Wilmington

# Wilmington Group plc

Wilmington

## Wilmington is an ambitious Group with a professional culture and entrepeneurial spirit.

**Our Strategy**
To increase shareholder value by delivering sustainable and growing profits

Servicing the **information, compliance and education** requirements of professional business markets

To build high quality, high margin businesses with strong barriers to entry and resilience in long term markets

**Our Values**
Ambitious – Entrepreneurial, proactive, results driven

Professional – Expert, high quality, adaptable

Trusted – Collaborative, customer focused, reputable

**Ambitious** **Professional** **Trusted**

Wilmington

## Financial Highlights

**Revenue** £'000

# £85,048 (2012: £85,326) 0%

**Adjusted EBITA** £'000 (note 2)

# £16,865 (2012: £15,682) 8%

**Adjusted Profit before Tax** £'000 (note 2)

# £14,702 (2012: £13,226) 11%

**Profit before Tax** £'000 (note 2)

# £5,116 (2012: £6,328) 19%

**Net debt** £'m

# £33.4 (2012: £36.2) 8%

**Adjusted Earnings per Share** (note 10)

# 13.06p (2012: 11.71p) 12%

**Interim and proposed final dividend per share** (note 9)

# 7.00p (2012: 7.00p) 0%

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# Our Markets

**We now manage and report our business by reference to six main market areas; Pensions & Insurance, Banking & Compliance, Healthcare, Legal, Business Intelligence, Accountancy.**

**Group Revenue by market analysis**

| Group Revenue by market analysis | 12 months to June 2013 % of Turnover | 12 months to June 2012 % of Turnover |
|---|---|---|
| Pensions & Insurance | **17** | 17 |
| Banking & Compliance | **19** | 18 |
| Healthcare | **15** | 15 |
| Legal | **23** | 25 |
| Business Intelligence | **13** | 12 |
| Accountancy | **13** | 13 |

**Group Revenue by Region**

| Group Revenue by Region | 12 months to June 2013 % of Turnover | 12 months to June 2012 % of Turnover |
|---|---|---|
| United Kingdom | **68** | 72 |
| Europe, excluding the UK | **15** | 13 |
| North America | **9** | 8 |
| Rest of World | **8** | 7 |

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Pensions & Insurance

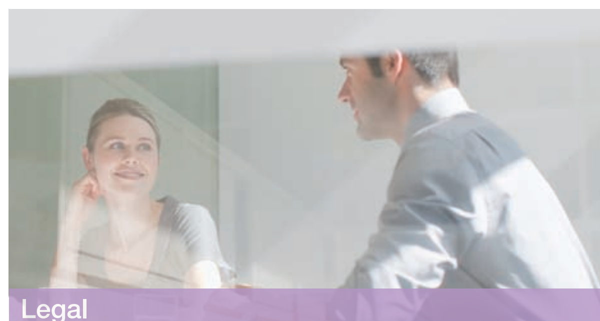
£6.1m
Contribution* (2012: £5.2m)

Banking & Compliance

£3.5m
Contribution* (2012: £3.0m)

Healthcare

£2.8m
Contribution* (2012: £2.5m)


Legal

£2.9m
Contribution* (2012: £2.8m)

Business Intelligence

£2.5m
Contribution* (2012: £2.9m)

Accountancy

£2.1m
Contribution* (2012: £2.1m)

*Contribution to Group profits

# Our People

**Integral to Wilmington's growth and success is the talent, expertise, professionalism and commitment of our people.**

Wilmington



## Talent management is a key priority. We are committed to developing our people, to realise their potential.

Employees across the Group

804

Integral to Wilmington's growth and success is the talent, expertise, professionalism and commitment of our people. During the year we have continued to build towards our goals of becoming an employer of choice and ensuring we remain a great place to work. Our dynamic changing markets continue to present challenges and in order to achieve our growth plans, we are committed to ensuring we attract and retain the right and best talent.

Talent management is a key priority. We are committed to developing our people, to realise their potential, and we continue to invest in training and development initiatives. We encourage a continuous development ethos that is underpinned by tailored development programmes across our businesses.

We respond appropriately to employment legislation and regulatory requirements across our increasingly international Group. Last year investment was committed to update our HR systems and we are well advanced in preparing for the implementation of auto enrolment in 2014. Compliance with the Anti-Bribery and Corruption legislation continues to be an on-going priority and training on Wilmington policies and procedures is delivered to all staff using Bond Solon's on line training platform. To date, over 700 staff have completed ABC training courses.

# Achieving our medium term and strategic goals

## Our strategy to move towards higher quality more sustainable income streams is bearing fruit.

I am pleased to present my report on Wilmington's results for the twelve months ended 30 June 2013. We have moved forward in line with our strategic aims of building a higher quality business comprising a larger proportion of subscription and repeatable revenues.

Focussing on the financial results I am delighted to report continued success, making good progress towards our medium term financial targets. Wilmington has delivered an improved financial performance with Adjusted EBITA up 8% (£1.2m) to £16.9m from £15.7m in 2012. Revenues were stable at £85.0m (2012: £85.3m) reflecting the restructuring of the legal division, the disposal or closure of lower margin businesses and our exit from contract directory publishing. These were counterbalanced by a revenue contribution of £2.1m from our two acquisitions made in the year and a full year contribution from Millennium acquired in May 2012. The result of our actions is a very satisfactory growth in adjusted EBITA margin to 19.8% (2012:18.4%)

Adjusted Profit before Tax was up a pleasing 11% (£1.5m) to £14.7m (2012: £13.2m) driven by improving Adjusted EBITA and reduced interest on debt arising from our strong cash flow. At 30 June 2013 our net debt had reduced by £2.8m to £33.4m compared to £36.2m at 30 June 2012 despite investing £6.3m of net cash on acquisitions in the year. Our gearing as calculated by net debt to Adjusted EBITDA has fallen to 1.8 times (2012:2.1 times) and cash conversion remained strong at 115% (2012:111%).

During the year, we have continued our focus on higher margin business and implemented a number of internal initiatives to support our strategic objectives.

**Mark Asplin**
Chairman

Wilmington

In terms of business development it has been an exciting and busy year with particular emphasis on preparing the Group for future expansion and growth. This is consistent with our strategy of growth through selective value adding acquisitions and focussed organic investment. We have also taken action to improve margins through the consolidation of our legal and accountancy programmes, the disposal of our sub scale Australian investment, removal of loss making print directory products, the termination of our NCLT venture and our exit from contract publishing.

Our strategy to move towards higher quality more sustainable income streams is bearing fruit. Revenue from subscriptions and repeatable revenues represented 79% of Group turnover (2012: 78%) and digital revenue as a percentage of our content revenue was also 79% (2012 76%). Advertising represented 6% of revenue (2012: 9%) despite the addition of Inese which generates around 14% of its revenue from advertising sources.

**Business Strategy**

Our strategy is to increase shareholder value by delivering sustainable and growing profits from servicing the information, compliance and education requirements of the global professional business markets.

We are focused on developing existing assets and acquiring new businesses in the UK and overseas that are earnings accretive with predictable recurring revenues and strong cash flows. During the year, we have continued our focus on higher margin business and implemented a number of internal initiatives to support our strategic objectives. These initiatives included increasing investment and co-ordination in the development of technology, introducing new strategic HR and finance systems as well as consolidating our back office functions into a central shared service structure.

We are confident that this strategy will deliver a group of businesses with an increasing proportion of revenues derived from subscriptions to products which disseminate content-rich, high-value information digitally along with certificated education and compliance programs. Tighter regulatory control and more complex legislation in our key markets will continue to drive the demand for our products and services globally.

In addition, we have actively sought to increase our income streams from outside the UK where we see better prospects for long term sustainable growth. Revenue outside the UK has grown to 32% of total revenue compared to 28% last year. This growth, alongside cost savings and product development which have already been implemented, should result in further progress being made in 2013/14.

**Acquisitions**

Since my report in last year's annual statement we have made three acquisitions; NHiS, Inese and Compliance Week. Each acquisition has been consistent with our investment strategy and each acquisition was made with a clear objective and strengthened our position in one of our six core markets.

NHiS, a provider of business intelligence, data analysis, workflow tools and other services to pharmaceutical companies in the UK was acquired in February 2013. NHiS had built up a major business intelligence and technology capability in a complementary area to Binley's our healthcare information business. Our key objective was to combine resources and opportunities.

Inese, acquired in March 2013, is a provider of Spanish language subscription based publications and online services. It also provides training and a number of annual events including the leading industry congress; "Insurance Week". Inese also operates a digital news service in Latin America. This business neatly complements our existing insurance activities and will offer a route by which Axco will be able to exploit Inese's access to the South American market.

Post year end, in August 2013 we acquired Compliance Week. Compliance Week is the leading provider of governance, risk and compliance ("GRC") information and events for public companies and large enterprises primarily in the US. Compliance Week will work closely with other Wilmington Group companies including Axco (insurance market regulation and compliance information) and the ICT compliance training business, providing both with closer access to their North American customers and markets as well as opportunities for developing new revenue streams. The Group is also very well placed to support Compliance Week's ambitions to grow outside of the US and in October 2013 the Group will launch "Compliance Week Europe" in Brussels.

**Dividend**

I am proud of the Group's record of maintaining its dividend over the recent years reflecting our confidence in the strategy and resilience of our business models and I am pleased to confirm that the final dividend for this year will be 3.5p (2012: 3.5p) per share making a total dividend of 7.0p (2012: 7.0p) per share for the year. We intend to build our annual dividend cover of Adjusted Earnings per Share to two times the annual dividend at which time we will resume a progressive dividend policy.

**Outlook and Current Trading**

During the year, we have continued to focus on developing existing assets and acquiring new businesses in the UK and overseas to widen the Group's geographic reach and strengthen recurring revenues and cash flows. Transitioning the Group to a higher quality, higher margin business has been a key priority and as result, the Group is well positioned to deliver on its medium term growth targets.

We believe the macro economic climate is changing slowly for the better and the Group is in a good position to take advantage of this. As we anticipate tighter regulatory control and more complex legislation to be implemented in our key markets, these changes will continue to drive the demand for our products and services globally.

The new financial year has started well and we are seeing good growth in a number of areas in particular from our Pensions & Insurance and Banking & Compliance Divisions.

Finally we are in a fast moving service industry and we are fundamentally reliant on the quality and professionalism of our people. I would once again like to express my own and my fellow Board members' appreciation of the hard work and dedication of our people and to extend a warm welcome to the newer members of our group from NHiS, Inese and Compliance Week to the Wilmington team.

**Mark Asplin**
Chairman
18 September 2013

## NHiS Limited

# Complementary to our Binley's healthcare information business

**NHiS, which joined the Group in February 2013 provides business intelligence, data analysis, workflow tools and other services to pharmaceutical companies in the UK.**

**NHiS was launched in 2007 and subsequently built up a leading position in business intelligence for pharmaceutical companies. This was very complementary to our Binley's healthcare information business and the key objective was to combine resources and develop joint opportunities.**

NHiS offers a variety of products across the four product sets: Quantis; Investigator; Insight; and Optimisation. Each product set is informed and powered by PLEXUS, the most comprehensive data warehouse of NHS and social care intelligence across the UK.

Since completing the acquisition we have transferred Binley's own business intelligence arm into NHiS with technology, product and customers combined in the enlarged operation. The integration has gone well and the enlarged business is performing to plan.

**NHiS Collaboration with Wilmington Companies:** Since joining Wilmington, NHiS has managed to create synergies with our Binley's healthcare business and with other organisations in the wider group. These have included:

- Binley's database specialists taking on the data management responsibilities for NHiS to deliver an improved service at a reduced cost.
- Collaboration with Axco and other Group companies regarding Sharepoint based content management and web delivery technology.
- Collaborating with APM France, specialists in the provision of real time news on French and international healthcare markets, to investigate the opportunity to replicate the NHiS value proposition in France.
- Using the geographical presence of Inese, the leading insurance information provider for the Spanish market, to research the potential to expand the NHiS proposition to Spain.

It is early days but the cross pollination of ideas and opportunities for both NHiS and the wider Wilmington Group bodes well for the future.

**Learn more online...**
For more information about NHiS please scan the QR code with your smart phone or visit:
**http://www.nhis.info/home/**

# Platform in place to support future growth

**Continued focus on high quality, high margin business.**

**Robust financial position.**

In the fast growing Far Eastern markets the reputation for excellence was recognised with ICTA being awarded the "2013 Winner of the FICS Inspiring Educator Award" by the authorities in Singapore.

**Charles Brady**
Chief Executive

As previously announced we now manage and report our business by reference to six market facing divisions; Pensions & Insurance, Banking & Compliance, Healthcare, Legal, Business Intelligence and Accountancy.

**Pensions & Insurance**
**17% of Group revenue, 30% of Group contribution**

The Pensions & Insurance division, which includes Axco, Pendragon, Inese and ICP provides in-depth regulatory and compliance information, market intelligence, events, training, analysis and workflow tools for the international insurance markets and the UK pensions industry.

| | **2013 £'000** | 2012 £'000 | Change % |
|---|---|---|---|
| Revenue | **14,629** | 12,481 | 17 |
| Contribution | **6,093** | 5,227 | 17 |
| Contribution % | **42** | 42 | |

Divisional revenue grew 17% (£2.1m) helped by a maiden revenue contribution of £1.1m from Inese which was acquired in March 2013. Underlying revenue growth was 8%.

Axco, our insurance analytics, legislation and compliance information business reported a 12% sales growth helped by the launch of new products and analytics services. Sales were also boosted by increasing demand from emerging markets; an area where the recent acquisition of Inese should assist future development in Latin America.

Further investment and developments have been made in the content of Axco statistics based products and services as well as continued investment in technology for content management, CRM and product delivery. The Group has invested in and will continue to invest in Axco's product portfolio and in extending its global presence and offering. The acquisition of Inese was a good example of this commitment and strategy and the recent acquisition of Compliance Week will advance Axco's plans to develop an increased US operation and grow its substantial US customer base.

Pendragon, the leading electronic regulatory information service for the UK pension industry, maintained its market leading position in the UK pensions market and recorded steady revenue growth of 3%. The business is investing in new delivery technology for launch in 2014 and this will become the backbone of its information offerings for the future.

ICP, the leading provider of credit insurance reports for developing markets, has seen a continued increase in demand for credit insurance reports, particularly in the Middle East and recorded revenue growth of 5%. It is investing in XML delivery of its content to provide its customers with more integrated and flexible usage of its proprietary researched data.

Inese has been successfully integrated into the Group sharing central HR and central finance systems. Inese, with the benefit of a contribution from its leading annual industry congress "Insurance Week" in May 2013, contributed £0.35m to operating profits.

In addition to the continued investment in new products, people and associated infrastructure contribution grew by 17% to £6.1m (2012: £5.2m) reflecting the operational leverage within the businesses. Adjusting for acquisitions and currency effects underlying profits were up 9%.

**Banking & Compliance**
**19% of Group revenue, 18% of Group contribution**

The Banking & Compliance division provides corporate finance and capital markets training and accredited programmes in compliance, anti-money laundering, wealth management, financial crime and trust management. This division serves primarily tier one banks, the international financial services industry and major multinational companies.

| | **2013 £'000** | 2012 £'000 | Change % |
|---|---|---|---|
| Revenue | **16,566** | 15,251 | 9 |
| Contribution | **3,513** | 3,049 | 15 |
| Contribution % | **21** | 20 | |

The division continued to show strong revenue growth momentum with an increase of 9% compared to 2012. Growth drivers included the provision of compliance and Anti Money Laundering programmes to international banks and major multinational companies in the oil and gas industry and on line retailing with particularly strong growth from the Far East. We have also launched new initiatives in Australia, Hong Kong, Indonesia, Malaysia, the Middle East and Russia.

The division has launched new portfolios into the governance, risk and compliance (''GRC'') market, cyber- crime, and corporate governance markets. The acquisition of Compliance Week will provide a natural introduction into many of these areas in the US market; an area where our compliance business has had little access in the past.

In the fast growing Far Eastern markets the reputation for excellence was recognised with ICTA being awarded the "2013 Winner of the FICS Inspiring Educator Award" by the authorities in Singapore and ICTA was also awarded the contract to develop and award qualifications in compliance for Malaysia by the national regulator.

AMT had a successful 2013 in which it reported a record sales performance since it joined the Group. 2013/14 has begun well with another strong start to its graduate entrant training for investment banks in its main centres of New York, Hong Kong and London. As AMT generates most of its revenue and contribution in the first quarter of the financial year this bodes well for the rest of the year.

Contribution for the division was 15% ahead of last year at £3.5m (2012: £3.0m) despite continued investment in new programs and support systems which will help drive future growth. Margins also showed pleasing progress up one percentage point to 21%.

**INESE**

# A route to market for the Spanish and Latin American markets

**Inese, which joined Wilmington in March 2013, is a leading provider of Spanish language subscription based publications and online services along with training and a number of annual events including the leading industry congress; "Insurance Week". Inese also operates a digital news service in Latin America.**

As well as a quality, profitable business in its own right this acquisition was also made with the aim of complementing our Axco insurance information business, providing Spanish language competencies and a route to market for the Spanish and Latin American markets.

**Inese Collaboration with Wilmington Companies:** Since acquisition we have commenced a number of areas of collaboration with Inese;

- Sales and content support to, and from, Axco.
- Support for marketing for the recent Compliance Week acquisition.
- Technology co-development with Compliance Week and other Group divisions.
- Provision of a Madrid trading base for other Group activities.

Our colleagues at Inese have quickly adapted to life in the Wilmington group and have already provided a valuable contribution not only to our business but also our exposure to other non-English language markets.

**Learn more online...**

For more information about Inese please scan the QR code with your smart phone or visit: **http://www.wilmington.co.uk/where-we-are/inese**

**Healthcare**
**15% of Group revenue, 14% of Group contribution**

The Healthcare division includes Agence de Presse Médicale ("APM"), our French language medical news agency, Binley's, our UK healthcare information business and NHiS, a provider of business intelligence and data analysis to the pharmaceutical industry.

| | **2013 £'000** | 2012 £'000 | Change % |
|---|---|---|---|
| Revenue | **13,058** | 12,666 | 3 |
| Contribution | **2,836** | 2,511 | 13 |
| Contribution % | **22** | 20 | |

Revenue was up 3% (£0.4m) but adjusting for currency fluctuations and the contribution from NHiS (acquired February 2013) of £0.9m underlying revenue was down 3%.

APM has had an excellent year with underlying revenue up 2% despite closing its loss making APM Sante business. APM has one of the highest proportions of subscription income in the group at over 95%.

Binley's underlying revenue was down 5% (£0.4m) due mainly to the fall-off in lower margin mailing services reported in our half year results and the business is reducing its associated cost base to compensate. Over the last few years Binley's has developed a higher margin pharmaceutical business intelligence arm which has now been combined with our recent NHiS acquisition into a separate operation with staff as well as product and customers transferred to the enlarged operation. The integration has gone well and the enlarged business is performing to plan.

