

Notes to the accounts

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. The accounts are prepared on a going concern basis. The principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements. Following the announcement last year that implementation of 'FRS 17: Retirement Benefits' has been deferred until 2005, the Group continues to prepare its accounts based on SSAP 24 and to provide the additional information required by FRS 17 (as revised).

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 December. The acquisition method of accounting has been adopted. Under this method the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Goodwill and publishing rights

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions (representing the excess of the fair value of the consideration given and associated costs over the fair value of the separable net assets acquired) before 1 January 1998, when 'FRS 10: Goodwill and intangible assets' was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life which, in the case of the majority of acquisitions to date, is estimated to be 20 years.

Impairment reviews are carried out in accordance with FRS 11 to ensure that goodwill is not carried at above its recoverable amount. All amortisation and any impairment of goodwill is charged to the profit and loss account.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging the unamortised amount of any related goodwill.

No value is attributed to publishing rights acquired as the Directors consider this cannot be reliably measured.

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less provision for permanent impairment, if any.

Turnover

Turnover represents the amount receivable, excluding sales taxes, for products and services supplied to customers and is stated after deduction of trade discounts and provisions for subscription returns and cancellations. Subscription income is deferred and recognised over the period of the subscription. Conference income is recognised when the conference is held.

Currency translation

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

Trading results denominated in foreign currencies are translated at the average monthly exchange rate. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on retranslation of opening net assets of overseas subsidiary undertakings is taken directly to reserves. Differences on foreign currency borrowings, which are used to finance or provide a hedge against Group equity investments in foreign enterprises, are taken directly to reserves so far as they offset the exchange differences on the net investment in these enterprises. The exchange differences arising on the retranslation of the profit and loss account at the year end rate are taken to reserves. All other translation differences are taken to the profit and loss account.

Financial instruments

The Group uses interest rate and currency swaps to manage its exposure to interest rate and currency fluctuations. These instruments are accounted for as hedges if designated as such at the inception of contracts. The swaps are not revalued to fair value in the Group balance sheet at the year end but are disclosed in the fair value table in note 32. Interest differentials are recognised by accruing the net interest receivable or payable. Gains or losses arising on hedging instruments which are cancelled due to the termination of underlying exposure are taken to the profit and loss account immediately. Finance costs associated with debt issuance are charged to the profit and loss account over the life of the instruments.

Depreciation and amortisation

The cost of tangible fixed assets less their estimated residual value is depreciated on a straight line basis over their estimated useful lives as follows:

| | Annual rate |
|--|--------------------|
| Freehold buildings | 2% |
| Short leasehold properties and property improvements | Over life of lease |
| Equipment, fixtures and fittings | 10% – 33.3% |
| Motor vehicles | 20% – 25% |

Freehold and short leasehold properties and property improvements are carried at cost less depreciation and provisions for impairment in value. Freehold land is not depreciated.

Fixed assets acquired on acquisition of a subsidiary undertaking are included at the original cost less depreciation to the acquired business except to the extent that their fair value is considered to be different in which case the accumulated depreciation is adjusted accordingly.

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Conference costs in advance represent costs incurred for conferences planned to be held after the balance sheet date.

Deferred promotional expenditure

Promotional expenditure incurred during the year is matched against revenue generated by that expenditure. Deferred promotional expenditure included in the balance sheet represents expenditure incurred during the year in respect of revenue which is expected to arise after the balance sheet date.

Deferred tax

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is provided in full for timing differences, except as otherwise required by FRS 19. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Deferred tax balances are not discounted.

Leased assets

Assets held under finance leases are capitalised with the corresponding obligation to pay future rentals being included in creditors. A finance lease is a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee. The assets are valued at the equivalent purchase price and are depreciated over the shorter of their estimated useful lives or the unexpired portion of the lease. The excess of the lease payments over the value of the lease obligations is treated as a finance charge and is allocated to accounting periods over the duration of the lease to approximate to a constant periodic rate of charge on the remaining balance.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

Certain subsidiaries operate defined contribution pension schemes for employees. The assets of the schemes are held separately from the individual companies. The pension cost charge associated with these schemes represents contributions payable.

The Group also operates a funded defined benefit scheme for employees. The expected cost of pensions of the defined benefit pension scheme is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme. Variations from regular cost are spread over the remaining service lives of current employees in the schemes.

The pension cost associated with this scheme is addressed in accordance with the advice of qualified actuaries.

FRS 17: Retirement Benefits will require a market rather than actuarial valuation of defined benefit schemes. This will result in a greater volatility of the pension scheme surplus as the market valuation will be taken at each balance sheet date and be reflective of a particular point in time. At 31 December 2003, the Group has adopted the transitional disclosure requirements of FRS 17 (as set out in note 22).

Notes to the accounts

continued

2 Analysis of operating activities

| | Continuing operations | Continuing operations |
|-------------------------------|--------------------------|--------------------------|
| | 2003 £000 | 2002 £000 |
| Turnover | 267,997 | 283,442 |
| Cost of sales | (112,279) | (119,651) |
| Gross profit | 155,718 | 163,791 |
| Administrative expenses | | |
| Ordinary | (129,770) | (137,528) |
| Exceptional | (8,543) | (6,454) |
| Total administrative expenses | (138,313) | (143,982) |
| Operating profit | 17,405 | 19,809 |

3 Segmental analysis

| Analysis by market sector | Turnover | | Underlying operating profit* | | Profit before interest | |
|-------------------------------|----------------|----------------|------------------------------|---------------|------------------------|---------------|
| | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Finance and Insurance | 79,649 | 79,442 | 12,900 | 12,135 | 5,797 | 7,098 |
| Telecoms and Media | 44,050 | 52,575 | 8,389 | 9,301 | 4,461 | 5,968 |
| Law and Tax | 39,218 | 45,097 | 6,209 | 4,737 | 2,712 | 1,877 |
| Maritime, Trade and Transport | 45,053 | 46,705 | 2,679 | 2,379 | (1,338) | (582) |
| Life Sciences | 27,629 | 27,492 | 4,059 | 5,308 | 1,595 | 3,565 |
| Commodities and Energy | 30,414 | 31,226 | 2,947 | 3,615 | 234 | 1,636 |
| Other | 1,984 | 905 | 299 | (220) | 122 | (278) |
| | 267,997 | 283,442 | 37,482 | 37,255 | 13,583 | 19,284 |

| Analysis by geographical location of business | Turnover | | Underlying operating profit* | | Profit before interest | |
|---|----------------|----------------|------------------------------|---------------|------------------------|---------------|
| | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| United Kingdom | 128,466 | 139,650 | 17,206 | 16,331 | 5,750 | 7,477 |
| Continental Europe | 63,840 | 67,313 | 8,532 | 7,802 | 2,839 | 3,534 |
| United States | 60,371 | 62,927 | 9,465 | 11,874 | 4,081 | 7,884 |
| Asia Pacific | 11,279 | 9,391 | 1,367 | 782 | 361 | 186 |
| Other | 4,041 | 4,161 | 912 | 466 | 552 | 203 |
| | 267,997 | 283,442 | 37,482 | 37,255 | 13,583 | 19,284 |

| Turnover by geographical location of customer | 2003 £000 | 2002 £000 |
|---|----------------|----------------|
| | United Kingdom | 51,593 |
| Continental Europe | 109,855 | 112,952 |
| United States | 74,139 | 79,005 |
| Asia Pacific | 18,638 | 17,170 |
| Other | 13,772 | 15,567 |
| | 267,997 | 283,442 |

*Underlying operating profit in the segmental analysis excludes the amortisation of goodwill and operating and non-operating exceptional items.

