



**ANNUAL REPORT 2005**



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Williams Lea is the leading global provider of Corporate Information Solutions.

We transform the way organisations communicate and exchange their printed and electronic information. Our customised solutions are delivered by a unique group of people who evaluate, re-engineer and manage processes for greater efficiency.

Williams Lea employs 6,500 staff across Europe, the US and Asia Pacific, with key centres in London, Dublin, Paris, Frankfurt, New York, Chicago, Los Angeles, Tokyo, Sydney, Hong Kong, Beijing and Chennai.

We have a demonstrable record of building long-term partnerships with some of the world's leading organisations

in the legal, financial services, investment banking, professional services, retail, telecommunications, automotive, energy and utilities, pharmaceutical and corporate sectors.

We give them confidence – in the integrity of their information, in the delivery of their brand and in facing the challenges of the future.

**✕ GREAT THINGS HAPPEN WHEN YOU HAVE CONFIDENCE**

## CHAIRMAN'S STATEMENT

In my first year as Chairman of the Company, I am delighted to report another year of excellent progress and development for Williams Lea.

Since the end of the last financial year on 30 September 2004, the Group has secured a number of significant transactions – both new contracts and acquisitions – that have allowed the Group to develop new vertical markets, to further differentiate its proposition in the market and fulfil its ambition of becoming an integrated global organisation.

In October, we secured a ground-breaking £225m, ten-year partnership with Norwich Union to deliver end-to-end customer communications. This contract resulted in over 500 people in 12 UK locations joining Williams Lea, adding yet further breadth to our Corporate Information Solutions platform and confirming our pre-eminent position in the rapidly growing UK market. At the same time we acquired a subsidiary of Norwich Union, Print to Post Ltd, which is a specialist laser print and fulfilment business. Other important contracts were also won, or renewed, during the year.

The Norwich Union contract was closely followed in November by the creation of our global franchise, through the acquisition of Bowne Business Solutions Inc (BBS) in the US. This acquisition has given us market leadership in document services in the US and an entry point to offer broader Corporate Information Solutions to the largest market in the world. The deal

resulted in the transfer of 3,000 people to Williams Lea and also brought the previous joint venture with Bowne in Asia Pacific under full Williams Lea control.

These important transactions have been followed up more recently, in July 2005, with the further acquisitions of Uniscribe in the US and Creatis in Australia, underlining and strengthening the unique global proposition that the Group is now able to offer its clients.

The Business Process Outsourcing market has evolved rapidly in recent years. I am confident that as a result of the recent acquisitions and the continued development of our transactional document processing capabilities, we are exceptionally placed to capitalise on this attractive opportunity.

### GROUP RESULTS

Group turnover rose to £438m, compared with £241m in the same period last year, an increase of 82%. Turnover from ongoing continuing operations has increased by £66m (27%). This reflects both the signing of substantial contracts with Norwich Union and Prudential in the second half of 2004 as well as an increase in activity levels with existing clients. Turnover from the acquisitions of BBS, Uniscribe and Creatis in the period is £126.6m, plus a further

£4.1m from the acquisition of Print to Post Limited.

Operating profit before goodwill and exceptional items rose by £16.8m (142%), all generated from continuing operations. Of this, the acquisition of BBS generated £9.4m of operating profit before goodwill and exceptional items. Now that the restructuring and rebranding of the business is complete, performance is expected to continue strongly.

As anticipated, amortisation of goodwill is £5.9m higher than last year and interest payable is £8.8m higher, due to the debt funding for the acquisition of BBS.

### EARNINGS PER SHARE AND DIVIDENDS

Diluted earnings per share before exceptionals and amortisation has risen by 72%. As a result of this increase and our confidence in future results, your Board has proposed a final dividend of 14p per ordinary share (2004:14p) which will be paid on 1 February 2006 to shareholders on the member's register as at 18 January 2006.

### ACQUISITIONS

As mentioned above, on 9 November 2004 we completed the acquisition of our long-term joint venture partner BBS, the market leader in our sector in the US, for



£103.5m. In addition, Print to Post Limited was acquired for £10m.

On 29 July 2005, the Group acquired certain assets and liabilities of Uniscribe Professional Services Inc, a US market leader in the provision of Business Process Outsourcing services. Uniscribe, which in 2004 had revenues of \$64m, is an established provider of outsourced services to both the legal sector and corporate clients, employing over 800 people from nine regional offices across the US. This acquisition further strengthened the position of Williams Lea in the US market as the leader in Corporate Information Solutions.

Also on 29 July 2005, the Group acquired Creatis, a marketing, communication and design services provider based in Australia with revenues of \$2.8m (Australian Dollars) in the year ending June 2005. The acquisition of Creatis has allowed Williams Lea to expand its local capabilities and strengthen its service offering to its existing clients in that fast-growing market.

A partnership with the US-based law firm Orrick, Herrington and Sutcliffe LLP was announced on 27 October 2005 and has seen the establishment of Williams Lea's Corporate Information Centre in Wheeling, West Virginia, US. This state-of-the-art

facility will provide an alternative off-site processing capability to Williams Lea's operations in India. It provides Williams Lea's clients in the US with a genuine alternative to moving highly sensitive and time critical documentation offshore. Williams Lea is now the only company in the world that can offer its legal clients secure Corporate Information Solutions on-site, off-site, on-shore (in-country) and offshore.

#### **REBRANDING**

As of 18 April 2005, all Williams Lea operating divisions across Europe, the US and Asia Pacific – including BBS, Springboard and Formation – were renamed as Williams Lea, creating one unified identity for the business. In addition, Uniscribe and Creatis have now also been transitioned under the Williams Lea brand.

#### **BOARD**

On 4 October 2004, Liz Catchpole joined the Board as Group Finance Director of Williams Lea. Liz joined Williams Lea from Liberata where she had been Managing Director of the life and pensions Business Process Outsourcing division. Previously, Liz was Chief Financial Officer of Swiss Re's Life and Health reinsurance business, which she joined from GE Capital. Liz's appointment enabled Justin Barton, as

President of our US businesses, to focus on integrating the BBS business, establishing the Company's US platform and successfully negotiating the Uniscribe acquisition.

Under the outstanding leadership of Tim Griffiths, the management team has had an exceptional year of growth and progress on a number of fronts. I am sure you would want me formally to thank Tim and the team. I should also like to take this opportunity to thank my fellow Non-Executive Board members for their valuable contribution throughout the year.

#### **PROSPECTS**

We look forward to another exciting and challenging year ahead. We have a real opportunity to consolidate our position within the Corporate Information market place and to build and sell our unique proposition to clients around the world. I look forward to working with the Company, its employees and the Board to take the organisation through its next exciting chapter.

Robert Walker  
Chairman

# DIRECTORS AND ADVISORS

## OF WILLIAMS LEA GROUP LIMITED

### DIRECTORS

R M Walker \*<sup>1</sup> \*<sup>4</sup> *Chairman*  
T P Griffiths *Chief Executive*  
J G Barton  
E M Catchpole \*<sup>3</sup>  
C J Davey  
S J Davidson \*<sup>1</sup>  
K C M Innes Ker \*<sup>1</sup>  
A C Lane \*<sup>1</sup>  
C T M Toulson-Clarke  
A G Williams \*<sup>1</sup> *Life President*  
M G Williams \*<sup>1</sup> \*<sup>2</sup>  
S M G Williams\*<sup>1</sup>

\*<sup>1</sup> Non-Executive Director

\*<sup>2</sup> Alternate Director to A G Williams

\*<sup>3</sup> Appointed on 4 October 2004

\*<sup>4</sup> Appointed Chairman on 1 March 2005

### SECRETARY

W G Duncan

### AUDITORS

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

### BANKERS

Royal Bank of Scotland  
280 Bishopsgate  
London EC2M 4RB

### SOLICITORS

Macfarlanes  
10 Norwich Street  
London EC4A 1BD

### REGISTERED OFFICE

Clifton House  
Worship Street  
London EC2A 2EJ

### REGISTRARS

Lloyds TSB Registrars  
The Causeway  
Worthing  
West Sussex BN99 6DA

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the twenty-fourth 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 27 January 2006 for the following purposes:

1. To receive and adopt the report of the directors and the audited accounts for the year ended 30 September 2005.
2. To declare a final dividend of 14 pence per ordinary share for the year ended 30 September 2005, payable on 1 February 2006, to ordinary shareholders on the members' register at the close of business on 18 January 2006.
3. To re-elect T P Griffiths as a Director of the Company.
4. To re-elect K C M Innes Ker as a Director of the Company.
5. To re-elect S J Davidson as a Director of the Company.
6. To reappoint Ernst & Young LLP as auditors of the Company and to authorise the directors to fix their remuneration.

BY ORDER OF THE BOARD

W G Duncan  
Secretary

A member entitled to attend and vote may appoint one or more proxies 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 the report and accounts of Williams Lea Group Limited for the year ended 30 September 2005.

## RESULTS AND DIVIDENDS

The operating profit attributable to continuing operations before goodwill, amortisation and exceptional items amounted to £28,555,000 (2004 – £11,796,000). The profit for the year after exceptional items and taxation amounted to £1,138,000 (2004 - £6,401,000). The Company paid an interim preferred ordinary dividend of £500,000 and a final preferred ordinary dividend of £500,000. The Company also paid an interim ordinary dividend of 6 pence per share during the year (2004 – 6 pence).