Overall contribution, helped by the addition of NHiS which added £0.3m to profits, has increased by 13%. Underlying contribution adjusting for exchange and acquisitions was up 2% reflecting good overhead control and the growth of higher margin business offsetting a reduction in lower margin mailing services.

**Legal**
**23% of Group revenue, 14% of Group contribution**

The Legal division provides a range of training, professional support services and information including continuing legal education (''CLE''), expert witness training, databases and magazines.

| | **2013 £'000** | 2012 £'000 | Change % |
|---|---|---|---|
| Revenue | **19,266** | 21,671 | -11 |
| Contribution | **2,884** | 2,784 | 4 |
| Contribution % | **15** | 13 | |

The Legal division's revenue reduced by 11% (£2.4m) in the year but this reduction reflects the disposal of our company formations business in June 2012 (which contributed £1.1m to turnover in 2012), the disposal of Ark Australia and the rationalisation of our conference and course programme, a process started in late 2011. Underlying revenue decline was 3%.

We have seen good growth in Bond Solon our witness familiarisation business which enjoyed another record sales year with revenue up 13%. We have also seen growth in our public courses and Scottish legal training business.

The emphasis, however, has been on improving margins and taking difficult proactive decisions. We have reorganised the legal division in response to market changes and have exited unprofitable areas such as Ark Australia, and our Legal Practice Courses, NCLT. In other areas we have cut course outputs through combining regional courses and focussing on fewer, more central, locations.

The result is a more focussed business with a lower and more flexible cost base from which we expect to see profit growth.

Despite the decrease in revenue we saw contribution from the division increase by 4% to £2.9m and margins increase by two percentage points to 15%. The underlying growth in contribution was a pleasing 17%.

**Business Intelligence**
**13% of Group revenue, 13% of Group contribution**

The Business Intelligence division includes our Data Suppression and Fraud Prevention services as well as our Charities, Fund Management and Film & TV services.

| | **2013 £'000** | 2012 £'000 | Change % |
|---|---|---|---|
| Revenue | **10,948** | 12,388 | -12 |
| Contribution | **2,523** | 2,917 | -14 |
| Contribution % | **23** | 24 | |

The division is experiencing the most significant challenges of all our businesses, as we continue the transition from a print and advertising based business to digital services, subscription information products and workflow tools.

Overall revenue was down 12% (£1.4m). As previously announced we exited contract directory publishing in June 2012 and this reduced revenue by £2.2m compared to the prior year. This contract directory revenue was offset to a large degree by a full year contribution from Millennium (acquired May 2012). The underlying revenue decline adjusting for acquisitions and disposals was 11% and the largest impacts were seen in the Film & TV and Charities areas where we still have the majority of our remaining print and advertising products and are seeing the expected decline in legacy revenues being only partially offset by growth of new digital businesses.

The remainder of the division; our data suppression, fraud prevention services and legacy notification businesses (Millennium and Smee & Ford) which do not have the pressure of migrating from print to a digital offering have seen underlying stable revenue and profit performance.

Overall contribution dropped by 14% (£0.4m) to £2.5m however the underlying reduction was 11% reflecting improved underlying margins in legacy businesses as we transition from print to digital.

**Accountancy**
**12% of Group revenue, 11% of Group contribution**

The Accountancy division is the leading provider of training, technical support and marketing services to UK Accountancy firms and accountants in commerce and industry.

| | **2013 £'000** | 2012 £'000 | Change % |
|---|---|---|---|
| Revenue | **10,581** | 10,869 | -3 |
| Contribution | **2,135** | 2,053 | 4 |
| Contribution % | **20** | 19 | |

Overall revenues declined by 3% mostly due to the scaling back of our course output from Quorum resulting in an improvement in Quorum's margins and overall profits. We have seen good growth in revenue in both our Northern Ireland and Eire businesses reflecting to some extent positive changes in the local market conditions.

Roughly 60% of the Division's revenue is generated from training with a growing percentage from technical and marketing support for accountancy clients. Again, a number of initiatives have been implemented including the launch of our market leading accountancy firm website platform and technical micro websites optimised for specialist accountancy practices.

Regulation and deregulation provide opportunities in the Accountancy market. With audit exemption limits continuing to rise and the introduction of micro-entity accounting simplification this is likely to be a constraining factor on short term revenue growth. However, offsetting this are opportunities from the future implementation of IFRS to UK entities and the demand for more sophisticated technical and marketing support.

Operating profits grew 4% to £2.1m and margins were again improved, growing one percentage point to 20%.

**Group Overheads**
Group overheads, which include Board and head office salaries and associated costs as well as unallocated central overheads and exchange gains or losses on translating foreign currency assets and liabilities, increased by £0.2m to £3.1m.

**Acquisitions**
NHiS acquired for £5.6m in February 2013 - a leading provider of business intelligence, data analysis, workflow tools and other services to pharmaceutical companies in the UK.

This acquisition is complementary to our existing Healthcare business intelligence business, and has allowed us to combine our respective strengths and resources to develop our leading position in this niche area. During the year we integrated our Binley's business intelligence operation into NHiS. NHiS in the period generated 60% of its revenues from subscriptions and a further 35 % from repeatable information sales. All of its information products, which accounted for over 95% of its revenue were delivered digitally.

Inese acquired for €1.4m (£1.2m) in March 2013 - the leading provider of information and events to the insurance industry in Spain.

Inese provides Spanish language subscription based publications and online services along with training and a number of annual events including the leading industry congress; "Insurance Week". Inese also operates a digital news service in Latin America. As well as providing greater access to the Spanish insurance market for Axco it provides opportunities in the Spanish language insurance markets in South America, an area that Axco has been actively seeking to access. Inese recorded subscription sales of 38% and 34% of repeatable revenue including annual events during the period since its acquisition. Advertising revenue represented 14% of revenue.

Post year end, Compliance Week was acquired for $11.2m (£7.2m) in August 2013. Compliance Week is the leading provider of governance, risk and compliance ("GRC") information and events for public companies and large enterprises primarily in the US.

Compliance Week focuses on regulatory and compliance issues related to financial reporting, regulatory enforcement, corporate governance, enterprise risk management and related global issues, from consumer privacy to data management. Located in Boston, USA it provides a base for selective further US expansion and investment. This foothold in the US will also help the Group to expand Axco insurance information products and to take the Group's compliance businesses into the US market. The Group also expects to provide opportunities to develop Compliance Week's presence outside of its traditional US heartland.

**Charles Brady**
Chief Executive
18 September 2013

# Financial Review

I am pleased to present my Financial Review of the results for the twelve months ended 30 June 2013.

| Group | **2013** | 2012 | Change |
|---|---|---|---|
| | **£'000** | £'000 | % |
| Revenue | **85,048** | 85,326 | 0 |
| Adjusted EBITA | **16,865** | 15,682 | 8 |
| Adjusted EBITA margin % | **19.8** | 18.4 | |

**Adjusted results**
Reference is occasionally made in this financial review to adjusted results. Adjusted results in the opinion of the Directors provide a more comparable indication of the Group's underlying financial performance and exclude adjusting items set out in note 2. We have changed the definition of adjusted EBITA and adjusted profit before tax to include amortisation of computer software.

**Revenue**
Revenue for the twelve months to 30 June 2013 was £0.3m lower at £85.0m (2012: £85.3m). On a like-for-like basis (excluding the impact of acquisitions, foreign exchange and disposals) underlying revenue was largely unchanged.

**Operating expenses**
Operating expenses, excluding amortisation of intangible assets and non-recurring items, were £42.3m (2012: £43.5m), down 3%.

**Amortisation of Intangible assets**
Amortisation of intangible assets increased from £6.0m to £6.9m reflecting the acquisitions of the businesses made in the period offset by assets which had been fully amortised in previous years. Also included is £0.7m of accelerated amortisation in respect of intangibles within our Business Intelligence division.

**Net gain on disposal of property**
In December 2012 the Group disposed of one of its freehold properties for £4.4m in cash and recorded a gain, net of associated costs, of £3.3m.

**Impairment of Goodwill**
Within our Business Intelligence division; Wilmington Professional Publishing (''WPP'') our legacy print directories, Charities and Film and TV cash generating unit (CGU); has experienced significant challenges including the transition from print and advertising based business to digital services. This has resulted in indicators of impairment for the CGU. Updated three year plans have been produced for the CGU which have resulted in a non-cash impairment in the carrying value of goodwill of £4.5m and further information is given in note 13.

**Non Recurring costs**
The Group incurred net non-recurring costs of £1.3m compared to a net cost of £0.9m in 2012. £0.5m of these costs were non cash movements; £0.3m relates to the write down of freehold property held for resale and £0.2m relates to termination of leases and empty property provisions including our former head office. £0.3m of non-recurring costs relate to costs of acquisitions made in the year. The remainder of the non-recurring costs was associated with the reorganisation and centralisation of back office functions in the UK, the exit costs of dissolving the NCLT joint venture and the completion of the Legal Division reorganisation.

Offsetting these was a reduction in the estimated deferred consideration payable within our Business Intelligence Division of £0.4m

**Finance costs**
Finance costs were down 17% from £2.7m to £2.3m driven by strong cash flow in the period. The Group had seen cash inflows associated with the sale of assets, businesses, treasury shares and operational cash flows, offset by the acquisition of businesses and the purchase of minority interests. This resulted in lower net debt of £33.4m by the year end (2012: £36.2m).

**Income tax expense**
Income tax expense increased by £0.2m (16%) from £1.3m to £1.5m. The increase in the tax expense is due to larger deferred tax credits in 2012 and higher taxable profits in our overseas subsidiaries. The effective tax rate increased to 29% from 20% in 2012 reflecting the larger deferred tax credits in 2012 and the non-taxable impact of the impairment provision and the property disposal.

**Operating Profits**
Operating profits ("EBIT") were down from £9.0m to £7.4m largely due to the impairment charge of £4.5m. Adjusted EBITA was up 8% at £16.9m (2012: £15.7m) and Adjusted EBITA margins were up 1.4 percentage points to 19.8% (2012 18.4%). Acquisitions in the year contributed £0.7m to operating profits. Underlying adjusted EBITA grew by 7%.

**Profit from continuing activities before income tax**
Profit from continuing activities before income tax was down from £6.3m to £5.1m. This reflects a net profit of £3.3m from the disposal of our surplus London property, lower bank charges and interest and improved EBITA offset by a non-cash impairment charge of £4.5m and higher exceptional costs.

Adjusted Profit before Tax increased by 11% to £14.7m (2012: £13.2m).

**Earnings per share**
Adjusted Earnings per Share increased by 12% to 13.06p (2012: 11.71p). Basic earnings per share fell to 4.17p from 5.81p and diluted earnings per share fell to 4.075p from 5.63p.

**Goodwill**
Goodwill decreased by £1.3m to £73.3m due to additions from acquisitions in the year (£3.3m) offset by an impairment provision of £4.5m.

**Intangible Fixed Assets**
Intangible Fixed Assets remained unchanged reflecting normal and accelerated amortisation, offset by £5.8m from acquisitions made in the year.

**Property, Plant and Equipment**
Tangible Fixed Assets decreased by £0.9m to £5.9m reflecting the £0.3m provision (see note 5) representing a permanent reduction in value of a surplus freehold property which was put up for sale at the year end and transferred to "non-current assets held for sale". Additions to tangible fixed assets were £1.2m (2012: £1.0m).

Wilmington



**Trade and other receivables**
Trade Debtors within Trade and Other Receivables increased £1.2m compared to June 2012 reflecting acquisitions made during the year.

**Current Liabilities**
Trade and Other Creditors which includes deferred income were up £3.7m compared to 30 June 2012 reflecting the increase in deferred income and acquisitions made in the year.

Subscriptions and Deferred Income, which represents revenue received in advance increased by 7% from £17.3m in 2012 to £18.6m. The increase of £1.1m relates to Inese and NHiS acquired in the year. Axco recorded an increase in deferred income of 14% (£0.5m). 2012 included £0.3m relating to discontinued businesses.

**Provisions for purchase of non- controlling interest**
Provisions for purchase of non-controlling interests of £1.8m were settled during the year by a payment of £1.7m in respect of The Matchett Group. The difference of £0.1m was credited to goodwill.

**Net Debt**
Net debt which includes cash and cash equivalents, bank loans and bank overdrafts was £33.4m (2012: £36.2m), a decrease of £2.8m despite spending a net £6.3m in cash on acquisitions in the period. Operating cash flow and cash conversion was strong; with the latter increasing to 115% (2012: 111%) which helped towards the debt reduction.

The net debt at 30 June 2013 represented just over half of our debt facility of £65m.

**Dividend**
It is the Board's intention to maintain the dividend at the same level as the prior year. A final dividend of 3.5p per share (June 2012 final 3.5p) will be paid on 7 November 2013 to shareholders on the register as at 11 October 2013.

**Treasury Policy**
Treasury policies are approved by the Board. The Executive Directors have the delegated authority to approve financial transactions within agreed terms of reference. The Group's financial instruments comprise principally bank borrowings and associated cash flow hedges, cash and various other items that arise directly from its trading operations such as trade receivables, trade payables and subscriptions and fees in advance. The main purpose of these financial instruments is to ensure that finance is available for the Group's operations. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Group's credit risk is discussed in note 23 to the Financial Statements. The Board reviews and agrees policies for managing each of these risks, as summarised below. These policies are unchanged from the previous year.

**a) Interest rate risk**
The Group financing arrangements include external debt that is subject to a variable interest rate. The Group is consequently exposed to cash flow volatility arising from fluctuations in market interest rates applicable to that external finance. In particular, interest is charged on the £40m (2012: £38m) amount drawn down on the revolving credit facility (see note 21) at a rate of between 2.00 and 2.75 per cent above LIBOR depending upon leverage. Cash flow volatility therefore arises from movements in the LIBOR interest rates.

The Group policy is to enter into interest rate swap contracts to maintain the ratio of fixed to variable rate debt at a level that achieves a reasonable cost of debt whilst reducing the exposure to cash flow volatility arising from fluctuations in market interest rates.

**b) Liquidity and capital risk**
The Group has historically expanded its operations both organically and via acquisition, financed partly by retained profits but also via external finance. As well as financing cash outflows, the Group's activities give rise to working capital obligations and other operational cash outflows. The Group is consequently exposed to the risk that it cannot meet its obligations as they fall due, or can only meet them at an uneconomic price.

The Group policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, but also to balance these objectives with the efficient use of capital. The Group has an unsecured committed bank facility of £65m (2012: £65m) to February 2016. The facility currently comprises a revolving credit facility of £60m (2012: £60m) and an overdraft facility of £5m (2012: £5m). At 30 June 2013, £40m of the revolving credit facility was drawn down (2012: £38m). The bank overdrafts are the subject of a Group set-off arrangement.

**c) Foreign currency risk**
The currency of the primary economic environment in which the Group operates is Sterling, and this is also the currency in which the Group presents its Financial Statements. However, the Group has significant Euro and US dollar cash flows arising from international trading and overseas operations. The Group is consequently exposed to cash flow volatility arising from fluctuations in the applicable exchange rates for converting Euros and US dollars to Sterling.

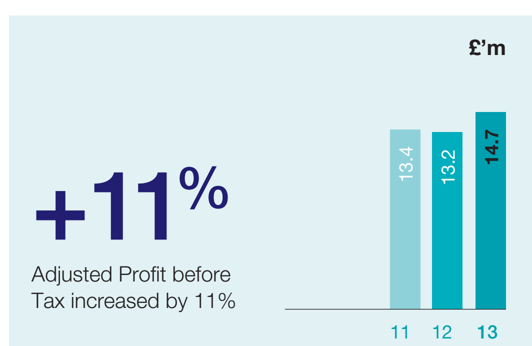
The Group policy is to fix the exchange rate in relation to a periodically reassessed set percentage of expected Euro and US dollar net cash inflows arising from international trading, by entering into foreign currency contracts to sell a specified amount of Euros or US dollars on a specified future date at a specified exchange rate. This set percentage is approved by the Board as part of the budgeting procedures.

The Group policy is to finance investment in overseas operations from borrowings in the local currency of the relevant operation, so as to achieve a natural hedge of the foreign currency translation risk.

**Anthony Foye**
Chief Finance Officer
18 September 2013

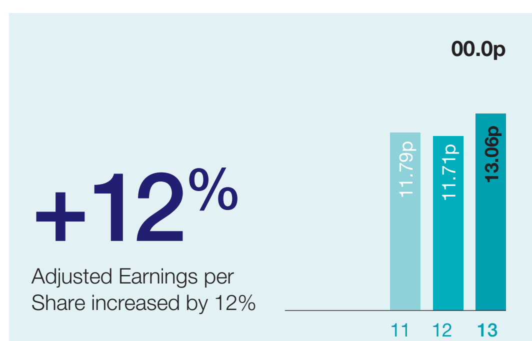
# Operational Targets

## At a Group level, we have seven key financial and operational targets.



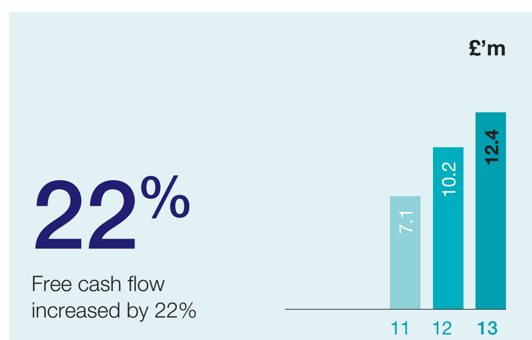

**Adjusted Profit before Tax**
This measure indicates the trading profits of the Group, after bank and interest charges, but before amortisation and impairment of intangible assets and goodwill, non-recurring items, the unwinding of the discounts on the provisions for the future purchase of non-controlling interests and share-based payments. Amortisation and impairment are non-cash technical adjustments which do not necessarily reflect the inherent value of assets. This is particularly the case where the value of assets has been enhanced as a consequence of management action.

In the year ended 30 June 2013, Adjusted Profit before Tax increased by 11% to £14.7m (2012: £13.2m).




**Adjusted Earnings per Share**
This key measure indicates the underlying profit attributable to individual shareholders. It measures not only trading performance, but also the impact of treasury management, capital structure, bank and interest charges, as well as the efficient structuring of the Group to minimise taxes. Our business and financial strategy is directed at delivering consistent adjusted earnings per share growth. Our incentive programmes are designed to support this strategy.

For the year ended 30 June 2013, Adjusted Earnings per Share increased by 12% to 13.06p per share (2012: 11.71p). The increase was due to better overall financial performance achieved by the businesses.




**Cash conversion**
The quality of the operating profits is underpinned by the associated cash flow. The Group's business is strongly cash generative; operating cash flow for the year ended 30 June 2013 of £19.4m represented 115% of operating profit before interest and amortisation (2012: £17.4m,111%). Free cash flow, which is calculated after deduction from operating cash flow of capital expenditure, payment of corporation tax and payment of interest, increased by 22% to £12.4m (2012: £10.2m).