The Group interest expense is arranged centrally and is not attributable to individual markets or geographical locations. Trading between segments is not significant.

3 Segmental analysis continued

| Capital employed – At 31 December | 2003 | 2002 |
|--|----------------|---------|
| Analysis by market sector | £000 | £000 |
| Finance and Insurance | 81,186 | 38,338 |
| Telecoms and Media | 44,900 | 25,372 |
| Law and Tax | 39,975 | 21,763 |
| Maritime, Trade and Transport | 45,923 | 22,539 |
| Life Sciences | 28,163 | 13,267 |
| Commodities and Energy | 31,001 | 15,070 |
| Other | 2,082 | 437 |
| | 273,230 | 136,786 |

| Capital employed – At 31 December | 2003 | 2002 |
|--|----------------|---------|
| Analysis by geographical location | £000 | £000 |
| United Kingdom | 130,946 | 67,394 |
| Continental Europe | 65,072 | 32,484 |
| United States | 61,536 | 30,368 |
| Asia Pacific | 11,497 | 4,532 |
| Other | 4,179 | 2,008 |
| | 273,230 | 136,786 |

| Reconciliation of capital employed | 2003 | 2002 |
|---|------------------|----------|
| | £000 | £000 |
| Capital employed | 273,230 | 136,786 |
| Net debt | (178,199) | (95,529) |
| Unallocated tax liabilities | (17,511) | (14,656) |
| Net assets before minority interest | 77,520 | 26,601 |

4 Exceptional items*(1) Operating costs*

The £8,543,000 shown in the profit and loss account is in respect of the following:

- (a) prepaid bank loan facility fees now expensed as the facility was replaced in the year (£874,000) due to the acquisition of PJB Publications Limited;
- (b) restructuring costs related to integrating the acquisitions (£7,669,000).

The £6,454,000 in 2002 is in respect of a provision for future costs on properties not used by the Group (£4,173,000) and redundancy costs relating to restructuring of the senior operating board (£2,281,000).

(2) Loss on sale and termination of operations

The current year charge represents the net cost arising on the disposal of certain publications and the sale of one subsidiary. The loss on disposal of a subsidiary undertaking in 2002 represents the net cost arising from the closure of a Dutch subsidiary. Details of the related goodwill written off are given in note 13.

5 Net interest payable and similar charges

| | 2003 | 2002 |
|---|----------------|---------|
| | £000 | £000 |
| Interest payable on bank loans and overdrafts | (7,241) | (8,202) |
| Finance lease charges | (1) | (8) |
| | (7,242) | (8,210) |
| Other interest receivable | 1,395 | 1,010 |
| | (5,847) | (7,200) |

Notes to the accounts

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6 Profit on ordinary activities before tax

| Is stated after charging | 2003 £000 | 2002 £000 |
|--|--------------|--------------|
| Depreciation and amortisation | | |
| Depreciation on owned assets | 6,494 | 7,295 |
| Depreciation on assets under finance leases | 30 | 62 |
| Amortisation of goodwill | 11,534 | 10,992 |
| Profit on sale of tangible fixed assets | (25) | (23) |
| Auditors' remuneration | | |
| Audit services | 500 | 551 |
| Other fees paid to the auditors and their associates | 1,085 | 710 |
| Operating leases | | |
| Plant and machinery | 170 | 110 |
| Other | 8,929 | 9,211 |
| Exchange losses | 394 | 18 |

Included in the fees paid to auditors is £6,000 (2002: £6,000) in respect of the audit of the Company.

Within other fees paid to auditors £511,000 relates to corporation and indirect tax advice, £554,000 relates to advisory work in respect of Group restructuring and £20,000 is for other services.

In addition to other fees paid to the auditors, £856,000 (2002: £nil) was paid relating to assistance with acquisitions and has been included in goodwill. This related to the acquisition of PJB Publications Limited as the Audit Committee felt that the auditors were best placed to perform this work cost effectively.

7 Remuneration of Directors

| | 2003 £000 | 2002 £000 |
|---|--------------|--------------|
| Salaries and benefits in kind | 884 | 847 |
| Performance-related emoluments | 467 | 89 |
| Aggregate emoluments | 1,351 | 936 |
| Payments to third parties for services of Directors | 85 | 70 |
| Pension contributions | 524 | 253 |

Directors' profit on exercise of share options during the year was £1,086 (2002: £20,442).

Details of Directors' emoluments including pension contributions and share options are given on pages 43 to 45.

8 Staff costs

| | 2003 £000 | 2002 £000 |
|-----------------------|--------------|--------------|
| Wages and salaries | 83,808 | 82,795 |
| Social security costs | 9,453 | 9,520 |
| Redundancy costs | 5,023 | 4,236 |
| Pension costs | 2,815 | 2,895 |
| | 101,099 | 99,446 |

The average number of employees of the Group during the year was:

| By market sector | 2003 number | 2002 number |
|-------------------------------|----------------|----------------|
| Finance and Insurance | 681 | 683 |
| Telecoms and Media | 357 | 407 |
| Law and Tax | 392 | 381 |
| Maritime, Trade and Transport | 424 | 448 |
| Life Sciences | 239 | 201 |
| Commodities and Energy | 339 | 335 |
| Other | 41 | 113 |
| | 2,473 | 2,568 |

9 Tax on profit on ordinary activities

| | 2003 | 2002 |
|---|--------------|-------|
| | £000 | £000 |
| United Kingdom corporation tax at 30% (2002: 30%) | 1,689 | 1,514 |
| Less: double taxation relief | – | – |
| | 1,689 | 1,514 |
| Overseas tax | 3,269 | 5,046 |
| Current tax | 4,958 | 6,560 |
| Deferred tax (note 21) | 1,835 | 698 |
| | 6,793 | 7,258 |

Factors affecting the tax charge for the current year

A reconciliation of the notional current tax charge based on average standard rates of tax (weighted in proportion to accounting profits) to the actual current tax charge is set out below:

| | 2003 | 2002 |
|--|----------------|--------|
| | £000 | £000 |
| Current tax reconciliation | | |
| Profit on ordinary activities before tax | 7,736 | 12,084 |
| Current tax at average standard rates at 35% (2002: 39%) | 2,708 | 4,713 |
| Effects of: | | |
| Tax depreciation in excess of amortisation | 130 | 690 |
| Utilisation of tax losses | (1,895) | 28 |
| Unrecognised tax credits in respect of overseas losses | 86 | – |
| Expenses not deductible for tax purposes | 4,351 | 1,157 |
| Other timing differences | (419) | 302 |
| Differences in tax rates | (3) | (330) |
| Total current tax charge | 4,958 | 6,560 |

10 Results of Infoma Group plc

Of the profit for the financial year, £91,421,000 (2002: loss £986,000) before the payment of dividends is dealt with in the accounts of the Company. Pursuant to section 230 of the Companies Act 1985 the Company's own profit and loss account is not included in these accounts.

