

Creating advantage by improving
the effectiveness of our clients'
corporate information.

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Chairman's statement

“The year has been one of considerable progress and achievement for the Company.”

Group results

The year to 30 September 2001 has been one of considerable progress and achievement for the Company. This is despite the recessionary influences which prevailed through all but the early months of the year and the dreadful events of 11 September which have impacted on a number of our clients' businesses.

Turnover from continuing operations at £138.9m increased by 55.8% over the comparable figure for the previous year. Operating profit on continuing operations before goodwill amortisation and exceptional items increased by 28.1% to £8.6m. Net interest received amounted to £119,000 (2000, net interest paid – £59,000). As a result diluted earnings per share, before exceptional items and amortisation of goodwill, were 65p (2000 – 49p). Strong operating cash flows have meant that, after a net investment of £1.5m in capital items, the cash held by the Company at the year end was £11.7m.

Dividends

The Board is recommending a final dividend of 12p per share, making a total of 18p, (2000 – 15p).

Trading review

The Chief Executive's review of trading appears on pages 4 and 5. I am pleased with the progress we have made in both the broadening of our client base and the development of our service offering.



Shareholders

Last year I reported on the first vesting of the Sharesave Scheme. This resulted in some 200 new shareholders. We now have over 300 names on our Register and to service their needs better we have appointed Capita IRG as outside registrars.

Staff

The average number of employees increased in the year by 301 to 1810. Our people have again supported the Company excellently throughout another year of challenge and change. I thank all our management and staff for coping so well.

Directors

On 1 October 2001 an Executive Board was established to manage the Company's business on a day-to-day basis. Appropriate matters have, of course, been reserved for the Group Board and its Committees. I see the emergence of the Executive Board, which Tim Griffiths chairs, as a very positive step in developing our management processes. In due course the Group Board itself will reduce in size with a majority of non-executive and independent directors.

Future

Sales and profits since the year end are good and in accordance with budgets. The recent economic slowdown will inevitably affect the Company's trading

volumes but the tougher business climate should present new opportunities from a contract outsourcing perspective. We also take confidence from the broader spread of service offerings we now provide. Accordingly, the current year is again expected to show good growth.

Our current plan is to obtain a listing for the Company's shares during 2002, assuming conditions in equity markets show some improvement in the next few months and our trading continues to develop satisfactorily. I hope to be in a position to give you more information about this in March.

A handwritten signature in blue ink that reads "John Padovan". The signature is fluid and cursive.

John Padovan, *Chairman*

Chief Executive's review

This was an exciting year for Williams Lea. We achieved strong levels of organic growth and delivered a substantial improvement in profits.

Our business model has continued to evolve from the provision of stand-alone document services to embrace total solutions for the end-to-end management of our clients' corporate information processes.

This now incorporates process consultancy, operational management, vendor management and the integration of technology platforms. As a consequence, our commercial contracts are becoming larger as many organisations seek to align their corporate information services under a single strategic mandate.

This integrated proposition has led to our securing major new contracts during the year with leading organisations in key sectors. These include Merrill Lynch, Bank of America and AIG in financial services, Pfizer in pharmaceuticals and Allen & Overy and Herbert Smith in the legal sector.

Last year I commented on the seven year £200m contract award by AXA to manage the print sourcing needs of its UK businesses. I am pleased to report that we implemented the supply programme ahead of schedule and exceeded the client's benchmark for cost reduction. This followed the decision by Royal and SunAlliance to outsource its entire marketing print production requirements to Williams Lea. Under both contracts we are delivering cost reductions using our unified vendor base and providing customers with real-time, online access through the deployment of

eProcurement platforms. Critically, our solutions will deliver process efficiencies and establish a genuine improvement in time-to-market for promotional and marketing material.

There have also been a number of developments within our business overseas. During the year we extended our European network to support client contracts in Paris and Dublin. We have also been active in Asia through our trading venture with Bowne, adding Sidley and Austen (Singapore) and Lehman Brothers (Tokyo) to our international portfolio.

We have recognised that the maintenance of our own general print production facilities was not consistent with our strategy to deliver independent vendor selection and management to our clients. In the early part of the year we sold our last remaining print production unit to Chris Fowler International Limited, a research printing specialist. This completes a major transformation of the business from the position where, less than 5 years ago, lithographic printing activities accounted for over 30% of Group turnover.

While a key component of our growth strategy is to improve the impact of corporate information, we are also committed to reducing the cost of supply. During the year we successfully deployed technology throughout our client base to automate time-consuming and expensive processes and we have also looked offshore to reduce production costs and to increase flexibility in the work place. As a consequence, we have established a partnership with a leading



offshore service provider, based in India, to provide cost-efficient, online information processing for our European clients.

Exceptional customer service has been at the heart of our continued growth and our ongoing commitment was recognised during the year when we launched an Awards evening for outstanding performance by our people across the business. In all we identified 12 award categories from individual to team contribution, with finalists being nominated by staff and clients. This first annual event was attended by over 400 employees, business partners and clients and proved an outstanding success.

Last October, Williams Lea joined the Business in the Community initiative, Capital Cares. The programme involves a wide variety of volunteering projects and a series of 'Action Days'. Over 110 Williams Lea volunteers took part in three separate initiatives at the Puzzle House Nursery in Sydenham, the Westfields Primary School in Barnes and a Thames clean-up project at Island Gardens, Docklands. We are delighted to be associated with Capital Cares and I know our employees have found their participation very rewarding.

Our charitable involvement was extended in October with the launch of a Corporate Giving Scheme and the adoption of three main charities, the NSPCC, Macmillan Cancer Relief and Phab. We have also introduced a Give As You Earn programme for our employees and a Matched Giving

initiative to support the fundraising undertaken at a local level across the business.

We have made real progress during the last 12 months and have consolidated our position as the leading company in our field. We see strong opportunities for future growth as the business process outsourcing market continues to expand. Our exclusive focus on the delivery of corporate information solutions clearly differentiates us and we continue to deepen and broaden our service capabilities to maintain our competitive lead.

A handwritten signature in blue ink, appearing to read 'Tim Griffiths'. The signature is fluid and cursive, with a large initial 'T' and 'G'.

Tim Griffiths, *Chief Executive*

Directors and advisors

of Williams Lea Group Limited

Directors

*J M F Padovan, *Chairman*

T P Griffiths, *Chief Executive*

T C M Barry

J G Barton

C Leverick, *Secretary*

R A McVey

*S StP Slatter

C T M Toulson-Clarke

*A G Williams, *Life President*

M G Williams

*S M G Williams

**Non-Executive Director*

Auditors

Ernst & Young LLP

Becket House

1 Lambeth Palace Road

London SE1 7EU

Bankers

National Westminster Bank Plc

78 Finsbury Pavement

London EC2A 1JA

Solicitors

Herbert Smith

Exchange House

Primrose Street

London EC2A 2HS

Registrars

Capita IRG Plc

Bourne House

34 Beckenham Road

Beckenham

Kent BR3 4TU

Registered office

Clifton House

Worship Street

London EC2A 2EJ



Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN that the twentieth Annual General Meeting of the members of Williams Lea Group Limited will be held at Clifton House, Worship Street, London EC2A 2EJ at 12 noon on Wednesday, 23 January 2002 for the following purposes:

1. To receive and adopt the report of the directors and the audited accounts for the year ended 30 September 2001.
2. To approve a final dividend of 12 pence per ordinary share for the year ended 30 September 2001, payable on 23 January 2002, to ordinary shareholders on the members' register at the close of business on 21 January 2002.
3. To re-elect T P Griffiths as a director of the Company.
4. To re-elect M G Williams as a director of the Company.
5. To re-elect S M G Williams as a director of the Company.
6. To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the directors to fix their remuneration.

