — | — | 2,776 | 2,776 |
| SM Brady | — | 7,135 | — | 7,135 |
| S Cox | 13,348 | — | — | 13,348 |
| D Alfano | — | — | 246 | 246 |
| | 50,413 | 27,555 | 1,235,496 | 1,313,464 |

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 | 3,466 | 50,343 | 35,664 |
| CR Brown | 5,083 | 58,426 | 28,714 |
| R Jell | 489 | 6,432 | 5,979 |
| CR Jones | 6,046 | 51,266 | 11,072 |
| S Cox | 2,135 | 12,596 | 2,135 |

The accrued annual pension entitlement is that which would be paid annually on retirement based on service to September 30 2000 and ignores any increase for future inflation. The transfer values represent a potential liability of the company, not a sum paid or due to the individual director, and have been calculated on the basis of actuarial advice in accordance with the Actuarial Note GN11 less directors' contributions. The normal retirement age for the Harmsworth Pension Scheme is 62 years.

Report by the Board to Shareholders on Directors' Remuneration continued

Directors' interests

The interests of the directors and their families in the ordinary shares of the company and its subsidiaries as at September 30 2000 and October 1 1999 were as follows:

| | Ordinary shares of 0.25p each | |
|----------------------|-------------------------------|-------------------|
| | September 30 2000 | October 1 1999 |
| PM Fallon | 848,652 | 696,272 |
| PR Ensor | 203,000 | 123,000 |
| Sir Patrick Sergeant | 287,804 | 370,704 |
| CJF Sinclair | 4,000 | 4,000 |
| NF Osborn | 43,420 | 28,384 |
| DC Cohen | 28,044 | 16,416 |
| GB Strahan | 29,448 | 13,228 |
| JP Williams | 1,000 | 1,000 |
| E Bounous | 4,300 | - |
| RT Lamont | 10,000 | - |

At September 30 2000, Sir Patrick Sergeant also had a non-beneficial interest in 82,900 ordinary shares of the company. At September 30 2000 GB Strahan was beneficially interested in 500 'A' ordinary shares of Coaltrans Conferences Limited and G Mueller was beneficially interested in 659,999 shares of Internet Securities Inc, subsidiaries of the company.

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

| | Ordinary shares of 12.5p each September 30 2000 | October 1 1999 | 'A' ordinary non-voting shares of 12.5p each September 30 2000 | October 1 1999 |
|-------------------------|--|-------------------|--|-------------------|
| The Viscount Rothermere | 11,817,632 | 11,817,632 | 76,809,166 | 83,865,464 |
| PM Fallon | 4,000 | 4,000 | 36,000 | 36,000 |
| Sir Patrick Sergeant | 4,000 | 4,000 | 80,000 | 80,000 |
| CJF Sinclair | - | - | 242,372 | 261,124 |
| JP Williams | - | - | 70,008 | 63,896 |

JP Williams holds Unsecured Loan Notes 2014 to the value of £3,712.

In addition, The Viscount Rothermere had non-beneficial interests as a trustee at September 30 2000 in 5,540,000 'A' ordinary non-voting shares of 12.5p each (1999 - 7,000,000 shares) plus 674,208 ordinary shares (1999 - 674,208 shares).

Daily Mail & General Trust plc has been notified that, under section 204 of the Companies Act 1985 and including the interests shown in the table above, Viscount Rothermere is deemed to have been interested in 12,556,764 ordinary shares of 12.5p each (1999 - 12,556,764 of 12.5p each).

At September 30 2000, The 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.

CJF Sinclair and JP Williams had options over 205,000 and 187,000 'A' ordinary non-voting shares in Daily Mail & General Trust plc at September 30 2000 respectively (1999 - 162,000 and 172,000 respectively). The Viscount Rothermere had options over 96,000 'A' ordinary non-voting shares in Daily Mail & General Trust plc at September 30 2000 (1999 - 60,000).

There have been no changes in directors' interests since October 1 2000.

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

Directors' share options

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

All figures have been restated for the subdivision of ordinary shares of 1p each into four new ordinary shares of 0.25p each.

| | Number of options | | | Exercise price | Date from which exercisable | Expiry date |
|------------|-------------------|---------------------|-----------------------|----------------|-----------------------------|-------------|
| | At start of year | Granted during year | Exercised during year | | | |
| PM Fallon | 352,380 | — | (352,380) | £1.49 | — | — |
| | 346,268 | — | — | £3.54 | now | 19.06.05 |
| | 85,000 | — | — | £3.95 | 11.02.02 | 11.02.09 |
| | 255,000 | — | — | £4.31 | 25.06.02 | 25.06.09 |
| | 1,038,648 | — | (352,380) | 686,268 | | |
| PR Ensor | 176,192 | — | (176,192) | £1.49 | — | — |
| | 173,136 | — | — | £3.54 | now | 19.06.05 |
| | 75,000 | — | — | £3.95 | 11.02.02 | 11.02.09 |
| | 225,000 | — | — | £4.31 | 25.06.02 | 25.06.09 |
| | 649,328 | — | (176,192) | 473,136 | | |
| NF Osborn | 17,620 | — | (17,620) | £1.49 | — | — |
| | 17,316 | — | — | £3.54 | now | 19.06.05 |
| | 8,000 | — | — | £3.95 | 07.01.01 | 07.01.05 |
| | 42,936 | — | (17,620) | 25,316 | | |
| DC Cohen | 11,628 | — | (11,628) | £1.49 | — | — |
| | 5,888 | — | — | £3.54 | now | 19.06.05 |
| | 12,000 | — | — | £3.95 | 07.01.01 | 07.01.05 |
| | 29,516 | — | (11,628) | 17,888 | | |
| CR Brown | 16,000 | — | — | £3.51 | now | 29.11.03 |
| | 11,044 | — | — | £3.54 | now | 19.06.05 |
| | 100,000 | — | — | £3.32 | now | 08.02.03 |
| | 12,000 | — | — | £3.95 | 07.01.01 | 07.01.05 |
| | 28,000 | — | — | £4.19 | 29.01.02 | 29.01.09 |
| | 167,044 | — | — | 167,044 | | |
| GB Strahan | 17,620 | — | (17,620) | £1.49 | — | — |
| | 17,316 | — | — | £3.54 | now | 19.06.05 |
| | 8,000 | — | — | £3.95 | 07.01.01 | 07.01.05 |
| | 42,936 | — | (17,620) | 25,316 | | |
| CR Jones | 8,448 | — | — | £3.55 | now | 07.02.07 |
| | 31,552 | — | — | £3.57 | now | 24.02.04 |
| | 12,000 | — | — | £3.95 | 07.01.01 | 07.01.05 |
| | 32,000 | — | — | £4.19 | 29.01.02 | 29.01.09 |
| | 60,000 | — | — | £4.31 | 25.06.02 | 25.06.09 |
| | 144,000 | — | — | 144,000 | | |