The directors recommend the payment of a final ordinary dividend of 14 pence per share (2004 – 14 pence), making total ordinary dividends for the year of 20 pence per share (2004 – 20 pence). Total ordinary and preferred ordinary dividends for the year amount to £3,011,000 (2004 - £2,997,000).

## PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

A review of the principal activities of Group companies and an appraisal of their business for the year is set out in the Chairman's statement on pages 2 to 3. The Company acts as a holding company only.

## CORPORATE GOVERNANCE

A report on corporate governance is set out on pages 8 and 9.

## SIGNIFICANT EVENTS

On 9 November 2004 the Group completed the acquisition of Bowne Business Solutions Inc (BBS), a Division of Bowne & Co (a company listed on the New York Stock Exchange). BBS was one of the leading providers of document outsourcing and related services in the US. BBS and the Group have had an important relationship as joint venture partners since 1997 in which BBS and Williams Lea collaborated to provide services to common clients in Asia Pacific. In addition, the Company and BBS have a number of shared clients both in the UK and the US. Total consideration for the acquisition amounted to \$180,000,000, with additional acquisition costs of £7,604,000, such consideration being financed by external banking facilities. In addition, the Group's existing borrowings were refinanced as part of the same facility.

## DIRECTORS AND THEIR INTERESTS

In accordance with the Group's corporate governance policies, T P Griffiths , K C M Innes Ker and S J Davidson, stand for re-election.

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 and options are detailed in the Remuneration Committee report on pages 10 to 13.

## DIRECTORS' SHARE INTERESTS

The directors serving as at 30 September 2005 had the following interests in shares of the Company at the beginning and end of the financial year:

	1 October 2004	20p Ordinary shares		30 September 2005
		Acquired	Disposed	
R M Walker	–	75,000	–	75,000
T P Griffiths	448,224	–	–	448,224
J G Barton	74,934	–	–	74,934
C J Davey	57,922	–	–	57,922
S J Davidson	5,000	–	–	5,000
K C M Innes Ker	500	–	–	500
C T M Toulson-Clarke	111,585	–	–	111,585
M G Williams	177,500	25,000	–	202,500
A G Williams – beneficial	272,250	–	200,000	72,250
– non-beneficial	958,250	100,000	–	1,058,250
S M G Williams	460,000	25,000	–	485,000

EM Catchpole and AC Lane did not hold shares of the Company at any point in the period under review.

S M G Williams and M G Williams are amongst the beneficiaries of the Williams family share trusts, which include the J Graham Williams Settlement Trust. At 30 September 2005, the trusts held 1,978,706 ordinary shares in the Company.

#### **SUBSTANTIAL SHAREHOLDERS**

At 30 September 2005, 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
3i Group Plc	5,111,566	37.86%
Trustees of J Graham Williams Settlement	1,599,456	11.84%
Bailhache Labesse Trustees Limited	761,470	5.64%
Sarah McIntosh	497,800	3.68%

Bailhache Labesse Trustees Limited is the Trustee company for the largest of the Employee Benefit Trusts of the Williams Lea Group.

#### **EMPLOYEES**

Regular meetings are held involving directors, managers and supervisory staff to convey information about the business. During the year, the Group provided 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 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 £27,098 (2004 – £31,265). Included in the charitable contributions was £13,654 in respect of matched amounts for fundraising efforts by Williams Lea staff.

#### **AUDITORS**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



E M Catchpole  
Group Finance Director

## **CORPORATE GOVERNANCE**

Although private companies are not required to report on the principles of Good Governance and Code of Best Practice (“Combined Code”), the directors wish to apply good governance principles. Accordingly, set out below are the disclosures of the directors’ application of those aspects of the Combined Code which have been adopted.

### **THE BOARD**

The Board comprises a non-executive chairman, five other non-executive directors (including a 3i representative director) and five executive directors. The Board meets ten times a year and additionally when necessary. At each scheduled meeting of the Board, the Chief Executive and the other Directors report on the Company’s operations and the Group Finance Director reports on the financial position of the Company. 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 several standing committees, all of which operate within written terms of reference, which deal clearly with their authority and duties. The minutes are available to all directors.

#### *Audit Committee*

The Audit Committee is chaired by S M G Williams and comprises, in addition, S J Davidson, K C M Innes Ker and A C Lane. The Chief Executive, Group Finance Director and external auditors normally attend meetings and the Committee also meets the external auditors without management present. The Audit Committee is responsible for reviewing the half-year and annual accounts prior to their submission to the Board. In addition, it reviews financial and internal controls and the appropriateness of accounting policies.

#### *Remuneration Committee*

The Remuneration Committee is chaired by S J Davidson and comprises, in addition, K C M Innes Ker, A G Williams and A C Lane. The Committee was established to create a formal and transparent procedure for developing an executive remuneration policy. The Committee’s duties are to determine on behalf of the Board the remuneration packages, including pension provision and contracts of service, of senior employees and the executive directors.

#### *Nomination Committee*

The Nomination Committee is chaired by S M G Williams and comprises, in addition, all of the non-executive directors and the Chief Executive. The Committee considers all executive and non-executive appointments, reappointments and terminations of employment or engagement of directors of the Group. Any proposal by this Committee is discussed and determined by the Board.

### **CHAIRMAN AND CHIEF EXECUTIVE**

The Chairman of the Group is a non-executive director, who 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 the management of the Group within 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**

All 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 10 to 13.

## 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 Group'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. Such controls, however, are designed to manage rather than eliminate the risk and can provide reasonable, but 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 effective 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 for acquisitions and of the negotiation process for contracts and joint ventures by the Board to ensure transactions that are material in terms of size or type are addressed and approved at the highest level

The Group Finance Director appraises the Board, both through the Audit Committee and directly, of the effectiveness of the system of internal control 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 money purchase Group pension plan, private medical insurance and car allowance
- × 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 opportunity to participate in the Company's equity incentive plans

The following share schemes were in operation during the year:

### ***1994 Executive Share Option Plan***

Under the 1994 Executive Share Option Plan, non-performance related share options were granted to executive directors and other senior staff. Following the introduction of the 2001 Executive Share Option Plan, no new awards have been made under the 1994 Scheme.

### ***2001 Executive Share Option Plan***

Under the 2001 Executive Share Option Plan, the Company grants executive directors and other senior staff options over ordinary shares up to the value of 150% of the participants' base salary at the time of the award. The Group may grant, on appointment, non-performance related options. Otherwise, awards are made annually and options vest, or otherwise, on the third anniversary of the grant, 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.

### ***2004 Executive Incentive Arrangements***

The 2004 Executive Incentive Arrangements are structured using two separate but integrated plans. The design of the two plans is aligned to reward long-term value growth of the Company and act as an incentive to management to deliver the proposed three-year business plan and continue building value for the benefit of all shareholders. The terms of the proposed new senior executive incentive programme are summarised below, and awards under both plans were made during the year.

#### *Executive Incentive Plan*

Senior executives will be granted incentive awards which entitles them to receive the appreciation in value of ordinary shares between the date of grant and the date of vesting. The awards will vest on the earlier of a liquidity event or three years from their grant (or 26 February 2007 in the case of the first grants) and will not be subject to performance conditions. A liquidity event for these purposes is, broadly, a flotation, a trade sale or a leveraged re-capitalisation resulting in a sale of substantially all of 3i Group's interest in the Company. The first grant of awards was through a tax efficient share incentive structure. This involved executives acquiring an interest in ordinary shares held by an employee benefit trust. Awards will only vest if the executive remains in employment with the Company. However, certain "good leavers" will not forfeit all of their options on cessation of employment. A maximum of 1.1 million Ordinary Shares will be made available under the Executive Incentive Plan.

#### *Bonus Share Plan*

An entitlement to receive the Company's Ordinary Shares under this plan will only arise on the occurrence of a liquidity event (as described above), and then, only if the value of the Company's equity has achieved compound growth of at least 20% per annum in the period prior to the liquidity event. Senior executives will, together, be entitled to receive Ordinary Shares with a value of between 20% and 25% of the growth in the equity value of the Company above the 20 per cent per annum growth target, determined on a straight line basis. Individual executives' entitlement to acquire shares will be in proportion to their interests in shares under the Executive Incentive Plan.

#### *2005 Unapproved Executive Share Option Plan*

Under the 2005 Unapproved Share Option Plan, the Company may grant executive directors and other senior employees rights to acquire Ordinary Shares. The maximum number of shares that may be subject to an option to subscribe under the plan is 10% of the Company's issued ordinary share capital. Options may also be granted over shares already in issue that do not count for the purposes of this limit.

The Company may grant options under the plan without performance conditions.

The options shall normally vest and become exercisable on the earliest of the third anniversary of the date of grant or the occurrence of a liquidity event. The plan was adopted by the Board of Directors during the year and options granted to UK and US employees.

#### *Non-executive directors' fees*

The Board determines the remuneration arrangements of the Chairman and the other non-executive directors.

These emoluments consist wholly of fees, and in one case health insurance benefit, in respect of services.

The non-executive directors do not have service contracts.