BY ORDER OF THE BOARD

C Leverick
Secretary

7 December 2001

A member entitled to attend and vote may appoint a proxy to attend and, upon a poll, vote instead of him or her. A proxy need not be a member of the Company.

Directors' report

The directors present their report and accounts of Williams Lea Group Limited for the year ended 30 September 2001

Results and dividends

The operating profit attributable to continuing operations before goodwill amortisation and exceptional items amounted to £8,609,000 (2000 – £6,721,000). The profit on ordinary activities after taxation amounted to £4,798,000 (2000 – £3,530,000). The company paid an interim dividend of 6 pence per share during the year (2000 – 5 pence). The directors recommend the payment of a final ordinary dividend of 12 pence per share (2000 – 10 pence), making total dividends for the year of 18 pence per share (2000 – 15 pence), amounting to £1,486,000 (2000 - £1,150,000).

Principal activities and review of the business

A review of the principal activities of the Group companies and an appraisal of their business for the year are set out in the Chief Executive's review on pages 4 to 5. The Company acts as a holding company only.

Corporate governance

A report on corporate governance is set out on pages 10 to 11.

Directors and their interests

In accordance with the Articles of Association, T P Griffiths, M G Williams and S M G Williams offer themselves for re-election at the Annual General Meeting.

During the year no director had any material interest in any significant contract to which the Group or any subsidiary was a party.

Details of directors' remuneration, options and 2001 Executive Share Option Plan entitlements are detailed in the Remuneration Committee report on pages 12 to 15.

Subsequent events

There have been no material events subsequent to the date of the accounts that require disclosure.

Directors' share interests

The directors who acted during the year had the following interests in shares of the Company at the beginning and end of the financial year:

	20p ordinary shares			
	1 October 2000	Acquired	Sold	30 September 2001
J M F Padovan	50,035	–	–	50,035
T P Griffiths	–	379,178	–	379,178
T C M Barry (appointed 1 December 2000)	–	722	–	722
J G Barton	–	–	–	–
C Leverick	–	–	–	–
R A McVey	–	3,343	–	3,343
C T M Toulson-Clarke	9,999	4,928	–	14,927
M G Williams	25,000	–	–	25,000
S StP Slatter	4,305	3,815	–	8,120
A G Williams - beneficial	378,250	–	(5,000)	373,250
- non-beneficial	958,250	–	–	958,250
S M G Williams	469,947	3,065	–	473,012

Shares acquired by directors included the purchase by C T M Toulson-Clarke, T C M Barry and S StP Slatter, of 750, 722 and 750 shares respectively, from a former employee. In addition S StP Slatter and S M G Williams each acquired 3,065 shares in lieu of directors' fees. All other share purchases relate to the exercise of options or the vesting of the 1997 Sharesave scheme.

M G Williams and S M G Williams are among beneficiaries of family share trusts including the J Graham Williams Settlement Trust. At 30 September 2001, the trusts held 2,760,250 ordinary shares in the Company.

Substantial shareholders

At 16 November 2001, the Company had been notified of the following interests of 3 per cent or more of the Company's ordinary share capital other than those disclosed as directors' interests:

	Number	Percentage
Trustees of J Graham Williams Settlement	2,002,000	20.2%
3i Group Plc	1,528,400	15.4%
Williams Lea Group Trustees Limited	1,504,793	15.2%

Employees

Regular meetings are held involving directors, managers and supervisory staff to convey information about the business. During the year the Group has provided appropriate training for employees at all levels.

The Group's policy is to give full consideration to all applications for employment and to treat all staff fairly, regardless of gender, religion, race, age or physical disability. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Charitable contributions

During the year the Group made charitable donations in the UK of £38,388 (2000 – £32,495). Included in the charitable contributions was £5,826 in respect of matched amounts for fundraising efforts of Williams Lea staff.

No political contributions were made.

Auditors

On 28 June 2001, Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Partnerships Act 2000. The directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

C Leverick
Secretary

7 December 2001

Corporate governance

In June 1998, the London Stock Exchange published the principles of Good Governance and Code of Best Practice ("The Combined Code" or "Code"), which embraces the work of the Cadbury, Greenbury and Hampel Committees and became effective for companies listed on the London Stock Exchange in respect of accounting periods on or after 31 December 1998. Although private companies are not required to report on the Code, the directors have decided to review the Group's compliance with the provisions of Section 1 of the Code and the appropriate disclosures are set out below:

The Board

The Board currently comprises a non-executive chairman, three other non-executive directors and seven executive directors. The four non-executive directors are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The Board has eight scheduled meetings a year and meets additionally when necessary. At each scheduled meeting of the Board, the Chief Executive and the UK Managing Director report on the Group's operations and the Finance Director reports on the financial position of the Group. In addition, the Board has adopted standard procedures and practices whereby significant issues affecting the Group are reviewed on a regular basis.

The Board considers that the balance of its constitution brings the appropriate skills and experience in judging matters of strategy, performance, resources, investor relations, internal control and corporate governance.

Board committees

The Board maintains three standing committees, all of which operate within written terms of reference. Minutes of the meetings of the Board committees are available for review and consideration by the full complement of directors, supplemented by oral reports from the committee chairmen.

Audit Committee

The Audit Committee is chaired by S M G Williams and comprises the four non-executive directors. The Committee meets twice in each year. The Finance Director and the auditors normally attend these meetings. The Committee provides the formal line of communication between the Board and the Group's external auditor. It reviews the Group's interim report and annual report and accounts prior to their submission to the Board for approval. It also monitors and makes recommendations to the Board regarding the Group's accounting policies and considers significant matters relating to internal control procedures.

Remuneration Committee

The Remuneration Committee is chaired by A G Williams and comprises, in addition, two other non-executive directors. The Committee's role is to consider and set the remuneration and incentive policy for the executive directors and other members of senior management. The Committee meets as required.

Nomination Committee

The Nomination Committee is chaired by J M F Padovan comprises, in addition, two other non-executive directors and T P Griffiths. The Committee considers all executive and non-executive appointments, reappointments and termination of employment or engagement of directors to the Group. Any proposal by this Committee is discussed and ratified by the Board.

Chairman and Chief Executive

The Chairman of the Group is a non-executive director, and is responsible for the running of the Board. The Board is responsible to shareholders for the overall direction and control of the Group. The Chief Executive is responsible to the Board for management of the Group within the parameters set by the Board.

Supply of information

The Board is satisfied that it is provided with information in an appropriate form and quality to enable it to discharge its duties.

Re-election of directors

Directors submit themselves for re-election every three years.