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

Directors' share options *continued*

| | At start of year or date of appointment | Number of options | | At end of year | Exercise price | Date from which exercisable | Expiry date |
|-------------------------------|---|---------------------------|-----------------------------|-------------------|-------------------|-----------------------------------|----------------|
| | | Granted during year | Exercised during year | | | | |
| R Jell (Resigned 31.05.00) | 8,000 | — | — | 8,000 | £3.57 | now | 31.05.01 |
| E Bounous | 4,000 | — | (4,000) | — | £1.28 | — | — |
| | 8,000 | — | (8,000) | — | £2.12 | — | — |
| | 8,000 | — | — | 8,000 | £3.51 | now | 29.11.03 |
| | 8,000 | — | — | 8,000 | £4.04 | now | 08.12.04 |
| | 40,000 | — | — | 40,000 | £3.32 | now | 08.02.03 |
| | 8,000 | — | — | 8,000 | £3.57 | now | 24.02.04 |
| | 24,000 | — | — | 24,000 | £3.95 | 07.01.01 | 07.01.05 |
| | 20,000 | — | — | 20,000 | £4.19 | 29.01.02 | 29.01.09 |
| | 120,000 | — | (12,000) | 108,000 | | | |
| RT Lamont | 10,000 | — | — | 10,000 | £4.19 | 29.01.02 | 29.01.09 |
| SM Brady | 3,000 | — | — | 3,000 | £3.51 | now | 29.11.03 |
| | 10,000 | — | — | 10,000 | £4.04 | now | 08.12.04 |
| | 32,000 | — | (32,000) | — | £3.32 | now | 08.02.03 |
| | 8,000 | — | — | 8,000 | £3.57 | now | 24.02.04 |
| | 20,000 | — | — | 20,000 | £3.95 | 07.01.01 | 07.01.05 |
| | 16,000 | — | — | 16,000 | £4.19 | 29.01.02 | 29.01.09 |
| | 89,000 | — | (32,000) | 57,000 | | | |
| S Cox (Appointed 12.10.99) | — | 40,000 | — | 40,000 | £5.62 | 05.01.03 | 05.01.10 |
| D Alfano | 10,000 | — | — | 10,000 | £4.19 | 29.01.02 | 29.01.09 |
| (Appointed 14.07.00) | 8,000 | — | — | 8,000 | £5.62 | 05.01.03 | 05.01.10 |
| | 18,000 | — | — | 18,000 | | | |

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

| | At start of year | Number of options | | At end of year | Exercise price | Date from which exercisable | Expiry date |
|-----------|---------------------|---------------------------|-----------------------------|-------------------|-------------------|-----------------------------------|----------------|
| | | Granted during year | Exercised during year | | | | |
| JC Botts | 6,000 | — | — | 6,000 | US\$7.40 | 13.05.99 | 13.05.02 |
| G Mueller | 27,024 | — | — | 27,024 | US\$7.40 | 13.05.99 | 13.05.09 |
| | 16,653 | — | — | 16,653 | US\$8.95 | 01.01.00 | 01.01.10 |
| | 43,677 | — | — | 43,677 | | | |

Report by the Board to Shareholders on Directors' Remuneration continued

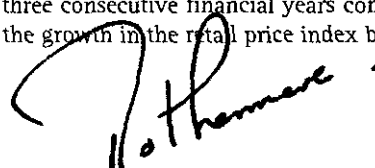
Directors' share options *continued*

The market price of the company's shares on September 30 2000 was £5.55. The high and low share prices during the year were £8.34 and £4.09 respectively. The options granted in the year were granted on January 5 2000. The average share price over the three business days before January 5 2000 was £5.63. The aggregate gain made by directors on the exercise of share options in the year was £3,351,235 (1999 – £105,162).

| | Number of shares exercised | Exercise date | Exercise price | Market value | Gain |
|------------|-------------------------------|---------------|----------------|--------------|-------------------|
| PM Fallon | 352,380 | 04.02.00 | £1.495 | £7.03 | £1,950,423 |
| PR Ensor | 176,192 | 04.02.00 | £1.495 | £7.03 | £975,223 |
| NF Osborn | 17,620 | 04.02.00 | £1.495 | £7.03 | £97,527 |
| DC Cohen | 11,628 | 04.02.00 | £1.495 | £7.03 | £64,361 |
| GB Strahan | 17,620 | 19.09.00 | £1.495 | £6.25 | £83,783 |
| E Bounous | 4,000 | 04.02.00 | £1.2825 | £7.03 | £22,990 |
| E Bounous | 8,000 | 04.02.00 | £2.12 | £7.03 | £39,280 |
| S Brady | 32,000 | 03.02.00 | £3.325 | £7.00 | £117,600 |
| | | | | | <u>£3,351,187</u> |

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 5 2000, the performance test set by the remuneration committee requires the growth in the company's adjusted earnings per share for the three consecutive financial years commencing with the year ended September 30 2000 to exceed the growth in the retail price index by an average of at least 4% a year.



The Viscount Rothermere
Chairman of the Remuneration Committee
November 28 2000

Auditors' Report

Auditors' report to the members of Euromoney Institutional Investor PLC

We have audited the financial statements on pages 24 to 52 which have been prepared under the accounting policies set out on page 30 and 31.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 14, the company's directors are responsible for preparation of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority 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 corporate governance statement on page 15 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the 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 United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 September 2000 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 28 2000

Group Profit & Loss Account

for the year ended September 30 2000

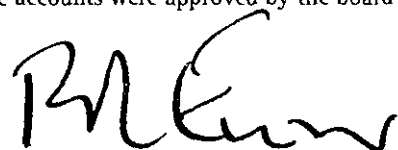
| | Note | 2000 £000's | 1999 £000's |
|---|------|----------------|----------------|
| Turnover | 2 | | |
| Continuing operations | | 192,122 | 168,237 |
| Discontinued operations | | — | 6 |
| | | <u>192,122</u> | <u>168,243</u> |
| Operating profit before goodwill amortization | | | |
| Continuing operations | | 32,541 | 28,605 |
| Discontinued operations | | — | (172) |
| | | <u>32,541</u> | <u>28,433</u> |
| Goodwill amortization | | (5,500) | (3,446) |
| Operating profit | 2, 3 | | |
| Continuing operations | | 27,041 | 25,159 |
| Discontinued operations | | — | (172) |
| | | <u>27,041</u> | <u>24,987</u> |
| Share of operating profit in associates | | 165 | 416 |
| Profit on sale of discontinued operations | 14 | 179 | 893 |
| Interest receivable | 5 | 1,329 | 1,410 |
| Interest payable and similar charges | 6 | (6,111) | (5,137) |
| Profit on ordinary activities before tax | | 22,603 | 22,569 |
| Tax on profit on ordinary activities | 7 | (7,218) | (7,184) |
| Profit on ordinary activities after tax | | 15,385 | 15,385 |
| Equity minority interests | | (1,100) | (322) |
| Profit for the financial year | | 14,285 | 15,063 |
| Dividends paid and proposed | 8 | (12,930) | (11,934) |
| Retained profit for the financial year | | <u>1,355</u> | <u>3,129</u> |
| Basic earnings per share | 9 | 16.35p | 17.37p |
| Diluted earnings per share | 9 | 16.16p | 17.32p |
| Adjusted diluted earnings per share before goodwill amortization and profit on sale of discontinued operations | 9 | 22.18p | 20.25p |
| Dividend per share | 8 | 14.75p | 13.75p |

Group Balance Sheet

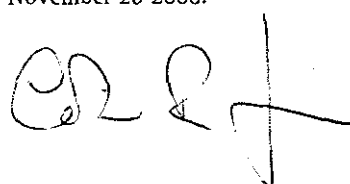
at September 30 2000

| | Note | 2000 £000's | 1999 As restated £000's |
|--|------|-----------------|-------------------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 25,799 | 21,958 |
| Tangible assets | 11 | 7,657 | 8,239 |
| Investments | 12 | 472 | 1,417 |
| | | <u>33,928</u> | <u>31,614</u> |
| Current assets | | | |
| Debtors | 15 | 40,423 | 33,942 |
| Cash at bank and in hand | 16 | 28,540 | 13,776 |
| | | <u>68,963</u> | <u>47,718</u> |
| Creditors: amounts falling due within one year | 17 | (49,437) | (51,608) |
| Net current assets/(liabilities) | | <u>19,526</u> | <u>(3,890)</u> |
| Total assets less current liabilities | | 53,454 | 27,724 |
| Creditors: amounts falling due after one year | 18 | (101,816) | (73,816) |
| Provisions for liabilities and charges | 20 | (2,512) | (3,628) |
| Deferred income | | <u>(38,123)</u> | <u>(32,760)</u> |
| | | <u>(88,997)</u> | <u>(82,480)</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 219 | 219 |
| Share premium account | 23 | 33,578 | 32,582 |
| Capital redemption reserve | 23 | 8 | 8 |
| Profit and loss account | 23 | (123,749) | (115,610) |
| Equity shareholders' deficit | | <u>(89,944)</u> | <u>(82,801)</u> |
| Equity minority interests | | 947 | 321 |
| | | <u>(88,997)</u> | <u>(82,480)</u> |

The accounts were approved by the board of directors on November 28 2000.