Wilmington

Overview Business Review Governance Financial Statements

At a Group level, we have seven key financial and operational targets. In addition, each of the operating divisions monitors a number of key performance indicators. This year we delivered an improved performance against the majority of our financial and operational targets. By continuing to focus on these benchmarks, we have been able to concentrate on mitigating the adverse effects of the global recession and produce good results whilst establishing a more resilient and efficient platform to support future growth.

**79%**

Subscriptions and repeatable revenue represent 79% of Group turnover compared to 78% in the prior year.

**79%**

Digital revenue represents 79% of our content revenue compared to 76% in the prior year.

**Consistent and Sustainable Revenue Streams**

The disposal of non-core assets in recent years has allowed the Group to focus on a portfolio of assets based in key professional markets, with the emphasis on provision of information, compliance and education to these markets. This push towards more robust and sustainable revenue streams has resulted in a strong portfolio of offerings, which includes:

- data, information, intelligence and solution sales;
- professional education, training, events and services; and
- professional accreditation and assessment.

The Group has continued to increase the supply of its products and services online and digitally, but remains conscious of the needs of markets which continue to prefer some products produced in hard copy format or in person. Our businesses are supported by management and delivery systems utilising appropriate technology. We have continued to invest considerable resources in the improvement of our operating systems and online services which will deliver benefits in the current year and beyond.

**19.8%**

ROS was 19.8% compared to 18.4% in the prior year.

**Adjusted Operating Margin (“Return on Sales”)**

Adjusted Operating Margin or Return on Sales (“ROS”) is defined as Adjusted EBITA (see note 2) expressed as a percentage of Revenue. During the year ended 30 June 2013 ROS was 19.8% compared to 18.4% in the prior year.

**28.1%**

ROE was 28.1% for the year to 30 June 2013, compared to 26.3% in the prior year.

**Return on Equity (“ROE”)**

Return on Equity is defined as the Adjusted Profit before Tax (see note 2) expressed as a percentage of the average shareholders funds during the year. ROE was 28.1% for the year to 30 June 2013, compared to 26.3% in the prior year.

# Principal Risks

**All parts of the business identify risks and seek to ensure that procedures and strategies are in place so that risks can be managed or mitigated wherever possible. Some of the main risks which affect the Group as a whole include the following:**

| Risk | Mitigation |
|---|---|
| Wilmington is a people-based business; failure to attract or retain key employees could seriously impede future growth. | To ensure staff retention the Group operates competitive remuneration packages for key individuals. Just as importantly, it operates a culture where each individual can maximise his or her potential. Wilmington is also committed to further develop staff and last year launched a Management Development Programme for senior managers. It also launched, last year, a "Vision and Values" programme. The retention and motivation of key personnel is fundamental in the future success of Wilmington, as is the ability to recruit new personnel to support future growth. |
| Wilmington's business is increasingly dependent on electronic platforms and distribution systems, primarily the internet, for delivery of its products and services. | Whilst our businesses could be adversely affected if these electronic delivery platforms and networks were to experience a significant failure, interruption, or security breach, the Group is sufficiently diversified to ensure such disruption is minimised. During the year under review the Group has continued to invest in new systems and electronic platforms with greater protection against failure. This strategy to move to standardised systems facilitates greater control and improves our ability to mitigate this risk. |
| Our products and services largely consist of intellectual property content delivered through a variety of media. | Wilmington relies on trademarks, copyrights, patents and other intellectual property laws to establish and protect its proprietary rights in these products and services. The Group makes every effort to protect this asset base and actively pursues any infringements. |
| The Group is increasingly required to comply with strict privacy and data protection legislation. | The need to comply with these regulations can restrict the Group's ability to create and utilise its databases. To ensure we are compliant with the relevant data protection legislation, we commissioned an extensive external audit of the Group's data management systems and we have adopted procedures to ensure compliance with best practice. |
| The businesses can be sensitive to disruptions such as Government legislation, adverse regulatory change, terrorism, natural disasters and other significant adverse events. | Last year, we increased our capacity for key staff to work remotely as part of the preparation for the Olympic Games. During the year under review there were no major incidents to report. Nevertheless, we maintain and have extended our disaster recovery plans to mitigate the consequences of potential adverse events. Our insurance cover includes protection against acts of terrorism. |
| There is an element of reputational risk for Wilmington, particularly in areas where we have high profile products and services. Damage to reputation and/or brand could lead to an adverse impact on the Group. | The success of the Group's businesses is in part dependent on the success of their branded publications and events. Wilmington is conscious of the need to ensure the careful management of products and services to reduce this risk. |

Wilmington

The key challenges facing Wilmington arise from the highly competitive and rapidly changing nature of our markets, the increasingly technological nature of our products and services, and legal and regulatory uncertainties. Certain parts of our businesses are also affected by the (often positive) impact of changes in professional regulation and legislation and by the impact of the economic cycle on advertising and promotional spending. The UK economic environment also constitutes a risk factor, particularly in the legal and financial sectors, which has impacted on the Group's profitability. Key supplier and customer loss feature as a risk. However, we feel that our supplier and customer bases are both sufficiently diverse.

Wilmington has an established risk management procedure that is embedded in the operations of its trading divisions and is reviewed by the Board.

| Risk | Mitigation |
| --- | --- |
| The business operates in highly competitive markets that are constantly challenging the boundaries of technological advances, regulation and legislation, and which have new competitors entering the market space. | Wilmington endeavours to invest resources to best respond to the competitive landscape. |
| Wilmington has an acquisition strategy to further grow the business and there is risk associated with making future acquisitions, in particular in identifying targets, realising expected returns and integrating newly acquired businesses. | Whilst Wilmington has a strong track record for completing and executing acquisitions efficiently, there is no certainty in the future of being able to derive all the anticipated benefits from acquisitions. |
| Wilmington is increasingly operating in an international environment. | Whilst this provides growth in new jurisdictions, it comes coupled with risks in terms of cultural and political conditions, foreign laws and legislations, tax changes, currency fluctuations, language barriers, differing regulatory requirements and protecting Wilmington IP. Wilmington chooses to expand into existing geographical markets or into new markets for which it has fully analysed the risks and business implications. |
| Freely available information principally via the internet poses a potential risk for the Group. | The information may be free to access or inexpensive and may compete directly with paid for, value-added information supplied by the Group. The risk element is largely in the case of government agencies and other not-for-profit organisations that may make information publicly available at no cost, which could reduce demand for some product groups. Wilmington endeavours to respond by offering enriched data and information available in an easily accessible format. |
| | In addition to the risks identified above, further information on additional risks is provided elsewhere in the Annual Report and Financial Statements:<br>• The Overview of the Group's Financial Performance on page 17 covers the main risks arising from the Group's financial instruments which are interest rate risk, liquidity and capital risk, and foreign currency risk.<br>• The Group's credit risk is discussed in note 23 of the Financial Statements. |

# Corporate and Social Responsibility

**Social and Community**

Wilmington seeks to be a socially responsible group of businesses that have a positive impact on the communities within which it operates.

We seek to employ a workforce that reflects both the diversity of our customers and the communities where we have a presence. We do not discriminate on grounds of age, sex, race, colour, ethnicity, religion, sexual orientation or disability. We strive to provide all our employees the opportunity to grow and develop whilst employed at Wilmington. This includes providing excellent working conditions, the latest technology and appropriate training and development to help and encourage our employees fulfill their potential.

During this financial year Wilmington continued its sponsorship of the International Compliance Association ("ICA") and work with the Financial Skills Partnership ("FSP"). In addition Wilmington, through its relationship with professional bodies such as the Society of Trust and Estate Practitioners ("STEP") and ICA, provided scholarships to able and deserving students in the Compliance, AML and Trusts areas around the world.

Our apprentice and intern investments have also continued to grow during this time, across different businesses and key geographical locations, developing further the Group's community and people investment over and above the commitment we make to our employees.

Wilmington continued to invest in www.charitychoice.co.uk, a website which supports charities and raises awareness of their fundraising activities. The online donation service saw donations during the year of £723,601 for various charities.

**Environmental Policies**

The Board recognises that Wilmington's business has an impact on the environment, principally through the use of energy, waste generation, paper use and print and production technologies. We are committed to reducing the impact wherever possible and to utilising sustainable materials and technology. We seek to ensure that Wilmington's divisions are compliant with relevant environmental legislation and require our suppliers and contractors to meet the same objectives. Furthermore, our progress towards a digitally based business is reducing our environmental impact. Accordingly whilst environmental issues are important we do not believe that they constitute a risk for the Group.

The Head of Facilities Management for the Group is responsible for managing and monitoring environmental issues across the Group.

Our policies are to:

- Meet or exceed the requirements of current environmental legislation that relates to the Group.
- Minimise energy and water usage in our buildings, vehicles and processes and improve the efficient use of those resources.
- Apply the principles of continuous improvement in respect of air, water, noise and light pollution from our premises, and reduce any impacts from our operations on the environment and local community.
- Minimise our waste and then reuse or recycle as much of it as possible.
- As far as possible, purchase products and services that do the least damage to the environment and encourage others to do the same.
- Ensure environmental and energy performance issues are considered in the acquisition, refurbishment, design, location and use of buildings.
- Assess the environmental impact of any new processes or products we intend to introduce in advance.
- Ensure understanding of our environmental policy internally and externally and communicate its performance on a regular basis, and encourage feedback.
- Set and monitor KPI's for our environmental performance at least annually.
- Update our Environmental Policy regularly.

**Paper**
Paper is sourced from a chain of custody certified suppliers to ensure only sustainable raw materials are used within its production. The vast majority of paper is produced at mills with ISO14001 accreditation and EMAS (Environmental Management Systems) registration.

**Printers**
All our major print suppliers are now ISO14001 certified or encouraged to work towards a minimum of this standard. Many now also utilise a FSC or PEFC chain of custody certification. All our printers work in a digital environment, with the resultant reduction in transport, courier and energy utilising activities.

**Packaging**
For magazines we use recyclable polythene with a thickness of 25 microns. Where possible we are also converting to oxo-biodegradable and potato starch forms of polythene.

**Offices**
The Group's activities are primarily based in office accommodation and, wherever practicable, the Group adopts energy saving policies. Any new and replacement air-conditioning units are being sourced from the energy efficient range and show a 70% saving in energy. With regard to the office environment, the Group encourages the recycling of materials such as paper, cardboard, toners and cartridges wherever possible. The Group also ensures the correct disposal of electrical equipment and fluorescent tubes is compliant with the Waste Electrical and Electronic Equipment Directive (WEEE).

During the year, we have reduced our property portfolio by 43,000 sq feet, representing approximately a third of our previous occupancy space. We have also installed occupancy detection lighting and eco-friendly WC's and basin taps in a number of areas around the Group.

**Travel**
The introduction of video conferencing technology in the Groups' offices has significantly reduced the requirement for travel, particularly when dealing with overseas offices and clients. The success of training webinars has also seen the additional benefit of reducing delegate travel to venues. Wilmington is also continuing its cycle incentive incorporating the Cycle to Work scheme which is within the guidelines of the Government's green travel plan. As part of the scheme Wilmington provides employees with a loan for cycle and safety equipment up to a maximum of £1,000. To further support the cycle scheme, Wilmington has also arranged for free cycle parking facilities for employees based in its London offices.

> We have reduced our property portfolio by 43,000 sq feet, representing approximately a third of our previous occupancy space.

# Working Together

**The Board of Directors and the leadership team are committed to ensuring we remain a great place to work and become an employer of choice where people are rewarded and recognised for their contribution and have the opportunity for new challenges and professional growth.**

**Mark Asplin**
Non-Executive Chairman
Mark Asplin was appointed Chairman on 15 November 2011 in succession to David Summers. Mark Asplin, aged 53, is a Chartered Accountant and joined the Board in April 2005. He was until 2002 a partner at KPMG. During his time at KPMG he helped build its Corporate Finance practice, undertaking roles which included Head of M & A and Head of Valuations, both for the central region of the UK. He left KPMG to set up Jasper Corporate Finance, an independent corporate finance practice. He is also a member of the Group's Audit Committee, Nomination Committee and the Remuneration Committee.

**Charles J Brady**
Chief Executive
Charles Brady, aged 57 is a solicitor and was a law lecturer before founding in 1985 the business which is now CLT. CLT was acquired by Wilmington in June 1999. Charles Brady joined the Board in November 1999 and was appointed Chief Executive in February 2002. He is a member of the Group's Nomination Committee.

**Anthony Foye**
Chief Finance Officer
Tony Foye, aged 51, who is a Chartered Accountant, joined the Board on 3 September 2012. Between 1987 and 2004 Tony was Group Finance Director of Taylor & Francis Group plc. On Taylor & Francis' merger in May 2004 with Informa plc, Tony became Group Finance Director of the enlarged group, a position he held until December 2007. From January 2008, Tony worked on a number of projects with various private equity groups. Between May 2009 and March 2011 Tony was Chief Financial Officer and Chief Operating Officer of Critical Information Group plc. He was also a Non Executive Director of YouGov plc from March 2005 to June 2009.

**Neil E Smith**
Chief Operating Officer
Neil Smith, aged 42, Wilmington's Chief Operating Officer, joined the Board as an Executive Director on 1 December 2011. Neil Smith has worked in the media industry for 22 years. In 1997 he led an MBO of the Business Information division of Macmillan which was backed by Wilmington and he subsequently led the development of the Group's professional information divisions prior to his appointment as Group Chief Operating Officer. Neil has been a member of the Wilmington Executive Board since 2004 and in 2005 he gained a Masters in Finance (with distinction) from London Business School.

**Derek Carter**
Non-Executive Director
Derek Carter, aged 64, joined the Board as Independent Non-Executive Director on 1 December 2011. Derek was previously Chief Executive of Emap Communications for 11 years, where he led Emap's growth into a market leading mixed media business built on powerful information, events and magazine brands and its subsequent sale to Apax/GMG in 2008. Derek, who was previously Chairman of the Periodical Publishers Association and currently Non-Executive Chairman of Docugroup, a leading European information business serving the construction sector, is the new Senior Independent Director ("SID") and Chairman of the Nomination Committee. He is also a member of the Group's Audit and Remuneration Committees.

**Terry B Garthwaite**
Non-Executive Director
Terry Garthwaite, aged 67, joined the Board in June 2005. He is a Chartered Accountant and enjoyed a distinguished career in finance and industry including a period as Finance Director of engineering group Senior plc. He is currently a non-executive director of electronics group Renishaw plc and of European power transmissions supplier Brammer PLC. Terry is Chairman of the Group's Audit Committee and a member of the Group's Remuneration and Nomination Committees.

**08 Nathalie Schwarz**
Non-Executive Director
Nathalie Scharwz, aged 43, joined the Board as Independent Non-Executive Director on 1 December 2011. Nathalie was formerly the Commercial and Corporate Development Director on the Board at Channel 4 Television and was Strategy and Development Director on the Board of Capital Radio plc. Nathalie qualified as a solicitor with Clifford Chance and is Chair of the Remuneration Committee. She is also a member of the Group's Audit and Nomination Committees.

**Richard Cockton**
Company Secretary
Richard Cockton, aged 60, qualified as a Chartered Accountant with Coopers & Lybrand and joined Wilmington in 1998. He was appointed Company Secretary in 2008.

**Linda Wake**
Deputy Group Finance Director
Linda Wake qualified as a Chartered management accountant in 2000, having worked in the media industry since 1995. She joined Wilmington in 2004 and was quickly promoted to Divisional Finance Director. She joined the Executive team in October 2010 and has since taken on the role of Deputy Group Finance Director.

# Directors' Report

for the year ended 30 June 2013

The Directors present their Annual Report together with the Audited Consolidated Financial Statements for the year ended 30 June 2013.

**Business review**

In accordance with the requirements of the Companies Act 2006, the Chairman's Statement, Business Review and Financial review as set out on pages 6 to 17 provide information about the Group's strategy, its businesses, its principal activities and its financial performance during the year, the principal risks and uncertainties facing the Group, its key financial and operational targets ("KPI's") and its future outlook, all of which are incorporated into this Directors' Report by reference.

The Group's acquisitions and disposals during the year are dealt with in note 12 to the Financial Statements.

The Group has a branch in Singapore. Its other overseas operations are subsidiaries (see note 16 to the Financial Statements).

**Results**

The Group's financial results are set out in the Consolidated Income Statement on page 47. Revenue is analysed by business segment and geographically in note 3 of the Consolidated Financial Statements. A profit for the year attributable to the owners of the parent of £3,537,000 (2012: £4,884,000) has been taken to reserves.

**Dividends**

The Directors recommend that a final dividend for the year of 3.5p per ordinary share be paid on 7 November 2013 to shareholders on the register on 11 October 2013, which together with the interim dividend of 3.5p per ordinary share already paid makes a total dividend for the year of 7.0p (2012: 7.0p) per ordinary share.

**Directors and their interests**

The Directors who have served during the year and up to the date of this report are set out on pages 24 to 25 which include brief biographical details. Their remuneration and interests in the share capital of the Company are set out in the Report on Directors' Remuneration on pages 35 to 44.

All Executive and Non-Executive directors offer themselves for re-election at each Annual General Meeting as a result of the Company deciding to adopt annual re-election of Directors in line with best practice and the UK Corporate Governance Code.

A Foye was appointed to the Board on 3 September 2012. R Brookes resigned from the Board on 14 November 2012.

Details of the Directors' service contracts and letters of appointment are shown in the Report on Directors' Remuneration.

**Interests in contracts**

Other than as disclosed in the Report on Directors' Remuneration, none of the Directors had any material interest in any contract, other than an employment contract, that was significant in relation to the Group's business at any time during the year.

**Takeover directive disclosures**

As at 30 June 2013, the Company had only one authorised class of share, namely ordinary shares of 5p each, of which there were 86,103,137 in issue (2012: 86,103,137). There are no special arrangements or restrictions relating to any of these shares, whether in terms of transfers, voting rights, or relating to changes in control of the Company. The Company does not have any special rules in place regarding the appointment and replacement of Directors, or regarding amendments to the Company's Articles of Association.

The Company seeks authority from its Shareholders at the Annual General Meeting to purchase its own shares.

Under the terms of the Company's banking arrangements, in the event that a person or group of persons acting in concert gains control of the Company, the lending banks may require, by giving not less than 30 days' notice, the repayment and cancellation of the facilities.

Except for share options and awards, there are no special conditions or agreements in place which would take effect, alter or terminate in the event of a takeover. Subject to various conditions, if the Company is taken over, all share options and awards will vest and may be exercised. Apart from the interests of the Directors disclosed in the Report on Directors' Remuneration and the substantial interests listed below, there are no individuals or entities with significant holdings, either direct or indirect, in the Company.