Directors' remuneration

The statement of the Group's policy on executive directors' remuneration and details of directors' emoluments are contained in the Remuneration Committee's report on pages 12 to 15. All executive directors have service contracts which are terminable on six months notice by either party, except C T M Toulson-Clarke and T P Griffiths, for whom the notice periods are 12 and 24 months, respectively.

Relations with shareholders

The Group values its dialogue with both institutional and private investors both at the Annual General Meeting and at other appropriate times.

Accountability and audit

The annual report and accounts provide information on and an assessment of the Company's business, operations, financial position and prospects. After reviewing Group and Company cash balances, borrowings and projected cash flows, the directors believe that the Group and Company have adequate resources to continue operations for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Part of the Board's responsibility is to ensure that the Group maintains a system of internal financial controls, including suitable monitoring procedures. The system is designed to ensure the maintenance of proper accounting records and the reliability of the financial information used within the business or for publication, but any such system can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Group's internal financial control and monitoring procedures include:

- Clear responsibilities on the part of line and financial management for the maintenance of good financial controls and the production of accurate and timely financial management information.
- The control of key financial risks through clearly laid down authorisation levels and proper segregation of accounting duties.
- Detailed monthly budgeting and reporting of trading results, balance sheets and cash flows, with regular review by management of variances from budgets.
- Monitoring of the bidding process of acquisitions and of the negotiation process for contracts and joint ventures by the Board to ensure that certain transactions, material in terms of size or type, are reviewed and approved at the highest level.

The Finance Director appraises the Board, both through the Audit Committee and directly, of the effectiveness of the system of internal controls and specific areas of risk facing the Group and undertakes, on an ongoing basis, a review of all internal control procedures.

Remuneration Committee report

The Remuneration Committee's terms of reference are to determine, on behalf of the Board, the Group's policy on executive remuneration and to consider and approve remuneration packages for executive directors. The policy takes due regard of the remuneration practice across the Group, shareholders' interests and the Group's strategic goals.

Executive directors' remuneration

The executive directors' remuneration packages include the following:

- Basic salaries and benefits which are reviewed annually having regard to individual performance, responsibility and skills, the employment market generally, and practice in other companies in the sector. Benefits include a contributory group pension plan, private medical insurance and car allowances.
- Performance bonuses, which are not pensionable, are determined by both the performance of the individual and the Group's performance against its financial and other performance targets.
- The directors believe the opportunity to participate in the Company's shareholding is a key factor in attracting and retaining executives of the right calibre and share ownership by executive directors and senior executives strengthens the link between their personal interests and those of the shareholders. The Group grants, on appointment, non-performance related options to directors and senior executives. A performance related share incentive scheme for executive directors and other key staff was approved at the Annual General Meeting on Friday 2 February 2001, the details of which are set out below:

2001 Executive Share Option Plan

The 2001 Executive Share Option Plan grants executive directors and other senior staff options on shares up to a value of 150% of the participants' base salary at the time of award. This is an annual award and is exercisable on its third anniversary, based on the achievement of pre-set rates of growth in earnings per ordinary share.

If the growth in earnings per ordinary share is less than 10% per annum above the UK retail price index, in the relevant three year period, then none of the options may be exercised. If the earnings per ordinary share growth is between 10% and 15% above the UK retail price index then, pro rata, between 50% and 100% of the options may be exercised.

The Restricted Share Plan

The Restricted Share Plan ("RSP") is designed to encourage certain senior executives not eligible for the 2001 Executive Share Option Plan to hold shares in the Company. The maximum value of an award that may be made in any year is 10% of a participant's salary. The award of shares under the RSP are subject to Group and individual performance and financial objectives. The allocated shares will be held in trust on behalf of the participants and will vest in three equal tranches on the anniversary of the grant over three years. Participants will have voting rights and will receive dividends on their shares.

Non-executive directors' fees

The remuneration arrangements of the Chairman and non-executive directors are determined by the Board and are as follows:

The Chairman's and the Life President's emoluments consist wholly of fees and benefits in respect of services. They are not entitled to participate in any bonus or profit sharing arrangements nor are they entitled to participate in the 2001 Executive Share Option Plan or the Restricted Share Plan. Both appointments are non-pensionable.

Fees are paid to non-executive directors. The basic fee is £20,000 per annum. Up to 31 July 2001, non-executive directors were entitled to elect to receive ordinary shares in the company in substitution for gross fees payable. The price at which shares were allotted was the average market value over the period in which the fees accrued. Under this arrangement ordinary shares were allotted on 1 January and 1 July annually. This year there was an additional allotment on 1 August, covering the period 1 July 2001 to 31 July 2001. The total number of shares allotted to non-executive directors during the year was 6,130.

Non-executive directors do not have service contracts.

Directors' emoluments

Directors' emoluments (excluding share options) are analysed as follows:

	Salary/fees £000s	Performance related bonus £000s	Benefits £000s	Money purchase pension contributions £000s	Total 2001 £000s	Total 2000 £000s
J M F Padovan Chairman	75	–	–	–	75	50
T P Griffiths	217	50	1	30	298	253
T C M Barry	132	18	1	12	163	–
J G Barton	131	35	1	12	179	134
C Leverick	130	12	–	12	154	33
R A McVey	117	–	–	12	129	121
C T M Toulson-Clarke	159	40	1	15	215	179
S StP Slatter	20	–	–	–	20	19
A G Williams	40	–	1	–	41	87
M G Williams	52	–	1	6	59	89
S M G Williams	20	–	–	–	20	19
Total 2001	1,093	155	6	99	1,353	984
Total 2000	821	90	5	68	984	

Directors' share options

	Options to acquire 20p ordinary shares				
	Exercise Price	1 October 2000	Options awarded	Options exercised	30 September 2001
T P Griffiths	70p	525,000	–	375,000	150,000
	£1.40	150,000	–	–	150,000
T C M Barry	£7.00	–	100,000	–	100,000
J G Barton	70p	108,750	–	–	108,750
	£1.40	125,000	–	–	125,000
C Leverick	£7.00	–	100,000	–	100,000
R A McVey	70p	35,000	–	–	35,000
	£1.40	50,000	–	–	50,000
C T M Toulson-Clarke	70p	149,751	–	–	149,751
	£1.40	125,000	–	–	125,000
M G Williams	70p	125,000	–	–	125,000
	£1.40	125,000	–	–	125,000

Sharesave schemes

Directors are eligible to join the Group sharesave schemes.

2001 Executive Share Option Plan

Details of the Company's ordinary shares over which the executive directors have conditional option rights under the 2001 Executive Share Option Plan are as follows:

	Conditional rights held under plan 1 October 2000	Conditional rights granted during the year	Shares awarded during the year	Conditional rights lapsed during the year	Conditional rights held under plan 30 September 2001
T P Griffiths	–	42,857	–	–	42,857
T C M Barry	–	25,714	–	–	25,714
J G Barton	–	25,714	–	–	25,714
C Leverick	–	25,714	–	–	25,714
C T M Toulson-Clarke	–	31,071	–	–	31,071
Total 2001	–	151,070	–	–	151,070

Options are conditionally exercisable at £7.00 per share between 30 March 2004 and 30 March 2011.