*Directors' emoluments*

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

	Salary/ Fees £000s	Discretionary Share bonus £000s	Benefits £000s	Money purchase pension contributions £000s	Total 2005 £000s	Total 2004 £000s
R M Walker *2	29	–	–	–	29	–
T P Griffiths	241	–	10	34	284	526
J G Barton	184	–	1	16	201	321
E M Catchpole *1	170	–	–	16	186	–
C J Davey	170	–	1	8	179	398
S J Davidson	28	–	–	–	28	20
K C M Innes Ker	24	–	–	–	24	20
C T M Toulson-Clarke	182	–	4	26	212	409
A G Williams	34	–	1	–	35	41
S M G Williams	28	–	–	–	28	20
<b>Total 2005</b>	<b>1,090</b>	<b>–</b>	<b>17</b>	<b>100</b>	<b>1,206</b>	<b>1,755</b>
Total 2004	818	850	5	82	1,755	

\*1 Appointed on 4 October 2004

\*2 Appointed Chairman on 1 March 2005

## DIRECTOR'S SHARE OPTIONS

### 2004 Executive Incentive Plan

Details of the Company's ordinary shares under this Executive Incentive Plan are as follows:

	Exercise price	1 October 2004	Options awarded	Options to acquire 20p Ordinary shares Options exercised	30 September 2005
T P Griffiths	£9.00	–	125,000	–	125,000
J G Barton	£9.00	–	125,000	–	125,000
E M Catchpole	£9.00	–	75,000	–	75,000
C Davey	£9.00	–	150,000	–	150,000
C T M Toulson-Clarke	£9.00	–	125,000	–	125,000

The vesting of the shares under the 2004 Executive Incentive Plan are not subject to performance criteria. The dates on which these options are exercisable are included in note 21.

### 2005 Unapproved Executive Share Option Plan

Details of the Company's ordinary shares under this Unapproved Executive Share Option Plan are as follows:

	Exercise price	1 October 2004	Options awarded	Options to acquire 20p Ordinary shares Options exercised	30 September 2005
E M Catchpole	£0.00	–	18,800	–	18,800

The vesting of the shares under the 2005 Unapproved Executive Share Option Plan are not subject to performance criteria. The dates on which these options are exercisable are included in note 21.

The number of shares acquired on the release of options is included in the details of shares acquired during the year set out in the table of Director's share interests on page 6.

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and 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 financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

# INDEPENDENT AUDITORS' REPORT

to the members of Williams Lea Group Limited

We have audited the Group's financial statements for the year ended 30 September 2005 which comprise the Consolidated Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 28. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Group's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' report, Chairman's statement, Corporate Governance and Remuneration Committee report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements.

Our responsibilities do not extend to any other information.

## BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2005 and 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

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 30 September 2005

	Notes	2005 £000s	2005 £000s	2005 £000s	2004 £000s
<b>Turnover</b>					
Group and share of joint venture's turnover				438,045	243,523
Less share of joint venture's turnover				(369)	(2,615)
Continuing operations – ongoing				306,952	240,908
– acquisitions				130,724	–
<b>Group turnover</b>	2			437,676	240,908
<b>Cost of sales</b>	3			(390,668)	(221,180)
<b>Gross profit</b>				47,008	19,728
<b>Administrative expenses</b>	3			(31,489)	(13,320)
<b>Operating profit</b>		ongoing	acquisitions		
Continuing operations:					
– before goodwill and exceptional items		18,347	10,208	28,555	11,796
– amortisation of goodwill	12	(2,355)	(5,599)	(7,954)	(2,015)
– exceptional items	4	(3,205)	(1,877)	(5,082)	(3,373)
<b>Group operating profit</b>		12,787	2,732	15,519	6,408
Share of operating profit in joint venture				48	55
<b>Total operating profit:</b>					
<b>Group and share of joint venture</b>	5			15,567	6,463
Continuing operations:					
Loss on sale of operation	4			(167)	–
<b>Profit on ordinary activities before interest and taxation</b>				15,400	6,463
Interest receivable and similar income	7			303	405
Interest payable and similar charges	8			(9,517)	(764)
<b>Profit on ordinary activities before taxation</b>				6,186	6,104
Tax on profit on ordinary activities	9			(5,048)	297
<b>Profit on ordinary activities after taxation</b>				1,138	6,401
Dividends (including non-equity preferred ordinary dividends)	10			(3,011)	(2,997)
<b>Retained (loss)/profit for the year</b>				(1,873)	3,404
<b>Earnings per share</b>	11				
Basic before all exceptional items and amortisation of goodwill				119p	71p
Basic				1p	58p
Diluted before all exceptional items and amortisation of goodwill				119p	69p
Diluted				1p	56p

## Consolidated statement of total recognised gains and losses

for the year ended 30 September 2005

	2005	2004
Profit for the financial year attributable to members of the parent company	1,138	6,401
Exchange difference on retranslation of net assets of subsidiary undertaking	4,927	–
Exchange difference on bank loans	(2,042)	–
<b>Total recognised gains and losses relating to the year</b>	4,023	6,401

The notes on pages 19 to 36 form part of these accounts.

# BALANCE SHEETS

as at 30 September 2005

	Notes	GROUP		COMPANY	
		2005 £000s	2004 £000s	2005 £000s	2004 £000s
<b>Fixed assets</b>					
Intangible assets	12	141,979	35,781	–	–
Tangible assets	13	17,103	10,057	–	–
Investments	14	–	543	27,978	27,978
		<u>159,082</u>	<u>46,381</u>	<u>27,978</u>	<u>27,978</u>
<b>Current assets</b>					
Stocks	15	3,451	3,535	–	–
Debtors	16	87,064	64,076	118,346	6,017
Cash at bank and in hand		27,752	12,925	9,779	1,551
		<u>118,267</u>	<u>80,536</u>	<u>128,125</u>	<u>7,568</u>
<b>Creditors:</b>					
Amounts falling due within one year	17	(84,799)	(56,865)	(4,516)	(2,018)
<b>Net current assets</b>		<u>33,468</u>	<u>23,671</u>	<u>123,609</u>	<u>5,550</u>
<b>Total assets less current liabilities</b>		192,550	70,052	151,587	33,528
<b>Creditors:</b>					
Amounts falling due after more than one year	18	(136,948)	(17,099)	(122,798)	(9,382)
Provisions for liabilities and charges	19	(2,271)	(1,882)	–	–
<b>Net assets</b>		<u>53,331</u>	<u>51,071</u>	<u>28,789</u>	<u>24,146</u>
<b>Capital and reserves</b>					
Called up share capital	21	2,700	2,685	2,700	2,685
Share premium account	22	31,340	30,680	31,340	30,680
Revaluation reserve	22	3,110	3,110	–	–
Capital redemption reserve	22	77	77	77	77
Other reserves	22	303	303	209	209
Own shares	23	(10,004)	(9,992)	(10,004)	(9,992)
Profit and loss account	22	25,805	24,208	4,467	487
<b>Total shareholder's funds</b>	25				
Equity		<u>33,331</u>	<u>31,071</u>	<u>8,789</u>	<u>4,146</u>
Non-equity		<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>
		<u>53,331</u>	<u>51,071</u>	<u>28,789</u>	<u>24,146</u>

The financial statements on pages 16 to 36 were approved by the Board on Friday 16 December 2005.



R M Walker, Chairman



E M Catchpole, Group Finance Director

The notes on pages 19 to 36 form part of these accounts.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2005

	Notes	2005 £000s	2004 £000s
<b>Net cash inflow from operating activities</b>	24	43,642	176
<b>Returns on investments and servicing of finance</b>			
Interest received		286	327
Interest paid		(7,588)	(406)
Preference dividends paid		(1,000)	(957)
Issue costs		(3,569)	–
Interest element of finance lease payments		–	(28)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(11,871)	(1,064)
<b>Taxation</b>			
UK Corporation tax paid		(1,801)	(1,058)
Overseas tax paid		(1,409)	(135)
<b>Net cash outflow from taxation</b>		(3,210)	(1,193)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(8,397)	(2,120)
Investment in joint venture		–	(14)
Receipts from sales of tangible fixed assets		625	44
<b>Net cash outflow from capital expenditure and financial investment</b>		(7,772)	(2,090)
<b>Acquisitions and disposals</b>			
Purchase of subsidiary undertakings	14	(119,960)	(7,386)
Net cash/(overdrafts) acquired with subsidiary undertakings	14	(727)	1,075
Sale of subsidiary undertaking	14	1,255	–
Net cash disposed of with subsidiary undertaking	14	(522)	–
<b>Net cash outflow from acquisitions and disposals</b>		(119,954)	(6,311)
<b>Equity dividends paid</b>		(2,026)	(1,782)
<b>Management of liquid resources</b>			
Decrease/(increase) in short-term deposits	24	11,900	(8,500)
<b>Financing</b>			
Issue of preferred ordinary shares		–	20,000
Issue of ordinary shares		75	–
Payments to acquire shares by employee related share trusts		(49)	(300)
Receipts from the sale of shares by employee related share trusts		37	2,381
Repayment of short term borrowings		–	(1,189)
Inflow from long term loans		126,997	–
Repayment of long term loans		(10,993)	(1,520)
Capital element of finance lease payments		(49)	(105)
<b>Net cash inflow from financing</b>		116,018	19,267
<b>Increase / (decrease) in cash</b>	24	<u>26,727</u>	<u>(1,497)</u>
<b>Reconciliation of net cash flow to movement in net funds/debt</b>			
Increase / (decrease) in cash in the year		26,727	(1,497)
(Decrease) / increase in short-term deposits		(11,900)	8,500
Capital element of finance lease payments		49	105
Net (inflow from) / repayment of loans		(112,435)	2,709
Change in net funds arising from cashflows	24	(97,559)	9,817
Rolled up interest and amortisation of issue costs	24	(1,813)	–
Exchange difference on bank loans	24	(2,042)	–
Net funds / (debt) at beginning of the year	24	3,444	(6,373)
Net (debt) / funds at end of the year	24	<u>(97,970)</u>	<u>3,444</u>

The notes on pages 19 to 36 form part of these accounts.