**Substantial shareholdings**
As at 12 September 2013, the Company had been notified of interests in 3 per cent or more of the issued share capital of the Company as shown below. Interests are shown as a percentage of shares in issue at 19 September 2013.

| | Number of ordinary shares | Percentage |
|---|---|---|
| Liontrust Investment Partners LLP | 11,147,961 | 12.95 |
| Aberdeen Asset Managers Ltd | 8,372,329 | 9.72 |
| Herald Investment Management Ltd | 5,127,501 | 5.96 |
| Threadneedle Investments | 4,957,500 | 5.76 |
| C J Brady | 3,412,151 | 3.96 |
| Legal & General Group Plc | 3,256,673 | 3.78 |
| B D Gilbert | 3,222,223 | 3.74 |
| R A Conwell | 3,093,054 | 3.59 |
| Strategic Equity Capital Plc | 2,730,027 | 3.17 |

**Significant contractual or other arrangement**
The Company and its subsidiary undertakings do not have any contractual or other arrangements with any continuing shareholders which are essential to the business of the Company.

**Land and buildings**
The Directors do not believe that there is a significant difference between the market values and the balance sheet values of the Group's interests in freehold land and buildings.

**Changes in share capital**
At 12 September 2013, 1,142,000 (2012: 1,942,000) shares had been bought pursuant to the instruction given to Numis Securities Limited in 2007 and 2008 by the Company to buy its own shares up to a value of £12m within certain parameters. This instruction is consistent with the Group capital management policy (see 'Liquidity and capital risk' in note 23 to the Financial Statements).

The Company sold 800,000 treasury shares during the year (2012: nil). At 30 June 2013, 1,142,000 shares were held in Treasury (2012: 1,942,000), which represents 1.3% (2012: 2.3%) of the called up share capital of the Company.

**Financial instruments**
An explanation of the Group's treasury policies is set out in the Business Review on page 17. Details of the Group's financial instruments are set out in note 23 to the Financial Statements.

**Statement of Directors' responsibilities**
The Directors are responsible for preparing the Annual Report, the Report on Directors' Remuneration and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Parent Company and Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted in the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted in the European Union 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Report on Directors' Remuneration comply with the Companies Act 2006 and, as regards the Consolidated Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website www.wilmington.co.uk. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed in the Directors and Senior Management section of the Annual Report confirm that, to the best of their knowledge:

- the Consolidated Financial Statements, which have been prepared in accordance with IFRSs as adopted in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

**Disclosure of information to Auditors**
Each of the Directors has confirmed that:

(a) so far as he/she is aware, there is no relevant audit information of which the Company's Auditors are unaware, and
(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

**Charitable donations**
The Group made charitable donations of £3,063 (2012: £3,010) during the year. No political donations were made during the year (2012: £nil).

**Supplier payment policy**
The Group endeavours to settle payments to its suppliers in accordance with mutually agreed terms and conditions of business. The average time taken to pay suppliers was 56 days (2012: 56 days).

**Employees**
The Group's policy is to consider all job applications on a fair basis free from discrimination in relation to age, sex, race, colour, ethnicity, religion, sexual orientation or handicap not related to job performance. Every consideration is given to applications for employment from disabled persons, where the requirements of the job may be adequately covered by a disabled person.

Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

**Employee involvement**
The Group places a great deal of importance on communicating its plans and objectives to its entire staff and, where appropriate, consulting with them. Within each of the segments there are profit centres run by experienced business managers, many of whom are shareholders in the Company or its subsidiary undertakings and whose remuneration is linked to revenue and/or profit achievements.

The Group operates share option and award schemes, details of which are given both below and in note 26 to the financial statements.

**Share options and awards**
The Wilmington Group plc 1999 Approved Share Option Scheme (the "Approved Scheme") was adopted on 2 September 1999 and approved by the Inland Revenue on 29 September 1999. The Approved Scheme is administered by the Remuneration Committee and provides for the grant of non-transferable options to acquire shares in the Company at prevailing market prices at the time of grant. The exercise of options granted under the Approved Scheme is normally conditional upon the achievement of performance targets set out by the Remuneration Committee. Details of outstanding options are set out in note 26 to the financial statements.

No consideration is payable for the grant of options and options may generally be exercised three years after the date of their grant (subject to the achievement of any applicable performance targets).

No options were granted during the year under the above scheme.

The Wilmington Group plc 2007 Performance Share Plan (the "Performance Share Plan") was adopted on 8 November 2007 to provide share-based incentives to senior executives. Further details are set out in the Report on Directors' Remuneration on pages 35 to 44.

On 21 October 2008, 323,634 conditional awards were granted under the Performance Share Plan, of which 275,309 were granted to Directors (including Neil E Smith who was subsequently appointed a Director on 1 December 2011). All of these awards lapsed in the year ended 30 June 2012.

On 18 September 2009, 520,514 conditional awards were granted under the Performance Share Plan, of which 456,424 were granted to Directors (including Neil E Smith who was subsequently appointed a Director on 1 December 2011). During the year, all these awards lapsed.

On 20 October 2010, 1,326,159 conditional awards were granted under the Performance Share Plan, of which 411,818 were granted to Directors (including Neil E Smith who was subsequently appointed a Director on 1 December 2011).

On 19 October 2011, 911,959 conditional awards were granted under the Performance Share Plan, of which 255,319 were granted to Directors (including Neil E Smith who was subsequently appointed a Director on 1 December 2011).

On 17 October 2012, 444,198 conditional awards were granted under the Performance Share Plan, of which 399,039 were granted to Directors.

**Pension schemes**
In compliance with legislation, all UK employees have access to a stakeholder pension scheme.

**Health and safety policy**
Management at all levels are conscious of and committed to their responsibilities in securing the health, safety and welfare of employees and others, arising from the Group's activities.

**Insurance**
To preclude the possibility of the Company incurring expenses which might arise from the need to indemnify a Director or Officer from claims made against him or her or the cost associated with their defence, the Group has effected Directors' and Officers' qualifying third party liability insurance as permitted by the Companies Act 2006, which has been in force throughout the financial year and up to the date of approval of these financial statements.

**Annual General Meeting**
A separate notice convening the Annual General Meeting of the Company to be held at the offices of Hawkpoint, 41 Lothbury, London, EC2R 7AE on 5 November 2013 will be sent out with this Annual Report and Financial Statements.

**Going Concern**
As highlighted in note 21 to the Financial Statements, the Group meets its day-to-day working capital requirements through an overdraft facility and a revolving credit facility which are due for renewal in February 2016.

The current economic conditions create uncertainty, in particular, over:

(a) the level of demand for the Group's products;
(b) the exchange rate between Sterling and the US Dollar and the Euro; and
(c) the availability of bank finance in the foreseeable future.

The Group's budgets and forecasts, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facility and covenants.

After reviewing the Group's budget and forecasts for the year to 30 June 2014 and its medium term plans, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. Therefore, they have adopted the going concern basis in preparing these financial statements.

**Independent auditors**
The Auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By Order of the Board
**Richard Cockton**
Company Secretary
18 September 2013

# Corporate Governance Statement

The Company is committed to the principles of corporate governance contained in the UK Corporate Governance Code issued by the Financial Reporting Council in May 2010 (the "Code") and for which the Board is accountable to shareholders. A copy of this code is publicly available from www.frc.org.uk.

The Group is committed to the highest standards of corporate governance, as set out in the main principles of the Code. The Board believes that the Group has been compliant throughout the year ended 30 June 2013.

The Non-Executive Chairman is a member of the Audit, Remuneration and Nomination Committees, as permitted by the Code, but does not chair any of them.

This report, together with the Report on Directors' Remuneration on pages 35 to 44, sets out how the Company has applied the Main Principles of the Code.

Takeover directive disclosures are set out in the Directors' Report on page 26.

**1 The Board**

The Company is controlled through the Board of Directors which, at 30 June 2013, comprised three Executive and four Non- Executive Directors. Short biographies of each Director are set out on pages 24 and 25. The Board focuses on formulation of strategy, management of effective business controls and review of business performance. It has a formal schedule of matters specifically reserved to it for decision which it reviews periodically. This includes approval of acquisitions and disposals and major capital expenditure. The Board also reviews the Register of Risks.

The Board meets as often as necessary to discharge its duties effectively. In the financial year ended 30 June 2013, 12 Board meetings were scheduled and the Directors' attendance record is set out at the end of this Statement.

The Board has three formally constituted committees, the Audit Committee, the Remuneration Committee and the Nomination Committee, each of which operates with defined terms of reference. The terms of reference of the three Committees are available on the Company's website www.wilmington.co.uk. The Audit Committee met three times during the year, the Remuneration Committee met once during the year and the Nomination Committee did not meet during the year.

There is an executive committee known as the Executive Management Board that is responsible for the day-to-day management of the Company's business within a framework of delegated responsibilities. It is chaired by the Chief Executive and includes the Finance Director, the Group Chief Operating Officer and the Deputy Group Finance Director. The Executive Management Board develops the Group's strategy and budget for the Board's approval, it recommends capital expenditure and investment budgets to the Board of Directors, it allocates resources across the Group within plans agreed by the Board of Directors, it plans and delivers major programmes, and it reviews the senior talent base and succession plans. The Executive Management Board can approve, up to limits which the Board of Directors sets, capital expenditure, disposals of fixed assets, investments and divestments.

The Board has two off site strategy meetings each year at which the Group's strategic direction, three year plan and significant projects are discussed.

**Chairman and Chief Executive**

The roles of the Chairman and that of the Chief Executive are held by separate individuals and the Board has clearly defined their responsibilities. The Chairman is primarily responsible for the effective working of the Board, ensuring that each Director, particularly the Non-Executive Directors, is able to make an effective contribution and provide constructive comments on the business. The Chief Executive has responsibility for all operational matters, which includes the implementation of Group strategy and policies approved by the Board.

**Board balance and independence**

All the Non-Executive Directors are independent of the Company's executive management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. They each meet the independence criteria set out in the Code.

Derek Carter is the Senior Independent Director ("SID"). His role as SID includes:

- being available to shareholders if they have concerns which contact with the Chairman, Chief Executive or Finance Director has failed to resolve; and
- meeting with the other Non-Executive Directors on the Board once a year to assess the Chairman's performance as Chairman, taking into account the views of the Executive Directors.

The terms and conditions of appointment of Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the Annual General Meeting.

No Director has, or had at any time during the year, any interest in a contract with any Group company.

All Directors are equally accountable for the proper stewardship of the Company's affairs, and all Directors, in accordance with the Code, submit themselves for re-election at least once every three years.

**Performance evaluation**
The Board undertakes a formal annual evaluation of its own performance and that of each individual Director. As part of its evaluation, a questionnaire was approved by the Board. Directors submitted their completed questionnaires to the Chairman of the Audit Committee who reviewed their responses. These were subsequently discussed in an open session. In addition, the Chairman has undertaken one to one interviews with each of the Directors following completion of their questionnaires. The exercise, which is undertaken on a regular basis, was viewed positively by the Board.

The Chairman has carried out a review of the performance of individual members of the Board. In all cases the performance of the Directors was considered to have reached a high standard and appropriate training courses were being undertaken, in particular in relation to the Bribery Act.

**Audit Committee**
The Audit Committee is composed of all the Non-Executive Directors including the Chairman. The members of the Audit Committee have broad commercial knowledge and extensive business leadership experience. They have held between them various roles in business, financial management and finance function supervision, which constitutes a broad and suitable mix of business and financial experience. The Board is satisfied that Terry Garthwaite, who chairs the Committee, has recent and relevant financial experience.

The main roles and responsibilities of the Audit Committee are set out in written terms of reference and are available on the Company's website www.wilmington.co.uk.

The Audit Committee assesses the performance of the Auditors annually. The evaluation focusses on: audit scope and planning; performance of the lead audit partner and the audit team; audit reporting and communications; added value; and the audit fee. The Audit Committee carried out the annual review of the Auditors' performance by gathering feedback from its members and senior management. It considered reports on the audit firms' own internal quality control procedures and assessments of independence. It agreed on a number of areas of progress and identified with the Auditors some further improvements. Having assessed the responses, the Audit Committee did not consider it necessary to require the Auditors to re-tender for the audits. The appointment of PricewaterhouseCoopers LLP as Auditors of the Group is subject to shareholder approval at the AGM.

The Committee has primary responsibility for making recommendations to the Board regarding the appointment, reappointment and removal of the external auditors, which the Board puts to shareholders for approval in the general meeting. It keeps under review the scope and results of the audit and its cost-effectiveness, and the independence and objectivity of the auditors. The Committee keeps the nature and extent of non-audit services under review by regularly reviewing the balance of audit to non-audit fees. The Auditors are asked to provide confirmation of independence on an annual basis.

The Committee reviews the accounting policies and procedures of the Company together with all significant judgements made in the preparation of the half-yearly and annual financial statements before they are submitted to the Board. It also actively monitors the system of internal control. The Committee reviews arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Since the beginning of the year, the Audit Committee has:

- Reviewed the June 2012 Annual Report and Financial Statements, the December 2012 half-yearly report and the trading updates. As part of this review, the Committee received a report from the Auditors on their audit of the Annual Report and Financial Statements and on their review of the half-yearly report;
- Considered the output from the Group wide process used to identify, evaluate and mitigate risks;
- Reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Financial Statements on this matter;
- Reviewed the carrying value of Goodwill resulting in an impairment charge in the year;
- Reviewed and agreed the scope of the audit work to be undertaken by the Auditors, agreed the fees to be paid to them for their audit of the June 2013 financial statements and December half-yearly report;
- Reviewed the nature and extent of non-audit services by regularly reviewing the balance of audit to non-audit fees; and
- Considered the audit partner and audit firm rotation.

The Executive Directors and the Auditors may attend Audit Committee meetings at the invitation of the Committee. However, the Committee has the right to request invitees to withdraw from the meeting to enable discussions to take place in their absence. The Finance Director is invited to attend all the Audit Committee meetings and for the year end reviews, and the Deputy Group Finance Director is also invited. The Audit Committee also meet with just the Auditors present, at least twice a year.

**Nomination Committee**
The Nomination Committee and the Board seek to maintain an appropriate balance between the Executive and Non-Executive Directors. The Committee is chaired by Derek Carter as SID and comprises all the Non-Executive Directors, including the Chairman, and the Chief Executive. It has full responsibility for reviewing the Board structure and for interviewing and nominating candidates to serve on the Board as well as reviewing senior executive development. Suitable candidates, once nominated, meet with the Chairman and the Chief Executive. The candidates are then put forward for consideration and appointment by the Board as a whole. The Committee has access to external professional advice at the Company's expense as and when required.

The Nomination Committee reviews, on a continuing basis, the composition of both the Board and the Executive Management Board, making recommendations where appropriate.

**2 Directors' Remuneration**
**Remuneration Committee**
**Consideration by directors of matters relating to directors' remuneration**
The Remuneration Committee is responsible for determining individual Executive Directors' (the "Executives") and other senior management remuneration packages and employment conditions. In determining its policy the Committee has paid regard to the principles of good governance contained in the Code. The Committee operates under the delegated authority of the Board. Its terms of reference are available on request from the Company Secretary or on the Company's website www.wilmington.co.uk and its performance is evaluated regularly.

Membership
The Committee was chaired throughout the year by Nathalie Schwarz. The other members of the Committee were Terry Garthwaite, Mark Asplin (Company Chairman) and Derek Carter. Nathalie Schwarz, Mark Asplin, Terry Garthwaite and Derek Carter are deemed to be Independent Non-Executive Directors as per the Code.

Advisers
During the year the Committee took advice from Aon Hewitt Limited (operating through the brand New Bridge Street ("NBS")), a firm of independent remuneration consultants. Other than in relation to advice on remuneration, neither Aon Hewitt Limited nor any other part of the Aon Corporation Group has connections with the Company. The Committee has also received assistance from the Chief Executive with respect to the remuneration of the other Executive Directors and on the Company's remuneration policy more generally. He takes no part in discussions relating to his own remuneration.

**Statement of voting at last AGM**
The Company remains committed to on-going shareholder dialogue and takes an active interest in voting outcomes. The following table sets out actual voting in respect of the resolution to approve the Directors' Remuneration Report at the Company's Annual General Meeting on 14 November 2012:

| Resolution | Votes for | % of vote | Votes against | % of vote | Votes withheld |
|---|---|---|---|---|---|
| Approve Remuneration Report | 62,485,000 | 99.99% | 7,600 | 0.01% | 24,763 |

**3 Relations with Shareholders**
**Dialogue with institutional shareholders**
The Directors seek to build on a mutual understanding of objectives between the Company and its institutional shareholders by means of a programme of meetings with major shareholders, fund managers and analysts each year. The Company also makes presentations to analysts and fund managers following publication of its half-year and full-year results. These are regularly attended by the Chairman. A copy of the presentation slide show is available on the Company's website www.wilmington.co.uk. As referred to earlier, the SID is available to shareholders if they have concerns which other contacts have failed to resolve.

The Chairman or one of the other Non-Executive Directors is available on request to attend meetings with major shareholders and in the past year the Chairman has attended such meetings. The Board regularly receives copies of analysts' and brokers' briefings.

**Constructive use of the Annual General Meeting**
A separate notice convening the Annual General Meeting is being sent out with this Annual Report and Financial Statements. At the Annual General Meeting, after the formal business has been concluded, the Chairman will welcome questions from Shareholders. All Directors attend the meeting, at which they have the opportunity to meet with Shareholders. Details of resolutions to be proposed at the Annual General Meeting on 5 November 2013, and an explanation of the items of special business, can be found in the circular that contains the notice convening the Annual General Meeting.

**4 Accountability and Audit**
The respective responsibilities of the Directors and Auditors in connection with the financial statements are explained in the Statement of Directors' Responsibilities on pages 27 and 28 and the Independent Auditors' Report set out on pages 45 and 46.

**Internal Control**
In line with the Turnbull Report recommendations, the Board maintains an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Board regularly reviews this process, which has been in operation from the start of the year to the date of approval of this Report. The Board is responsible for the Group's system of internal control and risk management, and for reviewing the effectiveness of these systems. These systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has a Data Protection Officer to coordinate the Group's data protection activities.

In line with the Turnbull Report recommendations, the Board regularly reviews the effectiveness of the Group's systems of internal control. The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from management to consider whether significant risks are identified, evaluated, managed and controlled.

Further details of specific risks such as interest rate risk, liquidity and capital risk, and foreign currency risk, are given in the Financial Review on pages 16 and 17.

The key features of the internal financial control system that operated throughout the year under review are as follows:

**Financial Reporting**
The Board reviewed the Annual Report, together with the annual and half-year results announcements.

The Board considered the appropriateness of the Group's accounting policies, critical accounting estimates and key judgements. It reviewed accounting papers prepared by management on areas of financial reporting judgement. This included a consideration of the carrying value of goodwill, and confirmation, based on management's expectations of future performance, of the amount of the goodwill impairment charge required.