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 the year. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Independent auditor's report

to the members of Williams Lea Group Limited

We have audited the Group's accounts for the year ended 30 September 2001 which comprise the Group profit and loss account, the Group statement of total recognised gains and losses, the Group balance sheet, the Company balance sheet, the Group statement of cash flows and the related notes 1 to 27. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 regarding directors' remuneration and transactions with the Group is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London

7 December 2001

Consolidated profit and loss account

for the year ended 30 September 2001

	Notes	2001 £000s	2000 £000s
Turnover	2		
Continuing operations		138,875	89,126
Discontinued operations		688	11,439
		<u>139,563</u>	<u>100,565</u>
Cost of sales	3	(123,419)	(87,576)
Gross profit		<u>16,144</u>	<u>12,989</u>
Administrative expenses	3	(9,089)	(7,604)
Operating profit			
Continuing operations – before goodwill and exceptional items		8,609	6,721
– amortisation of goodwill		(570)	(421)
– exceptional items	4	(750)	–
		<u>7,289</u>	<u>6,300</u>
Discontinued operations – before exceptional items		46	(115)
– exceptional items	4	(280)	(800)
		<u>(234)</u>	<u>(915)</u>
Total operating profit	5	<u>7,055</u>	<u>5,385</u>
Interest receivable and similar income	7	365	196
Interest payable and similar charges	8	(246)	(255)
Profit on ordinary activities before taxation		<u>7,174</u>	<u>5,326</u>
Tax on profit on ordinary activities	9	(2,376)	(1,796)
Profit on ordinary activities after taxation		<u>4,798</u>	<u>3,530</u>
Dividends	10	(1,486)	(1,150)
Retained profit for the year		<u>3,312</u>	<u>2,380</u>
Earnings per share	11		
Basic before exceptional items and amortisation of goodwill		79p	61p
Basic		<u>61p</u>	<u>48p</u>
Diluted before exceptional items and amortisation of goodwill		65p	49p
Diluted		<u>50p</u>	<u>38p</u>

Group statement of total recognised gains and losses

There were no gains or losses which arose in the years ending on 30 September 2001 or 2000 other than those shown above.

Balance sheet

at 30 September 2001

	Notes	Group		Company	
		2001 £000s	2000 £000s	2001 £000s	2000 £000s
Fixed assets					
Intangible assets	12	3,685	4,855	–	–
Tangible assets	13	5,963	7,311	–	–
Investments	14	4,557	5,034	6,526	7,003
		<u>14,205</u>	<u>17,200</u>	<u>6,526</u>	<u>7,003</u>
Current assets					
Stocks	15	371	535	–	–
Debtors	16	31,738	22,529	1,533	1,511
Cash at bank and in hand		11,751	6,994	2,819	82
		<u>43,860</u>	<u>30,058</u>	<u>4,352</u>	<u>1,593</u>
Creditors:					
amounts falling due within one year	17	(30,752)	(23,174)	(5,536)	(1,787)
Net current assets/(liabilities)		<u>13,108</u>	<u>6,884</u>	<u>(1,184)</u>	<u>(194)</u>
Total assets less current liabilities					
		27,313	24,084	5,342	6,809
Creditors:					
amounts falling due after more than one year	18	(4,449)	(5,164)	(2,500)	(2,500)
Provisions for liabilities and charges	19	(880)	(291)	–	–
Net assets		<u>21,984</u>	<u>18,629</u>	<u>2,842</u>	<u>4,309</u>
Capital and reserves					
Called up share capital	21	1,982	1,981	1,982	1,981
Share premium reserve	22	147	105	147	105
Revaluation reserve	22	3,110	3,110	–	–
Capital redemption reserve	22	77	77	77	77
Other reserves	22	303	303	209	209
Profit and loss account	22	16,365	13,053	427	1,937
Total shareholders' funds	25	<u>21,984</u>	<u>18,629</u>	<u>2,842</u>	<u>4,309</u>

The financial statements on pages 18 to 36 were approved by the Board on 7 December 2001.

J M F Padovan, *Chairman*

T P Griffiths, *Chief Executive*

Consolidated cashflow statement

for the year ended 30 September 2001

	Notes	2001 £000s	2000 £000s
Net cash inflow from operating activities	23	8,252	6,382
Returns on investments and servicing of finance			
Interest received		365	196
Interest paid		(230)	(200)
Interest element of finance lease payments		(16)	(55)
Net cash inflow/(outflow) from returns on investments and servicing of finance		119	(59)
Taxation			
UK Corporation tax paid		(1,402)	(1,701)
Foreign tax paid		–	(83)
Tax paid		(1,402)	(1,784)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,099)	(1,138)
Payments to acquire shares by employee related share trusts		(349)	(7,473)
Receipts from the sale of shares by employee related share trusts		827	207
Receipts from sales of tangible fixed assets		434	4
Net cash outflow from capital expenditure and financial investment		(187)	(8,400)
Acquisitions and disposals			
Purchase of subsidiary undertaking	14	(538)	(1,765)
Sale of business division	4	75	–
Purchase of unincorporated business	12	(87)	(12)
Net cash acquired with subsidiary undertaking		–	42
Net cash outflow from acquisitions		(550)	(1,735)
Equity dividends paid			
		(1,284)	(1,095)
Management of liquid resources			
(Increase)/decrease in short-term deposits	24	(434)	6,018
Financing			
New loan to employee share trusts		–	2,500
Capital element of finance lease payments		(191)	(514)
Net cash (outflow)/inflow from financing		(191)	1,986
Increase in cash	24	4,323	1,313
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		4,323	1,313
Increase/(decrease) in short-term deposits		434	(6,018)
Cash outflow from decrease in debt and lease financing		191	514
Change in net debt arising from cash flows		4,948	(4,191)
Loans and finance leases acquired/disposed of with subsidiaries		135	(6)
Loans		–	(2,500)
New finance leases		(374)	(275)
Movement in the period		4,709	(6,972)
Net funds at beginning of period	24	4,059	11,031
Net funds at end of period	24	8,768	4,059

Notes to the accounts

at 30 September 2001

1. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, modified to include the revaluation of freehold land and buildings. The accounts have been prepared in accordance with applicable accounting standards.

Basis of consolidation

The consolidated profit and loss account, balance sheet and statement of cash flows include the accounts of the parent company and all its subsidiaries made up to the end of the financial year. Intra-group sales and profits are eliminated on consolidation. A separate profit and loss account for the parent company only has not been presented as permitted by section 230 of the Companies Act 1985.

The Group holds an investment, in Chris Fowler International Limited, of 20% of the ordinary share capital. The holding has been treated as a fixed asset investment on the basis that the Group does not exercise a participating interest.

Turnover

Turnover represents amounts receivable for business services provided in the UK and overseas net of trade discounts, VAT and other sales related taxes.

Fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, less depreciation.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life which is reviewed annually. The rates are:

- Freehold buildings *50 years*
- Leasehold property *the unexpired period of the lease*
- Fixtures and fittings *3 – 10 years*
- Computer equipment *1 – 5 years*
- Plant and machinery *3 – 7 years*

The carrying value of tangible fixed assets and fixed asset investments are reviewed for impairment in periods if events or changes in circumstances indicate the carrying values may not be recoverable.