11 Dividends

| | 2003 | 2002 |
|---|---------------|-------|
| | £000 | £000 |
| Interim dividend 2.66 pence per share (2002: 2.66 pence) | 3,651 | 3,412 |
| Proposed final dividend 4.94 pence per share (2002: 4.94 pence) | 7,480 | 6,335 |
| Waiver of dividend by share trusts | (42) | (55) |
| | 11,089 | 9,692 |

Notes to the accounts

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12 Earnings and adjusted earnings per share

In order to show results from operating activities on a comparable basis, an adjusted earnings per share has been calculated which excludes amortisation of goodwill and exceptional items.

| | 2003 | 2002 |
|--|--------------------|-------------|
| | £000 | £000 |
| Profit for the year – basic and diluted earnings | 859 | 4,767 |
| Adjustments: | | |
| Amortisation of goodwill | 11,534 | 10,992 |
| Exceptional items | 10,300 | 5,070 |
| Adjusted earnings | 22,693 | 20,829 |
| Weighted average number of equity shares – for basic and adjusted earnings | 131,695,549 | 127,294,855 |
| Effect of dilutive share options | 99,492 | 4,888 |
| Weighted average number of equity shares – for diluted earnings | 131,795,041 | 127,299,743 |
| | 2003 | 2002 |
| Basic earnings per equity share | 0.65p | 3.74p |
| Diluted earnings per equity share | 0.65p | 3.74p |
| Adjusted earnings per equity share | 17.23p | 16.36p |

13 Intangible fixed assets – goodwill

| | Group |
|---------------------------------|----------------|
| | 2003 |
| | £000 |
| Cost: | |
| At 1 January 2003 | 193,186 |
| Exchange differences | (735) |
| Additions | 163,121 |
| Additions from new subsidiaries | 1,579 |
| Disposals | (6,215) |
| At 31 December 2003 | 350,936 |
| Amortisation: | |
| At 1 January 2003 | 33,547 |
| Exchange differences | 69 |
| Additions from new subsidiaries | 1,003 |
| Charge for year | 11,534 |
| Disposals | (1,348) |
| At 31 December 2003 | 44,805 |
| Net book value: | |
| At 31 December 2003 | 306,131 |
| At 31 December 2002 | 159,639 |

Goodwill arising on acquisitions since 1 January 1998 has been capitalised as an intangible asset in accordance with FRS 10 and will be amortised over its estimated useful life. In the case of most acquisitions, the estimated useful life is 20 years. Event acquisitions will be amortised over 3 years (relevant to two Group acquisitions) and in one exceptional case a Group acquisition is written down over 4 years. Details of the acquisitions are given in notes 30 and 31.

Details of the disposals are given in note 4.

14 Tangible fixed assets

| Group | Freehold land and buildings £000 | Short leasehold property £000 | Equipment, fixtures and fittings £000 | Motor vehicles £000 | Total £000 |
|---------------------------------|---|--|--|---------------------------|---------------|
| Cost: At 1 January 2003 | 1,333 | 3,320 | 44,264 | 813 | 49,730 |
| Exchange differences | – | (127) | (173) | 29 | (271) |
| Additions | – | 198 | 2,428 | 61 | 2,687 |
| Additions from new subsidiaries | 7,268 | 215 | 5,140 | 175 | 12,798 |
| Disposals | – | (59) | (6,033) | (337) | (6,429) |
| At 31 December 2003 | 8,601 | 3,547 | 45,626 | 741 | 58,515 |
| Depreciation: | | | | | |
| At 1 January 2003 | 75 | 1,238 | 24,841 | 496 | 26,650 |
| Exchange differences | – | (65) | (76) | 30 | (111) |
| Additions from new subsidiaries | 930 | 8 | 3,321 | 165 | 4,424 |
| Charge for year | 22 | 353 | 6,036 | 113 | 6,524 |
| Disposals | – | (32) | (5,929) | (273) | (6,234) |
| At 31 December 2003 | 1,027 | 1,502 | 28,193 | 531 | 31,253 |
| Net book value: | | | | | |
| At 31 December 2003 | 7,574 | 2,045 | 17,433 | 210 | 27,262 |
| At 31 December 2002 | 1,258 | 2,082 | 19,423 | 317 | 23,080 |

Depreciable assets at cost total £57,540,000 at 31 December 2003 (2002: £48,755,000).

The net book value of assets held under finance leases and hire purchase contracts included in tangible fixed assets in the Group was £83,000 (2002: £149,000). The depreciation charge on these assets in the year was £30,000 (2002: £62,000).

| Company | Short leasehold property £000 | Equipment, fixtures and fittings £000 | Motor vehicles £000 | Total £000 |
|----------------------------|--|--|---------------------------|---------------|
| Cost: | | | | |
| At 1 January 2003 | 254 | 2,785 | 57 | 3,096 |
| Additions | – | 53 | – | 53 |
| Disposals | – | – | (57) | (57) |
| At 31 December 2003 | 254 | 2,838 | – | 3,092 |
| Depreciation: | | | | |
| At 1 January 2003 | 81 | 1,632 | 32 | 1,745 |
| Charge for year | 43 | 400 | 2 | 445 |
| Disposals | – | – | (34) | (34) |
| At 31 December 2003 | 124 | 2,032 | – | 2,156 |
| Net book value: | | | | |
| At 31 December 2003 | 130 | 806 | – | 936 |
| At 31 December 2002 | 173 | 1,153 | 25 | 1,351 |

The net book value of assets held under finance leases and hire purchase contracts included in tangible fixed assets in the Company was £nil (2002: £25,000). The depreciation charge on these assets in the year was £2,000 (2002: £19,000).

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15 Investments

| Group | Investment in own shares £000 | Other investments £000 | Total £000 |
|----------------------------|----------------------------------|---------------------------|---------------|
| Cost and net book value: | | | |
| At 1 January 2003 | 3,641 | 1,147 | 4,788 |
| Additions | – | 2,105 | 2,105 |
| At 31 December 2003 | 3,641 | 3,252 | 6,893 |

The investment in own shares is the Informa Employee Share Trust (EST) which holds shares to satisfy the future exercise of executive options. These are held in trust until such time as they may be transferred to the executives in accordance with the conditions outlined in the Directors' remuneration report on page 44. The trustees have waived the right to receive dividends. All professional fees relating to the establishment of the trust and the loss arising from the difference between cost and the option price have been charged to the profit and loss account. The Trust held 632,775 shares at 31 December 2003 (2002: 632,775 shares). The market value of the holding stood at £2,028,044 at 31 December 2003 (2002: £1,059,898). The shares held are under option at 401p, 825p and 581p as detailed in note 24.

The additions in the year represent the Group's investment in Expomedia Group plc and an increase in the investment in Xinhua Financial Network Ltd. The market value of the holding in Expomedia Group plc at 31 December 2003 was £2,355,000, compared to the net book value of £2,040,000.

| Company | Investment in own shares £000 | Shares in subsidiary undertakings £000 | Other investments £000 | Total £000 |
|----------------------------|----------------------------------|---|---------------------------|----------------|
| Cost and net book value: | | | | |
| At 1 January 2003 | 3,641 | 340,823 | 679 | 345,143 |
| Additions | – | 488,610 | 2,105 | 490,715 |
| Disposals | – | (272,965) | – | (272,965) |
| At 31 December 2003 | 3,641 | 556,468 | 2,784 | 562,893 |

The investment in own shares is held by the Informa Employee Share Trust, as detailed above.

The addition in the year to other investments is as detailed above.

The Company acquired 100% of the ordinary shares issued by a new subsidiary, Informa One Limited, for £46,035,000.