Richard Ensor
Colin Jones
Directors



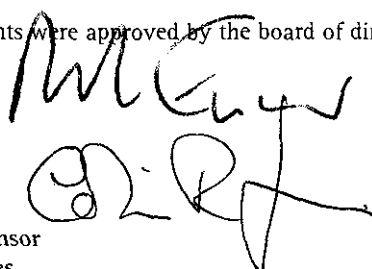
Company Balance Sheet

at September 30 2000

| | Note | 2000 £000's | 1999 As restated £000's |
|---|------|-----------------|-------------------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 7,100 | — |
| Tangible assets | 11 | 3,857 | 4,262 |
| Investments | 13 | 61,970 | 65,895 |
| | | <u>72,927</u> | <u>70,157</u> |
| Current assets | | | |
| Debtors | 15 | 40,478 | 29,952 |
| Cash at bank and in hand | 16 | 1,285 | 5,247 |
| | | <u>41,763</u> | <u>35,199</u> |
| Creditors: amounts falling due within one year | 17 | (54,556) | (56,827) |
| Net current liabilities | | <u>(12,793)</u> | <u>(21,628)</u> |
| Total assets less current liabilities | | 60,134 | 48,529 |
| Creditors: amounts falling due after more than one year | 18 | (11,498) | — |
| Deferred income | | (8,310) | (7,534) |
| | | <u>40,326</u> | <u>40,995</u> |
| Capital and reserves | | | |
| Called up share capital | 22 | 219 | 219 |
| Share premium account | 23 | 33,578 | 32,582 |
| Capital redemption reserve | 23 | 8 | 8 |
| Capital reserve | 23 | 1,842 | 1,842 |
| Profit and loss account | 23 | 4,679 | 6,344 |
| Equity shareholders' funds | | <u>40,326</u> | <u>40,995</u> |

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 £11,265,000 (1999 – £10,464,000).

The accounts were approved by the board of directors on November 28 2000.



Richard Ensor
Colin Jones
Directors

Group Cash Flow Statement

for the year ended September 30 2000

| | Note | 2000 £000's | 1999 £000's |
|--|------|----------------|----------------|
| Net cash inflow from operating activities | A | 33,856 | 32,599 |
| Dividends received from associated undertakings | | — | 348 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 1,289 | 1,683 |
| Interest paid | | (6,120) | (5,141) |
| Dividends paid to minorities | | (1,013) | (1,419) |
| | | (5,844) | (4,877) |
| Taxation | | | |
| UK tax paid | | (3,244) | (7,939) |
| Overseas tax paid | | (1,218) | (2,582) |
| UK tax received | | 29 | 123 |
| Overseas tax received | | 406 | 280 |
| | | (4,027) | (10,118) |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (2,353) | (2,299) |
| Sale of tangible fixed assets | | 189 | 155 |
| | | (2,164) | (2,144) |
| Acquisitions and disposals | | | |
| Purchase of unincorporated businesses | | (1,053) | — |
| Purchase of subsidiary undertakings | | — | (20,656) |
| Purchase of additional interest in subsidiary undertakings | | (7,611) | (227) |
| Purchase of other investments | | — | (216) |
| Cash acquired with subsidiary undertakings | | — | 52 |
| Proceeds on sale of subsidiary undertaking | | 179 | 743 |
| Sale of other investments | | 721 | — |
| | | (7,764) | (20,304) |
| Equity dividends paid | | (11,979) | (12,000) |
| Cash inflow/(outflow) before financing | | 2,078 | (16,496) |
| Financing | | | |
| Issue of new ordinary share capital | | 996 | 786 |
| Cash received from/(paid into) escrow | | 4,482 | (882) |
| Redemption of secured loan stock | | (4,495) | (1,093) |
| Bank loans repaid | | (1,000) | (318) |
| Revolving credit facilities: | | | |
| Increase in borrowings | | 145,510 | 39,589 |
| Repayment of borrowings | | (126,130) | (28,558) |
| Payment on forward hedge | | (3,201) | — |
| | | 16,162 | 9,524 |
| Increase/(decrease) in cash during the year | B | 18,240 | (6,972) |

Notes to the Group Cash Flow Statement

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

| | 2000 £000's | 1999 £000's |
|--|----------------|----------------|
| Group operating profit | 27,041 | 24,987 |
| Amortization of goodwill | 5,500 | 3,446 |
| Depreciation of tangible fixed assets | 3,104 | 3,097 |
| (Profit)/loss on sale of tangible fixed assets | (94) | 99 |
| (Increase)/decrease in debtors | (5,152) | 4,631 |
| Increase/(decrease) in creditors | 4,771 | (2,196) |
| Utilization of property rental provision | (1,314) | (1,465) |
| Net cash inflow from operating activities | <u>33,856</u> | <u>32,599</u> |

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

| | 2000 £000's | 1999 £000's |
|---|-----------------|-----------------|
| Increase/(decrease) in cash during the year | 18,240 | (6,972) |
| Cash (received from)/paid into escrow | <u>(4,482)</u> | <u>882</u> |
| | 13,758 | (6,090) |
| Cash inflow from increase in debt finance | <u>(13,885)</u> | <u>(9,620)</u> |
| | (127) | (15,710) |
| Loan note issued for acquisition | — | (882) |
| Debt acquired with subsidiary undertakings | — | (1,852) |
| Currency translation differences | <u>(7,665)</u> | <u>(1,792)</u> |
| Movement in net debt in the year | (7,792) | (20,236) |
| Net debt at October 1 | <u>(65,706)</u> | <u>(45,470)</u> |
| Net debt at September 30 | <u>(73,498)</u> | <u>(65,706)</u> |

C. Analysis of net debt

| | At October 1 1999 £000's | Cash flow £000's | Exchange movement £000's | At September 30 2000 £000's |
|--------------------------------|-----------------------------------|------------------------|--------------------------------|--------------------------------------|
| Cash at bank and in hand | 9,294 | 18,240 | 1,006 | 28,540 |
| Cash held in escrow | 4,482 | <u>(4,482)</u> | — | — |
| | 13,776 | 13,758 | 1,006 | 28,540 |
| Debt due within one year | (5,666) | 5,514 | (70) | (222) |
| Debt due in more than one year | <u>(73,816)</u> | <u>(19,399)</u> | <u>(8,601)</u> | <u>(101,816)</u> |
| | (79,482) | (13,885) | (8,671) | (102,038) |
| Total net debt | <u>(65,706)</u> | <u>(127)</u> | <u>(7,665)</u> | <u>(73,498)</u> |

Group Statement of Total Recognised Gains and Losses

for the year ended September 30 2000

| | Note | 2000 £000's | 1999 £000's |
|---|------|----------------|----------------|
| Profit for the financial year | | 14,285 | 15,063 |
| Foreign exchange translation differences | 23 | (9,036) | (1,276) |
| Foreign exchange translation difference on hedging loan | 23 | (4,467) | (1,831) |
| Tax credit on hedging loan translation | 23 | 4,009 | 246 |
| Total recognised gains and losses for the year | | <u>4,791</u> | <u>12,202</u> |

Reconciliation of Movements in Shareholders' Funds

for the year ended September 30 2000

| | 2000 £000's | 1999 £000's |
|--|-----------------|-----------------|
| Profit for the financial year | 14,285 | 15,063 |
| Dividends paid and proposed | <u>(12,930)</u> | <u>(11,934)</u> |
| | 1,355 | 3,129 |
| Proceeds from exercise of share options | 996 | 786 |
| Other recognized gains and losses relating to the year | <u>(9,494)</u> | <u>(2,861)</u> |
| Net (increase)/reduction in shareholders' deficit | (7,143) | 1,054 |
| Opening shareholders' deficit | <u>(82,801)</u> | <u>(83,855)</u> |
| Closing shareholders' deficit | <u>(89,944)</u> | <u>(82,801)</u> |

Notes to the Accounts

1 Accounting policies

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

Basis of consolidation

The consolidated accounts incorporate the accounts of the company, 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 and is not in a position to exercise significant influence, it is held as an investment and stated in the balance sheet at cost.