Goodwill

Goodwill is the difference between the fair value of consideration given to acquire an entity and the aggregate fair value of that entity's identifiable assets and liabilities. Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

1. Accounting policies (continued)

Leased assets

Finance leases which give rights approximating to ownership are capitalised at the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Depreciation on the relevant assets is based on the shorter of the period of the lease and the useful estimated life and is charged to the profit and loss account. Lease payments are treated as consisting of capital and interest elements with interest charged to the profit and loss account during the lease term so as to produce a constant periodic rate of charge on the remaining balance of the obligation. All other leases are 'operating leases', and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and related overheads to the stage of production reached. Net realisable value is represented by the estimated selling price less any further costs of completion or distribution.

Deferred taxation

Provision for deferred taxation is made using the liability method based on the excess of capital allowances over depreciation charged and other timing differences where a liability to tax is expected to become payable in the foreseeable future.

Deferred tax assets are recognised only where they are expected to be recoverable without replacement by equivalent debit balances.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the balance sheet exchange rate.

All exchange differences are taken to the profit and loss account.

Pension costs

The Group operates the Williams Lea Group Pension and Life Assurance Scheme. In respect of current service the Scheme operates on a money purchase basis, the contributions for which are charged to the profit and loss account as they are incurred. The Scheme previously operated on a final pensionable pay basis; any additional contributions which may be required as a result of future actuarial valuations, which will be in respect of past service, will be amortised to the profit and loss account immediately.

Employee share trusts

Shares in the Company held by the employee share trusts are included in fixed asset investments at cost less any provision for permanent diminution in value.

2. Turnover

The Group's turnover of £139,563,000 (2000 – £100,565,000), which is derived from the provision of business services, is substantially carried out in the United Kingdom with less than £500,000 arising outside the United Kingdom.

3. Cost of sales and administrative expenses		2001	2000
		£000s	£000s
Cost of sales			
Continuing operations		122,777	76,122
Discontinued operations		642	11,454
		<u>123,419</u>	<u>87,576</u>
Administrative expenses			
Continuing operations	– ongoing excluding amortisation of goodwill	7,489	6,283
	– ongoing amortisation of goodwill	570	421
	– exceptional items (note 4)	750	–
	Total continuing	<u>8,809</u>	<u>6,704</u>
Discontinued operations	– before exceptional items	–	100
	– exceptional items (note 4)	280	800
	Total discontinued	<u>280</u>	<u>900</u>
		<u>9,089</u>	<u>7,604</u>
4. Exceptional items		2001	2000
		£000s	£000s
Continuing operations	– pension deficit	750	–
	– deferred tax (note 9)	(225)	–
		<u>525</u>	<u>–</u>
Discontinued operations	– costs of discontinuing lithographic print operations	280	800
	– taxation	–	(235)
		<u>280</u>	<u>565</u>

4. Exceptional items (continued)

Continuing operations

A charge has been made to recognise an anticipated funding deficit of £750,000 on the accrued member benefits of the Williams Lea Group Pension and Life Assurance Scheme based on final pensionable pay. The charge relates to the defined benefits scheme based on pensionable service accrued prior to the closure of this part of the Group pension scheme on 31 December 1996. The deficit was identified following the most recent actuarial valuation of the Scheme (see note 20).

Discontinued operations

During the year, the Group discontinued its lithographic print production operations as follows:

- (a) On 31 October 2000 the Group closed its production facility in Bristol.
- (b) On 6 November 2000 the Group completed the sale of the trade and assets of its equity research printing operation to Chris Fowler International Limited. The book value of the net assets sold amounted to £1,238,000. Consideration comprised cash received on completion of £75,000, interest bearing deferred consideration of £475,000, payable on or before 31 October 2002, and convertible redeemable preference shares in Chris Fowler International Limited. On 31 October 2001 the convertible redeemable preference shares were converted into twenty per cent of the ordinary share capital of Chris Fowler International Limited.

In the prior year, the Group made a provision of £800,000 for the cost to the Group of discontinuing the lithographic print operations. A further provision of £280,000 was made during the year.

J G Barton, a director of the Company, was also a director of Chris Fowler International Limited from 6 November 2000 to 3 December 2001 as a representative of the Company. At the year end deferred consideration of £475,000 was payable to the Company by Chris Fowler International Limited. During the year the Company, in the ordinary course of business, purchased services to the value of £12,000 from Chris Fowler International Limited, on which, no liability existed at 30 September 2001. In addition, following the date of disposal, £665,000 of costs relating to the equity research printing operation were borne by the Company and recharged to Chris Fowler International Limited. Of this amount £149,000 was outstanding at 30 September 2001.

	2001 £000s	2000 £000s
5. Operating profit		
Operating profit is stated after charging/(crediting):		
Amortisation of intangible fixed assets	570	421
Depreciation:		
– owned fixed assets	1,354	1,072
– assets under finance leases	216	528
Operating lease rentals:		
– plant and machinery	8,670	5,918
– property	872	907
Auditors' remuneration:		
– audit services	70	65
– non-audit services	149	176
Loss/(profit) on disposal of tangible fixed assets	5	(3)
Other operating income	(205)	(309)

Other operating income represents amounts received on the sub-lease of short leasehold properties. The related expenditure in servicing these properties is £207,000 (2000 – £317,000), resulting in a net expenditure of £2,000 (2000 – £8,000).

6. Staff costs	2001 <i>£000s</i>	2000 <i>£000s</i>
Wages and salaries	51,742	38,636
Social security costs	4,636	3,746
Other pension costs	1,002	775
	<u>57,380</u>	<u>43,157</u>

Details, for each director, of remuneration, pension entitlements and interest in share options are set out on pages 12 to 15.

The average monthly number of persons (including directors) employed by the Group during the year was:

	2001 <i>No.</i>	2000 <i>No.</i>
Production	1,632	1,330
Administration	166	157
Selling	12	22
	<u>1,810</u>	<u>1,509</u>

7. Interest receivable and similar income	2001 <i>£000s</i>	2000 <i>£000s</i>
Bank interest	<u>365</u>	<u>196</u>

8. Interest payable and similar charges	2001 <i>£000s</i>	2000 <i>£000s</i>
Bank loans	146	174
Finance lease and hire purchase charges	16	55
Other interest	84	26
	<u>246</u>	<u>255</u>

9. Tax on profit on ordinary activities	2001	2000
	£000s	£000s
UK Corporation tax:		
Current tax on income for the year	2,924	354
Adjustments in respect of prior years	(355)	(38)
	<u>2,569</u>	<u>316</u>
Double taxation relief	–	(13)
	<u>2,569</u>	<u>303</u>
Foreign tax	–	33
	<u>2,569</u>	<u>336</u>
Deferred tax	(193)	1,460
	<u>2,376</u>	<u>1,796</u>

Deferred taxation provided in the accounts and amounts not provided are as follows:

	Group provided		Group unprovided	
	2001	2000	2001	2000
	£000s	£000s	£000s	£000s
Timing differences:				
Capital allowances in advance of depreciation	54	18	(78)	(102)
Pension provision (note 4)	(225)	–	–	–
Other timing differences	(42)	(38)	–	–
	<u>(213)</u>	<u>(20)</u>	<u>(78)</u>	<u>(102)</u>

10. Dividends	2001	2000
	£000s	£000s
Interim – 6p per share (2000 – 5p per share)	520	386
Proposed final dividend – 12p per share (2000 – 10p per share)	966	764
	<u>1,486</u>	<u>1,150</u>

On 6 February 1998, the trustees of the Williams Lea Group Employee Share Trusts decided to waive all future dividends receivable on ordinary shares in the Company held by the Trusts. Accordingly, both the interim dividend and the proposed final dividend for the current and prior years do not include dividends in respect of the shares held by the Trusts.