The Company purchased all of an issue of £1 ordinary shares by Informa Limited for £277,965,000. Informa Limited redeemed all of its preference shares of which £272,965,000 were owned by the Company.

The Company also acquired MMS Group Holdings Limited for a cost of £17,732,000 and PJB Publications Limited for £146,878,000.

The listing below shows the principal subsidiary undertakings at 31 December 2003. A full list of the subsidiaries will be included in the Company's annual return. All of these companies are included in the consolidated financial statements and are wholly owned within the Group except where indicated they are incorporated in England and Wales. The Group also controls the Informa Employee Share Trust, an independently administered employee share ownership plan.

Informa Limited and Barham Reorganisations Limited have an accounting reference date of 25 July, whilst PJB Publications Limited has an accounting reference date of 31 August.

| Name of subsidiary | Nature of business |
|--|--|
| Agra Europe (London) Limited | Conference organisation and publishing |
| Euroforum BV (Incorporated in the Netherlands) | Conference organisation and publishing |
| Euroforum Deutschland GmbH (Incorporated in Germany) | Conference organisation and publishing |
| IBC Asia (S) Pte Limited (Incorporated in Singapore) | Conference organisation |
| Informa USA Inc. (Incorporated in USA) | Conference organisation and publishing |
| Informa UK Limited | Conference organisation and publishing |
| Informa QUEST Limited | Qualifying employee share trust |
| Informa Limited | Holding company |
| MMS Group Holdings Limited | Holding company |
| PJB Publications Limited | Publishing |

Of the above, only Informa Limited, MMS Group Holdings Limited, PJB Publications Limited and Informa QUEST Limited are directly owned by Informa Group plc.

16 Stocks and work in progress

| | Group | | Company | |
|----------------------------------|--------------|--------------|--------------|--------------|
| | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Conference costs in advance | 6,463 | 5,034 | – | – |
| Marketing and publication stocks | 956 | 1,178 | – | – |
| | 7,419 | 6,212 | – | – |

17 Debtors

| | Note | Group | | Company | |
|--|------|---------------|--------------|----------------|--------------|
| | | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Falling due within one year: | | | | | |
| Trade debtors | | 35,568 | 32,807 | – | – |
| Other debtors | | 7,264 | 5,767 | 1,321 | 746 |
| Prepayments and accrued income | | 12,318 | 11,356 | 1,996 | 2,204 |
| Other taxes and social security costs | | – | – | 66 | 53 |
| Deferred tax | 21 | 730 | 968 | – | – |
| Owed by Group undertakings | | – | – | 418,796 | 399,977 |
| | | 55,880 | 50,898 | 422,179 | 402,980 |
| Falling due after more than one year: | | | | | |
| Deferred tax | 21 | 284 | 836 | – | – |
| | | 56,164 | 51,734 | 422,179 | 402,980 |

18 Creditors: amounts falling due within one year

| | Note | Group | | Company | |
|---|------|----------------|--------------|----------------|--------------|
| | | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Bank overdrafts | 19 | 1,271 | 2,062 | – | 21 |
| Short term bank loans | 19 | 4,201 | 374 | – | – |
| Net obligations under finance leases | | 40 | 55 | – | 2 |
| Trade creditors | | 8,756 | 8,232 | – | 195 |
| Corporation tax payable | | 14,625 | 13,605 | 779 | 124 |
| Other taxes and social security costs | | 3,408 | 2,678 | – | – |
| Deferred income and payments received on account | | 61,103 | 52,159 | – | – |
| Other creditors and accruals | | 40,933 | 32,124 | 11,119 | 6,937 |
| Owed to Group undertakings | | – | – | 299,490 | 290,019 |
| Deferred consideration payable for purchase of subsidiary undertakings and businesses | | 915 | 252 | – | – |
| Proposed dividend | | 7,480 | 6,335 | 7,480 | 6,335 |
| | | 142,732 | 117,876 | 318,868 | 303,633 |

Notes to the accounts

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19 Bank loans and overdrafts

| | Note | Group | | Company | |
|---|------|----------------|--------------|----------------|--------------|
| | | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Bank loans and overdrafts: | | | | | |
| Payments due after five years | | 15,842 | 35,673 | 15,842 | 35,673 |
| Payments due between two and five years | | 116,122 | 62,615 | 116,122 | 62,615 |
| Payments due between one and two years | | 45,281 | – | 45,281 | – |
| | | 177,245 | 98,288 | 177,245 | 98,288 |
| Payments due within one year | 18 | 5,472 | 2,436 | – | 21 |
| | | 182,717 | 100,724 | 177,245 | 98,309 |

| | Group | | Company | |
|---|----------------|--------------|----------------|--------------|
| | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| These are secured as follows: | | | | |
| Amounts falling due within one year: | | | | |
| Secured by guarantees from certain subsidiary companies | 5,472 | 2,436 | – | 21 |
| Amounts falling due after more than one year: | | | | |
| Secured by guarantees from certain subsidiary companies | 177,245 | 98,288 | 177,245 | 98,288 |
| | 182,717 | 100,724 | 177,245 | 98,309 |

In the year the Group cancelled a £150m facility that had been reduced from £200m in 2002. In December 2003 the Group arranged a new £140m multi-currency revolving facility that will expire in December 2008. The Group also arranged a £40m multi-currency revolving facility that will expire in June 2005.

In 2001 the Group raised US\$50m on the US private placement market. The 7.35% Guaranteed Senior Unsecured Notes are due in seven equal annual terms from 15 August 2005 to 15 August 2011.

Rates of interest are determined by current market rates. Further details of borrowings and financial liabilities are given in note 32.

20 Creditors: amounts falling due after more than one year – other creditors

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Deferred consideration payable for purchase of subsidiary undertakings and businesses | 5,903 | 169 | 5,773 | – |
| Net obligations under finance leases | 20 | 59 | – | – |
| Other long term creditors | – | 627 | – | – |
| | 5,923 | 855 | 5,773 | – |

Obligations under finance leases are due between two and three years.

21 Provisions for liabilities and charges

| | Property Lease £000 | Deferred Tax £000 | Restructuring £000 | Group Total £000 | Company Property Lease £000 |
|----------------------|---------------------------|-------------------------|-----------------------|------------------------|--------------------------------------|
| 1 January 2003 | 4,173 | 2,855 | – | 7,028 | 3,670 |
| Provided in year | – | 1,045 | 8,543 | 9,588 | – |
| Utilised in year | (1,424) | – | (4,289) | (5,713) | (832) |
| Intragroup transfers | – | – | – | – | (923) |
| At 31 December 2003 | 2,749 | 3,900 | 4,254 | 10,903 | 1,915 |

The property lease provision represents the estimated excess of rent payable on surplus property leases, less rent received via sub-leases, and dilapidation provisions where these exist. These liabilities fall due within two years.

Deferred tax

The elements of deferred tax are as follows:

| | 2003 £000 | Group 2002 £000 |
|---|--------------|-----------------------|
| Difference between accumulated depreciation/amortisation and tax depreciation | 4,412 | 2,966 |
| Tax losses | (512) | (111) |
| Undiscounted deferred tax liability | 3,900 | 2,855 |

The movements on deferred tax are as follow:

| | Asset £000 | Group Liability £000 |
|--|---------------|----------------------------|
| At 1 January 2003 | 1,804 | (2,855) |
| Charge to profit and loss account (note 9) | (790) | (1,045) |
| At 31 December 2003 | 1,014 | (3,900) |

At 31 December 2003, in addition to the deferred tax balances recognised above, the Group had potential deferred tax assets of £16,037,000 (2002: £1,957,000) in relation to allowable tax losses. These assets have not been recognised in the financial statements as, in the opinion of the Directors, there is insufficient evidence that they will be recoverable. These assets may become recoverable if trading entities to which the tax losses relate to realise taxable profits. The deferred tax asset recognised, represents timing differences with regard to the exceptional items as disclosed in note 4.