# NOTES TO THE ACCOUNTS

at 30 September 2005

## 1. Accounting policies

### Basis of preparation

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 and on a basis consistent with the previous year.

### 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 has not been presented as permitted by section 230 of the Companies Act 1985.

Print to Post Limited, Bowne Business Solutions Inc, Uniscribe and MDF PTY Ltd (Creatis) have been included in the Group financial statements using the acquisition method of accounting. Accordingly, the Group profit and loss account and statement of cash flows include; the results and cash flows of Print to Post Limited for the eleven and a half month period from its acquisition on 20 October 2004, the results of Bowne Business Solutions Inc for the ten and a half month period from its acquisition on 9 November 2004 and the results of Uniscribe and Creatis for the two month period from their acquisitions on 29 July 2005. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

The results and cash flows of Rodber Thorneycroft Limited have been included in the Group profit and loss account and statement of cash flows up to 19 August 2005, the date of its sale outside the Group.

### Turnover

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

### Tangible 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 when 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 up to a presumed maximum of 20 years. 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.

If a subsidiary is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

### Own shares

Own shares, held through various trusts, are shown as a deduction from shareholders' funds at cost.

### Joint venture

The Group's share of turnover and operating profit of the joint venture is included in the consolidated profit and loss account for the period in which it remained a joint venture.

### 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 lease 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.

### Amounts recoverable on contracts

Direct incremental costs incurred on contracts prior to and during service commencement and reimbursable during the contract are included in amounts recoverable on contracts and amortised over the life of the contract.

### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

## 1. Accounting policies (continued)

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits in the foreseeable future from which the reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being recognised only if and when the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

### Foreign exchange

Transactions in foreign currencies are recorded at the rate ruling at the date of the 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 with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the re-translation at closing rates of the opening balance sheets of undertakings with a reporting currency other than sterling are taken to reserves.

### Interest rate swaps

The Group's criteria for entering into interest rate swaps are:

- × the instrument must be related to an asset or a liability; and
- × it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

### 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 salary basis. Any additional contributions, in respect of past service, which may be required as a result of future actuarial valuations, will be charged to the profit and loss account immediately the deficit becomes apparent.

## 2. Turnover

The Group operates in one principal area of activity, being the provision of Corporate Information Solutions. The Group operates within two geographical markets, the United Kingdom (and rest of the world) and the United States. Turnover by origin and turnover by destination are not materially different.

Turnover, Group profit on ordinary activities before tax and net assets are analysed as follows:

	UK AND REST OF WORLD 2005 £000s	US 2005 £000s	TOTAL 2005 £000s	UK AND REST OF WORLD 2004 £000s	US 2004	TOTAL 2004 £000s
<b>Group turnover</b>	318,535	119,141	437,676	240,908	–	240,908
<b>Group operating profit</b>	13,840	1,679	15,519	6,408	–	6,408
Share of operating profit in joint venture			48			55
<b>Total operating profit: Group and share of joint venture</b>			15,567			6,463
Continuing operations:						
Loss on sale of operation			(167)			–
<b>Profit on ordinary activities before interest and taxation</b>			15,400			6,463
Interest receivable and similar income			303			405
Interest payable and similar charges			(9,517)			(764)
<b>Profit on ordinary activities before taxation</b>			6,186			6,104
<b>Net assets</b>	47,629	5,702	53,331	51,071	–	51,071

### 3. Cost of sales and administrative expenses

	2005 £000s	2004 £000s
<b>Cost of sales</b>		
Continuing operations	264,119	221,180
Acquisitions	126,549	–
	<u>390,668</u>	<u>221,180</u>
<b>Administrative expenses</b>		
Continuing operations	Ongoing:	
	– excluding amortisation of goodwill and exceptional items	
	11,449	7,932
	– amortisation of goodwill	
	2,355	2,015
	– exceptional items (note 4)	
	3,205	3,373
	<u>17,009</u>	<u>13,320</u>
	Acquisitions:	
	– excluding amortisation of goodwill and exceptional items	
	7,004	–
	– amortisation of goodwill	
	5,599	–
	– exceptional items (note 4)	
	1,877	–
	<u>14,480</u>	<u>–</u>
	<u>31,489</u>	<u>13,320</u>

### 4. Exceptional items

	2005 £000s	2004 £000s
Recognised in arriving at operating profit		
– integration	2,025	–
– rebranding	574	–
– employee share options	650	–
– reorganisation	1,833	–
– recapitalisation and reorganisation of employee incentive arrangements	–	2,129
– pension deficit	–	1,244
	<u>5,082</u>	<u>3,373</u>
Recognised below operating profit		
– loss on sale of Rodber Thorneycroft (including goodwill of £1,587,000)	167	–
	<u>5,249</u>	<u>3,373</u>
Tax effect in the profit and loss account relating to the exceptional items		
– tax credit on equity incentive arrangements	–	(3,775)
– deferred tax	(390)	(363)
– current tax	(916)	–
	<u>3,943</u>	<u>(765)</u>

There was no tax impact in relation to the loss on the sale of Rodber Thorneycroft Limited.

The Group completed the acquisitions in the United States of America of Bowne Business Solutions Inc (BBS) on 9 November 2004 and certain assets and liabilities of Uniscribe Professional Services Inc on 29 July 2005. As a result the Group has undertaken a major, global restructuring programme which is still ongoing. This has resulted in total operating exceptional costs of £5,082,000, a breakdown of which follows.

Integration costs have been incurred to bring the businesses into the Group structure. The material exceptional costs incurred to date amount to £2,025,000. This comprises redundancy (£1,134,000), professional fees (£331,000) and relocation and other related costs (£560,000).

There has been a global rebranding exercise in 2005 to re-affirm the Group's global proposition of Corporate Information Solutions and to bring the newly acquired businesses under the brand. Costs relating to this amount to £574,000.

Employee share options have been issued during the year. 165,000 share options have been issued in total. The charge within exceptional items is £650,000. Of this £585,000 reflects the current market value of the shares (at £9 per share) less the option price of the shares. The remaining £65,000 relates to professional fees.

Various areas of the existing business were reorganised during 2005 to achieve improved operating efficiency and productivity. The total cost charged to exceptional items is £1,833,000. This comprises consolidation of the Output capability from three to two major production facilities (£641,000), restructuring of the European operations including staff redundancy, legal and other costs related to the exit of specific customer contracts (£699,000), write-off of an IT asset (£332,000 less depreciation of £82,000 – net effect £250,000), provision for a related onerous lease (£76,000) and redundancy costs in the United Kingdom arising from the restructuring of the IT department (£167,000).

The disposal of Rodber Thorneycroft Limited on 19 August 2005 for total consideration of £2m resulted in a loss on disposal to the Group of £167,000 which includes professional fees and other costs of £145,000 (see note 14).

#### 4. Exceptional items (continued)

The prior year exceptional items are detailed below.

In the previous year, exceptional items represented the recapitalisation. On 26 February 2004 3i purchased 2,222,222 new preferred ordinary shares in the Company at a price of £9 per share. On the same date 3i also purchased 1,467,932 ordinary shares in the Company from existing shareholders at a price of £9 per share. These transactions were completed pursuant to an offer, recommended by the Board of the Company and approved by shareholders at an Extraordinary General Meeting of the Company on 23 February 2004. Professional costs and expenses relating to the transaction amounted to £1,768,000. In addition there was a charge of £361,000 in relation to employers' National Insurance contributions.

As part of this transaction the equity incentive arrangements in existence for employees were reorganised with the result that the majority of outstanding share options were either exercised over, or substituted for, shares in the Company held by the Group's Employee Share Trusts. A deficit of £1,866,000 has been recognised as a movement in the profit and loss reserve to reflect the difference between the cost of those shares and the related proceeds received by the Employee Share Trusts.

The exceptional tax credit for the period to September 2004 recognises the tax implications of the equity incentive arrangements referred to above.

In addition, as part of the recapitalisation a special dividend of £437,500 was paid to 3i at completion on the preferred ordinary shares which has not been included in the dividend per share calculation.

Also, a charge was made in September 2004 to recognise an anticipated additional funding deficit of £1,244,000 on the accrued member benefits of the Williams Lea Group Pension and Life Assurance Scheme based on final pension payable. 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 results of the most recent actuarial valuation of the Scheme.