11. Earnings per ordinary share

Basic and diluted earnings per share is based on earnings for the year of £4,798,000 (2000 – £3,530,000). The calculation of basic earnings per share is based on ordinary shares of 7,842,000 (2000 – 7,377,000), being the weighted average number of ordinary shares in issue throughout the year after excluding shares held by Williams Lea Group Employee Share Trusts.

Diluted earnings per share has been calculated on a weighted average number of shares as follows:

	2001 000s	2000 000s
Basic weighted average number of shares	7,842	7,377
Dilutive potential ordinary shares:		
Employee share options	1,666	1,929
Diluted weighted average number of shares	9,508	9,306

Adjusted earnings per share before exceptional items and goodwill has been presented to give an indication of the ongoing potential of the Group. Adjusted earnings have been calculated as follows:

	2001 £000s	2000 £000s
Profit on ordinary activities after taxation	4,798	3,530
Add back:		
Amortisation of goodwill	570	421
Exceptional items – continuing operations	750	–
– discontinued operations	280	800
Tax on exceptional items	(225)	(235)
	6,173	4,516

12. Intangible assets – goodwill

	£000s
Cost:	
At 1 October 2000	5,331
Additional costs arising on prior year acquisition of unincorporated business	87
Revision of goodwill arising on re-estimate of deferred consideration on prior year acquisition	(687)
At 30 September 2001	4,731
Amortisation:	
At 1 October 2000	476
Provided during year	570
At 30 September 2001	1,046
Net book amount:	
At 30 September 2001	3,685
At 1 October 2000	4,855

Goodwill is being written off in equal annual instalments over periods ranging from 7 to 12 years, reflecting the directors' estimate of the useful economic life of the acquired entities to which the goodwill relates.

13. Tangible fixed assets	Freehold land and buildings	Short leaseholds	Fixtures and fittings	Computer equipment, plant and machinery	Total
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Group					
Cost or valuation:					
At 1 October 2000	4,922	2,046	859	11,940	19,767
Additions	–	167	79	1,227	1,473
Disposals	–	(969)	(237)	(3,258)	(4,464)
At 30 September 2001	4,922	1,244	701	9,909	16,776
Depreciation:					
At 1 October 2000	1,031	1,786	715	8,924	12,456
Provided during year	123	158	80	1,209	1,570
Disposals	–	(816)	(203)	(2,194)	(3,213)
At 30 September 2001	1,154	1,128	592	7,939	10,813
Net book amount:					
At 30 September 2001	3,768	116	109	1,970	5,963
At 1 October 2000	3,891	260	144	3,016	7,311

Freehold land and buildings, which originally cost £285,000, were professionally valued on 27 September 1987 at £3,395,000 (including an amount of £2,925,000 relating to land) on an open market basis for existing use.

Included in plant and machinery is plant purchased under finance leases and hire purchase contracts with a net book value of £471,000 (2000 – £1,386,000).

Company

There are no tangible fixed assets in the Company.

14. Fixed asset investments	Group		Company	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Subsidiary undertakings:				
– cost	–	–	2,769	2,769
– provision	–	–	(800)	(800)
Net book amount	–	–	1,969	1,969
Other investments	–	–	–	–
Investment in shares in Williams Lea Group Limited:				
– cost brought forward	8,844	1,665	8,844	1,665
– shares purchased in year	349	7,473	349	7,473
– shares sold in year	(3,438)	(294)	(3,438)	(294)
	5,755	8,844	5,755	8,844
Provision for diminution in value	(3,810)	(3,897)	(3,810)	(3,897)
Shares sold in year	2,612	87	2,612	87
Net book amount	4,557	5,034	4,557	5,034
Total net book amount	4,557	5,034	6,526	7,003

Other investments represent convertible preference shares in Chris Fowler International Limited (see note 4). On 31 October 2001, the preference shares were converted to 20% of the ordinary share capital of Chris Fowler International Limited.

The investment of £5,755,000 (2000 – £8,844,000) in Williams Lea Group Limited represents 1,866,820 (2000 – 2,584,886) shares held by the Williams Lea Group Employee Share Trusts. For share-based incentive schemes which do not use new issue shares, options will be satisfied by the transfer of shares held in trust for the purpose. Dividends receivable by the Trusts during the year were waived.

Provision has been made for the difference between the purchase price of the acquired shares and the exercise price of the matched employee share options, amounting to £1,198,000. During the year, £2,612,000 of the provision was released to reflect the sale of shares.

The principal group subsidiaries are shown at note 27.

14. Fixed asset investments (continued)

Acquisition

Cash movements during the year relating to the acquisition of subsidiary undertakings in previous years were as follows:

	<i>£000s</i>
Elliott Slone Limited – deferred consideration	488
Springboard Creative Solutions Limited – deferred consideration	50
	<u>538</u>

15. Stocks	Group		Company	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Raw materials and consumables	299	351	–	–
Work in progress	72	184	–	–
	<u>371</u>	<u>535</u>	<u>–</u>	<u>–</u>

16. Debtors	Group		Company	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Trade debtors	27,392	17,986	–	–
Amounts owed by subsidiary undertakings	–	–	1,521	1,487
Other debtors	645	237	–	–
Deferred tax asset (note 9)	213	20	–	–
Prepayments and accrued income	3,488	4,286	12	24
	<u>31,738</u>	<u>22,529</u>	<u>1,533</u>	<u>1,511</u>

17. Creditors: amounts falling due within one year	Group		Company	
	2001 <i>£000s</i>	2000 <i>£000s</i>	2001 <i>£000s</i>	2000 <i>£000s</i>
Obligations under finance leases and hire purchase contracts (note 26)	224	237	–	–
Trade creditors	8,943	6,598	–	–
Amounts owed to subsidiary undertakings	–	–	4,556	953
Corporation tax	1,504	339	–	–
Other taxes and social security costs	2,753	3,681	–	–
Other creditors	1,421	1,778	14	12
Accruals and deferred income	14,941	9,777	–	58
Proposed dividend	966	764	966	764
	<u>30,752</u>	<u>23,174</u>	<u>5,536</u>	<u>1,787</u>

18. Creditors: amounts falling due after more than one year	Group		Company	
	2001 <i>£000s</i>	2000 <i>£000s</i>	2001 <i>£000s</i>	2000 <i>£000s</i>
Loan	2,500	2,500	2,500	2,500
Obligations under finance leases and hire purchase contracts (note 26)	259	198	–	–
Other creditors	1,690	2,466	–	–
	<u>4,449</u>	<u>5,164</u>	<u>2,500</u>	<u>2,500</u>

Other creditors relates to the amounts due on the purchase of subsidiary undertakings and the unincorporated business acquired in the prior year. Included within this balance is £550,000 which is contingent on the future performance of Elliott Slone Limited.