Notes to the accounts

continued

22 Pensions

The Group operates, a number of defined contribution schemes and a defined benefit scheme designed to provide benefits based on final pensionable salary. Details of these are given below. The assets of all schemes are held separately from those of Group companies.

A pension cost charge of £1,798,000 (2002: £1,737,000) represents contributions payable on all defined contribution schemes held by the combined Group.

The total pension cost for the funded defined benefit pension scheme was £1,017,000 (2002: £1,158,000). The pension cost is assessed on the basis of triennial valuations in accordance with the advice of an independent qualified actuary, using the attained age method. The latest formal actuarial valuation of the scheme was at 31 March 2002. The market value of the scheme's assets at that date was £16,944,000. The funding level of the scheme on a discounted cash flow valuation basis was 76% at the date of the valuation. This deficiency is to be made good by additional contributions spread forward over future working lifetimes. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increases in salaries and pensions. It was assumed that the real rate of return on investments would be 1.5% above index-linked gilt real yield per annum, that salary increases would average 4.2% per annum and that present and future pensions would increase in line with price inflation at 2.7% per annum. From 1 April 2003 the employee's contribution increased to 10% from 6% and the Group's contribution increased to 18.9% from 15.9% following a valuation recommended by the Actuary for the scheme. The next formal actuarial valuation of this scheme is due to be carried out as at 1 April 2005.

The actuarial valuation of the scheme was updated to 31 December 2003 by a qualified actuary, using a set of assumptions consistent with those required under FRS 17.

The major assumptions used by the actuary were:

| | 31 December 2003 | 31 December 2002 | 31 December 2001 |
|--|---------------------|---------------------|---------------------|
| Rate of increase in pensionable salaries | 4.2% | 3.9% | 4.1% |
| Rate of increase in pensions in payment | 2.7% | 2.4% | 2.6% |
| Discount rate | 5.3% | 5.5% | 6.0% |
| Inflation assumption | 2.7% | 2.4% | 2.6% |

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were, if FRS 17 had been adopted in full:

| | 3 years comparables | | | | | |
|------------------------------|---------------------|----------|---------------------|----------|---------------------|----------|
| | 31 December 2003 | | 31 December 2002 | | 31 December 2001 | |
| | Rate of return | £000 | Rate of return | £000 | Rate of return | £000 |
| Equities | 7% | 14,707 | 7% | 11,275 | 8% | 12,612 |
| Bonds | 5% | 2,029 | 5% | 2,522 | 6% | 2,745 |
| Cash | 4% | 1,253 | 4% | 777 | 4% | 791 |
| Total market value of assets | | 17,989 | | 14,574 | | 16,148 |
| Present value of liabilities | | (31,883) | | (25,328) | | (20,791) |
| Deficit in the scheme | | (13,894) | | (10,754) | | (4,643) |
| Related deferred tax asset | | 4,168 | | 3,226 | | 1,393 |
| Net pension liability | | (9,726) | | (7,528) | | (3,250) |

The amount of this net pension liability would also be included in the Group's profit and loss account reserve.

22 Pensions continued

The following performance statement disclosures relating to the defined benefit scheme, are required under the transitional arrangements of FRS 17.

| | 2 years comparables | |
|---|---------------------|-------------|
| | 31 December | 31 December |
| | 2003 | 2002 |
| | £000 | £000 |
| Analysis of the amount charged to operating profit | | |
| Service cost | (852) | (924) |
| Past service cost | (165) | (234) |
| Total operating charge | (1,017) | (1,158) |
| Analysis of the amount debited to other finance income | | |
| Interest cost | (1,423) | (1,284) |
| Return on assets | 988 | 1,205 |
| Other finance cost | (435) | (79) |
| Analysis of amount recognised in the consolidated statement of recognised gains and losses | | |
| Actual less expected return on scheme assets | 1,118 | (4,026) |
| Experience gain | - | 860 |
| Change in basis | (4,030) | (2,982) |
| Actuarial loss | (2,912) | (6,148) |
| Movement in deficit during the year | | |
| Deficit at start | (10,754) | (4,643) |
| Movement: | | |
| Current service cost | (852) | (924) |
| Contributions | 1,224 | 1,274 |
| Past service cost | (165) | (234) |
| Other finance cost | (435) | (79) |
| Actuarial loss | (2,912) | (6,148) |
| Deficit at end | (13,894) | (10,754) |
| History of experience gains and losses | | |
| Difference between the actual and expected return on scheme assets | 1,118 | (4,026) |
| % of scheme assets | 6% | (28%) |
| Experience gains and losses on scheme liabilities | - | 860 |
| % of scheme liabilities | 0% | 3% |
| Total amount recognised in the statement of recognised gains and losses | (2,912) | (6,148) |
| % of scheme liabilities | (9%) | (24%) |

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23 Minority interests

The minority interest in 2003 is composed entirely of equity interests and represents the minority shares of the Euroforum HandelsZeitung Konferenz AG and Agra CEAS. In 2002 it also represented an equity minority interest in MCM Asia Pacific which has now been bought (note 30).

24 Called up share capital

| | 2003 £000 | 2002 £000 |
|--|---------------|--------------|
| Authorised: | | |
| 180,000,000 ordinary shares of 10p each | 18,000 | 18,000 |
| Allotted, called up and fully paid: | | |
| 151,944,860 ordinary shares of 10p each | 15,195 | 12,824 |

Shares with nominal value £82,000 (2002: £85,000) are held by Informa QUEST Limited and the Informa Employee Share Trust.

Movements in share capital

During the year the Company issued 199,228 shares with a nominal value of £20,000 as a result of the exercise of share options. The share premium arising on this was £421,000. In addition the Company issued 23,510,233 shares, with a nominal value of £2,351,000 as follows:

- (i) Cash and vendor placings of, in total, 9,700,000 shares at a price of 270 pence per share in connection with the acquisition of MMS Group Holdings Limited. The placement price represented a discount of 7% to the closing share price on the day of acquisition. The shares placed had a nominal value of £970,000. The share premium arising, net of costs of £524,000, was £24,696,000;
- (ii) A further placing of 13,280,000 shares at 280 pence per share in connection with the acquisition of PJB Publications Limited (PJB). The placement price represented a discount of 8% to the closing share price on the day of acquisition. The shares placed had a nominal value of £1,328,000. The share premium arising, net of costs of £1,029,000, was £34,827,000; and
- (iii) The issue of 530,233 shares, with a nominal value of £53,000, to part fund the acquisition of PJB. The share premium arising was £1,447,000.

For further information on the above detailed acquisitions please refer to note 30.

The Company/Group has share option schemes under which options have been granted to certain employees.