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

Goodwill

Following the issue of FRS 10, *Goodwill and Intangible Assets*, the group now capitalizes and amortizes consolidated goodwill on acquisitions with effect from October 1 1998 over a maximum of 20 years on a straight line basis. In 1999 goodwill relating to prior year acquisitions, previously shown in a separate goodwill write off reserve, was transferred to the profit and loss reserve and is reinstated and recognised in the profit and loss account on disposal of the relevant businesses.

Goodwill arising in the company balance sheet on divisionalisation of businesses is not amortized but is reviewed annually for impairment. Any impairment is recognised in the profit and loss account.

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 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 convert foreign 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 $\frac{1}{3}$ % |
| 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 were 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.

Reclassification

In order to present a fairer picture of the group's and the company's financial position, deferred income, which represents subscription income and event bookings received in advance and deferred to be recognised in income in subsequent years, has been reclassified from creditors and is shown separately on the face of the balance sheet. Prior year figures have been restated.

Notes to the Accounts *continued*

2 Segmental analysis

| | United Kingdom | | North America | | Rest of World | | Total | |
|-------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Turnover | | | | | | | | |
| By destination: | | | | | | | | |
| Continuing operations | 31,193 | 24,629 | 78,953 | 64,224 | 81,976 | 79,384 | 192,122 | 168,237 |
| Discontinued operations | — | 6 | — | — | — | — | — | 6 |
| | <u>31,193</u> | <u>24,635</u> | <u>78,953</u> | <u>64,224</u> | <u>81,976</u> | <u>79,384</u> | <u>192,122</u> | <u>168,243</u> |

| | United Kingdom | | North America | | Rest of World | | Total | |
|-------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Turnover | | | | | | | | |
| By source: | | | | | | | | |
| Continuing operations | 91,969 | 77,889 | 80,898 | 73,225 | 19,255 | 17,123 | 192,122 | 168,237 |
| Discontinued operations | — | 6 | — | — | — | — | — | 6 |
| | <u>91,969</u> | <u>77,895</u> | <u>80,898</u> | <u>73,225</u> | <u>19,255</u> | <u>17,123</u> | <u>192,122</u> | <u>168,243</u> |

| | United Kingdom | | North America | | Rest of World | | Total | |
|------------------------------------|----------------|---------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Turnover | | | | | | | | |
| By activity and source: | | | | | | | | |
| International financial publishing | 25,996 | 21,930 | 45,712 | 43,761 | 1,862 | 2,079 | 73,570 | 67,770 |
| International business publishing | 31,638 | 29,425 | 5,849 | 4,845 | 1,919 | 1,953 | 39,406 | 36,223 |
| Training and consultancy | 16,447 | 14,095 | 15,809 | 13,988 | 2,768 | 1,973 | 35,024 | 30,056 |
| Conferences and seminars | 13,192 | 8,897 | 10,857 | 9,344 | 9,219 | 9,213 | 33,268 | 27,454 |
| Databases and information services | 4,696 | 3,542 | 2,671 | 1,287 | 3,487 | 1,905 | 10,854 | 6,734 |
| Discontinued operations | — | 6 | — | — | — | — | — | 6 |
| | <u>91,969</u> | <u>77,895</u> | <u>80,898</u> | <u>73,225</u> | <u>19,255</u> | <u>17,123</u> | <u>192,122</u> | <u>168,243</u> |

Notes to the Accounts *continued*2 Segmental analysis *continued*

| | United Kingdom | | North America | | Rest of World | | Total | |
|--|----------------|---------|---------------|---------|---------------|---------|---------|---------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Operating profit | | | | | | | | |
| By activity and source: | | | | | | | | |
| International financial publishing | 8,492 | 6,149 | 12,906 | 9,993 | 49 | (47) | 21,447 | 16,095 |
| International business publishing | 7,875 | 7,749 | 1,863 | 1,222 | 208 | 437 | 9,946 | 9,408 |
| Training and consultancy | 3,947 | 2,258 | 1,755 | 785 | 1,018 | 370 | 6,720 | 3,413 |
| Conferences and seminars | 3,389 | 2,452 | 1,918 | 2,513 | 1,753 | 1,876 | 7,060 | 6,841 |
| Databases and information services | 866 | 1,942 | (6,615) | (1,985) | (4) | (1,757) | (5,753) | (1,800) |
| Discontinued operations | — | (172) | — | — | — | — | — | (172) |
| Unallocated corporate costs | (6,861) | (5,298) | (18) | (54) | — | — | (6,879) | (5,352) |
| | 17,708 | 15,080 | 11,809 | 12,474 | 3,024 | 879 | 32,541 | 28,433 |
| Goodwill amortization | (459) | (130) | (5,041) | (3,218) | — | (98) | (5,500) | (3,446) |
| Operating profit after goodwill amortization | 17,249 | 14,950 | 6,768 | 9,256 | 3,024 | 781 | 27,041 | 24,987 |

The goodwill amortization of £5,500,000 can be allocated as follows; International financial publishing, £nil (1999 - £79,000); International business publishing, £459,000 (1999 - £24,000); Conferences and seminars, £144,000 (1999 - £103,000); Databases and information services, £4,897,000 (1999 - £3,240,000).

| | United Kingdom | | North America | | Rest of World | | Total | |
|--|----------------|----------|---------------|----------|---------------|---------|-----------|----------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's |
| Net assets/(liabilities) | | | | | | | | |
| By activity: | | | | | | | | |
| International financial publishing | 2,675 | 509 | (17,208) | (15,365) | (368) | (155) | (14,901) | (15,011) |
| International business publishing | 7,237 | 3,200 | 1,387 | 1,129 | (401) | (513) | 8,223 | 3,816 |
| Training and consultancy | (796) | (1,946) | (3,896) | 849 | (366) | (125) | (5,058) | (1,222) |
| Conferences and seminars | (531) | (949) | 351 | (3,245) | 1,020 | 446 | 840 | (3,748) |
| Databases and information services | 937 | 511 | 211 | 503 | — | — | 1,148 | 1,014 |
| Net operating assets/(liabilities) | 9,522 | 1,325 | (19,155) | (16,129) | (115) | (347) | (9,748) | (15,151) |
| Net non-operating assets/(liabilities) | (35,199) | (13,323) | (88,990) | (74,792) | 19,141 | (1,172) | (105,048) | (89,287) |
| Goodwill | 4,639 | 1,058 | 21,160 | 20,900 | — | — | 25,799 | 21,958 |
| | (21,038) | (10,940) | (86,985) | (70,021) | 19,026 | (1,519) | (88,997) | (82,480) |

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

The goodwill net book value of £25,799,000 can be allocated as follows; International Business Publications, £4,670,000 (1999 - £nil); Conferences and seminars, £3,569,000 (1999 - £24,000); Databases and information services, £17,590,000 (1999 - £21,934,000).

Notes to the Accounts *continued*

3 Operating profit

| | 2000 £000's Total | 1999 £000's Continuing | 1999 £000's Discontinued | 1999 £000's Total |
|-------------------------|-------------------------|------------------------------|--------------------------------|-------------------------|
| Turnover | 192,122 | 168,237 | 6 | 168,243 |
| Cost of sales | (67,853) | (54,978) | (81) | (55,059) |
| Gross profit | 124,269 | 113,259 | (75) | 113,184 |
| Distribution costs | (5,789) | (6,265) | (3) | (6,268) |
| Administrative expenses | (91,439) | (81,835) | (94) | (81,929) |
| Operating profit | 27,041 | 25,159 | (172) | 24,987 |

Administrative expenses include goodwill amortization of £5,500,000 (1999 – £3,446,000).

Operating profit is stated after charging:

| | 2000 £000's | 1999 £000's |
|---------------------------------------|----------------|----------------|
| Goodwill amortization | 5,500 | 3,446 |
| Depreciation | 3,104 | 3,097 |
| Auditors' remuneration | 491 | 371 |
| Property operating lease rentals | 4,606 | 4,713 |
| (Profit)/loss on sale of fixed assets | (94) | 99 |

Auditors' remuneration includes £199,000 for non-audit services to Deloitte & Touche (1999 – £135,000).