19. Provisions for liabilities and charges	Pensions <i>£000s</i>	Group property <i>£000s</i>	Total <i>£000s</i>
Provision at 1 October 2000	–	291	291
Utilised during the year	–	(161)	(161)
Provided during the year – exceptional items (note 4)	750	–	750
Provision at 30 September 2001	<u>750</u>	<u>130</u>	<u>880</u>

The property provision represents an estimate of the excess in property outgoings over rental income receivable from sub-tenants on a leasehold property. The lease on this property expires in June 2002.

20. Pension arrangements

The Group has continued to account for pensions in accordance with SSAP 24 and disclosures given in (a) are those required by that standard. FRS 17 (Retirement Benefits) was issued in November 2000 but will not be mandatory for the Group and Company until the year ended 30 September 2003. Prior to this, phased transitional disclosures are required from 30 September 2001. These disclosures, to the extent not given in section (a), are set out in section (b) of this note.

The Group operates the Williams Lea Group Pension and Life Assurance Scheme. The Scheme has provided benefits on a money purchase basis only since 1 January 1997 with contributions charged to the profit and loss account as they are incurred. The Scheme also retains deferred defined benefits based on pensionable service accrued prior to 31 December 1996.

(a) The scheme's assets are held separately from the assets of the Group and are administered by trustees and managed by Merrill Lynch Investment Managers.

The latest valuation of the defined benefit scheme was carried out on 5 April 2001 by C Mouqué, Fellow of the Institute of Actuaries, of Alexander Forbes Financial Services Ltd. The principal methods and assumptions used and the results of the valuation are set out below:

Valuation method	Attained Age Method
Investment rate of return up to retirement	6.5% per annum
Investment rate of return after retirement	5.0% per annum
Increases in pensions once in payment	Level on the excess over the Guaranteed Minimum Pension Statutory on the Guaranteed Minimum Pension
Increases in pensions in deferment	RPI subject to a maximum of 5% on the excess over the Guaranteed Minimum Pension Statutory on the Guaranteed Minimum Pension
Market value of assets	£5,669,000
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	89%

The valuation identified a pension deficit of £750,000 and, on actuarial advice, is being funded, in cash terms, over the estimated remaining working lives of the former employees. The deficit has been recognised in full in the current year profit and loss account as an exceptional charge (note 4).

The total cost of defined contribution arrangements of £1,002,000 has been expensed against profits in the current year.

The total pension cost for the Group is as follows:

	2001 £000s	2000 £000s
Ongoing defined contribution costs	1,002	775
Closed defined benefit valuation deficit (note 4)	750	–
	1,752	775

(b) FRS 17 Retirement benefits

C Mouqué carried out the valuation used for the FRS 17 disclosures as at 30 September 2001. Scheme assets are based solely on the assets under management and are stated at their market value at 30 September 2001.

The financial assumptions used to calculate scheme liabilities under FRS 17 are:

Valuation method	Projected Unit Method
Discount rate	6.2% per annum
Inflation rate	3.0% per annum
Increases in pensions once in payment	Level on the excess over the Guaranteed Minimum Pension Statutory on the Guaranteed Minimum Pension
Increases in pensions in deferment	RPI subject to a maximum of 5% on the excess over the Guaranteed Minimum Pension Statutory on the Guaranteed Minimum Pension

The assets in the scheme and the expected rate of return were:

	Long-term annual rate of return expected at 30 September 2001	Value at 30 September 2001 £000s
Equities	7.0%	3,693
Bonds	5.0%	651
Other	5.0%	477
Total market value of assets		4,821
Present value of scheme liabilities		(6,439)
Deficit in the scheme		(1,618)
Related deferred tax asset		485
		(1,133)

Proforma impact of FRS 17 on Williams Lea Group balance sheet:

	Group 2001 £000s
Williams Lea Group net assets	21,984
Existing pension liability	750
Related deferred tax asset	(225)
	525
Net assets excluding pension liability	22,509
Pension liability (FRS 17 basis)	(1,133)
Net assets including pension liability (FRS 17 basis)	21,376
Williams Lea Group profit and loss reserves	16,365
Net pension liability	525
Profit and loss reserves excluding pension liability	16,890
Pension liability (FRS 17 basis)	(1,133)
Profit and loss reserves including pension liability (FRS 17 basis)	15,757

21. Share capital	2001 <i>No. (000s)</i>	2000 <i>No. (000s)</i>	2001 <i>£000s</i>	2000 <i>£000s</i>
Authorised:				
Ordinary shares of 20p each	25,000	25,000	5,000	5,000
Allotted, called up and fully paid:				
Ordinary shares of 20p each	9,912	9,905	1,982	1,981

6,130 new shares were issued during the year for total consideration of £43,334. The shares were issued to certain non-executive directors in partial substitution for fees payable.

Under the 1994 Executive Share Option Scheme the Company has granted options to subscribe for the Company's ordinary shares to certain executives and senior managers. Details of options granted to directors of the Company are shown in the Remuneration Committee report. At 1 October 2000 options under the Scheme were outstanding over 1,792,955 ordinary shares exercisable before 2009 at prices between 70 pence and £3.75 each. During the year options were granted over 373,384 ordinary shares at a price of £7.00, all exercisable between 2004 and 2011. During the year options were exercised over 396,774 shares. At 30 September 2001 options under the Scheme were outstanding over 1,787,230 ordinary shares.

During the year, under the 2001 Executive Share Option Plan, 237,498 options over shares were awarded. Of these, 202,498 were conditionally awarded at £7.00 and 35,000 were unconditionally awarded at £8.00, all exercisable between 2004 and 2011.

At 1 October 2000, the Company had granted options under the Save As You Earn Schemes over 572,922 ordinary shares. At 30 September 2001 options under these Schemes including the 2001 Save As You Earn Scheme (exercisable in 2004 at £5.95), were outstanding over 432,453 ordinary shares (107,584 at £2.80, 324,869 at £5.95).