#### 5. Operating profit

	2005 £000s	2004 £000s
Operating profit is stated after charging/(crediting):		
Amortisation of intangible fixed assets	7,954	2,015
Depreciation:		
– owned fixed assets	4,302	1,946
– assets under finance leases	10	57
Operating lease rentals:		
– plant and machinery	27,547	7,547
– land and buildings	4,254	866
Auditors' remuneration:		
– audit services	280	167
– non-audit services	307	388
Loss on disposal of tangible fixed assets	93	138
Other operating income	(176)	(177)

Other operating income represents amounts received on the sub-lease of short leasehold properties. The related expenditure in servicing these properties is £206,000 (2004 – £211,000), resulting in a net cost of £30,000 (2004 – £34,000).

In addition fees paid to the auditors during the year include £352,000 (2004 - £68,000) which have been capitalised as part of cost of acquisitions.

#### 6. Staff costs

	2005 £000s	2004 £000s
Wages and salaries	152,697	59,925
Social security costs	18,697	5,838
Other pension costs	2,784	1,681
	<u>174,178</u>	<u>67,444</u>

Details, for each director, of remuneration, pension entitlements and interest in share options are set out in the Remuneration committee report.

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

	2005 No.	2004 No.
Production	6,187	1,914
Administration	346	190
Selling	63	17
	<u>6,596</u>	<u>2,121</u>

## 7. Interest receivable and similar income

	2005 £000s	2004 £000s
Bank interest	303	405

## 8. Interest payable and similar charges

	2005 £000s	2004 £000s
Bank loans	9,051	672
Finance lease and hire purchase charges	1	28
Contingent consideration on acquisitions	116	64
Amortisation of issue costs	349	–
	<u>9,517</u>	<u>764</u>

## 9. Tax on profit on ordinary activities

	2005 £000s	2004 £000s
Current tax		
UK corporation tax	3,728	(6)
Double taxation relief	(25)	–
Adjustments in respect of prior years	12	(14)
	<u>3,715</u>	<u>(20)</u>
Foreign tax	1,547	107
Adjustments in respect of prior years	19	70
Total current tax	<u>5,281</u>	<u>157</u>
Deferred tax – origination and reversal of timing differences	(233)	(454)
Total tax on profit on ordinary activities	<u>5,048</u>	<u>(297)</u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2005 £000s	2004 £000s
Profit on ordinary activities before tax	<u>6,186</u>	<u>6,104</u>
Tax on Group profit on ordinary activities at standard UK corporation tax rate of 30% (2004 – 30%)	1,856	1,831
Effects of:		
Expenses not deductible for tax purposes (including goodwill amortisation and non-allowable exceptional items)	2,342	1,644
Accelerated capital allowances	100	(49)
Other timing differences	157	(23)
Adjustments to UK tax charge in respect of prior years	12	(14)
Adjustments to foreign tax in respect of prior years	19	70
Unrelieved overseas tax losses	488	135
Movement in pension provision	38	363
Tax rate difference	269	(25)
Tax relief on employee equity incentive arrangements (note 4)	–	(3,775)
Total current tax charge for the year	<u>5,281</u>	<u>157</u>

#### 9. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges:

No provision has been made for deferred tax on the revaluation gain recognised on freehold land and buildings. Such tax would become payable only if the property were sold without it being possible to claim rollover relief. The amount unprovided for is £930,000 (2004 – £930,000). At present, it is not envisaged that any tax will become payable in the foreseeable future.

The Group has not provided for deferred tax of £220,000 (2004 – £222,000) on a rolled over gain as there is no evidence that the gain is likely to crystallise in the foreseeable future.

The Group has not recognised a deferred tax asset of £1,513,000 (2004 – £nil) in respect of trading losses within the US entities acquired during the year as there is insufficient certainty that these will be utilised. In addition, deferred tax on other overseas trading losses of approximately £1,646,000 (2004 - £653,000) has not been recognised as there is insufficient certainty that these will be utilised.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as no dividends have been accrued out of those earnings.

The movement for the year in the net deferred tax asset is as follows:

	£000s
Deferred tax asset as at 30 September 2004	872
Acquisitions	(395)
Credit for period in profit and loss account	233
Disposals	(3)
Net deferred tax asset as at 30 September 2005	<u>707</u>

Deferred taxation included in the balance sheet is as follows:

	2005 £000s	2004 £000s
Decelerated capital allowances	451	238
Pension provision	603	565
Other timing differences	(347)	69
Net deferred tax asset	<u>707</u>	<u>872</u>

The net deferred tax asset is included within:

	2005 £000s	2004 £000s
Debtor (see note 16)	1,167	872
Provisions (see note 19)	(460)	–
Net deferred tax asset	<u>707</u>	<u>872</u>

#### 10. Dividends

	2005 £000s	2004 £000s
Non-equity preferred ordinary shares:		
Interim	500	19
Final	500	500
Special Dividend	–	438
Ordinary Shares:		
Interim – 6p per share (2004 – 6p per share)	587	601
Proposed final dividend – 14p per share (2004 – 14p per share)	1,424	1,439
	<u>3,011</u>	<u>2,997</u>

On 6 February 1998, the trustees of the Williams Lea Group Employee Share Trusts decided to waive all future dividends receivable on the 1,108,015 (2004: 1,116,751) ordinary shares in the Company held by the Trusts. 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 share

Basic and diluted earnings per share are based on earnings for the year of £138,000 (2004 - £5,444,000) being profit on ordinary activities after taxation and dividends on preferred ordinary shares. The calculation of basic earnings per share is based on ordinary shares of 10,133,000 (2004 - 9,400,000), 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:

	2005 No.000s	2004 No.000s
Basic weighted average number of shares	10,133	9,400
Dilutive potential ordinary shares:		
Employee share options	6	337
Diluted weighted average number of shares	<u>10,139</u>	<u>9,737</u>

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:

	2005 £000s	2004 £000s
Profit on ordinary activities after taxation and dividends on preferred ordinary shares	138	5,444
Add back:		
Amortisation of goodwill	7,954	2,015
Exceptional items	5,249	3,373
Tax on exceptional items	(1,306)	(4,138)
	<u>12,035</u>	<u>6,694</u>

## 12. Intangible assets – goodwill

	£000s
Cost:	
At 1 October 2004	41,067
Acquisition of Print to Post Ltd (see note 14)	10,000
Acquisition of Bowne Business Solutions Inc (see note 14)	90,613
Acquisition of Bowne Williams Lea Asia Limited (see note 14)	240
Acquisition of certain assets and liabilities of Uniscribe Professional Services Inc (see note 14)	8,785
Acquisition of MDF PTY Ltd (Creatis) (see note 14)	1,651
Disposal of Rodber Thorneycroft Ltd (see note 14)	(2,076)
Exchange adjustment	4,450
At 30 September 2005	<u>154,730</u>
Amortisation:	
At 1 October 2004	5,286
Provided during year	7,954
Disposal of Rodber Thorneycroft Ltd (see note 14)	(489)
At 30 September 2005	<u>12,751</u>
Net book amount:	
At 30 September 2005	<u>141,979</u>
At 1 October 2004	<u>35,781</u>

Goodwill is being written off in equal annual instalments over periods ranging from 10 to 20 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 £000s	SHORT LEASEHOLDS £000s	FIXTURES AND FITTINGS £000s	COMPUTER EQUIPMENT, PLANT AND MACHINERY £000s	TOTAL £000s
<b>Cost or valuation</b>					
At 1 October 2004	8,607	2,099	1,154	10,682	22,542
Acquisitions	–	969	387	2,573	3,929
Additions	119	1,713	214	6,351	8,397
Write-off (see note 4)	–	–	–	(332)	(332)
Disposals	–	(422)	(577)	(5,622)	(6,621)
At 30 September 2005	8,726	4,359	1,178	13,652	27,915
<b>Depreciation:</b>					
At 1 October 2004	2,240	1,424	731	8,090	12,485
Provided during the year	429	493	214	3,176	4,312
Write-off (see note 4)	–	–	–	(82)	(82)
Disposals	–	(365)	(536)	(5,002)	(5,903)
At 30 September 2005	2,669	1,552	409	6,182	10,812
<b>Net book amount:</b>					
At 30 September 2005	6,057	2,807	769	7,470	17,103
At 1 October 2004	6,367	675	423	2,592	10,057

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. In accordance with the transitional rules of FRS 15, the revaluation has not been updated in the current year.

Included in computer equipment, plant and machinery is plant purchased under finance leases and hire purchase contracts with a net book value of £23,000 (2004 – £24,000).

### 14. Investments

	GROUP		COMPANY	
	2005 £000s	2004 £000s	2005 £000s	2004 £000s
<b>Subsidiary undertakings:</b>				
– cost	–	–	28,778	28,778
– provision	–	–	(800)	(800)
Net book amount	–	–	27,978	27,978
<b>Joint Venture:</b>				
Investment	–	240	–	–
Fixed Assets	–	23	–	–
Current Assets	–	827	–	–
Share of gross assets	–	1,090	–	–
Liabilities due within one year	–	(538)	–	–
Liabilities due after more than one year	–	(9)	–	–
Share of gross liabilities	–	(547)	–	–
Share of net assets	–	543	–	–
Total net book amount	–	543	27,978	27,978

The principal Group subsidiaries are shown in note 28.