At 31 December 2003 the following options to Informa employees and Directors were outstanding:

Executive share options

| Number of ordinary shares (options) | Date of grant | Price per share | Period of exercise |
|---|---------------|-----------------|--------------------|
| 6,400 | Dec 96 | 0.639p | Dec 99 to Dec 06 |
| 14,400 | Apr 97 | 10.94p | Apr 00 to Apr 07 |
| 11,680 | May 97 | 10.94p | May 00 to May 07 |
| 77,128 | Apr 97 | 201.5p | Apr 00 to Apr 07 |
| 4,000 | Sep 97 | 18.75p | Sep 00 to Sep 07 |
| 1,600 | Oct 97 | 18.75p | Oct 00 to Oct 07 |
| 120,240 | Apr 98 | 273.05p | Apr 01 to Apr 08 |
| 365,000 | Aug 98 | 219p | Aug 01 to Aug 08 |
| 101,602 | Oct 98 | 241.02p | Oct 01 to Sep 08 |
| 88,440 | Apr 99 | 310.5p | Apr 02 to Apr 09 |
| 290,558 (259,974 owned by the Informa Employee Share Trust) | Oct 99 | 401p | Oct 02 to Sep 09 |
| 145,544 (All owned by the Informa Employee Share Trust) | Mar 00 | 825p | Mar 03 to Mar 10 |
| 1,450,000 | Apr 00 | 632.5p | Apr 03 to Apr 10 |
| 151,000 | Nov 00 | 753.3p | Nov 03 to Nov 10 |
| 259,257 (227,257 owned by the Informa Employee Share Trust) | Mar 01 | 581p | Mar 04 to Mar 11 |
| 1,257,597 | Mar 02 | 282.67p | Mar 05 to Mar 12 |
| 125,000 | Mar 02 | 282.67p | Mar 05 to Mar 07 |

4,469,446

SAYE share options

| Number of ordinary shares (options) | Date of grant | Price per share | Period of exercise |
|-------------------------------------|---------------|-----------------|--------------------|
| 5,111 | May 98 | 270p | Jul 03 to Dec 03 |
| 10,741 | Apr 00 | 559p | Jul 05 to Dec 05 |
| 309,359 | Apr 02 | 240.3p | Jul 05 to Dec 05 |
| 139,376 | Apr 02 | 240.3p | Jul 07 to Dec 07 |

464,587

In January 2004 5,111 SAYE share options at 270p were exercised by a member of staff.

25 Reconciliations of movements in shareholders' funds

| | Group | | Company | |
|---|---------------|---------------|----------------|----------------|
| | 2003 £000 | 2002 £000 | 2003 £000 | 2002 £000 |
| Profit for the year | 859 | 4,767 | 91,421 | (986) |
| Dividends | (11,089) | (9,692) | (11,089) | (9,692) |
| Other recognised losses relating to the year | (2,358) | (3,809) | – | – |
| Issue of share capital | 63,762 | 805 | 63,762 | 805 |
| Net additions/(reductions) to shareholders' funds | 51,174 | (7,929) | 144,094 | (9,873) |
| Opening shareholders' funds | 26,267 | 34,196 | 343,885 | 353,758 |
| Closing shareholders' funds | 77,441 | 26,267 | 487,979 | 343,885 |

Of the new capital subscribed in the Group, £441,000 was for cash on the exercise of options.

26 Reserves

| Group | Share premium account £000 | Special reserve £000 | Other reserve £000 | Profit and loss account £000 |
|----------------------------|-------------------------------------|----------------------------|--------------------------|---------------------------------------|
| At 1 January 2003 | 123,103 | 1 | 37,398 | (147,059) |
| Exchange differences | – | – | – | (2,358) |
| Retained loss for the year | – | – | – | (10,230) |
| Issue of share capital | 61,391 | – | – | – |
| At 31 December 2003 | 184,494 | 1 | 37,398 | (159,647) |

The aggregate amount of goodwill written off against Group reserves in respect of acquisitions prior to 1 January 1998, when 'FRS 10: Goodwill and intangible assets' was adopted, amounts to £41,298,000 (2002: £41,298,000).

| Company | Share premium account £000 | Special reserve £000 | Profit and loss account £000 |
|------------------------------|-------------------------------------|----------------------------|---------------------------------------|
| At 1 January 2003 | 123,103 | 1 | 207,957 |
| Retained profit for the year | – | – | 80,332 |
| Issue of share capital | 61,391 | – | – |
| At 31 December 2003 | 184,494 | 1 | 288,289 |

Included in the profit and loss account of the Company at 31 December 2003 are undistributable reserves of £203,344,000 (2002: £203,344,000).

Notes to the accounts

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27 Contingent liabilities and financial commitments

Group

The Group had no contingent liabilities at 31 December 2003 (31 December 2002: £nil). Annual commitments in respect of operating leases are as follows:

| | 2003 | | 2002 | |
|--------------------------------------|----------------------------|---------------|----------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Leases which expire: Within one year | 979 | 291 | 629 | 80 |
| Between one and five years | 2,830 | 330 | 2,284 | 479 |
| After five years | 4,982 | 5 | 5,437 | 254 |
| | 8,791 | 626 | 8,350 | 813 |

| Group | 2003 £000 | 2002 £000 |
|------------------------------|--------------|--------------|
| Outstanding contracts placed | 194 | 83 |

Company

At 31 December 2003 the Company was committed to making annual payments of £nil on leases of land and buildings expiring within one year (2002: £nil), £nil between one and five years (2002: £352,000) and £210,000 expiring more than five years (2002: £210,000). The Company had no contingent liabilities at 31 December 2003 (2002: £nil).

28 Reconciliation of operating profit to net cash inflow from operating activities

| Group | 2003 £000 | 2002 £000 |
|--|---------------|--------------|
| Operating profit | 17,405 | 19,809 |
| Depreciation charges | 6,524 | 7,357 |
| Amortisation of goodwill | 11,534 | 10,992 |
| Profit on sale of tangible fixed assets | (25) | (23) |
| (Increase)/decrease in stocks | (829) | 219 |
| (Increase)/decrease in debtors | (127) | 10,393 |
| Decrease in creditors | (282) | (2,457) |
| Other operating items | (26) | 220 |
| Net cash inflow from operating activities | 34,174 | 46,510 |

Included in net cash inflow from operating activities are payments of £5,884,000 (2002: £539,000) relating to exceptional costs. Excluding these costs the operating cash inflow is £40,058,000 (2002: £47,049,000).

29 Analysis of changes in net debt

| | 2003 At 1 Jan £000 | Non-cash movements £000 | Cash flow £000 | Exchange movement £000 | 2003 At 31 Dec £000 |
|--|--------------------------|-------------------------------|----------------------|------------------------------|---------------------------|
| Cash at bank and in hand | 5,195 | – | 5,127 | 132 | 10,454 |
| Overdrafts | (2,062) | – | 820 | (29) | (1,271) |
| | 3,133 | – | 5,947 | 103 | 9,183 |
| Bank loans due in less than one year | (374) | – | (3,827) | – | (4,201) |
| Loan notes due in less than one year | – | – | – | – | – |
| Finance leases due in less than one year | – | (94) | 54 | – | (40) |
| Bank loans due after one year | (98,288) | – | (77,231) | (1,726) | (177,245) |
| Loan notes due after one year | – | – | (5,876) | – | (5,876) |
| Finance lease due after one year | – | (20) | – | – | (20) |
| Total | (95,529) | (114) | (80,933) | (1,623) | (178,199) |