22. Reserves

	Group					Company			
	Share premium reserve <i>£000s</i>	Revaluation reserve <i>£000s</i>	Capital redemption reserve <i>£000s</i>	Other reserves <i>£000s</i>	Profit and loss account <i>£000s</i>	Share premium reserve <i>£000s</i>	Capital redemption reserve <i>£000s</i>	Other reserves <i>£000s</i>	Profit and loss account <i>£000s</i>
At 1 October 2000	105	3,110	77	303	13,053	105	77	209	1,937
Retained profit/(loss) for the year	–	–	–	–	3,312	–	–	–	(1,510)
Issue of shares (note 21)	42	–	–	–	–	42	–	–	–
At 30 September 2001	147	3,110	77	303	16,365	147	77	209	427

23. Reconciliation of operating profit to net cash flow from operating activities	2001 <i>£000s</i>	2000 <i>£000s</i>
Total operating profit	7,055	5,385
Depreciation of tangible fixed assets	1,570	1,600
Amortisation of intangible fixed assets	570	421
Directors fees taken as new issue ordinary shares	43	36
Decrease in stocks	98	396
Increase in operating debtors and prepayments	(9,053)	(5,778)
Increase in operating creditors and accruals	7,375	4,491
Loss/(profit) on sale of tangible fixed assets	5	(3)
Increase in pension provision	750	–
Decrease in property provision	(161)	(166)
Net cash inflow from operating activities	8,252	6,382

24. Analysis of net funds	2000 <i>£000s</i>	Cashflow <i>£000s</i>	Disposal <i>£000s</i>	Other non-cash movements <i>£000s</i>	2001 <i>£000s</i>
Cash at bank and in hand	1,888	4,323	–	–	6,211
Short-term deposits	5,106	434	–	–	5,540
Loans	(2,500)	–	–	–	(2,500)
Finance leases	(435)	191	135	(374)	(483)
Closing net funds	<u>4,059</u>	<u>4,948</u>	<u>135</u>	<u>(374)</u>	<u>8,768</u>

Short-term deposits are included in the Group balance sheet as cash at bank and in hand.

25. Reconciliation of movement in shareholders' funds	2001 <i>£000s</i>	2000 <i>£000s</i>
Profit for the financial year	4,798	3,530
Dividends	(1,486)	(1,150)
Retained profit for the year	<u>3,312</u>	<u>2,380</u>
Share capital – arising from share issue	1	1
Share premium reserve – arising from share issue	42	35
Net addition to shareholders' funds	<u>3,355</u>	<u>2,416</u>
Opening shareholders' funds	<u>18,629</u>	<u>16,213</u>
Closing shareholders' funds	<u>21,984</u>	<u>18,629</u>

26. Financial commitments	2001 <i>£000s</i>	2000 <i>£000s</i>
Finance leases and hire purchase contracts		
Amounts due by the Group under finance leases:		
– within one year	257	288
– in two to five years	289	217
Less: finance charges allocated to future periods	(63)	(70)
	<u>483</u>	<u>435</u>

Operating leases

At 30 September 2001 the Group had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and buildings <i>£000s</i>	Other <i>£000s</i>	Land and buildings <i>£000s</i>	Other <i>£000s</i>
Expiry date:				
– within one year	482	1,465	10	953
– between two and five years	70	6,373	634	4,385
– in over five years	275	–	275	–
	<u>827</u>	<u>7,838</u>	<u>919</u>	<u>5,338</u>

Capital commitments

At 30 September 2001 the Group had no capital expenditure committed (2000 – £nil).

27. Principal subsidiary undertakings

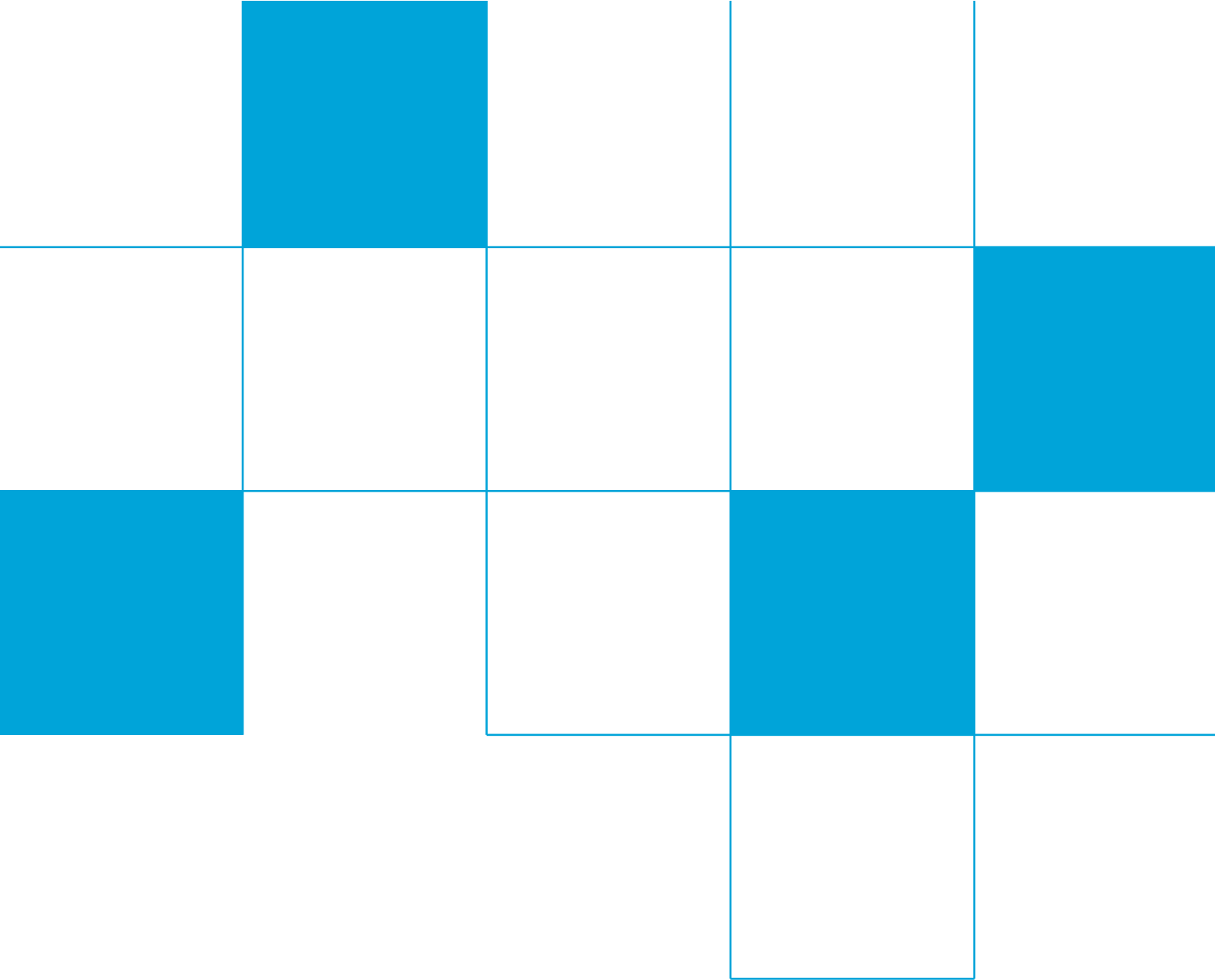
Williams Lea Group Limited held directly or indirectly 100% of the ordinary share capital of the following companies at 30 September 2001:

Name	Country of registration	Nature of business
Williams Lea Group Management Services Limited	England and Wales	Management and property services
Williams Lea Limited	England and Wales	Corporate information services
Springboard Creative Solutions Limited * **	England and Wales	Creative design services
Elliott Slone Limited *	England and Wales	Litigation support

* Held indirectly via Williams Lea Limited.

** The financial year end of this entity is 22 September.

Creating advantage



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