4 Staff costs

(i) Directors' emoluments

| | 2000 £000's | 1999 £000's |
|--|----------------|----------------|
| The emoluments of the directors of Euromoney Institutional Investor PLC were as follows: | | |
| Fees | 225 | 216 |
| Management remuneration | 4,910 | 3,584 |
| Pension contributions | 1,314 | 1,294 |
| | 6,449 | 5,094 |

Details of directors' remuneration are set out in the report by the board to shareholders on directors' remuneration on pages 16 to 22.

Notes to the Accounts *continued*

4 Staff costs *continued*

(ii) Number of staff

| | 2000 Average | 2000 Year end | 1999 Average | 1999 Year end |
|----------------|-----------------|------------------|-----------------|------------------|
| United Kingdom | 698 | 768 | 674 | 668 |
| North America | 634 | 643 | 594 | 604 |
| Rest of World | 357 | 504 | 266 | 335 |
| | <u>1,689</u> | <u>1,915</u> | <u>1,534</u> | <u>1,607</u> |

(iii) Staff costs

| | 2000 £000's | 1999 £000's |
|--------------------------------|----------------|----------------|
| Salaries, wages and incentives | 53,216 | 52,723 |
| Social security costs | 4,693 | 4,006 |
| Pension contributions | 1,953 | 1,991 |
| | <u>59,862</u> | <u>58,720</u> |

(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 was 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 the 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.

Notes to the Accounts *continued*

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

The pension charge for the year comprised:

| | 2000 £000's | 1999 £000's |
|---------------------------|----------------|----------------|
| Harmsworth Pension Scheme | 215 | 204 |
| Euromoney Pension Plan | 215 | 238 |
| Private schemes | 1,523 | 1,549 |
| | <u>1,953</u> | <u>1,991</u> |

5 Interest receivable

| | 2000 £000's | 1999 £000's |
|---|----------------|----------------|
| Interest receivable from short-term investments | <u>1,329</u> | <u>1,410</u> |

6 Interest payable and similar charges

| | 2000 £000's | 1999 £000's |
|---------------------------|----------------|----------------|
| Bank overdrafts | 92 | 99 |
| ESOT loan | 31 | 59 |
| Secured loan stock | 137 | 226 |
| Revolving credit facility | 5,851 | 4,312 |
| Interest rate hedges | — | 441 |
| | <u>6,111</u> | <u>5,137</u> |

7 Tax on profit on ordinary activities

| | 2000 £000's | 1999 £000's |
|---|----------------|----------------|
| The tax charge is based on the profit for the year and is made up as follows: | | |
| UK corporation tax at 30% (1999 – 30.5%) | 5,941 | 6,060 |
| Overseas tax | <u>1,277</u> | <u>1,124</u> |
| | <u>7,218</u> | <u>7,184</u> |

The tax charge on profits from associated undertakings included above is £52,000 (1999 – £32,000).

Excluding the goodwill charge, the effective rate of tax reflects the tax allowable amortization of goodwill arising in the USA.

Notes to the Accounts *continued*

8 Dividends

| | 2000 £000's | 1999 £000's |
|---|----------------|----------------|
| Interim paid 5p per share (1999 – 5p) | 4,387 | 4,370 |
| Final proposed 9.75p per share (1999 – 8.75p) | 8,553 | 7,652 |
| | <u>12,940</u> | <u>12,022</u> |
| ESOT dividend | (10) | (88) |
| | <u>12,930</u> | <u>11,934</u> |

9 Earnings per share

| | 2000 £000's | 1999 £000's |
|--|--------------------|--------------------|
| Basic earnings | 14,285 | 15,063 |
| Goodwill amortization | 5,500 | 3,446 |
| Profit on sale of discontinued operations | (179) | (893) |
| Adjusted earnings before goodwill amortization and profit on sale of discontinued operations | <u>19,606</u> | <u>17,616</u> |
| | Number 000's | Number 000's |
| Weighted average number of shares | 87,645 | 87,344 |
| Shares held by the Employees' Share Ownership Trust | (269) | (636) |
| | <u>87,376</u> | <u>86,708</u> |
| Effect of dilutive share options | 1,027 | 268 |
| Diluted weighted average number of shares | <u>88,403</u> | <u>86,976</u> |
| | Pence per share | Pence per share |
| Basic earnings per share | 16.35 | 17.37 |
| Effect of dilutive share options | (0.19) | (0.05) |
| Diluted earnings per share | <u>16.16</u> | <u>17.32</u> |
| Effect of goodwill amortization | 6.22 | 3.96 |
| Effect of profit on sale of discontinued operations | (0.20) | (1.03) |
| Adjusted diluted earnings per share before goodwill amortization and profit on sale of discontinued operations | <u>22.18</u> | <u>20.25</u> |

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.

Notes to the Accounts *continued*

10 Intangible fixed assets

| | Goodwill £000's |
|-------------------------------------|--------------------|
| Group | |
| Cost | |
| At October 1 1999 | 25,404 |
| Additions | 9,341 |
| At September 30 2000 | <u>34,745</u> |
| Amortization | |
| At October 1 1999 | 3,446 |
| Charge for the year | 5,500 |
| At September 30 2000 | <u>8,946</u> |
| Net book value at September 30 2000 | <u>25,799</u> |
| Net book value at October 1 1999 | <u>21,958</u> |
| Company | |
| Transfer from investments | 7,100 |
| At September 30 2000 | <u>7,100</u> |

During the year the company reclassified investment in subsidiaries of £7,100,000 to goodwill after the trade and net assets of these subsidiaries were transferred to the company. These investments now have the substance of goodwill and have been reclassified accordingly.

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 1999 | 488 | 10,293 | 6,701 | 862 | 18,344 |
| Exchange adjustment | 2 | 624 | 376 | — | 1,002 |
| Additions | 98 | 2,068 | 187 | — | 2,353 |
| Disposals | (213) | (505) | (2) | — | (720) |
| At September 30 2000 | <u>375</u> | <u>12,480</u> | <u>7,262</u> | <u>862</u> | <u>20,979</u> |
| Depreciation | | | | | |
| At October 1 1999 | 192 | 6,450 | 3,349 | 114 | 10,105 |
| Exchange adjustment | 2 | 449 | 287 | — | 738 |
| Charge for the year | 90 | 2,471 | 526 | 17 | 3,104 |
| Disposals | (139) | (486) | — | — | (625) |
| At September 30 2000 | <u>145</u> | <u>8,884</u> | <u>4,162</u> | <u>131</u> | <u>13,322</u> |
| Net book value at September 30 2000 | <u>230</u> | <u>3,596</u> | <u>3,100</u> | <u>731</u> | <u>7,657</u> |
| Net book value at October 1 1999 | <u>296</u> | <u>3,843</u> | <u>3,352</u> | <u>748</u> | <u>8,239</u> |

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 1999 | 376 | 2,947 | 2,924 | 861 | 7,108 |
| Additions | 98 | 593 | 75 | — | 766 |
| Transfers | — | (24) | — | — | (24) |
| Disposals | (143) | (89) | (2) | — | (234) |
| At September 30 2000 | 331 | 3,427 | 2,997 | 861 | 7,616 |
| Depreciation | | | | | |
| At October 1 1999 | 182 | 1,689 | 862 | 113 | 2,846 |
| Charge for the year | 73 | 828 | 185 | 17 | 1,103 |
| Disposals | (114) | (76) | — | — | (190) |
| At September 30 2000 | 141 | 2,441 | 1,047 | 130 | 3,759 |
| Net book value at September 30 2000 | 190 | 986 | 1,950 | 731 | 3,857 |
| Net book value at October 1 1999 | 194 | 1,258 | 2,062 | 748 | 4,262 |

12 Fixed asset investments – group

| | October 1 1999 £000's | Additions £000's | Disposals £000's | September 30 2000 £000's |
|--|-----------------------------|---------------------|---------------------|--------------------------------|
| Cost of shares | 111 | 20 | (83) | 48 |
| Share of post acquisition reserves | (505) | 113 | 81 | (311) |
| Goodwill | (19) | — | — | (19) |
| Investment in associated undertakings | (413) | 133 | (2) | (282) |
| Loans to associated undertakings | 623 | (225) | — | 398 |
| Provisions for liabilities and charges | 413 | (131) | — | 282 |
| ESOT investment in own shares | 794 | — | (720) | 74 |
| | 1,417 | (223) | (722) | 472 |

The investment in own shares is held by the Euromoney Employees' Share Ownership Trust (ESOT). At September 30 2000 the ESOT held 58,976 shares carried at a historic cost of £1.25 per share with a market value of £327,317 (1999 – 158,604 shares with a market value of £2,827,116). Interest and administrative costs are charged to the profit and loss account of the ESOT as incurred.