30 Purchase of subsidiary undertakings

| | Current Year acquisitions £000 | Prior Year acquisitions £000 | 2003 £000 | 2002 £000 |
|--|--------------------------------------|------------------------------------|-----------------|--------------|
| Net assets acquired: | | | | |
| Intangible fixed assets | 7,729 | – | 7,729 | – |
| Tangible fixed assets | 8,474 | – | 8,474 | – |
| Deferred income provision | (11,773) | – | (11,773) | – |
| Net other current assets | (1,300) | – | (1,300) | – |
| Net cash balances acquired | 23,236 | – | 23,236 | – |
| | 26,366 | – | 26,366 | – |
| Fair value adjustments | (7,843) | – | (7,843) | (80) |
| | 18,523 | – | 18,523 | (80) |
| Goodwill | 163,128 | (17) | 163,111 | 67 |
| Vendor placing of shares | (11,750) | – | (11,750) | – |
| Accrued acquisition expenses | (2,684) | – | (2,684) | – |
| Total consideration payable | 167,217 | (17) | 167,200 | (13) |
| Movement on provision of deferred consideration | (756) | 17 | (739) | 76 |
| Satisfied by cash | 166,461 | – | 166,461 | 63 |
| Less: cash acquired | (23,236) | – | (23,236) | – |
| Net cash consideration | 143,225 | – | 143,225 | 63 |
| Deferred consideration paid | – | 40 | 40 | 3,169 |
| Cash paid on purchase of subsidiary undertakings | 143,225 | 40 | 143,265 | 3,232 |

The acquisitions were PJB Publications Limited (PJB) (acquired 22 December 2003), MMS Group Holdings Limited (MMS) (11 September 2003), AAK GmbH (1 January 2003), Sparks Companies, Inc. (5 December 2003), NetDecide Corporation (1 September 2003) and Barry Leeds and Associates Inc. (17 November 2003). The Group also bought out the minority interest in its subsidiary MCM Asia Pacific.

| Significant current year acquisitions | Book value £000 | Accounting Policy Alignment (iii) £000 | Revaluations £000 | Other fair value adjustments £000 | Fair value to Group £000 |
|--|-----------------------|---|----------------------|--|--------------------------------|
| PJB | | | | | |
| Intangible assets | 576 | – | – | – | 576 |
| Tangible fixed assets | 6,728 | – | – | – | 6,728 |
| Stock | 57 | – | – | – | 57 |
| Debtors | 1,289 | – | – | – | 1,289 |
| Cash | 21,363 | – | – | – | 21,363 |
| Creditors | (9,515) | – | – | – | (9,515) |
| | 20,498 | – | – | – | 20,498 |
| MMS | | | | | |
| Intangible assets (i) | 7,113 | – | (7,113) | – | – |
| Tangible fixed assets (ii) | 1,331 | – | (100) | – | 1,231 |
| Debtors | 3,227 | (217) | – | (246) | 2,764 |
| Cash | 501 | – | – | – | 501 |
| Creditors | (6,080) | – | – | – | (6,080) |
| | 6,092 | (217) | (7,213) | (246) | (1,584) |
| Other Current Year Acquisitions | | | | | |
| Intangible assets (i) | 40 | – | (40) | – | – |
| Tangible fixed assets | 415 | – | – | – | 415 |
| Stock | 55 | – | – | – | 55 |
| Debtors | 1,258 | (108) | – | 11 | 1,161 |
| Cash | 1,372 | – | – | – | 1,372 |
| Creditors | (3,364) | – | – | (30) | (3,394) |
| | (224) | (108) | (40) | (19) | (391) |

The following fair value adjustments have been made. These have been prepared on a provisional basis.

- (i) Write down of goodwill to record as at this acquisition date.
- (ii) Revaluation of computer equipment to replacement value.
- (iii) Adoption of the Group's policy on reviewing bad debt provisioning.

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30 Purchase of subsidiary undertakings continued

| | PJB £000 | MMS £000 | Other £000 | Total £000 |
|--|-------------|-------------|---------------|-----------------|
| Fair value of net assets acquired | 20,498 | (1,584) | (391) | 18,523 |
| Goodwill | 123,969 | 26,209 | 12,950 | 163,128 |
| Vendor placing of shares | (1,500) | (10,250) | – | (11,750) |
| Accrued acquisition expenses | (2,684) | – | – | (2,684) |
| Total consideration payable | 140,283 | 14,375 | 12,559 | 167,217 |
| Movement on provision of deferred consideration | – | – | (756) | (756) |
| Satisfied by cash | 140,283 | 14,375 | 11,803 | 166,461 |
| Less: cash acquired | (21,363) | (501) | (1,372) | (23,236) |
| Cash paid on purchase of subsidiary undertakings | 118,920 | 13,874 | 10,431 | 143,225 |

The results of PJB Publications Limited prior to its acquisition on 22 December 2003 were as follows:

| | Period ended 22 December 2003 £000 | Year ended 31 August 2003 £000 |
|---|---|---|
| Turnover | 6,965 | 23,386 |
| Operating profit | 3,404 | 9,072 |
| Net interest receivable and similar income | 230 | 803 |
| Profit on ordinary activities before taxation | 3,634 | 9,875 |
| Tax on profit on ordinary activities | (1,222) | (3,115) |
| Profit for the period | 2,412 | 6,760 |

31 Purchase of businesses

| | Current Year Acquisitions £000 | Prior Year Acquisitions £000 | 2003 £000 | 2002 £000 |
|--|--------------------------------------|------------------------------------|--------------|--------------|
| Net assets acquired: | | | | |
| Net other current assets | – | – | – | (13) |
| Fair value adjustments | – | – | – | – |
| Goodwill | – | – | – | (13) |
| Accrued acquisition expenses | – | 10 | 10 | 1,034 |
| Total consideration payable | – | 10 | 10 | 1,015 |
| Movement on provision of deferred income | – | – | – | (200) |
| Satisfied by cash | – | 10 | 10 | 815 |
| Less: cash acquired | – | – | – | – |
| Net cash consideration | – | 10 | 10 | 815 |
| Deferred consideration paid | – | 200 | 200 | – |
| Cash paid on purchase of subsidiary undertakings | – | 210 | 210 | 815 |

No businesses were purchased in the year.

Costs paid relating to the previous year were legal fees relating to the Legal IT Forum event acquisition.

The deferred consideration paid was also in relation to that acquisition.

32 Financial risk management

Treasury policy

The Board set the Group's treasury policy to ensure that it has adequate financial resources to develop the Group's businesses and to manage the currency and interest risks to which the Group is exposed. The Group's policy is not to enter into speculative transactions.

Group Treasury acts as a service centre operating under the clearly defined regulation of the Board.

Funding and deposit management: The Group primarily borrows at short term variable rates under its multi-currency revolving loan facilities. In December 2003 the Group arranged a new £140m 5 year facility and a new £40m 18 month facility. In 2001, the Group raised US\$50m on the US private placement market. The 7.35% Guaranteed Senior Unsecured Notes due in 7 equal annual terms from 15 August 2005 to 15 August 2011, are diversifying and consolidating funding outside the bank market. The US dollars received have been swapped into floating GB sterling, US dollar and Euro loans. In order to minimise interest costs, foreign currency borrowings are utilised to the extent that they can be hedged internally to the Group. Cash pooling arrangements have been made in GB sterling, Euros, Japanese Yen and US dollars to maximise the interest receivable on surplus working capital. The Group monitors the distribution of its cash assets, borrowings and facilities so as to control exposure to the relative performance of any particular territory, currency or institution.