The Board considered and is satisfied that, taken as a whole, the Annual Report is fair, balanced and understandable, and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

**Management Information Systems**
Effective planning, budgeting and forecasting systems are in place, as well as a monthly review of actual results compared with budget and the prior year. The annual budget, updated three times per year, is reviewed by the Board. Risk assessment and evaluation takes place as an integral part of this process. Monthly reports on performance are provided to the Board and the Group reports results to Shareholders twice a year.

Each area of the business carries out risk assessments of its operations, and ensures that the key risks are addressed.

Insurance cover for the Group, as well as individual operating companies, has been procured where it is considered appropriate.

In addition, the Board has identified key strategic risks faced by the Group, which have been prioritised and are set out on pages 20 and 21.

The Group maintains a financial controller's manual to ensure that consistent and adequate accounting procedures are maintained throughout the Group.

**Organisation**
There are well-structured financial and administrative functions at both the Group and operating company level, staffed by appropriately qualified staff. The key functions at Group level include: Group Accounting, Corporate Planning, Group Treasury, HR, Company Secretarial and Group Taxation.

**Internal Audit**
During the year, the Board has considered the need for an internal audit function, but has concluded that the internal control system is appropriate given the size and complexity of the Group and that an internal audit function is still currently unnecessary. Reliance instead is placed on well-defined controls operated from the centre.

**Use of Auditors for Non-audit Services**
The non-audit services provided by the Auditors are regularly reviewed by the Audit Committee and reported to the Board. All such services, where significant, are considered by the Board and a decision taken on each occasion as to whether the particular services should or should not be provided by the Auditors. An analysis of audit and non-audit fees payable to the Auditors is shown in note 5 to the Financial Statements. In particular, the Audit Committee feel that it is cost effective to use the Auditors for UK and overseas tax compliance.

**Whistle Blowing**
The Group has appointed Non-Executive Director, Terry Garthwaite, as a whistle blowing officer to enable employees to raise any serious concerns of wrongdoing that they may have in complete confidence. The aim of the whistle blowing policy is to ensure that arrangements are in place to allow proportionate and independent investigation of such matters and appropriate follow-up action. Details of the policy have been included in the staff handbook and are available on the Company's intranet. The whistle blowing officer can be contacted at whistleblowing@wilmington.co.uk.

**ABC Policy**
The Group is committed to conducting all of its business in an honest and ethical manner. It adopts an unequivocal zero-tolerance approach to bribery and corruption in any form, and is committed to acting transparently, professionally, fairly and with integrity in all business dealings and relationships, wherever it operates.

The Group will not permit any employee, or anyone acting on its behalf, to give, accept, offer, solicit, or promise a bribe or solicitation payment, regardless of the amount involved. This includes any kind of facilitation (or 'kickback') payment.

At 31 August 2013, in excess of 700 staff have completed our ABC training course.

The ABC guidelines have been translated into French and Spanish for our overseas subsidiaries.

**Board and Committees membership record**

The number of full Board meetings and committee meetings attended as a member by each Director during the year was as follows:

| Board Meeting | Scheduled Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings |
|---|---|---|---|---|
| M Asplin (Chairman) | 11 (12) | 2 (3) | 1 (1) | – (–) |
| C J Brady (Chief Executive) | 12 (12) | – | – | – (–) |
| R B Brookes (resigned 14 November 2012) | 3 (4) | – | – | – |
| A Foye (appointed 3 September 2012) | 10 (10) | – | – | – |
| N Smith | 11 (12) | – | – | – |
| T B Garthwaite (Non-Executive) | 11 (12) | 3 (3) | 1 (1) | – (–) |
| D Carter (Non-Executive) | 12 (12) | 3 (3) | 1 (1) | – (–) |
| N Schwarz (Non-Executive) | 11 (12) | 3 (3) | 1 (1) | – (–) |

Figures in brackets indicate the total number of scheduled meetings during the period in which the Director was a Board or Committee member, as appropriate.

**Mark Asplin**
Chairman
18 September 2013

On behalf of the Board, I am pleased to present our Remuneration Report for 2013, which sets out the remuneration policy for the Executive Directors of the Group and the amounts earned in respect of the year ended 30 June 2013. The report is subject to an advisory shareholder vote and a resolution to approve the Remuneration report will be proposed at the Annual General Meeting on 5 November 2013.

New regulations have been introduced under the Large and Medium-sized Company and Groups (Accounts and Reports) Regulations 2013 which impact the presentation of the Remuneration Report. Whilst we are not required to comply with the new regulations until the year ending 30 June 2014 we are mindful of the need for transparency in relation to remuneration reporting and therefore we have, as far as practicable, voluntarily incorporated a number of the key principles set out in the new regulations.

**Review of 2012/13**

As described in the Business review section of this Annual Report, Wilmington has had a successful year with a significant increase in Adjusted Profit before Tax. It has made progress as evidenced by the improved financial performance in 2013 and consequently an annual bonus to Executive Directors of 80% of salary is due for exceeding the threshold targets set by the Committee for the 2012/13 financial year. The level of vesting of the PSP awards granted in 2009 did not meet the perscribed criteria and hence lapsed.

**Outlook for 2013/14**

The Committee considers the current policy on Executive remuneration to be appropriate and no significant changes are anticipated during this financial year.

Given the continuing cautiousness over the economic outlook and taking into account the awards under discussion with the general workforce no increase in annual salary is being awarded to the Executive Directors for the new financial year.

The annual bonus potential for Executive Directors remains unchanged at up to a maximum of 100% of base salary dependent on key financial performance indicators. There are clear financial targets based on the achievement of underlying profit, ROE and ROS and the Committee is satisfied that these are challenging and, in order for the maximum bonus to be earned, will demonstrate significant further improvement in the profit performance of the business.

The Committee will continue to monitor the performance conditions for any future PSP awards to ensure that the conditions continue to be appropriate for the Company and the prevailing market and reflect the application of a "pay for performance" philosophy in the best interests of the Company and Shareholders.

The Committee will also continue to monitor remuneration policy to ensure it remains aligned to the business strategy and delivery of Shareholder value.

### Unaudited Information

The Committee has an established policy on the remuneration of Executive and Non-Executive Directors. The key principles are as follows:

- Remuneration is directly aligned with the performance of the Group and the interests of Shareholders. It is designed to reward, motivate, incentivise and retain Executives of the highest calibre, without paying more than is necessary.
- A significant proportion of Executives' potential remuneration is structured so as to link rewards to annual and long-term Group performance targets, which are reviewed annually. Targets are calibrated appropriately so as to ensure that they cannot encourage excessive risk.

The table below sets out the Company's Directors' remuneration policy.

| Purpose and link to strategy | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Base Salary** | | | |
| Core element of fixed remuneration set at a market competitive level with the aim to recruit, motivate and retain Directors of the calibre required. | Reviewed annually by the Committee.<br><br>The review takes into account:<br>• performance of the Group and pay conditions elsewhere in the workforce;<br>• performance of the individual;<br>• changes in position or responsibility; and<br>• market competitiveness.<br><br>The Committee periodically takes external advice to benchmark salaries by reference to Executives with similar positions in comparator organsiations. In considering relevant benchmarking the Committee is also aware of the risk of an upward pay rachet through placing undue emphasis on comparative pay surveys.<br><br>Base salary is the only pensionable element of remuneration. | Salary increases will normally be in line with the wider Group and the Committee considers any increase out of line with this very carefully.<br><br>Higher increases may be awarded where there is a compelling reason to do so, taking into account all relevant commercial factors. These circumstances may include:<br><br>• Increase in scope and responsibility;<br>• A new Director being moved to market positioning over a period of time;<br>• A salary falling significantly below market positioning; or<br>• In other circumstances where there is a commercial need. | None, although the individual's contribution and overall performance is one of the considerations in determining the level of any salary increase. |
| **Taxable Benefits** | | | |
| Fixed element of remuneration set at a market competitive level. | Executive Directors receive benefits in line with market practice and principally include a car allowance and cover for private medical, permanent health and life insurance.<br><br>Other benefits may be provided based on individual circumstances and a response to market pressures. | Set at a level which the Committee considers appropriate and provides sufficient level of benefit based on individual circumstances. | Not applicable. |

Wilmington

| Purpose and link to strategy | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Annual Bonus** | | | |
| Rewards the achievement of the Group strategy of sustainable growth. | Targets are reviewed annually and any pay-out is determined by the Committee after the year-end based on targets set for the financial period.<br><br>The bonus plan rules contain provisions such that appropriate means of redress may be sought (i.e. clawback) if it transpires that a bonus was paid for performance in a year which later proves to have been materially misstated.<br><br>There is no scope to make discretionary bonus payments outside of the scope of the bonus plan. | Maximum bonus 100% of base salary. | Stretching targets are set each year reflecting the business priorities which underpin Group strategy and align to key performance indicators.<br><br>The annual bonus is determined based on performance against a mix of targets. For the year ended 30 June 2014 these will be adjusted profit, return on equity ("ROE") and Return on Sale ("ROS") targets;<br><br>• 60% adjusted profit;<br>• 20% ROE; and<br>• 20% ROS. |
| **PSP** | | | |
| Incentivises Executive Directors to achieve returns for shareholders over a longer timeframe. | The Performance Share Plan ("PSP") was approved by shareholders in 2007.<br><br>Executive Directors may receive awards of conditional shares. Vesting is dependent on the achievement of performance conditions normally over a three year measurement period.<br><br>The Committee will determine performance conditions prior to each award, with performance measured over a single period of three years with no provision to re-test.<br><br>Clawback (malus) applies to unvested awards. | Maximum award limit under the PSP plan will be 150% of base salary. | The awards under the PSP will be based on a mix of key longer term metrics for the Group. These will be metrics, which the Committee considers to be the most appropriate measures of longer term performance and could include TSR, EPS and ROE.<br><br>For PSP awards to be made in respect of the year ending 30 June 2014 these will have an equal weighting.<br><br>The threshold payout level under the PSP is 25% of the maximum award. |
| **Pension** | | | |
| Helps recruit and retain executives.<br><br>Rewards sustained contribution and commitment to the Group.<br><br>Provides market competitive post-employment benefits. | Executive Directors are eligible to participate in the defined contribution pension scheme. | Under the defined contribution arrangements, Executive Directors participate in a defined contribution scheme to which the Company contributes an amount equivalent of up to 10% of salary.<br><br>Executive Directors are entitled to elect to sacrifice part of their salary and bonus into a personal pension scheme. | None. |

**Explanation of performance metrics chosen**
In 2010, the Committee reviewed the performance metrics attached to the PSP and considered that whilst EPS and TSR (as defined on page 41) remain appropriate measures of performance, a further performance metric should be incorporated to further align the interests of Executives with that of Shareholders and to provide a better overall blend of performance metrics. The Committee therefore decided to incorporate ROE for the 2010 awards. ROE was also incorporated for the 2011 and 2012 awards.

The Committee will continue to grant awards based on EPS, ROE and TSR as the Committee considers these to be the most appropriate measures of performance for the following reasons:

- The EPS target will reward significant and sustained increases in earnings that would be expected to flow through into Shareholder value. For the participants, this will also deliver a strong "line of sight" as it will be straightforward to evaluate and communicate.

- The ROE performance condition will reward executives for delivery of returns to Shareholders but adding a further discipline of ensuring the most efficient use of Shareholders' funds. The profit element of ROE will be based on adjusted profit after impairment.

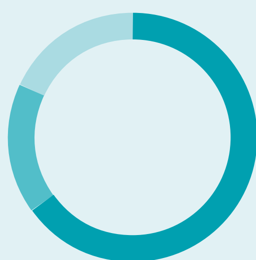
- The TSR performance condition will provide a balance to the financial performance conditions by rewarding relative share price performance against the companies comprising the FTSE Small Cap Index and ensure that a share price-based discipline in the package (in the absence of options) is retained. This will ensure that management can be rewarded for delivering superior stock market returns.

The Committee considers that this blend of measures provides a link to the Company's strategy, which is to create a sustained improvement in underlying performance and maximise returns to Shareholders.

The Committee considered carefully the EPS and ROE ranges to be attached to awards in 2013, taking into account future growth expectations, analysts' forecasts and the requirement to set stretching but achievable targets. In this regard, the Committee believes it has struck the appropriate balance.

**Illustration of application of Remuneration Policy**
The charts below show the balance between fixed pay (salary pension and benefits) and variable pay (annual bonuses and long-term incentives) at a target level of performance (based on half the maximum bonus being payable and valuing an LTIP award at 50% of the value for the shares as at the date of grant) and also at a maximum level of performance (maximum bonus being payable and valuing an LTIP award at 100% of the value of the shares as at the date of grant). The charts demonstrate that a significant proportion of the package is weighted towards variable performance-related pay, with this proportion increasing at a higher level of performance.

**Target**



**Chief Executive and Executive Directors**
- Fixed pay
- Short-term variable pay
- Long-term variable pay

**Maximum**

**Chief Executive and Executive Directors**
- Fixed pay
- Short-term variable pay
- Long-term variable pay

### Non-Executive Directors

| Purpose and link to strategy | Operation | Opportunity | Performance metrics |
|---|---|---|---|
| **Non-Executive Director Fees** | | | |
| Sole element of Non-Executive Director remuneration set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge and experience. | Fees are reviewed periodically and amended to reflect any change in responsibilities and time commitments. Where appropriate external advice is taken on setting market competitive fees.<br><br>The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions. | Fees are based on the time commitment and responsibilities of the role.<br><br>Fees are subject to an overall cap as set out in the Company's Articles of Association. | Not applicable. |

### Directors' Service Contracts and Payments for Loss of Office

The Company has adopted the following policy on Executives' service contracts:

- 12 months' notice period or less shall apply.
- Termination payments are limited to payment of 12 months' salary and benefits.
- Annual bonus payments will be reviewed on an individual basis and the decision whether or not to award a bonus in full or in part will be dependent upon a number of factors including the circumstances of their departure and their contribution to the business during the bonus period in question.
- Any payment under the PSP will be determined in line with the leaver provisions contained in the share plan rules.

Non-Executive Directors have letters of appointment with the notice periods referred to below, with no compensation payable for cessation of appointment.

| Name | Date of service contract/ letter of appointment | Notice period |
|---|---|---|
| M Asplin | 6 April 2005 | 6 months |
| T B Garthwaite | 15 June 2005 | 3 months |
| D Carter | 1 December 2011 | 3 months |
| N Schwarz | 1 December 2011 | 3 months |

The service contracts of the Executives provide that if an Executive Director ceases to be a Director of the Company by virtue of removal from, failure to be re-elected to or retirement without submission to be re-elected from, such office pursuant to the Company's Articles of Association, the Company may terminate his employment immediately by making a payment equivalent to the basic salary and the value of non-monetary benefits payable during the notice period under his service contract, without mitigation. There is no provision to pay an amount in lieu of bonus which could have been earned over the notice period.

**Audited Information**

**Annual Report on Remuneration**

Base Salary and Fees

Base salaries for individual Directors are reviewed annually by the Remuneration Committee and are set with reference to individual performance, experience and responsibilities within the Group as well as with reference to similar roles in comparable companies.

For 2013/14, base salaries for Executive Directors will be frozen, compared to salary increases in the general workforce of up to 2% (other than for promotions). The annualised base salaries for 2012/13 and 2011/12 are as set out below:

| | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ | Increase, % |
|---|---|---|---|
| C J Brady | **340,394** | 333,720 | 2% |
| A Foye | **251,809** | – | N/A |
| N Smith | **260,100** | 255,000 | 2% |

The remuneration policy for Non-executive Directors, other than the Chairman, is determined by the Board and is reviewed periodically. The Non-executive Directors do not participate in any of the Group's share incentive plans nor do they receive any benefits or pension contributions.

| | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ |
|---|---|---|
| Chairman | **77,500** | 65,650 |
| Senior Independent Director | **40,000** | 40,000 |
| Other Non-Executive Directors | **40,000** | 40,000 |

**Annual bonus**

For the year ended 30 June 2013

Annual bonus payments were based on the Company's performance against targets based on linear ranges of adjusted profit, ROE and ROS, set at the start of the year. In relation to the bonuses payable, these were based on the following level of achievement against each of the three metrics:

- 60% adjusted profit;
- 20% ROE; and
- 20% ROS.
- Linear scales for each metric were set at the start of the financial year.
- Adjusted profit is profit before non-recurring items, impairment of goodwill, amortisation of publishing rights, title and benefits, unwinding of the discount on the provisions for the future purchase of non-controlling interests, unwinding of the discount on deferred consideration, provision for the Executives' bonuses, share based payments and after deducting the interest of non-controlling shareholders in such profits.
- The profit element of ROE is based on adjusted operating profit after impairment.

The directors consider that adjusted profit, ROE and ROS targets are matters which are commercially sensitive and should therefore remain confidential to the Company. They provide our competitors with insight into our business plans and expectations.
The following table sets out the bonus pay-out to the Executive Directors for 2012/13 and how this reflects underlying profit, ROE and ROS performance for the year:

| Adjusted profit | ROE | ROS | Executive Director bonus as a percentage of salary |
|---|---|---|---|
| 100% | Nil | 100% | 80% |

The mechanics of the scheme therefore resulted in bonuses of £272,747, £153,563, and £208,080 being due to Charles Brady, Tony Foye and Neil Smith respectively.

For the year ending 30 June 2014

The Committee has agreed that the targets/metrics for 2013/14 remain unchanged.

## PSP

### Awards vesting during the year

The PSP awards granted on 18 September 2009 were subject to normalised Earnings per Share (''EPS'') growth in excess of RPI and relative Total Shareholder Return (''TSR'') performance against the FTSE SmallCap over a three year period. The performance conditions for these awards were as shown in the table below:

| **50% of award - Average annual EPS growth in excess of RPI** | **Percentage of Award Vesting** |
|---|---|
| Less than 5% per annum | 0% |
| 5% per annum | 25% |
| Between 5% per annum and 12% per annum | On a straight line basis between 25% and 100% |
| 12% per annum or more | 100% |

| **50% of award - TSR versus FTSE SmallCap** | **Percentage of Award Vesting** |
|---|---|
| Below median | 0% |
| Median | 25% |
| Between median and upper quartile | On a straight line basis between 25% and 100% |
| Upper quartile or above | 100% |

The table below details the Company's performance against these objectives for the three year peformance period:

| Element | Target Range | Performance out-turn | Resulting pay out as % of maximum |
|---|---|---|---|
| EPS Growth | RPI+5% to RPI+12% | <RPI+5% | 0% |
| TSR | Median (50%) to upper quartile (75%) | Below median | 0% |
| Total | | | 0% |

The level of vesting of the PSP awards granted on 18 September 2009 did not meet the perscribed criteria above and hence lapsed.