The group has a 50% interest in Capital DATA Limited which is accounted for as a trade investment as the group does not exercise significant influence nor is it involved in the day to day running of the business. The group is entitled to 28.17% of Capital DATA's revenues which amounted to £1,934,000 in the year (1999 – £1,726,000).

Notes to the Accounts *continued*

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 1999 | 65,054 | 33 | 794 | 14 | 65,895 |
| Additions | 3,895 | — | — | — | 3,895 |
| Disposals | — | — | (720) | — | (720) |
| Transfers to goodwill (note 10) | (7,100) | — | — | — | (7,100) |
| At September 30 2000 | 61,849 | 33 | 74 | 14 | 61,970 |

The principal associated undertaking at September 30 2000 was Capital NET Limited whose principal activity is the provision of electronic database services.

Details of the principal subsidiary undertakings at September 30 2000 are as follows:

| Direct | Proportion held | Principal activity | Country of incorporation and operation |
|---|-----------------|----------------------|--|
| Adhesion Limited | 100% | Conventions | England |
| businessstraveller.com | 75% | Information services | England |
| Business Traveller (Holdings) Limited | 95%* | Holding company | England |
| Coaltrans Conferences Limited | 95% | Conferences | England |
| Euromoney Publications (Jersey) Limited | 100%† | Publishing | Jersey |
| Euromoney Publications (Overseas) Limited | 100% | Holding company | England |
| Euromoney US Holdings LP | 100% | Holding company | USA |
| Glenprint Limited | 100% | Publishing | England |
| InvestorAccess Limited | 95% | Information services | England |
| Mondiale Corporation Limited | 85%* | 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 Training (Singapore) Pte Limited | 100% | Training | Singapore |
| Influent Technology, Inc. | 90% | Training | USA |
| Institutional Investor, Inc. | 100% | Publishing | USA |
| Internet Securities, Inc. | 81.92% | Information services | USA |
| Latin American Financial Publications, Inc. | 100% | Publishing | USA |
| Lingua Franca, Inc. | 88.75% | Training | USA |
| Med Ad, Inc. | 100% | Holding company | USA |
| MIS Training, Inc. | 100% | Training | USA |
| MIS Training (UK) Limited | 100% | Training | England |
| Perry Publications Limited | 95% | Publishing | England |
| Perry Publications, Inc. | 95% | Publishing | USA |
| PREP Institute of America, Inc. | 100% | Training | USA |
| Semaphore Europe Limited | 88.75% | Training | England |

All holdings are of ordinary shares, except where noted.

*100% preference shares held.

Notes to the Accounts *continued*

14 Acquisitions and disposals

Acquisitions

In January 2000, the group acquired the remaining 50% holding of the equity shares in the MIS Training group for a cash consideration of US\$5.5 million (£3.6 million) paid in April 2000, resulting in goodwill of £3.4 million.

In January 2000, the group increased its equity shareholding in Mondiale Corporation Limited from 60% to 85% for a cash consideration of £3 million paid in April 2000, resulting in goodwill of £2.9 million.

In April 2000, the group increased its equity shareholding from 77.4% to 95% in Business Traveller (Holdings) Limited for a cash consideration of £670,000 resulting in goodwill of £905,000. The holding was acquired from N Perry, a director of Business Traveller (Holdings) Limited, and his immediate family.

In April 2000, the group purchased 75% of the equity shares of Business Traveller. Com Limited for £227,000.

Other acquisitions by the group include those by Internet Securities, Inc. of the unincorporated businesses of Infolatina in Mexico and Boss Publications in Poland. Total consideration amounted to US\$2 million (£1.3 million) comprising cash consideration of US\$1.6 million and deferred consideration of US\$400,000 resulting in goodwill of the same amounts.

In March 2000, the group received a further payment of £179,000 for the sale of 100% Design Limited which was sold of in the previous financial year.

15 Debtors

| | Group 2000 £000's | Group 1999 £000's | Company 2000 £000's | Company 1999 £000's |
|---------------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Amounts falling due within one year | | | | |
| Trade debtors | 34,960 | 28,760 | 19,209 | 14,957 |
| Amounts owing from group undertakings | — | — | 19,981 | 13,342 |
| Other debtors | 1,271 | 1,343 | 1,043 | 281 |
| Prepayments and accrued income | 4,192 | 3,839 | 245 | 1,372 |
| | <u>40,423</u> | <u>33,942</u> | <u>40,478</u> | <u>29,952</u> |

16 Cash at bank and in hand

| Group 2000 £000's | Group 1999 £000's | Company 2000 £000's | Company 1999 £000's |
|-------------------------|-------------------------|---------------------------|---------------------------|
| <u>28,540</u> | <u>13,776</u> | <u>1,285</u> | <u>5,247</u> |

Included in cash deposits as at September 30 1999 was £4,482,000 held in escrow as security for redeemable stock.

Notes to the Accounts *continued*

17 Creditors: amounts falling due within one year

| | Group 2000 £000's | Group 1999 £000's | Company 2000 £000's | Company 1999 £000's |
|---------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Bank overdrafts | — | — | 1,324 | — |
| Bank loan | 120 | 264 | — | — |
| Redeemable secured loan stock | 102 | 4,598 | 82 | 4,578 |
| ESOT loan | — | 804 | — | 804 |
| Trade creditors | 6,939 | 5,142 | 2,235 | 2,856 |
| Due to immediate parent company | 2,050 | 1,944 | 2,050 | 1,944 |
| Due to other group undertakings | — | — | 19,919 | 23,793 |
| Other creditors | 4,973 | 6,067 | 5,045 | 3,670 |
| Corporation tax | 6,670 | 7,541 | 4,292 | 2,886 |
| Accruals | 20,035 | 17,596 | 11,062 | 8,644 |
| Proposed dividend | 8,548 | 7,652 | 8,547 | 7,652 |
| | 49,437 | 51,608 | 54,556 | 56,827 |

18 Creditors: amounts falling due after more than one year

| | Group 2000 £000's | Group 1999 £000's | Company 2000 £000's | Company 1999 £000's |
|-----------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Revolving credit facilities | 101,453 | 73,471 | 11,498 | — |
| Bank loan | 363 | 345 | — | — |
| | 101,816 | 73,816 | 11,498 | — |

19 Treasury

Overview

An overview of treasury policies is included within the Operating & Financial Review on pages 4 to 9. Short-term debtors and creditors have been excluded from the following disclosures other than the currency profile of monetary assets and liabilities.

Financial liabilities

| | 2000 £000's | 1999 £000's |
|-------------------------------|----------------|----------------|
| Bank loan | 483 | 609 |
| Redeemable secured loan stock | 102 | 4,598 |
| ESOT loan | — | 804 |
| Revolving credit facility | 101,453 | 73,471 |
| | 102,038 | 79,482 |

Notes to the Accounts *continued*

19 Treasury *continued*

The redeemable secured loan stock can be redeemed at par at the holder's option at 6 months' notice. Interest is payable at 1% below LIBOR.