Currency risk management: Foreign currency borrowings are hedged against foreign currency investments. The revenue and expenditure of the Group's business units is generally matched in the local currency, limiting such exposure.

Interest rate risk management: The Group policy allows the fixing of that proportion of debt that is deemed to be sufficiently certain in the long term. At the balance sheet date, £147,322,000 of debt is fixed under interest rate swap agreements lasting up to December 2010. The gains or losses on these derivative instruments are taken as and when they occur and yielded a loss of £1,412,000 in the year (2002: loss £847,000) which is dealt with as a component of interest payable. The net unrecognised loss on derivative instruments is £1,177,000 (2002: loss £1,646,000).

Short-term debtors and creditors that meet the definition of a financial asset or liability under FRS13 have been excluded from all numerical disclosures in this note except for the analysis of net currency exposure.

i) *Fair values of financial instruments used for risk management*

The fair value is defined as the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, and is calculated by reference to market rates discounted to current value. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

The fair value of financial instruments at 31 December 2003 was:

| | 2003 Book value £000 | 2003 Fair value £000 | 2002 Book value £000 | 2002 Fair value £000 |
|---|---|---|----------------------------|----------------------------|
| Primary financial instruments held or issued to finance the Group's operations | | | | |
| Overdrafts | (1,271) | (1,271) | (2,062) | (2,062) |
| Short-term borrowings and current portion of long-term borrowings | (4,201) | (4,201) | (374) | (374) |
| Long-term borrowings | (183,121) | (183,121) | (98,288) | (98,288) |
| Cash deposits | 10,454 | 10,454 | 5,195 | 5,195 |
| Other financial assets | 3,253 | 3,253 | 1,147 | 1,147 |
| Other financial liabilities | (20) | (18) | (228) | (210) |
| Derivative financial instruments held to manage profile | | | | |
| Interest rate swaps and similar instruments | (877) | (2,585) | (651) | (2,564) |
| Forward rate agreements and similar instruments | - | - | - | (40) |
| Forward exchange deals and similar instruments | - | 532 | - | 307 |

Included in the above borrowings is £5,876,000 of loan notes (2002: £nil).

The carrying value of primary financial instruments approximates to fair value due to the short maturity of the instruments or because they bear interest at rates approximate to market. The book value of fixed asset investments approximates to the fair value, being the estimated sale proceeds.

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32 Financial risk management continued

ii) Interest rate exposure of financial assets and liabilities

The interest rate exposure of the financial assets and liabilities of the Group as at 31 December 2003 was:

| | Financial assets | | | | Financial liabilities | | | Net financial assets/(liabilities) Total £000 |
|----------------------------------|--------------------|---------------------------|------------|-----------------|-----------------------|---------------------------|------------|---|
| | Floating rate £000 | Non-interest bearing £000 | Total £000 | Fixed rate £000 | Floating rate £000 | Non-interest bearing £000 | Total £000 | |
| Sterling | 6,260 | 117 | 6,377 | (58,443) | (34,937) | – | (93,380) | (87,003) |
| US Dollar | 1,106 | 162 | 1,268 | (39,284) | (259) | – | (39,543) | (38,275) |
| Euro | 1,018 | 23 | 1,041 | (49,974) | 4,183 | – | (45,791) | (44,750) |
| Other European currencies | 395 | 96 | 491 | 0 | (177) | – | (177) | 314 |
| Other worldwide currencies | 803 | 3,727 | 4,530 | (10,594) | (5) | – | (10,599) | (6,069) |
| | 9,582 | 4,125 | 13,707 | (158,295) | (31,195) | – | (189,490) | (175,783) |
| Of which: Cash and deposits | | | 10,454 | | | | – | 10,454 |
| Gross borrowings | | | – | | | | (188,593) | (188,593) |
| Derivative financial instruments | | | – | | | | (877) | (877) |
| Other financial assets | | | 3,253 | | | | – | 3,253 |
| Other financial liabilities | | | – | | | | (20) | (20) |
| | | | 13,707 | | | | (189,490) | (175,783) |

Floating rate financial assets attract interest based on relevant national LIBID equivalents. Cash deposits include deposits on money markets at daily and monthly rates. The period until maturity for cash balances on which no interest is received fluctuates daily reflecting working capital requirements. The non-interest bearing financial assets comprise fixed asset investments, of which the Group does not currently intend to dispose. There are no financial assets attracting a fixed rate of interest.

The interest rate profile of fixed rate financial liabilities and the weighted average maturity period of interest-free financial liabilities are analysed below:

| | 2003 | | | 2002 | | |
|------------------|--|--|---|--|--|---|
| | Weighted average interest rate of fixed rate liabilities % | Weighted average years for which rate is fixed years | Weighted average years to maturity for non-interest liabilities years | Weighted average interest rate of fixed rate liabilities % | Weighted average years for which rate is fixed years | Weighted average years to maturity for non-interest liabilities years |
| Sterling | 4.87 | 4.21 | – | 6.18 | 2.23 | – |
| US Dollar | 2.98 | 2.65 | – | 4.25 | 3.65 | – |
| Euro | 3.68 | 2.77 | 1.00 | 5.71 | 1.55 | 2.00 |
| Yen | 1.87 | 2.42 | – | – | – | – |
| Weighted average | 3.79 | 3.23 | 1.00 | 5.78 | 2.36 | 2.00 |

The floating rate borrowings bear interest at relevant national LIBOR equivalents.

32 Financial risk management continued*iii) Currency exposure of financial assets and liabilities*

The table below shows the net unhedged monetary assets and liabilities of Group companies at 31 December 2003 that are not denominated in their functional currency and therefore give rise to exchange gains and losses in the profit and loss account.

| Net foreign currency monetary assets/(liabilities) | 2003 | | | | | 2002 | | | | |
|--|----------|-----------|-------|-------|----------------|----------|-----------|------|-------|------|
| | Sterling | US Dollar | Euro | Other | £000 | Sterling | US Dollar | Euro | Other | £000 |
| Functional currency of Group operation | | | | | | | | | | |
| Sterling | – | 2,367 | 598 | 106 | 3,071 | – | 311 | 139 | (2) | 448 |
| US Dollar | (1,472) | – | 2,030 | 815 | 1,373 | (8) | – | 13 | 19 | 24 |
| Euro | (3,741) | (1,849) | – | – | (5,590) | 3 | 1 | – | – | 4 |
| Other | (2) | 512 | – | 3 | 513 | 57 | 474 | – | (18) | 513 |
| | (5,215) | 1,030 | 2,628 | 924 | (633) | 52 | 786 | 152 | (1) | 989 |

iv) Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 December 2003 was as follows:

| | 2003 | 2002 |
|---|------------------|-----------|
| | £000 | £000 |
| In one year or less, or on demand | (5,332) | (2,436) |
| In more than one year but not more than two years | (51,308) | (805) |
| In more than two years but not more than five years | (116,949) | (62,689) |
| In more than five years | (15,901) | (35,673) |
| | (189,490) | (101,603) |

v) Borrowing facilities

The undrawn committed facilities available at 31 December 2003 in respect of which all conditions precedent had been met at that date were as follows:

| | 2003 | 2002 |
|--|---------------|--------|
| | £000 | £000 |
| Expiring in one year or less | 3,067 | 7,122 |
| Expiring in more than one year but not more than two years | – | – |
| Expiring in more than two years | 39,721 | 87,385 |
| | 42,788 | 94,507 |