### Awards granted during the year

In respect of the year ended 30 June 2013 the following PSP awards were granted on 17 October 2012 (the share price on the date of grant was £1.34):

| | Type of award | Maximum opportunity | Number of shares | Face value at grant, £ | % of award vesting at threshold | Performance period |
|---|---|---|---|---|---|---|
| C J Brady | PSP | 122,400 | 122,400 | £164,016 | 25% | The three financial years from 2012/13 to 2015/16 |
| A Foye | PSP | 183,111 | 183,111 | £245,369 | 25% | |
| N Smith | PSP | 93,528 | 93,528 | £125,328 | 25% | |

A summary of the performance conditions for these awards is set out in the table below:

| **One-third of award - Average annual EPS growth in excess of RPI** | **Percentage of Award Vesting** |
|---|---|
| Less than 3% per annum | 0% |
| 3% per annum | 25% |
| Between 3% per annum and 9% per annum | On a straight line basis between 25% and 100% |
| 9% per annum or more | 100% |

| **One-third of award - ROE** | **Percentage of Award Vesting** |
|---|---|
| Less than 25% | 0% |
| 25% | 25% |
| Between 25% and 29% | On a straight line basis between 25% and 100% |
| 29% or above | 100% |

| **One-third of award - TSR versus FTSE SmallCap** | **Percentage of Award Vesting** |
|---|---|
| Below median | 0% |
| Median | 25% |
| Between median and upper quartile | On a straight line basis between 25% and 100% |
| Upper quartile or above | 100% |

The Committee determined that all participants (including Executives) will be required to hold no less than 50% of any vested shares (net of taxes) for a minimum of two years.

**PSP** continued

For the year ending 30 June 2014

It is intended that awards in 2013/14 will be made on a similar basis to the 2012/13 awards. The maximum award to all Executive Directors will be 100% of base salary.

**Directors' pensions**

Executive Directors participate in a defined contribution scheme to which the Company contributes an amount equivalent to 10% of salary.

**Payments to past directors**

R B Brookes resigned from the Board on 14 November 2012 and retired from the Company on 31 December 2012.

Following his resignation, R B Brookes received a bonus of £30,000 for the successful completion of certain projects that he was set at the time of his resignation. He also received £75,000 under a separate consultancy agreement.

**Dilution**

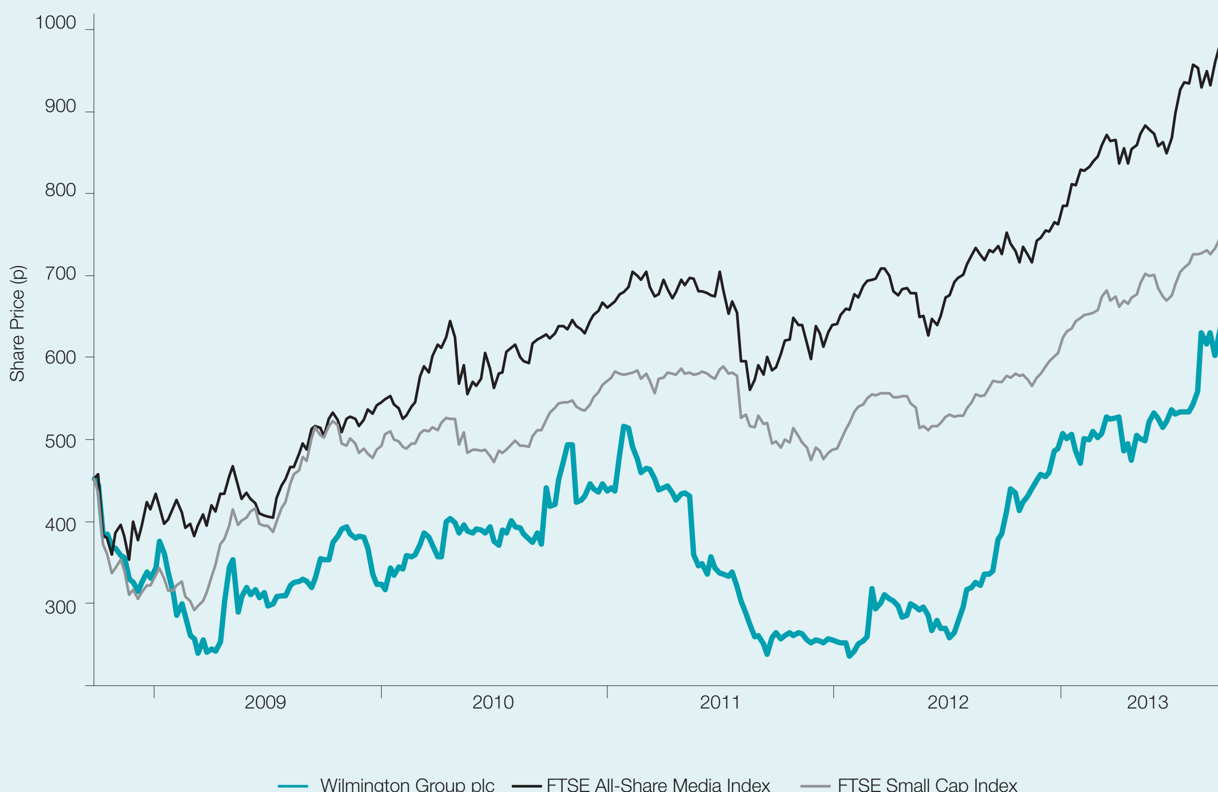
Under the rules of the PSP, awards under the Company's discretionary schemes which may be satisfied by a new issue of shares must not exceed 5% of the Company's issued share capital in any rolling 10-year period and the total of all awards satisfied via new issue shares under all plans (both discretionary and all-employee) must not exceed 10% of the Company's issued share capital in any rolling 10-year period.

As at 30 June 2013, the headroom under the Company's 5% and 10% limits was 1,546,539 and 4,610,896 shares respectively, out of an issued share capital of 86,103,137 shares.

**Performance Graph and table**

The following graph shows, for the year ended 30 June 2013 and for each of the previous four years, the total shareholder return (calculated in accordance with the Directors' Remuneration Report Regulations 2002) on a holding of the Company's ordinary shares compared with a hypothetical holding of shares of the same kind and number as those by reference to which the FTSE All – Share Media Index and the FTSE Small Cap Index are calculated. These indices have been chosen as the appropriate comparators because it is these indices within which the Company's shares are quoted.

**Total shareholder return ("TSR")**
**Source: Thomson Reuters**



Wilmington

Overview | Business Review | Governance | Financial Statements

### Directors' Emoluments

The table below reports the total remuneration receivable in respect of qualifying services by each Director during the year:

| | Salary and fees | | Bonus | | Pension Contributions | | Allowances and benefits in kind | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ | **Year ended 30 June 2013 £** | Year ended 30 June 2012 £ |
| C J Brady | **348,904** | 333,720 | **272,747** | 184,054 | **25,529** | 33,372 | **28,224** | 28,565 | **675,404** | 579,711 |
| R B Brookes (resigned 14 Nov 2012) | **115,735** | 226,930 | **–** | 97,129 | **11,574** | 22,693 | **14,989** | 28,095 | **142,298** | 374,847 |
| A Foye (appointed 3 Sep 2012) | **209,841** | – | **153,563** | – | **–** | – | **21,234** | – | **384,638** | – |
| N Smith (appointed 1 Dec 2011) | **266,603** | 148,750 | **208,080** | 109,143 | **19,507** | 14,875 | **22,572** | 13,739 | **516,762** | 286,507 |
| D L Summers (Retired 31 Dec 2011) | **–** | 37,000 | **–** | – | **–** | – | **–** | – | **–** | 37,000 |
| M Asplin | **77,500** | 65,650 | **–** | – | **–** | – | **–** | – | **77,500** | 65,650 |
| T B Garthwaite | **40,000** | 38,900 | **–** | – | **–** | – | **–** | – | **40,000** | 38,900 |
| D Carter (appointed 1 Dec 2011) | **40,000** | 23,333 | **–** | – | **–** | – | **–** | – | **40,000** | 23,333 |
| N Schwarz (appointed 1 Dec 2011) | **40,000** | 23,333 | **–** | – | **–** | – | **–** | – | **40,000** | 23,333 |
| | **1,138,583** | 897,616 | **634,390** | 390,326 | **56,610** | 70,940 | **87,019** | 70,399 | **1,916,602** | 1,429,281 |

During the year no elections were made to sacrifice salaries and bonuses disclosed in the table above in favour of pension contributions: (R B Brookes 2012: £25,000).

### PSP awards held by Directors

Details of the awards held by Executive Directors are shown below:

| Name | Date of grant | At 1 July 2012 (or date of appointment) | Awards granted during the year | Awards vested during the year | Awards lapsed during the year | **At 30 June 2013 (or date of appointment)** | Date which awards vest |
|---|---|---|---|---|---|---|---|
| C J Brady | 18 September 2009 | 194,868 | – | – | (194,868) | **–** | 18 September 2012 |
| | 20 October 2010 | 202,374 | – | – | – | **202,374** | 20 October 2013 |
| | 19 October 2011 | 112,301 | – | – | – | **112,301** | 19 October 2014 |
| | 17 October 2012 | – | 122,400 | – | – | **122,400** | 17 October 2015 |
| A Foye | 17 October 2012 | – | 183,111 | – | – | **183,111** | 17 October 2015 |
| R B Brookes (resigned 14 Nov 2012) | 18 September 2009 | 132,510 | – | – | (132,510) | **–** | 18 September 2012 |
| | 20 October 2010 | 137,614 | – | – | (34,404) | **103,210** | 20 October 2013 |
| N Smith | 18 September 2009 | 64,090 | – | – | (64,090) | **–** | 18 September 2012 |
| | 20 October 2010 | 71,830 | – | – | – | **71,830** | 20 October 2013 |
| | 19 October 2011 | 71,509 | – | – | – | **71,509** | 19 October 2014 |
| | 17 October 2012 | – | 93,528 | – | – | **93,528** | 17 October 2015 |

**PSP awards held by Directors** continued
Further details of these awards are set out in note 26 to the Financial Statements.

The market price of Wilmington shares at the date of the 2008 award was 152p, for the 2009 award 127p, for the 2010 award 166p, for the 2011 award 87.5p and for the 2012 award 134p. The fair value of the TSR part for Directors of the 2012 award is £33,597 (calculated in line with relevant accounting standards).

As at 30 June 2013 the Company's share price was 165p and its highest and lowest share prices during the year ended 30 June 2013 were 165p and 82p respectively.

| Name | Beneficial/ Non-Beneficial | At 1 July 2012 (or date of appointment) Number | Movement in year Number | **At 30 June 2013 Number** | **At 30 June 2013 Percentage** |
|---|---|---|---|---|---|
| C J Brady | Beneficial | 3,412,151 | – | **3,412,151** | **3.96** |
| A Foye | Beneficial | 50,000 | 385,000 | **435,000** | **0.05** |
| N E Smith | Beneficial | 359,609 | 20,000 | **379,609** | **0.05** |
| M Asplin | Beneficial | 41,390 | – | **41,390** | **0.01** |
| T B Garthwaite | Beneficial | 5,000 | – | **5,000** | **0.01** |
| D Carter | Beneficial | 10,000 | – | **10,000** | **0.01** |
| N Schwarz | Beneficial | – | – | **–** | **0.00** |

Interests at 30 June 2013 are shown as a percentage of shares in issue on that date.

There have been no other changes in the Directors' interests between 30 June 2013 and 12 September 2013. No Director had a material interest in any contract of any significance with the Company or any of its subsidiaries during the year other than a service contract or, in the case of the Non-Executive Directors, a letter of appointment.

Shareholding guidelines for Executives have been adopted, linked to the outturn from the PSP. At the time Awards vest under the PSP (or any other executive plan established in the future), Executives will be expected to retain no fewer than 50% of vested shares (net of taxes) until such time as a total personal shareholding equivalent to 100% of pre-tax base salary has been achieved.
This requirement will not be made of participants to the scheme other than the Executives.

It should be noted that currently all Executives hold shares worth significantly more than the shareholding guideline level.

On behalf of the Board
**Nathalie Schwarz**
Chairman of The Remuneration Committee
18 September 2013

### Independent Auditors' Report to the members of Wilmington Group plc

We have audited the Financial Statements of Wilmington Group plc for the year ended 30 June 2013, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Company Statements of Changes in Equity, the Group and Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company Financial Statements, as applied in accordance with the provisions of the Companies Act 2006.

### Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of Directors' responsibilities set out on pages 27 and 28, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the Audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### Opinion on financial statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2013 and of the Group's profit and Group's and Company's cash flows for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted in the European Union;
- the Company Financial Statements have been properly prepared in accordance with IFRSs as adopted in the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Corporate Governance Statement set out on pages 33 and 34 with respect to internal control and risk management systems and about share capital structures is consistent with the Financial Statements.

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Report on Directors' Remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Company.

Under the Listing Rules we are required to review:

- the Directors' Statement, set out on page 29, in relation to going concern;
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to Shareholders by the Board on Directors' remuneration.

**Julian Jenkins (Senior Statutory Auditor)**
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
18 September 2013

# Consolidated Income Statement

for the year ended 30 June 2013

| | Notes | Year ended 30 June 2013 £'000 | Year ended 30 June 2012 £'000 |
|---|---|---|---|
| Revenue | 3 | **85,048** | 85,326 |
| Cost of sales | | **(26,064)** | (25,824) |
| Gross profit | | **58,984** | 59,502 |
| Operating expenses excluding amortisation of intangible assets and non-recurring items | 4 | **(42,252)** | (43,494) |
| Amortisation of intangible assets | 4 | **(6,860)** | (6,046) |
| Operating expenses before non-recurring items | | **(49,112)** | (49,540) |
| Net gain on disposal of property | 5 | **3,325** | – |
| Impairment of goodwill | 5 | **(4,500)** | – |
| Other non-recurring items | 5 | **(1,325)** | (924) |
| Total net operating expenses | | **(51,612)** | (50,464) |
| Operating profit | | **7,372** | 9,038 |
| Finance income | 6 | **4** | 2 |
| Finance costs | 6 | **(2,260)** | (2,712) |
| Profit before tax | | **5,116** | 6,328 |
| Taxation | 7 | **(1,484)** | (1,274) |
| Profit for the financial year | | **3,632** | 5,054 |
| Attributable to: | | | |
| Owners of the parent | | **3,537** | 4,884 |
| Non-controlling interests | | **95** | 170 |
| | | **3,632** | 5,054 |
| Earnings per share attributable to owners of the parent during the year: | | | |
| Basic earnings per share | 10 | **4.17p** | 5.81p |
| Diluted earnings per share | 10 | **4.07p** | 5.63p |

The notes on pages 53 to 90 are an integral part of these Financial Statements.

# Consolidated Statement of Comprehensive Income

for the year ended 30 June 2013

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| **Profit for the year** | **3,632** | 5,054 |
| **Other comprehensive income/(expense)** | | |
| **Items that may be reclassified subsequently to the Income Statement** | | |
| Exchange differences on translation of foreign operations | **51** | 13 |
| Fair value movements on interest rate swaps | **286** | (926) |
| Fair value movements on net investment hedge | **21** | – |
| Tax on other comprehensive income/(expense) | **(80)** | 212 |
| **Other comprehensive income/(expense) for the year, net of tax** | **278** | (701) |
| **Total comprehensive income for the year** | **3,910** | 4,353 |
| **Total comprehensive income for the year attributable to:** | | |
| – Owners of the Parent | **3,815** | 4,172 |
| – Non-controlling interests | **95** | 181 |
| | **3,910** | 4,353 |

The notes on pages 53 to 90 are an integral part of these Financial Statements.

# Balance Sheets

as at 30 June 2013

| | Notes | Group 2013 £'000 | Group 2012 £'000 | Company 2013 £'000 | Company 2012 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Goodwill | 13 | **73,282** | 74,593 | **–** | – |
| Intangible assets | 14 | **31,493** | 31,522 | **62** | 89 |
| Property, plant and equipment | 15 | **5,909** | 6,772 | **1,092** | 1,242 |
| Investments in subsidiaries | 16 | **–** | – | **48,591** | 41,909 |
| Deferred tax asset | 24 | **887** | 639 | **507** | 382 |
| Trade and other receivables | 18 | **–** | – | **70,169** | 71,844 |
| | | **111,571** | 113,526 | **120,421** | 115,466 |
| **Current assets** | | | | | |
| Inventories | 17 | **54** | 59 | **–** | – |
| Trade and other receivables | 18 | **21,325** | 20,110 | **88** | 426 |
| Cash and cash equivalents | | **7,803** | 3,954 | **47** | 1 |
| | | **29,182** | 24,123 | **135** | 427 |
| **Non-current assets held for sale** | 15 | **657** | 888 | **–** | – |
| **Total assets** | | **141,410** | 138,537 | **120,556** | 115,893 |
| **Current liabilities** | | | | | |
| Trade and other payables | 20 | **(39,254)** | (35,552) | **(3,199)** | (2,147) |
| Current tax liabilities | | **(1,533)** | (1,122) | **–** | – |
| Deferred consideration | | **(224)** | (160) | **(81)** | – |
| Derivative financial liabilities | 19 | **(63)** | (26) | **(63)** | (6) |
| Bank overdrafts | 21 | **(890)** | (2,159) | **(8,530)** | (9,227) |
| Provisions for future purchase of non-controlling interests | 22 | **–** | (1,808) | **–** | – |
| | | **(41,964)** | (40,827) | **(11,873)** | (11,380) |
| **Non-current liabilities** | | | | | |
| Bank loans | 21 | **(39,751)** | (37,218) | **(19,751)** | (37,218) |
| Deferred consideration – equity settled | | **(619)** | – | **(619)** | – |
| Deferred consideration – cash settled | | **(261)** | (767) | **–** | – |
| Derivative financial liabilities | 19 | **(1,096)** | (1,446) | **(1,096)** | (1,446) |
| Deferred tax liability | 24 | **(5,822)** | (6,518) | **–** | – |
| Provisions for future purchase of non-controlling interests | 22 | **(183)** | (165) | **–** | – |
| | | **(47,732)** | (46,114) | **(21,466)** | (38,664) |
| **Total liabilities** | | **(89,696)** | (86,941) | **(33,339)** | (50,044) |
| **Net assets** | | **51,714** | 51,596 | **87,217** | 65,849 |
| **Equity** | | | | | |
| Share capital | 25 | **4,305** | 4,305 | **4,305** | 4,305 |
| Share premium | 25 | **45,231** | 45,231 | **45,231** | 45,231 |
| Treasury shares | 25 | **(2,356)** | (4,008) | **(2,356)** | (4,008) |
| Translation reserve | | **59** | 93 | **–** | – |
| Share based payments reserve | | **1,560** | 815 | **1,560** | 815 |
| Retained earnings | | **2,770** | 5,160 | **38,477** | 19,506 |
| **Equity attributable to Owners of the Parent** | | **51,569** | 51,596 | **87,217** | 65,849 |
| Non-controlling interests | 27 | **145** | – | **–** | – |
| **Total equity** | | **51,714** | 51,596 | **87,217** | 65,849 |

The notes on pages 53 to 90 are an integral part of these Financial Statements. They were approved and authorised for issue by the Board and signed on their behalf on 18 September 2013.