The group is an approved borrower under a £476 million Daily Mail & General Trust plc committed revolving credit facilities. The group is able to make further drawings under this facility to the extent it remains available. Interest is payable on the new facility at a rate of 0.57% above US dollar LIBOR. As at September 30 2000 there are no other committed undrawn facilities directly available to the group.

Maturity profile of financial liabilities

The maturity profile of the group's financial liabilities as at September 30 2000 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 | 102 | 120 | — | 222 |
| In more than one year but not more than two years | — | 105 | — | 105 |
| In more than two years but not more than five years | — | 258 | 101,453 | 101,711 |
| Gross financial liabilities | 102 | 483 | 101,453 | 102,038 |

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 |

Notes to the Accounts *continued*

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 was as follows:

| Currency | US dollars | | Sterling | | Total | Total |
|---------------|----------------|---------------|------------|--------------|----------------|---------------|
| | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 |
| | £000's | £000's | £000's | £000's | £000's | £000's |
| Floating rate | 68,119 | 34,612 | 102 | 5,402 | 68,221 | 40,014 |
| Fixed rate | 33,818 | 39,468 | — | — | 33,818 | 39,468 |
| | 101,937 | 74,080 | 102 | 5,402 | 102,039 | 79,482 |

Of the fixed rate liabilities

Weighted average interest rate was

2000

6.27% per annum

1999

6.17% per annum

Weighted average period for which the rate is fixed was

2.55 years

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 and 7.5% cap expiring on March 29 2001.

The group has two further interest rate swaps with a forward start date of March 29 2001, entered into during September 2000. The first is for US\$15 million at 6.6275% expiring on March 28 2003. The second is for US\$15 million at 6.7475% expiring on September 30 2005.

Currency and interest profile of financial assets

The interest rate risk profile of the group's cash deposits at September 30 2000 was as follows:

| | US dollars | Sterling | Other | Total |
|----------------------|---------------|------------|--------------|---------------|
| | £000's | £000's | £000's | £000's |
| Floating rate | 20,855 | 583 | 338 | 21,776 |
| Non-interest bearing | 5,197 | 239 | 1,328 | 6,764 |
| Total cash deposits | 26,052 | 822 | 1,666 | 28,540 |

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 and interest profile of financial assets *continued*

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 |
| | <u>2,469</u> | <u>9,881</u> | <u>1,426</u> | <u>13,776</u> |

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

| | US dollars £000's | Sterling £000's | Other £000's | Total £000's |
|----------------------|----------------------|--------------------|-----------------|-----------------|
| Floating rate | 237 | 7,888 | 526 | 8,651 |
| Non-interest bearing | 2,232 | 1,993 | 900 | 5,125 |
| | <u>2,469</u> | <u>9,881</u> | <u>1,426</u> | <u>13,776</u> |

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

Currency profile of net monetary assets

The table below shows the group's currency profile which gives rise to net currency gains and losses recognized in the profit and loss account. These comprise the monetary assets and liabilities of the group which are not denominated in the operating currency of the operating unit involved, 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 2000 these exposures were as follows:

| | Net foreign currency monetary assets | | | Total £000's |
|----------------------|--------------------------------------|----------------------|-----------------|-----------------|
| | Sterling £000's | US dollars £000's | Other £000's | |
| Functional currency: | | | | |
| Sterling | — | — | 1,830 | 1,830 |
| US dollar | 219 | — | — | 219 |
| Other | 33 | 699 | 442 | 1,174 |
| Total | <u>252</u> | <u>699</u> | <u>2,272</u> | <u>3,223</u> |

As at September 30 1999 these exposures were as follows:

| | Net foreign currency monetary assets | | | Total £000's |
|----------------------|--------------------------------------|----------------------|-----------------|-----------------|
| | Sterling £000's | US dollars £000's | Other £000's | |
| Functional currency: | | | | |
| Sterling | — | — | 1,054 | 1,054 |
| US dollar | 223 | — | 391 | 614 |
| Other | 8 | 1,060 | 257 | 1,325 |
| Total | <u>231</u> | <u>1,060</u> | <u>1,702</u> | <u>2,993</u> |

Notes to the Accounts *continued*

19 Treasury *continued*

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 2000. 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 | 222 | 222 |
| Long-term borrowings | 101,816 | 101,816 |
| Cash deposits | (28,540) | (28,540) |
| | <u>73,498</u> | <u>73,498</u> |
| Derivative financial instruments held to manage the interest rate and currency profile of the group: | | |
| Interest rate swaps | — | 314 |
| Interest rate caps and collars | — | 8 |
| | <u>—</u> | <u>322</u> |
| Derivative financial instruments held or issued to hedge the currency exposures on expected future sales: | | |
| Currency swaps | — | (85) |
| Forward foreign currency contracts | — | (696) |
| | <u>—</u> | <u>(781)</u> |
| The book values and fair values of these financial instruments as at September 30 1999 were as follows: | | |
| | 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) |
| | <u>65,706</u> | <u>65,706</u> |
| 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 |
| | <u>—</u> | <u>210</u> |
| Derivative financial instruments held or issued to hedge the currency exposures on expected future sales: | | |
| Currency swaps | — | 7 |
| Forward foreign currency contracts | — | 485 |
| | <u>—</u> | <u>492</u> |

Notes to the Accounts *continued*

19 Treasury *continued*

Hedges

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

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

On September 28 2000 the group entered into a tax equalization swap to hedge the cash effect of tax on unrealized foreign currency gains and losses on the company's net dollar liabilities. This was achieved by a sale of US\$7 million in exchange for sterling maturing on September 27 2001.

In the previous year the group hedged this same risk by entering into a forward contract selling US dollars in exchange for sterling. The contract matured on September 28 2000 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 1999 | 801 | (99) | 702 |
| Gains and losses arising in previous years and recognized in 2000 | (505) | 48 | (457) |
| Gains and losses arising before October 1 1999 and not recognized in 2000 | 296 | (51) | 245 |
| Gains and losses arising in 1999 and not recognized in 2000 | 402 | (1,105) | (703) |
| Unrecognized gains and losses on hedges as at September 30 2000 | 698 | (1,156) | (458) |
| Of which: | | | |
| Gains and losses expected to be recognized in the year to September 30 2001 | 476 | (1,156) | (680) |
| Gains and losses expected to be recognized in the year to September 30 2002 or later | 222 | — | 222 |

20 Provisions for liabilities and charges

| | Onerous lease provision £000's | Group share of net liabilities in associated undertakings £000's | Group total £000's |
|---|--------------------------------------|--|--------------------------|
| At October 1 1999 | 3,215 | 413 | 3,628 |
| Used in the year | (1,314) | — | (1,314) |
| Exchange differences | 329 | — | 329 |
| Share of net liabilities in associated undertakings | — | (131) | (131) |
| At September 30 2000 | 2,230 | 282 | 2,512 |

The onerous lease provision is expected to be utilized within two years.

Notes to the Accounts *continued*

21 Deferred taxation

The unrecognized deferred tax asset at September 30, comprised:

| | Group 2000 £000's | Group 1999 £000's | Company 2000 £000's | Company 1999 £000's |
|--------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Accelerated capital allowances | 318 | 200 | 318 | 200 |
| Other timing differences | 669 | 981 | — | — |
| | <u>987</u> | <u>1,181</u> | <u>318</u> | <u>200</u> |

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 such profits.

22 Called up share capital

| | 2000 £000's | 1999 £000's |
|---|----------------|----------------|
| Authorised: | | |
| 112,000,000 ordinary shares of 0.25p each | <u>280</u> | <u>280</u> |
| Allotted and fully paid: | | |
| 87,727,812 ordinary shares of 0.25p each (1999 – 21,860,352 ordinary shares of 1p each) | <u>219</u> | <u>219</u> |

During the year, 71,601 (1999 – 59,473) ordinary shares of 1p each with an aggregate nominal value of £716.01 (1999 – £594.73) were issued for a cash consideration of £996,042 (1999 – £786,140) following the exercise of share options granted under the company's share option schemes. With effect from July 19 2000 each ordinary share of 1p each in the capital of the company was sub-divided into four new ordinary shares of 0.25p each.