#### 14. Investments (continued)

##### Acquisitions

On 20 October 2004 the Group acquired the entire share capital of Print to Post Limited from Norwich Union Central Services Limited. Total consideration for the acquisition amounted to £10,000,000 satisfied by deferred consideration of £10,000,000. The fair value of net assets was £nil. Therefore goodwill arising on acquisition is £10,000,000.

On 9 November 2004 the Group acquired the entire share capital of Bowne Business Solutions Inc (BBS), a Division of Bowne & Co (a company listed on the New York Stock Exchange). Total consideration for the acquisition amounted to £103,470,000 satisfied by cash of £95,866,000. Acquisition costs totalled £7,604,000, of which £567,000 was paid in the prior year.

Goodwill arising on acquisition of £90,613,000 has been capitalised in the balance sheet. The investment in BBS is included in the Group's balance sheet at its fair value at the date of acquisition.

The net assets of BBS at the date of acquisition were as follows:

	INITIAL BOOK VALUE £000s	FAIR VALUE ADJUSTMENTS £000s	FAIR VALUE OF NET ASSETS £000s
Intangible assets	52,144	(52,144)	–
Tangible assets	3,070	218	3,288
Investments	326	–	326
Stocks	231	–	231
Debtors	21,765	–	21,765
Overdraft	(824)	–	(824)
Creditors: amounts falling due within one year	(11,507)	(422)	(11,929)
Net assets	65,205	(52,348)	12,857
Goodwill arising on acquisition			90,613
Consideration:			<u>103,470</u>

The fair value adjustments reflect the Group's estimate of the fair value of intangible assets, fixed assets acquired and estimates of liabilities in respect of accruals. Intangible fixed assets relate to goodwill on the acquired company's balance sheet and hence are written off on acquisition.

BBS incurred a loss after tax of £4,939,000 in the year ended 31 December 2004 (2003: loss £6,733,000), of which losses of £4,525,000 arose in the period from 1 January 2004 to 8 November 2004. The summarised profit and loss account for the period from 1 January 2004 to the effective date of acquisition is as follows:

	£000s
Turnover	106,587
Operating loss	(4,026)
Exceptional items	(499)
Loss before tax	(4,525)
Taxation	–
Loss for the period ended 8 November 2004.	<u>(4,525)</u>

There were no recognised gains and losses in the period ended 8 November 2004 other than the loss of £4,525,000 above.

In the period following acquisition, BBS contributed turnover of £119,100,000 and operating profit before goodwill and exceptional items of £9,364,000. BBS contributed £17,700,000 to the Group's net operating cash flows, paid £1,200,000 in respect of taxation and utilised £1,200,000 for capital expenditure and financial investment.

As a result of the acquisition of BBS, the Group obtained the remaining 50% of the shares of Bowne Williams Lea Asia Limited. Therefore from 9 November 2004 this was treated as a subsidiary rather than a joint venture, giving rise to goodwill of £240,000.

On 29 July 2005 the Group acquired certain assets and liabilities of Uniscribe Professional Services Inc. Total consideration amounted to £13,441,000, satisfied by cash of £12,505,000. Acquisition costs totalled £936,000, of which £484,000 was paid by 30 September 2005.

Goodwill arising on acquisition of £8,785,000 has been capitalised in the balance sheet. The assets and liabilities acquired from Uniscribe Professional Services Inc are included in the Group's balance sheet at their fair value at the date of acquisition.

#### 14. Investments (continued)

The net assets purchased from Uniscribe Professional Services Inc at the date of acquisition were as follows:

	INITIAL BOOK VALUE £000s	FAIR VALUE ADJUSTMENTS £000s	FAIR VALUE OF NET ASSETS £000s
Tangible assets	623	–	623
Stocks	11	–	11
Debtors	7,242	–	7,242
Overdraft	(60)	–	(60)
Creditors: amounts falling due within one year	(3,713)	632	(3,081)
Creditors: amounts falling due after one year	(79)	–	(79)
Net assets	4,024	632	4,656
Goodwill arising on acquisition			8,785
Consideration:			<u>13,441</u>

The fair value adjustments reflect the Group's estimate of the fair value of liabilities in respect of accruals.

	£000s
Turnover	19,850
Operating profit	234
Interest payable and similar charges	(5,315)
Loss before tax	<u>(5,081)</u>
Taxation	–
Loss for the period ended 28 July 2005	<u>(5,081)</u>

On 29 July 2005 the Group acquired the entire share capital of MDF PTY Ltd (Creatis) in Australia. Total consideration amounted to £1,727,000, satisfied by cash of £863,500 and contingent deferred consideration of £863,500, payable on the retention and consistent performance of material contracts over a period from 29 July 2005 to 29 July 2007.

Goodwill arising on acquisition of £1,651,000 has been capitalised in the balance sheet. The investment in Creatis is included in the Group's balance sheet at its fair value at the date of acquisition.

The net assets of Creatis at the date of acquisition were as follows:

	INITIAL BOOK VALUE £000s	FAIR VALUE ADJUSTMENTS £000s	FAIR VALUE OF NET ASSETS £000s
Intangible assets	23	(23)	–
Tangible assets	18	–	18
Stocks	31	–	31
Debtors	156	–	156
Cash	157	–	157
Creditors: amounts falling due within one year	(286)	–	(286)
Net assets	99	(23)	76
Goodwill arising on acquisition			1,651
Consideration:			<u>1,727</u>

The fair value adjustments reflect the Group's estimate of the fair value of intangible assets. Intangible fixed assets relate to goodwill on the acquired company's balance sheet and hence are written off on acquisition.

#### Disposal

On 19 August 2005 Williams Lea Limited disposed of the entire share capital of Rodber Thorneycroft Ltd. Total consideration amounted to £1,855,000, satisfied by cash of £1,400,000 and deferred consideration of £600,000, offset by professional fees and other costs of £145,000. Loss on disposal was £167,000.

#### 14. Investments (continued)

The net assets of Rodber Thorneycroft Ltd at the date of disposal were as follows:

	£000s
Tangible assets	73
Debtors	1,062
Cash	522
Creditors: amounts falling due within one year	(1,222)
Goodwill	1,587
	<u>2,022</u>
Loss on disposal (including goodwill of £1,587,000)	(167)
Consideration:	<u>1,855</u>

The profit attributable to members of the parent company includes a profit before tax of £291,000 earned by Rodber Thorneycroft Ltd up to its date of disposal on 19 August 2005.

#### Previous acquisitions

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

	£000s
Formation e-Document Solutions Limited – deferred consideration	2,501
Alistair McIntosh Limited – deferred consideration	582
Pierce Corporate Information Solutions – deferred consideration	121
	<u>3,204</u>

There was no goodwill from the above payments.

#### 15. Stocks

	GROUP		COMPANY	
	2005 £000s	2004 £000s	2005 £000s	2004 £000s
Raw materials and consumables	3,191	3,377	–	–
Work in progress	260	158	–	–
	<u>3,451</u>	<u>3,535</u>	<u>–</u>	<u>–</u>

#### 16. Debtors

	GROUP		COMPANY	
	2005 £000s	2004 £000s	2005 £000s	2004 £000s
Trade debtors	70,440	51,379	–	–
Other debtors	1,559	3,734	611	10
Deferred tax asset (note 9)	1,167	872	–	–
UK corporation tax	–	–	47	6
Amounts recoverable on contracts	5,823	3,795	–	–
Prepayment and accrued income	8,075	4,296	–	–
Amounts owed by subsidiary undertakings	–	–	117,688	6,001
	<u>87,064</u>	<u>64,076</u>	<u>118,346</u>	<u>6,017</u>

Amounts falling due after more than one year in respect of amounts recoverable on contracts is £4,440,000 (2004 – £3,267,000).

Other debtors includes £600,000 (2004 – £nil) receivable on the sale of Rodber Thorneycroft Limited (see note 14) and £600,000 relating to a Director's transaction (see note 27).

#### 17. Creditors: amounts falling due within one year

	GROUP		COMPANY	
	2005 £000s	2004 £000s	2005 £000s	2004 £000s
Current instalments due on bank loans (note 18)	3,092	–	3,092	–
Obligations under finance leases and hire purchase contracts (note 26)	45	53	–	–
Trade creditors	28,816	22,066	–	–
Corporation tax	2,033	330	–	–
Overseas tax	296	–	–	–
Other taxes and social security costs	6,324	3,652	–	–
Other creditors	6,590	4,632	–	582
Accruals and deferred income	36,179	24,693	–	–
Proposed dividend	1,424	1,439	1,424	1,436
	<u>84,799</u>	<u>56,865</u>	<u>4,516</u>	<u>2,018</u>

17. Creditors: amounts falling due within one year (continued)

Other creditors includes £1,000,000 (2004 £nil) due on the purchase of Print to Post Limited and £nil (2004 – £582,400) due on the purchase of Alistair McIntosh Limited. There is £2,502,000 (2004 – £2,501,000) due on the purchase of Formation e-Document Solutions Limited, £432,000 (2004 – £nil) due on the purchase of MDF PTY Ltd (Creatis) and £83,255 (2004 – £127,336) on the purchase of Pierce Corporate Information Solutions, which are contingent on the future performance of the businesses.