**A Foye**
Chief Finance Officer
Registered number: 3015847

# Statements of Changes in Equity

for the year ended 30 June 2013

| | Share capital (note 25) £'000 | Share option reserve £'000 | Translation reserve £'000 | Retained earnings £'000 | Total £'000 | Non-controlling interests (note 27) £'000 | Total equity £'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| At 1 July 2011 | 45,771 | 820 | 91 | 6,164 | 52,846 | 50 | 52,896 |
| Profit for the year | – | – | – | 4,884 | 4,884 | 170 | 5,054 |
| Exchange differences on translation of foreign operations | – | – | 2 | – | 2 | 11 | 13 |
| Fair value movements on interest rate swaps | – | – | – | (926) | (926) | – | (926) |
| Tax on other comprehensive income | – | – | – | 212 | 212 | – | 212 |
| | 45,771 | 820 | 93 | 10,334 | 57,018 | 231 | 57,249 |
| Dividends to shareholders | – | – | – | (5,891) | (5,891) | (10) | (5,901) |
| Share-based payments | – | (5) | – | 474 | 469 | – | 469 |
| Issue of share capital | 1,503 | – | – | – | 1,503 | – | 1,503 |
| Obligation to issue shares | (1,746) | | | 243 | (1,503) | | (1,503) |
| Movements in non-controlling interests | – | – | – | – | – | (50) | (50) |
| Movements in offset of provisions for the future purchase of non-controlling interests | – | – | – | – | – | (171) | (171) |
| At 1 July 2012 | 45,528 | 815 | 93 | 5,160 | 51,596 | – | 51,596 |
| Profit for the year | – | – | – | 3,537 | 3,537 | 95 | 3,632 |
| Exchange differences on translation of foreign operations | – | – | 51 | – | 51 | – | 51 |
| Fair value movements on interest rate swaps | – | – | – | 286 | 286 | – | 286 |
| Fair value movements on net investment hedge | – | – | – | 21 | 21 | – | 21 |
| Tax on other comprehensive income | – | – | – | (80) | (80) | – | (80) |
| | 45,528 | 815 | 144 | 8,924 | 55,411 | 95 | 55,506 |
| Dividends to shareholders | – | – | – | (5,947) | (5,947) | (27) | (5,974) |
| Share-based payments | – | 745 | – | 322 | 1,067 | – | 1,067 |
| Translation reserve realised on disposal of overseas subsidiary | – | – | (85) | 85 | – | – | – |
| Reissue of treasury shares | 1,652 | – | – | (614) | 1,038 | – | 1,038 |
| Movements in non-controlling interests | – | – | – | – | – | 80 | 80 |
| Movement in offset of provisions for the future purchase of non-controlling interests | – | – | – | – | – | (3) | (3) |
| **At 30 June 2013** | **47,180** | **1,560** | **59** | **2,770** | **51,569** | **145** | **51,714** |

| | Share capital (note 25) £'000 | Share option reserve £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Company** | | | | |
| At 1 July 2011 | 45,771 | 820 | 21,760 | 68,351 |
| Profit for the year | – | – | 3,782 | 3,782 |
| Fair value movements on interest rate swaps | – | – | (926) | (926) |
| Tax on fair value movements on interest rate swaps | – | – | 212 | 212 |
| | 45,771 | 820 | 24,828 | 71,419 |
| Dividends to shareholders | – | – | (5,891) | (5,891) |
| Issue of share capital | 1,503 | – | – | 1,503 |
| Obligation to issue shares | (1,746) | – | 243 | (1,503) |
| At 1 July 2012 | 45,528 | 815 | 19,506 | 65,849 |
| Profit for the year | – | – | 25,227 | 25,227 |
| Fair value movements on interest rate swaps | – | – | 286 | 286 |
| Tax on fair value movements on interest rate swaps | – | – | (75) | (75) |
| | 45,528 | 815 | 44,944 | 91,287 |
| Dividends to shareholders | – | – | (5,947) | (5,947) |
| Share-based payments | – | 745 | 94 | 839 |
| Reissue of treasury shares | 1,652 | – | (614) | 1,038 |
| **At 30 June 2013** | **47,180** | **1,560** | **38,477** | **87,217** |

The notes on pages 53 to 90 are an integral part of these Financial Statements.

# Cash Flow Statements

for the year ended 30 June 2013

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations before non-recurring items | 31 | **19,385** | 17,414 | **33,453** | 9,786 |
| Net finance costs paid | | **(2,011)** | (2,347) | **(1,913)** | (2,412) |
| Tax paid | | **(2,926)** | (3,080) | **(2,078)** | (2,115) |
| **Net cash inflow from operating activities** | | **14,448** | 11,987 | **29,462** | 5,259 |
| **Cash flows from investing activities** | | | | | |
| Purchase of businesses | 12 | **(1,151)** | (465) | **–** | – |
| Deferred consideration paid | | **(171)** | – | **–** | – |
| Purchase of subsidiaries | 12 | **(5,523)** | – | **(5,523)** | – |
| Cash acquired on purchase of businesses | 12 | **–** | 190 | **–** | – |
| Cash acquired on purchase of subsidiaries | 12 | **547** | – | **–** | – |
| Purchase of non-controlling interests | 22 | **(1,707)** | – | **–** | – |
| Cash received from non-controlling interest | 27 | **80** | – | **–** | – |
| Net proceeds from disposal of businesses and subsidiaries | | **–** | 937 | **–** | – |
| Non-recurring costs | | **(1,224)** | (1,062) | **(545)** | – |
| Purchase of of property, plant and equipment | 15 | **(1,217)** | (952) | **–** | (5) |
| Proceeds from disposal of property, plant and equipment | | **4,450** | 55 | **–** | 19 |
| Purchase of intangible assets | 14 | **(764)** | (1,077) | **(28)** | (52) |
| Proceeds from disposal of intangible assets | | **–** | 39 | **–** | – |
| **Net cash outflow from investing activities** | | **(6,680)** | (2,335) | **(6,096)** | (38) |
| **Cash flows from financing activities** | | | | | |
| Dividends paid to owners of the parent | 9 | **(5,947)** | (5,891) | **(5,947)** | (5,891) |
| Dividends paid to non-controlling interests | | **(27)** | (10) | **–** | – |
| Reissue of treasury shares | 25 | **1,038** | – | **1,038** | – |
| Increase/(decrease) in long-term loans | 21 | **2,286** | (2,000) | **(17,714)** | (2,000) |
| **Net cash outflow from financing activities** | | **(2,650)** | (7,901) | **(22,623)** | (7,891) |
| **Net increase/(decrease) in cash and cash equivalents net of bank overdrafts** | | **5,118** | 1,751 | **743** | (2,670) |
| **Cash and cash equivalents net of bank overdrafts at beginning of the year** | | **1,795** | 44 | **(9,226)** | (6,556) |
| **Cash and cash equivalents net of bank overdrafts at end of the year** | | **6,913** | 1,795 | **(8,483)** | (9,226) |
| **Reconciliation of net debt** | | | | | |
| Cash and cash equivalents at beginning of the year | | **3,954** | 2,321 | **1** | 1 |
| Bank overdrafts at beginning of the year | | **(2,159)** | (2,277) | **(9,227)** | (6,557) |
| Bank loans at beginning of the year | | **(38,000)** | (40,000) | **(38,000)** | (40,000) |
| Net debt at beginning of the year | | **(36,205)** | (39,956) | **(47,226)** | (46,556) |
| Net increase/(decrease) in cash and cash equivalents net of bank overdrafts | | **5,118** | 1,751 | **743** | (2,670) |
| (Increase)/decrease in long-term loans | | **(2,286)** | 2,000 | **17,714** | 2,000 |
| Cash and cash equivalents at end of the year | | **7,803** | 3,954 | **47** | 1 |
| Bank overdrafts at end of the year | 21 | **(890)** | (2,159) | **(8,530)** | (9,227) |
| Bank loans at end of the year | 21 | **(40,286)** | (38,000) | **(20,286)** | (38,000) |
| Net debt at end of the year | | **(33,373)** | (36,205) | **(28,769)** | (47,226) |

The notes on pages 53 to 90 are an integral part of these Financial Statements.

## General Information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is 6-14 Underwood Street, London, N1 7JQ.

The Company has its primary listing on the London Stock Exchange.

## 1. Statement of Accounting Policies

The significant accounting policies applied in preparing the Financial Statements are as follows. These policies have been consistently applied for all the years presented, unless otherwise stated.

### a) Basis of preparation

The Consolidated and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and interpretations issued by the International Accounting Standards Board ("IASB") and its committees, and as adopted in the EU, and in accordance with the Companies Act 2006.

The Consolidated Financial Statements have been prepared under the historic cost convention, except for certain financial instruments that have been measured at fair value. The Consolidated Financial Statements are presented in Sterling, the functional currency of Wilmington Group plc, the Parent Company. All values are rounded to the nearest thousand pounds (£'000s) except where otherwise indicated.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainty, particularly over (a) the level of demand for the Group's products, and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its Consolidated Financial Statements. Further information on the Group's borrowings is given in note 21.

### b) Critical accounting judgments, estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for income and expenses during the year, and that affect the amounts reported for assets and liabilities at the reporting date.

#### Business combinations

Management make judgements, estimates and assumptions in assessing the fair value of the net assets acquired on a business combination, in identifying and measuring intangible assets arising on a business combination, and in determining the fair value of the consideration. If the consideration includes an element of contingent consideration, the final amount of which is dependent on the future performance of the business, management assess the fair value of that contingent consideration based on their reasonable expectations of future performance. The sensitivity of the carrying amounts to the judgements, estimates and assumptions will vary depending on the nature and size of the acquisition, an indication of which is provided by note 12.

#### Goodwill

Management make judgements, estimates and assumptions in measuring the carrying amount of goodwill. In considering whether goodwill has been impaired, the recoverable amount of cash generating units has been determined based on value in use calculations. These calculations require management to estimate future cash flows, a long-term growth rate and a discount rate. The sensitivity of the carrying amount of goodwill to these variables is considered in note 13.

#### Share-based payments

Management make judgements, estimates and assumptions in calculating share-based payment costs. Vesting conditions, other than market conditions, are not taken into account when estimating the grant date fair value, so are instead taken into account each period in revising the estimate of the number of shares expected to vest and thus in determining the charge to the Income Statement for the period. The share-based payment charge can also be significantly impacted by share awards that do not vest. The sensitivity of the charge to the judgements, estimates and assumptions made is best ascertained by understanding the nature of the share-based payment arrangements concerned, which is set out in note 26.

#### Current and deferred income tax

Management make judgements, estimates and assumptions in assessing the current income tax due on its profits and in determining the amount of deferred income tax to be recognised. The Company and its subsidiaries engage in discussions with relevant authorities concerning tax computations and are subject to routine tax audits, the outcome of which cannot be determined with certainty and can take a number of years to resolve. Management therefore estimates tax based on professional advice and current discussions with the authorities. A sensitivity analysis in relation to the judgements, estimates and assumptions made is not practical, but notes 7 and 24 provide relevant information.

**1. Statement of Accounting Policies** continued

**c) Basis of consolidation**

The Consolidated Financial Statements consolidate the financial statements of the Company and its subsidiaries. A subsidiary is an entity that is controlled by another entity, the parent; control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities, and is generally accompanied by a shareholding of more than one half of the voting rights. Any interest in a subsidiary that not attributable to the parent, termed a non-controlling interest, is presented in equity, separately from the equity of the owners of the parent.

The results of subsidiaries acquired or disposed of during the year are consolidated from and up to the date of change of control. Where necessary, accounting policies of subsidiaries have been aligned with the policies adopted by the Group. All intra-group transactions, including any gains, losses, balances, income or expenses are eliminated in full on consolidation.

When the Group ceases to have control of a subsidiary, the profit or loss on disposal is calculated as the difference between: (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest, and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and of any non-controlling interests. Amounts previously recognised in other comprehensive income in respect of that subsidiary are reclassified to profit or loss. The results of subsidiaries sold or businesses discontinued during the year are shown as discontinued operations in the Income Statement in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

**d) Business combinations**

The acquisition method of accounting is applied in accounting for the acquisition of subsidiaries. The acquiree's identifiable assets and liabilities are recognised at their fair value at the acquisition date. Goodwill arising on acquisition is recognised as an asset and measured at cost, representing the excess of the aggregate of the consideration, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the fair values of the identifiable assets and liabilities at the date of acquisition. The consideration is measured at fair value, which is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed and the equity instruments issued in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

**e) Impairment of non-financial assets**

Intangible assets with finite useful lives and property, plant and equipment are tested for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When an impairment test is performed, the recoverable amount of the asset is assessed and its carrying amount is reduced to that amount if lower, and any impairment losses are recognised in the Income Statement. The recoverable amount is the higher of the value in use and of the fair value less costs to sell, where the value in use is the present value of the future cash flows expected to be derived from the asset.

If, in a subsequent period, the amount of the impairment loss decreases due to a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The reversal of an impairment loss is recognised in the Income Statement.

Goodwill is not amortised, but it is reviewed for impairment at least annually. Goodwill is allocated to cash generating units ("CGUs") for the purpose of impairment testing, so that the value in use is determined by reference to the cash flows of the CGU. The cash flows considered are the expected pre-tax cash flows of the CGU, for projections over a three year period extrapolated using estimated long-term growth rates. The recoverable amount the CGU, as for an asset, is the higher of the value in use and the fair value less costs to sell. If a CGU is impaired, the impairment losses are allocated firstly against goodwill, and then on a pro-rata basis against intangible and other assets. An impairment of goodwill cannot be reversed.

**f) Foreign currencies**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Financial Statements are presented in Sterling, which is the Company's functional and the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the Income Statement.

On consolidation, assets and liabilities of foreign undertakings are translated into Sterling at year end exchange rates. The results of foreign undertakings are translated into Sterling at average rates of exchange for the year (unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, the translation reserve.

In the event of the disposal of an undertaking with assets and liabilities denominated in a foreign currency, the cumulative translation difference in the translation reserve that is associated with the undertaking is charged or credited to the gain or loss on disposal recognised in the Income Statement.

**1. Statement of Accounting Policies** continued

**f) Foreign currencies continued**

Further information is provided in the financial instruments accounting policy in relation to loans and borrowings in foreign currencies that are designated as a hedge of a net investment in a foreign operation.

**g) Revenue**

Revenue represents the fair value of the consideration received or receivable for the sale of goods or services, net of discounts and sales taxes. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated costs can be measured reliably. Subscription revenue is allocated to the relevant accounting periods covered by the subscription on a straight line basis or weighted in accordance with the timing of the service provided, event revenue is recognised in the month that the event takes place, hard copy advertising revenue is recognised on publication, and online directory advertising revenue is recognised over the period that the advertisement remains online. Subscriptions and fees in advance are carried forward in trade and other payables as 'subscriptions and deferred revenue' and are recognised over the period the service is provided.

Sales of goods are recognised when the Group has despatched the goods to the customer, the customer has accepted the goods, and collectability of the related receivables is reasonably assured.

**h) Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Board of Directors ( "The Board") which is considered as the Group's chief operating decision maker and is responsible for allocating resources and assessing performance of the operating segments. The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of the Group between the UK, Europe, the North Americas and other overseas.

**i) Non-recurring items**

The Group's Income Statement separately identifies non-recurring items. Non-recurring items are those that in management's judgement are one-off in nature and need to be disclosed separately by virtue of their size and incidence. In determining whether an item or transaction is non-recurring, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. This is consistent with the way that financial performance is measured by management and reported to the Board. Non-recurring items may not be comparable to similarly titled measures used by other companies.

Non-recurring items include gains arising on the disposal of property and asset impairment charges.

**j) Current and deferred income tax**

Current and deferred income tax is recognised as income or an expense and included in profit or loss for the period, except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and law) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**k) Dividends**

Dividend distributions are recognised in the Consolidated Financial Statements when the shareholders right to receive payment is established. Final dividend distributions are recognised in the period in which they are approved by the shareholders, whilst interim dividend distributions are recognised in the period in which they are declared and paid.

**1. Statement of Accounting Policies** continued

**l) Intangible assets**

Intangible assets are stated at historical cost less accumulated amortisation.

Publishing rights, titles and benefits are classified as intangible assets. They are initially recorded at cost and are amortised through the Income Statement on a straight line basis over their estimated useful lives not exceeding 20 years.

Computer software that is integral to a related item of hardware is classified as property, plant and equipment. All other computer software and also the cost of internally developed software and databases are classified as intangible assets. Computer software licences purchased from third parties are initially recorded at cost. Costs associated with the production of internally developed software are capitalised once it is probable that they will generate future economic benefits. Computer software intangible assets (including the cost of internally developed software and databases) are amortised through the Income Statement on a straight line basis over their estimated useful lives not exceeding three years.

**m) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation. Cost includes the original purchase price of the asset plus any costs of bringing the asset to its working condition for its intended use. Depreciation is not provided on freehold land. On other assets it is provided at the following annual rates, on a straight-line basis, in order to write down each asset to its residual value over its estimated useful life.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

| | |
|---|---|
| Freehold property | 2 per cent per annum |
| Long and short leasehold property | Over the term of the lease to a maximum of 50 years |
| Leasehold improvements | 10 per cent per annum or over the term of the lease if less than 10 years |
| Fixtures and fittings | 10-20 per cent per annum |
| Computer equipment | 25-33 per cent per annum |
| Motor vehicles | 25 per cent per annum |

Leasehold improvements are included in long or short leasehold property as appropriate.

The carrying values of property, plant and equipment are reviewed annually for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Income Statement.

**n) Investments**

Fixed asset investments, which all relate to investments in subsidiaries, are stated at cost less provision for any impairment in value.

**o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all the further costs to completion and all relevant marketing, selling and distribution costs.

**p) Financial instruments**

**Financial assets**

The Group classifies its non-derivative financial assets as ‘loans and receivables’ for the purposes of IAS 39 ‘Financial Instruments: Recognition and Measurement’. Management determines the classification at initial recognition and re-evaluates this designation at each reporting date.

Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value plus transaction costs. They are subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the Income Statement.

**1. Statement of Accounting Policies** continued

**p) Financial instruments continued**

Loans and receivables are classified as current assets if they mature within 12 months of the balance sheet date, but are otherwise classified as non-current assets.

The Group's "loans and receivables" comprise "trade and other receivables" and "cash and cash equivalents", for which further information is provided below.

Trade and other receivables:

Financial assets within trade and other receivables are initially recognised at fair value, which is usually the invoiced amount. They are subsequently carried at amortised cost using the effective interest method (if the time value of money is significant), less provisions made for doubtful receivables. Provisions are made specifically, where there is evidence of a risk of non-payment taking into account ageing, previous losses experienced and general economic conditions.