Notes to the Accounts *continued*

22 Called up share capital *continued*

Share options

The following options are outstanding at September 30 2000 and are options to subscribe for new ordinary shares of 0.25p each in the company. The following numbers have been restated for the sub-division of ordinary shares.

| Number of ordinary shares under option | | Option price £ | Period during which option may be exercised |
|--|-------------------|-------------------|---|
| September 30 2000 | October 1 1999 | | |
| — | 1,852 | 0.88 | Before June 14 2000 |
| 2,000 | 12,000 | 1.28 | Before December 5 2001 |
| — | 575,440 | 1.50 | Before January 19 2002 |
| 7,000 | 19,000 | 2.12 | Before December 8 2002 |
| 35,000 | 48,000 | 3.52 | Before November 29 2003 |
| 32,000 | 64,000 | 4.05 | Before December 8 2004 |
| 570,968 | 570,968 | 3.54 | Before June 19 2005 |
| 29,784 | 79,740 | 3.33 | Before February 8 2006 |
| 202,216 | 384,260 | 3.33 | Before February 8 2003 |
| 70,404 | 92,404 | 3.55 | Before February 7 2000 and February 7 2007 |
| 142,596 | 166,596 | 3.58 | Before February 24 2000 and February 24 2004 |
| 101,140 | 152,052 | 3.96 | Between January 7 2001 and January 7 2008 |
| 248,860 | 315,948 | 3.96 | Between January 7 2001 and January 7 2005 |
| 348,000 | 454,000 | 4.19 | Between January 29 2002 and January 29 2009 |
| 160,000 | 160,000 | 3.96 | Between February 11 2002 and February 11 2009 |
| 552,000 | 552,000 | 4.31 | Between June 25 2002 and June 25 2009 |
| 320,000 | — | 5.63 | Between January 5 2003 and January 5 2010 |
| 2,821,968 | 3,648,260 | | |

23 Statement of movements on reserves

| Group | Called up share capital £000's | Share premium account £000's | Capital redemption reserve £000's | Profit & loss account £000's | Total £000's |
|--|--------------------------------------|---------------------------------------|--|---------------------------------------|-----------------|
| At October 1 1999 | 219 | 32,582 | 8 | (115,610) | (82,801) |
| Retained profit for the year | — | — | — | 1,355 | 1,355 |
| Foreign exchange translation differences | — | — | — | (13,503) | (13,503) |
| Tax on hedging loan translation | — | — | — | 4,009 | 4,009 |
| Exercise of share options | — | 996 | — | — | 996 |
| At September 30 2000 | 219 | 33,578 | 8 | (123,749) | (89,944) |

As permitted under the provisions of FRS10, *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 2000 was £169,447,000 (1999 - £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 | Total £000's |
|----------------------------|--------------------------------------|---------------------------------------|--|------------------------------|---------------------------------------|-----------------|
| At October 1 1999 | 219 | 32,582 | 8 | 1,842 | 6,344 | 40,995 |
| Retained loss for the year | — | — | — | — | (1,665) | (1,665) |
| Exercise of share options | — | 996 | — | — | — | 996 |
| At September 30 2000 | 219 | 33,578 | 8 | 1,842 | 4,679 | 40,326 |

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 £3,300,000 at September 30 2000 (1999 – £9,500,000).

Operating leases

Annual commitments under operating leases for land and buildings at September 30 2000 were as follows:

| | Group 2000 £000's | Group 1999 £000's | Company 2000 £000's | Company 1999 £000's |
|--------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|
| Operating leases which expire: | | | | |
| Within one year | 515 | 245 | 7 | — |
| Between two and five years | 4,986 | 4,240 | 414 | 225 |
| Over five years | 401 | 339 | 268 | 268 |
| | 5,902 | 4,824 | 689 | 493 |

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 (£50 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 in respect of this claim.

Notes to the Accounts *continued*

26 Related party transactions

- (i) The operating lease charge includes property rental payments amounting to £107,136 (1999 – £80,000) made to the president of MIS Training, Inc., a subsidiary undertaking.
- (ii) During the year the group made a number of related party acquisitions. See note 14 for further details.
- (iii) The group expensed £140,000 (1999 – £135,000) for services, including fees payable under the new financing arrangement, provided at an arms length basis by subsidiaries of the group's ultimate parent undertaking.

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 & General Trust plc, registered in England and Wales. Copies of the report and accounts are available from:

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

Five Year Record

Group profit and loss extracts

| | 1996 £000's | 1997 £000's | 1998 £000's | 1999 £000's | 2000 £000's |
|---|----------------|----------------|----------------|----------------|----------------|
| Turnover | 104,283 | 131,050 | 176,930 | 168,243 | 192,122 |
| Operating profit before goodwill amortization | 23,366 | 29,306 | 35,212 | 28,433 | 32,541 |
| Goodwill amortization | - | - | - | (3,446) | (5,500) |
| Operating profit | 21,959 | 29,475 | 35,212 | 24,987 | 27,041 |
| Share of profits in associated undertakings | 349 | 303 | 585 | 416 | 165 |
| Profit/(loss) on disposal of subsidiaries | 1,407 | (169) | - | 893 | 179 |
| Net interest receivable/(payable) | 1,789 | 729 | (3,712) | (3,727) | (4,782) |
| Profit before taxation | 25,504 | 30,338 | 32,085 | 22,569 | 22,603 |
| Taxation | (8,213) | (9,185) | (8,342) | (7,184) | (7,218) |
| Profit after taxation | 17,291 | 21,153 | 23,743 | 15,385 | 15,385 |
| Minority interests | (628) | (1,857) | (1,194) | (322) | (1,100) |
| Available for shareholders | 16,663 | 19,296 | 22,549 | 15,063 | 14,285 |
| Dividends | (9,877) | (10,905) | (11,899) | (11,934) | (12,930) |
| Retained profit | 6,786 | 8,391 | 10,650 | 3,129 | 1,355 |
| Basic earnings per share (as restated) | 18.98p | 22.56p | 26.13p | 17.37p | 16.35p |
| Diluted earnings per share (as restated) | 19.03p | 22.66p | 26.01p | 17.32p | 16.16p |
| Adjusted diluted earnings per share (as restated) | 17.42p | 22.85p | 26.01p | 20.25p | 22.18p |
| Dividends per share (net) | 11.50p | 12.75p | 13.75p | 13.75p | 14.75p |

Group balance sheet extracts

| | | | | | |
|---|----------|-----------|----------|----------|-----------|
| Intangible fixed assets | - | - | - | 21,958 | 25,799 |
| Tangible fixed assets | 5,582 | 10,142 | 9,293 | 9,656 | 8,129 |
| Net current (liabilities)/assets | 13,595 | 6,331 | 2,784 | (3,890) | 19,526 |
| Creditors: amounts falling due after more than one year | - | (84,963) | (60,609) | (73,816) | (101,816) |
| Provisions for liabilities and charges | - | (5,806) | (4,539) | (3,628) | (2,512) |
| Deferred income | (10,167) | (29,164) | (30,785) | (32,760) | (38,123) |
| Net (liabilities)/assets | 9,010 | (103,460) | (83,856) | (82,480) | (88,997) |

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

| | |
|------|------------|
| 1996 | 87,205,540 |
| 1997 | 85,048,408 |
| 1998 | 86,686,980 |
| 1999 | 86,978,068 |
| 2000 | 88,402,637 |

Directors & Advisors

Chairman PM Fallon‡

Managing Director PR Ensor‡

Directors

The Viscount Rothermere*†

Sir Patrick Sergeant*‡§

CJF Sinclair*†‡

NF Osborn

DC Cohen

CR Brown

GB Strahan

JP Williams*§

JC Botts*†‡§

CR Jones

E Bounous

SM Brady

RT Lamont

S Cox

JD Bolsover*

D Alfano

G Mueller

*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 UBS Warburg, 1 Finsbury Avenue, London EC2M 2PP

Depository Banque Internationale à Luxembourg SA, 69 route d'Esch, 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

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