18. Creditors: amounts falling due after more than one year

	GROUP		COMPANY	
	2005 £000s	2004 £000s	2005 £000s	2004 £000s
Bank loans	122,580	9,382	122,798	9,382
Obligations under finance leases and hire purchase contracts (note 26)	5	46	–	–
Other creditors	14,363	7,671	–	–
	<u>136,948</u>	<u>17,099</u>	<u>122,798</u>	<u>9,382</u>

Other creditors includes £9,000,000 (2004 – £nil) due on the purchase of Print to Post Limited. There is £4,931,000 (2004 – £7,433,500) due on the purchase of Formation e-Document Solutions Limited, £432,000 (2004 – £nil) due on the purchase of MDF PTY Ltd (Creatis) and £nil (2004 – £77,444) on the purchase of Pierce Corporate Information Solutions which are contingent on the future performance of the business.

Bank loans are repayable as follows:

	GROUP		COMPANY	
	2005 £000s	2004 £000s	2005 £000s	2004 £000s
Amounts falling due:				
– in one year or less or on demand	3,092	–	3,092	–
– more than one year but not more than two years	3,525	–	3,525	–
– more than two years but not more than five years	23,883	9,382	23,883	9,382
– more than five years	98,392	–	98,392	–
	<u>128,892</u>	<u>9,382</u>	<u>128,892</u>	<u>9,382</u>
Less: issue costs	(3,220)	–	(3,002)	–
	<u>125,672</u>	<u>–</u>	<u>125,890</u>	<u>–</u>
Less: included in creditors: amounts falling due within one year	(3,092)	–	(3,092)	–
	<u>122,580</u>	<u>9,382</u>	<u>122,798</u>	<u>9,382</u>

The bank loan repayment and interest terms for the debt held by the Group and Company is shown below:

REPAYMENT TERMS	INTEREST	£000s
Repayable in varying six-monthly instalments up to 30 September 2011	Interest payable is 2.3% above Libor	39,040
50% repayable on 31 May 2012 with the remainder due on 30 September 2012	Interest payable is 2.8% above Libor	26,964
50% repayable on 31 May 2013 with the remainder due on 30 September 2013	Interest payable is 3.3% above Libor	26,964
Repayable in full on 8 May 2014	Interest payable is 3.8% above Libor	9,385
Repayable in full on 8 November 2014	Interest payable is 4.5% above Libor, with an additional 6.5% rolled up, payable on repayment of the loan. Interest is calculated on a cumulative basis.	26,539
		<u>128,892</u>

£69,257,000 of the bank loans are denominated in Pounds Sterling, with the remaining £59,365,000 denominated in US Dollars (converted at the exchange rate prevailing at 30 September 2005).

Bank loan facilities currently available that were unutilised as at 30 September 2005 total £20,000,000 (2004 – £nil).

All bank loans are secured by a fixed and floating charge over all assets of the Group.

19. Provisions for liabilities and charges

	PENSION £000s	DEFERRED TAX £000s	TOTAL £000s
At 1 October 2004	1,882	–	1,882
Arising during the year	–	460	460
Utilised during the year	(71)	–	(71)
At 30 September 2005	<u>1,811</u>	<u>460</u>	<u>2,271</u>

## 20. Pension arrangements

The Group has continued to account for pensions in accordance with SSAP 24 and disclosures given are those required by that standard. FRS 17 (Retirement Benefits) was issued in November 2000 and the disclosures required are set out under that heading.

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.

The Scheme's assets are held separately from those of the Group and are managed by external independent investment managers appointed by the Trustees.

The latest valuation of the defined benefit scheme was carried out on 5 April 2004 by C Mouqué, Fellow of the Institute of Actuaries, of Alexander Forbes Financial Services Ltd. The results of this valuation, which have been presented to the Trustees, along with the methods and assumptions used are set out below:

Valuation method	Attained Age Method
Investment rate of return up to retirement	7.5% per annum (2001 – 6.5% per annum)
Investment rate of return after retirement	5.5% per annum (2001 – 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	£5,083,000
Deficit in the Scheme	£1,882,000
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	73%

The valuation as at 5 April 2004 identified a pension deficit of £1,882,000 and on actuarial advice is being funded, in cash terms, over the estimated remaining working lives of the former employees. The additional deficit of £1,244,000 over and above the deficit identified in the previous valuation in September 2001 was recognised in full as an exceptional charge in the prior year (note 4).

There were no outstanding or prepaid contributions at 30 September 2005 (2004 – £nil).

The total pension cost for the Group is as follows:

	2005 £000s	2004 £000s
Ongoing defined contribution costs	2,784	1,681

### FRS 17 Retirement benefits

Alexander Forbes Financial Services Ltd carried out the valuation used for the FRS 17 disclosures as at 30 September 2005. Scheme assets are stated at their market value at 30 September 2005.

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

Valuation method	Projected Unit Method
Discount rate	5.0% per annum (2004 – 5.5% per annum, 2003 – 5.75% per annum)
Inflation rate	2.9% per annum (2004 – 3.0% per annum, 2003 – 2.75% 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 rates of return were:

	LONG-TERM ANNUAL RATE OF RETURN EXPECTED AT 30 SEPTEMBER 2005	VALUE AT 30 SEPTEMBER 2005 £000s	LONG-TERM ANNUAL RATE OF RETURN EXPECTED AT 30 SEPTEMBER 2004	VALUE AT 30 SEPTEMBER 2004 £000s	LONG-TERM ANNUAL RATE OF RETURN EXPECTED AT 30 SEPTEMBER 2003	VALUE AT 30 SEPTEMBER 2003 £000s
Equities	7.5%	4,387	8.0%	4,423	8.0%	3,877
Gilts	4.5%	1,162	–	–	–	–
Bonds	5.5%	435	5.0%	448	5.0%	531
Others	4.5%	66	4.0%	259	4.0%	267
Total market value of assets		6,050		5,130		4,675
Present value of scheme liabilities		(9,804)		(8,768)		(7,729)
Deficit in the scheme		(3,754)		(3,638)		(3,054)
Related deferred tax asset		1,126		1,091		916
		(2,628)		(2,547)		(2,138)

## 20. Pension arrangements (continued)

The pro forma impact of FRS 17 on Williams Lea Group balance sheet is as follows:

	2005 £000s	2004 £000s
Williams Lea Group net assets	53,331	51,071
Existing pension liability	1,811	1,882
Related deferred tax asset	(603)	(565)
	<u>1,208</u>	<u>1,317</u>
Net assets excluding pension liability	54,539	52,388
Pension liability (FRS 17 basis)	(2,628)	(2,547)
Net assets including pension liability (FRS 17 basis)	<u>51,911</u>	<u>49,841</u>
Williams Lea Group profit and loss reserves	25,805	24,208
Net pension liability	1,208	1,317
Profit and loss reserves excluding pension liability	27,013	25,525
Pension liability (FRS 17 basis)	(2,628)	(2,547)
Profit and loss reserves including pension liability (FRS 17 basis)	<u>24,385</u>	<u>22,978</u>

An analysis of the defined benefit cost for the year ended 30 September 2005 is as follows:

	2005 £000s	2004 £000s
Expected return on pension scheme assets	385	347
Interest on pension scheme liabilities	(478)	(441)
Net finance cost	<u>(93)</u>	<u>(94)</u>

Analysis of movements in deficit during the year

	2005 £000s	2004 £000s
At 1 October	(3,638)	(3,054)
Net finance cost	(93)	(94)
Actuarial loss	(123)	(592)
Contributions	100	102
At 30 September	<u>(3,754)</u>	<u>(3,638)</u>

History of experience gains and losses

	2005 £000s	2004 £000s	2003 £000s	2002 £000s
Actual return less expected return on pension scheme assets	582	121	108	(823)
Percentage of scheme assets –	9.6%	2.4%	2.3%	19.3%
Experience gains and losses arising on the scheme liabilities	38	(229)	(202)	(23)
Percentage of scheme liabilities –	0.4%	2.6%	2.6%	0.3%
Changes in assumptions underlying the present value of the scheme liabilities	(743)	(484)	68	(476)
Percentage of scheme liabilities –	7.6%	5.5%	0.9%	6.5%
Actuarial loss recognised in statement of total recognised gains and losses	<u>(123)</u>	<u>(592)</u>	<u>(26)</u>	<u>(1,322)</u>
Percentage of scheme liabilities –	1.3%	6.8%	0.3%	18.1%

## 21. Share capital

	2005 No.000s	2004 No.000s	2005 No.000s	2004 No.000s
<b>Authorised:</b>				
Preferred ordinary shares of 20p each	2,222	2,222	444	444
Ordinary shares of 20p each	22,778	22,778	4,556	4,556
	<u>25,000</u>	<u>25,000</u>	<u>5,000</u>	<u>5,000</u>
<b>Allotted, called up and fully paid:</b>				
Preferred ordinary shares of 20p each	2,222	2,222	444	444
Ordinary shares of 20p each	11,277	11,202	2,256	2,241
	<u>13,499</u>	<u>13,424</u>	<u>2,700</u>	<u>2,685</u>

During the year the allotted, called up and fully paid share capital was increased by £15,000. This represented the issue of 75,000 ordinary shares to the Chairman (see note 27).

The preferred ordinary shares carry a fixed dividend payable half yearly in arrears on 31 March and 30 September each year.

The preferred ordinary shares are redeemable after 23 February 2007 at the aggregate of £9.00 per share plus a sum equal to any arrears or accruals of the fixed dividend.

On a winding up of the company the preferred ordinary shareholders have a right to receive, in preference to payments to ordinary shareholders, £9.00 per share plus a sum equal to any arrears or accruals of the fixed dividend.

Preferred ordinary shareholders and ordinary shareholders have equal voting rights.

The prior year analysis of equity and non-equity funds on the balance sheet has been amended to more appropriately reflect the allocation between equity and non-equity interests.

The Group operates three share option schemes.

The number of options granted under the 1994 and 2001 Executive Share Option Schemes, the 2004 Executive Incentive Plan and the 2005 Unapproved Executive Share Option Plan at 30 September 2005 were:

Period during which options are exercisable	OPTION PRICE PER SHARE	NUMBER OF OPTIONS
Between 14 September 2008 and 14 September 2015	£0.00	65,000
Up to 16 September 2008	£2.80	3,214
Up to 12 August 2009	£3.75	3,880
Between 11 December 2004 and 2 April 2011	£7.00	4,000
Between 24 April 2006 and 24 April 2013	£9.00	28,446
Between 14 September 2008 and 14 September 2015	£9.00	100,000
Between 20 December 2007 and 20 December 2014	£9.00	750,000
Total		<u>954,540</u>

## 22. Reserves

	GROUP					COMPANY			
	SHARE PREMIUM ACCOUNT £000s	REVALUATION RESERVE £000s	CAPITAL REDEMPTION RESERVE £000s	OTHER RESERVES £000s	PROFIT AND LOSS ACCOUNT £000s	SHARE PREMIUM ACCOUNT £000s	CAPITAL REDEMPTION RESERVE £000s	OTHER RESERVES £000s	PROFIT AND LOSS ACCOUNT £000s
At 1 October 2004	30,680	3,110	77	303	24,208	30,680	77	209	487
Retained (loss)/profit for the year	-	-	-	-	(1,873)	-	-	-	5,437
- Issue of Employee Share Options	-	-	-	-	585	-	-	-	585
- Exchange difference on retranslation of net assets of subsidiary undertaking	-	-	-	-	4,927	-	-	-	-
- Exchange difference on loan	-	-	-	-	(2,042)	-	-	-	(2,042)
- Issue of shares (note 25)	660	-	-	-	-	660	-	-	-
At 30 September 2005	<u>31,340</u>	<u>3,110</u>	<u>77</u>	<u>303</u>	<u>25,805</u>	<u>31,340</u>	<u>77</u>	<u>209</u>	<u>4,467</u>

The loss for the year after exceptional items and taxation, dealt with in the financial statements of the parent company, is £8,448,000 (2004 – profit of £1,645,000).

### 23. Own shares

	£000s
Group and Company:	
At 1 October 2004 – at cost	9,992
Shares purchased in year	49
Shares sold in year	(37)
At 30 September 2005	<u>10,004</u>

The cost of the shares in Williams Lea Group Limited of £10,004,000 (2004 – £9,992,000) represents 1,108,015 (2004 – 1,116,751) shares (923,484 shares (2004 – 932,220) held by the Williams Lea Group Employee Share Trusts and 184,531 (2004 – 184,531) shares held by the Alistair McIntosh Employee Benefit Trust).

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 that purpose. Dividends receivable by the Trusts during the year were waived.

### 24. Notes to the statement of cash flows

	2005 £000s	2004 £000s
<b>a. Reconciliation of operating profit to net cash inflow from operating activities</b>		
Group operating profit	15,519	6,408
Depreciation of tangible fixed assets	4,312	2,003
Amortisation of intangible fixed assets	7,954	2,015
Decrease in stocks	357	470
Decrease / (increase) in operating debtors and prepayments	6,574	(23,067)
Increase in operating creditors and accruals	8,654	11,000
Loss on sale of tangible fixed assets	93	138
Write-off of fixed assets	250	–
(Decrease)/increase in pension provision	(71)	1,209
Net cash inflow from operating activities	<u>43,642</u>	<u>176</u>

<b>b. Analysis of net funds/(debt)</b>	2003 £000s	CASH FLOW £000s	2004 £000s	CASH FLOW £000s	AMORTISATION OF ISSUE COSTS £000s	ROLLED UP INTEREST £000s	EXCHANGE DIFFERENCE ON BANK LOANS £000s	2005 £000s
Cash at bank and in hand	2,522	(1,497)	1,025	26,727	–	–	–	27,752
Short-term deposits	3,400	8,500	11,900	(11,900)	–	–	–	–
Loans	(12,091)	2,709	(9,382)	(112,435)	(349)	(1,464)	(2,042)	(125,672)
Finance leases	(204)	105	(99)	49	–	–	–	(50)
Net funds/(debt)	<u>(6,373)</u>	<u>9,817</u>	<u>3,444</u>	<u>(97,559)</u>	<u>(349)</u>	<u>(1,464)</u>	<u>(2,042)</u>	<u>(97,970)</u>

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

### c. Exceptional items

#### Cash flows relating to operating exceptional items

Net cash inflow from operating activities includes cash outflows of £2,952,000 in respect of operating exceptional items.

#### Cash flows relating to non-operating exceptional items

Acquisition and disposal cash flows include an inflow of £1,255,000 from the sale of Rodber Thorneycroft Limited and an outflow of £522,000 cash which was disposed of as part of the sale.

## 25. Reconciliation of movement in Group shareholders' funds

	2005 £000s	2004 £000s
Profit for the financial year	1,138	6,401
Dividends	(3,011)	(2,997)
Retained (loss) / profit for the year	(1,873)	3,404
Exchange difference on retranslation of net assets of subsidiary undertaking	4,927	–
Exchange difference on loan	(2,042)	–
Share capital – arising from share issue	15	461
Share premium – arising from share issue	660	19,555
Issue of employee share options	585	–
Payment for own shares	(49)	(300)
Sale of own shares	37	2,381
Net addition to shareholders' funds	2,260	25,501
Opening shareholders' funds	51,071	25,570
Closing shareholders' funds	53,331	51,071

## 26. Group financial commitments

	2005 £000s	2004 £000s
<b>Finance leases and hire purchase contracts</b>		
Amounts due by the Group under finance leases		
– within one year	47	55
– in two to five years	6	51
Less: finance charges allocated to future periods	(3)	(7)
	50	99

### Operating leases

As at 30 September 2005 the Group had annual commitments under non-cancellable operating leases as follows:

	2005		2004	
	LAND AND BUILDINGS £000s	PLANT AND MACHINERY £000s	LAND AND BUILDINGS £000s	PLANT AND MACHINERY £000s
Expiry date:				
– within one year	761	2,786	155	674
– between two and five years	3,457	11,406	236	4,728
– in over five years	1,392	–	714	–
	5,610	14,192	1,105	5,402

### Capital commitments

At 30 September 2005 the Group had committed capital expenditure of £nil (2004 – £nil)

## 27. Director's transaction

During the year the Chairman entered into a transaction to subscribe for 75,000 shares in Williams Lea Group Limited at a price of £9 per share pursuant to a subscription agreement which required him to pay part of the aggregate subscription price in respect of such shares at the time of the allotment of such shares and the remaining part of the subscription price on the occurrence of certain agreed trigger events. As at 30 September 2005 (and in accordance with the terms of the subscription agreement) the remaining part of the aggregate subscription price for these shares (being £600,000) was outstanding and was accordingly included in other debtors (see note 16).

## 28. Principal subsidiary undertakings

Williams Lea Group Limited held directly or indirectly 100% of the ordinary share capital of the following companies at 30 September 2005:

<b>NAME</b>	<b>COUNTRY OF REGISTRATION</b>	<b>NATURE OF BUSINESS</b>
Williams Lea Group Management Services Limited	England and Wales	Management and property services
Williams Lea Limited	England and Wales	Corporate Information Solutions
Williams Lea (UK) Limited	England and Wales	Corporate Information Solutions
Formation e-Document Solutions Limited	England and Wales	Corporate Information Solutions
Williams Lea GmbH*	Germany	Corporate Information Solutions
Williams Lea France S.A.*	France	Corporate Information Solutions
Williams Lea S.L.*	Spain	Corporate Information Solutions
Williams Lea Italia s.r.l.*	Italy	Corporate Information Solutions
Williams Lea Belgium BVBA*	Belgium	Corporate Information Solutions
Williams Lea Finland Oy*	Finland	Corporate Information Solutions
Williams Lea Ireland Limited*	Ireland	Corporate Information Solutions
Print to Post Limited*	England and Wales	Corporate Information Solutions
Williams Lea Inc*	United States of America	Corporate Information Solutions
Williams Lea Asia Limited*	Hong Kong	Corporate Information Solutions
Williams Lea (Hong Kong) Limited*	Hong Kong	Corporate Information Solutions
Williams Lea Japan Limited*	Japan	Corporate Information Solutions
Williams Lea Private Limited*	Singapore	Corporate Information Solutions
Williams Lea Pty Limited*	Australia	Corporate Information Solutions
MDF Pty Ltd*	Australia	Corporate Information Solutions

*\*Held indirectly by a fellow subsidiary undertaking*