If collection is expected in 12 months or less (or in the normal operating cycle of the particular business if longer), the trade or other receivable is classified as a current asset. It is otherwise classified as a non-current asset.

Cash and cash equivalents:

Cash and cash equivalents comprise cash in hand, current balances with banks and similar institutions, and other short-term highly liquid investments which are subject to insignificant risk of changes in value and have original maturities of three months or less. Cash and cash equivalents are offset against bank overdrafts and the net amount is reported in the Balance Sheet when there is a legally enforceable right to offset the recognised amounts. Bank overdrafts are otherwise shown within current liabilities on the Balance Sheet.

Impairment of financial assets:

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired. Where there is objective evidence that an impairment loss has arisen on an asset carried at amortised cost, the carrying amount is reduced and the impairment loss is recognised in the Income Statement. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The reversal of an impairment loss is recognised in the Income Statement.

**Financial liabilities**

Trade and other payables:

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the invoiced amount. They are subsequently carried at amortised cost using the effective interest method (if the time value of money is significant).

If due within 12 months or less, the trade or other payable is classified as a current liability. It is otherwise classified as a non-current liability.

Loans and other borrowings:

Loans and other borrowings are initially recognised at the fair value of the amounts received net of transaction costs. They are subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the income statement.

Further information is provided below in relation to loans and borrowings in foreign currencies that are designated as a hedge of a net investment in a foreign operation.

Loans and other borrowings are classified as current liabilities if they mature within 12 months of the balance sheet date, but are otherwise classified as non-current liabilities.

**Financial instruments and hedge accounting**

The Group uses derivative financial instruments to reduce its exposure to interest rate risk and foreign currency risk, and it also has loans and borrowings in foreign currencies that correspond to investments in foreign operations.

Financial instruments that do not qualify for hedge accounting:

The Group does not hold or issue derivative financial instruments for financial trading purposes. However, derivative financial instruments that do not qualify for hedge accounting (e.g. certain forward currency contracts held by the Group) are classified as 'held for trading' for the purposes of IAS 39 'Financial Instruments: Recognition and Measurement', so are initially recognised and subsequently measured at fair value. The gain or loss on re-measurement to fair value is recognised in the Income Statement.

**1. Statement of Accounting Policies** continued

Financial instruments that do qualify for hedge accounting:
To qualify for hedge accounting, a financial instrument must be designated as a hedging instrument at inception, hedge documentation must be prepared and the hedge must be expected to be highly effective. The effectiveness of the hedge is then tested at each reporting date, both prospectively and retrospectively, and hedge accounting may be continued only if the hedge remains highly effective. Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or no longer qualifies for hedge accounting, or if the Group chooses to end the hedge relationship.

A financial instrument designated for hedge accounting is initially recognised at fair value. For cash flow hedges (e.g. interest rate swaps), the gains or losses on re-measurement to fair value that correspond to the effective part of the hedge are recognised directly in equity; those that correspond to the ineffective part, if any, are recognised in the Income Statement. For net investment hedges (loans and borrowings in foreign currencies that are designated as a hedge of a net investment in a foreign operation), the translation differences that correspond to the effective part of the hedge are recognised directly in equity; those that correspond to the ineffective part, if any, are recognised in the Income Statement. When hedge accounting is discontinued, the cumulative gain or loss in equity is transferred to the Income Statement.

**q) Provisions for future purchase of non-controlling interests**
On the acquisition of less than 100% of certain subsidiary undertakings, the Group may enter into put and call options with the holders of the shares not owned by the Group, to purchase their interests at a later date.

These written put options are gross-settled (i.e. the entity pays cash in return for the counterparty delivering shares), and hence are recognised as a financial liability at the discounted value of the amount payable. The liability recognised may be subject to a cap based on the individual agreements with the counterparties.

As the price under the option is calculated using a formula based on the average audited profits for the previous two years at the time of exercise, the financial liability is re-measured at the year end based on the latest forecasts of profitability (consistent with those used in the impairment test on goodwill and discounted at a rate of 10% (2011: 10%) to reflect the time value of money) and assuming the put options are exercised at the first available opportunity. The unwinding of the discount on these provisions is reflected as a finance charge in the Income Statement over the discounting period. Any remaining change in value for legacy transactions is reflected in goodwill.

Where the put option is ultimately exercised, the amount recognised as the financial liability at that date will be extinguished by the payment of the exercise price. Where the put option expires unexercised, the liability is reversed.

**r) Retirement benefits**
The Group does not operate a defined benefit pension scheme.

The Group contributes to defined contribution pension schemes for a number of employees. Contributions to these arrangements are charged in the Income Statement in the period in which they are incurred. The Group has no further payment obligation once the contributions have been paid.

**s) Share based payments**
The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options and awards) of the Group. The fair value of the employee services received in exchange for the grant of the options and awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options and awards granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options and awards that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified existing conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options and awards that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the Income Statement, with a corresponding adjustment to the share option reserve within equity.

The grant by the Company of options and awards over its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings with a corresponding credit to equity in the parent entity Financial Statements.

The social security contributions payable in connection with the grant of the share options and awards is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

**1. Statement of Accounting Policies** continued

**t) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals incurred in respect of operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

**u) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital ("Treasury Shares"), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

**v) New standards and interpretations applied**

The following new amendment to standards and interpretations, which does not have a material impact, is mandatory for the first time for the financial year beginning 1 July 2012:

- Amendment to IAS 1, "Presentation of Financial Statements" on Other Comprehensive Income effective for accounting periods beginning on or after 1 July 2012. These Financial Statements have been prepared in accordance with this amendment.

**w) New standards and interpretations not applied**

The following new standards, amendments to standards and interpretations have been issued, but are not effective (or not effective in the EU) for the financial year beginning 1 July 2012 and have not been early adopted:

- IFRS 9, "Financial instruments – classification and measurement of financial assets", which has not yet been endorsed for adoption in the EU.
- IFRS 10, "Consolidated Financial Statements", which is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 11, "Joint arrangements", which is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 12, "Disclosures of interests in other entities", which is effective for accounting periods beginning on or after 1 January 2013.
- IFRS 13, "Fair value measurement", which is effective for accounting periods beginning on or after 1 January 2013.
- IAS 19 (revised 2011) "Employee benefits", which is effective for accounting periods beginning on or after 1 January 2013.
- IAS 27 (revised 2011) "Separate Financial Statements", which is effective for accounting periods beginning on or after 1 January 2013.
- IAS 28 (revised 2011) "Associates and joint ventures", which is effective for accounting periods beginning on or after 1 January 2013.
- Amendment to IFRS 1, "First time adoption on government grants", which is effective for accounting periods beginning on or after 1 January 2013.
- Amendments to IFRS 7 "Financial instruments asset and liability offsetting", which is effective for accounting periods beginning on or after 1 January 2013.
- Amendment to IAS 12 "Income taxes" on deferred tax, which is effective in the EU for accounting periods beginning on or after 1 January 2013.
- "Annual improvements 2011", which is effective for accounting periods beginning on or after 1 January 2013.

Management will assess the impact on the Group of these standards prior to the effective date of implementation.

## 2. Adjusted Profit

To provide shareholders with a better understanding of the trading performance of the Group, Adjusted Profit has been calculated as profit before tax after adding back:

- amortisation of publishing rights, titles and benefits,
- impairment of goodwill,
- unwinding of the discount on deferred consideration,
- unwinding of the discount on the provisions for the future purchase of non-controlling interests,
- share-based payments; and
- non-recurring items (including net gain on disposal of property).

This reflects an amendment to the definition of Adjusted Profit to exclude the add back of amortisation of computer software to be in line with current practice. It reconciles to profit on continuing activities before tax as follows:

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 restated |
|---|---|---|
| Profit before tax | **5,116** | 6,328 |
| Amortisation of publishing rights, titles and benefits (see note 14) | **6,105** | 5,256 |
| Impairment of goodwill (see note 13) | **4,500** | – |
| Unwinding of the discount on the provisions for the future purchase of non-controlling interests (see note 6) | **16** | 188 |
| Unwinding of the discount on deferred consideration (see note 6) | **77** | 66 |
| Share-based payments | **888** | 464 |
| Net gain on disposal of property (see note 5) | **(3,325)** | – |
| Other non-recurring items (see note 5) | **1,325** | 924 |
| Adjusted profit before tax ("Adjusted Profit before Tax") | **14,702** | 13,226 |
| Net finance costs (excluding the unwinding of the discounts above) | **2,163** | 2,456 |
| Adjusted Profit before Tax and net finance costs ("Adjusted EBITA") | **16,865** | 15,682 |
| Depreciation of property, plant and equipment (see note 15) | **1,043** | 1,025 |
| Amortisation of computer software (see note 14) | **755** | 790 |
| Adjusted EBITA before depreciation ("Adjusted EBITDA") | **18,663** | 17,497 |

## 3. Segmental information

The Group's operating segments are reported in a manner consistent with the internal financial information provided to the Board, which represents the chief operating decision maker.

The Group's organisational structure reflects the different professional markets to which it provides information, compliance and education. The six professional divisions (Pensions & Insurance, Banking & Compliance, Healthcare, Legal, Business Intelligence and Accountancy) are the Group's reportable segments and generate substantially all of the Group's revenue.

These are now six reportable segments (2012: two segments) as this more accurately reflects the way the Group is now being managed.

Other than the change to the definition of Adjusted Profit referred to in note 2, there is no change to any of the Group's accounting policies and there is no restatement of either revenues or profitability, other than this revised segmentation by the six operating division headings.

The Board considers the business from both a geographic and product perspective. Geographically, management considers the performance of the Group split between the UK and overseas.

**3. Segmental information** continued

**(a) Business segments**

| | Revenue Year ended 30 June 2013 £'000 | Contribution Year ended 30 June 2013 £'000 | Revenue Year ended 30 June 2012 £'000 | Contribution Year ended 30 June 2012 £'000 |
|---|---|---|---|---|
| Pensions & Insurance | 14,629 | 6,093 | 12,481 | 5,227 |
| Banking & Compliance | 16,566 | 3,513 | 15,251 | 3,049 |
| Healthcare | 13,058 | 2,836 | 12,666 | 2,511 |
| Legal | 19,266 | 2,884 | 21,671 | 2,784 |
| Business Intelligence | 10,948 | 2,523 | 12,388 | 2,917 |
| Accountancy | 10,581 | 2,135 | 10,869 | 2,053 |
| Unallocated central overheads | – | (3,119) | – | (2,859) |
| | 85,048 | 16,865 | 85,326 | 15,682 |
| Amortisation of publishing rights, titles and benefits (see note 14) | | (6,105) | | (5,256) |
| Impairment of goodwill (see note 13) | | (4,500) | | – |
| Net gain on disposal of property (see note 5) | | 3,325 | | – |
| Other non-recurring items (see note 5) | | (1,325) | | (924) |
| Share-based payments | | (888) | | (464) |
| Net finance costs | | (2,163) | | (2,456) |
| Unwinding of discounts | | (93) | | (254) |
| Profit for the year before tax | | 5,116 | | 6,328 |
| Taxation (see note 7) | | (1,484) | | (1,274) |
| Profit for the year | | 3,632 | | 5,054 |

Unallocated central overheads represent head office costs that are not specifically allocated to segments.

Total assets and liabilities for each reportable segment are not presented, as such amounts are not provided to the Board.

**(b) Segmental information by geography**

The UK is the Group's country of domicile and the Group generates the majority of its revenue from external customers in the UK. The geographical analysis of revenue is on the basis of the country of origin in which the customer is invoiced:

| | Year ended 30 June 2013 £'000 | Year ended 30 June 2012 £'000 |
|---|---|---|
| UK | 58,159 | 61,115 |
| Europe, excluding the UK | 13,070 | 11,364 |
| North America | 7,422 | 6,979 |
| Rest of the World | 6,397 | 5,868 |
| Total revenue | 85,048 | 85,326 |

**4. Operating expenses**

| | Year ended 30 June 2013 £'000 | Year ended 30 June 2012 £'000 |
|---|---|---|
| Distribution and selling costs | 15,814 | 17,408 |
| Administrative expenses (excluding impairment of goodwill and amortisation of intangible assets ) | 26,438 | 26,086 |
| | 42,252 | 43,494 |
| Amortisation of intangible assets (administrative expense) | 6,860 | 6,046 |
| Total operating expenses before non-recurring items | 49,112 | 49,540 |

### 5. Profit from continuing operations

Profit for the year from continuing operations is stated after charging/(crediting):

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| Depreciation of property, plant and equipment (see note 15) | **1,043** | 1,025 |
| Amortisation of publishing rights, titles and benefits (see note 14) | **6,105** | 5,256 |
| Amortisation of computer software (see note 14) | **755** | 790 |
| Impairment of goodwill (see note 13) | **4,500** | – |
| Loss/(profit) on disposal of property, plant and equipment | **94** | (11) |
| Rentals under operating leases | **74** | 74 |
| Net gain on disposal of property | **(3,325)** | – |
| Other non-recurring items (see below) | **1,325** | 924 |
| Share-based payments | **780** | 408 |
| Share-based payments – social security costs | **108** | 56 |
| Foreign exchange loss/ (profit) (including loss on forward currency contracts) | **121** | (66) |
| Fees payable to the Auditors for the audit of the Company and Consolidated Financial Statements | **65** | 80 |
| Fees payable to the Auditors and its associates for other services: | | |
| – The audit of the Company's subsidiaries pursuant to legislation | **167** | 172 |
| – Audit-related assurance services | **17** | 33 |
| – Tax compliance services | **71** | 69 |
| – Tax advisory services | **31** | 19 |

Non-recurring items:

The following items have been charged/(credited) to profit or loss during the year but are of an unusual nature, size or incidence and so are shown as non-recurring items.

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| Net gain on sale of property | **(3,325)** | – |
| Costs written off relating to both successful and abortive acquisitions | **270** | 65 |
| Restructuring and rationalisation costs | **593** | 1,014 |
| Impairment of freehold property and associated property, plant and equipment (see note 15) | **325** | – |
| Costs relating to rationalisation of publishing operations | **339** | – |
| Write down of print directories work in progress | **–** | 692 |
| Reduction in liability for deferred consideration | **(440)** | – |
| Termination costs of joint venture contract | **238** | – |
| Net profit from sale of businesses and subsidiaries | **–** | (847) |
| Total other non-recurring costs | **1,325** | 924 |

Restructuring and rationalisation costs comprise primarily redundancy and termination costs together with associated reorganisation costs.

## 6. Finance income and costs

| | Year ended 30 June 2013 £'000 | Year ended 30 June 2012 £'000 |
|---|---|---|
| Finance income comprises: | | |
| Bank interest receivable | **4** | 2 |
| Finance costs comprise: | | |
| Interest payable on bank loans and overdrafts | **(1,653)** | (1,967) |
| Facility fees | **(267)** | (248) |
| Write off of loan arrangement fee | **(247)** | (243) |
| Unwinding of the discount on the provisions for the future purchase of non-controlling interests (see note 22) | **(16)** | (188) |
| Unwinding of the discount on deferred consideration | **(77)** | (66) |
| | **(2,260)** | (2,712) |

## 7. Taxation

| | Year ended 30 June 2013 £'000 | Year ended 30 June 2012 £'000 |
|---|---|---|
| Current tax: | | |
| UK corporation tax at current rates on profits for the year | **2,382** | 2,208 |
| Adjustment in respect of previous years | **30** | (74) |
| | **2,412** | 2,134 |
| Foreign tax | **854** | 639 |
| Adjustment to foreign tax in respect of previous years | **(4)** | 52 |
| Total current tax | **3,262** | 2,825 |
| Deferred tax credit (see note 24) | **(1,469)** | (1,021) |
| Adjustment to deferred tax in respect of previous years (see note 24) | **(41)** | 15 |
| Effect on deferred tax of change in corporation tax rate (see note 24) | **(268)** | (545) |
| Total deferred tax | **(1,778)** | (1,551) |
| Taxation | **1,484** | 1,274 |

**7. Taxation** continued
Factors affecting the tax charge for the year:

The tax assessed is higher (2012: lower) than the average rate of corporation tax in the UK of 23.75% (2012: 25.5%) for the year ended 30 June 2013. The differences are explained below:

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| Profit before Tax | **5,116** | 6,328 |
| Profit multiplied by the average rate of corporation tax in the year of 23.75% (2012: 25.5%) | **1,215** | 1,614 |
| Tax effects of: | | |
| Depreciation and amortisation in excess of capital allowances | **124** | 241 |
| Impairment not allowable for tax | **1,069** | – |
| Foreign tax rate differences | **179** | 72 |
| Adjustment in respect of previous years | **26** | (7) |
| Profit on sale of businesses and subsidiaries on which no tax is payable | **–** | (229) |
| Profit on sale of property on which no tax is payable | **(790)** | – |
| Put option and deferred consideration discounts not deductible for tax | **4** | 65 |
| Other items not subject to tax | **(75)** | 63 |
| Effect on deferred tax of change of corporation tax rate from 24% to 23% (2012: 26% to 24%) | **(268)** | (545) |
| Taxation | **1,484** | 1,274 |

During the year, on 1 April 2013, the UK corporation tax rate was reduced from 24% to 23%. This change has been substantively enacted at the balance sheet date and, therefore, is included in these financial statements. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at 30 June 2013 have been calculated using a rate of 23% giving rise to a reduction in the net deferred tax liability of £268,000 (2012: £545,000). The Company's profits for this accounting year are taxed at an effective rate of 23.75%.

On 2 July 2013, the government has enacted a further reduction in the main rate of UK corporation tax to 21% by 1 April 2014 and to 20% by 1 April 2015. This future annual corporation tax reduction is expected to affect the Consolidated Financial Statements. The actual impact will depend on the Group's deferred tax position at that time.

**8. Discontinued operations**
During the year ended 30 June 2013 and in the comparative year, no operations were classified as discontinued operations.

**9. Dividends**
Amounts recognised as distributions to owners of the parent in the year:

| | **Year ended 30 June 2013 pence per share** | Year ended 30 June 2012 pence per share | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|---|---|
| Final dividends recognised as distributions in the year | **3.5** | 3.5 | **2,973** | 2,946 |
| Interim dividends recognised as distributions in the year | **3.5** | 3.5 | **2,974** | 2,945 |
| Total dividends paid | | | **5,947** | 5,891 |
| Final dividend proposed | **3.5** | 3.5 | **2,974** | 2,946 |

Wilmington



**10. Earnings per share**

Adjusted Earnings per Share has been calculated using adjusted earnings calculated as profit after taxation and non-controlling interests but before:

- amortisation of publishing rights, titles and benefits;
- impairment of goodwill;
- unwinding of the discount on deferred consideration;
- unwinding of the discount on the provisions for the future purchase of non-controlling interests;
- share-based payments; and
- non-recurring items (including net gain on disposal of property).

This reflects an amendment to the definition of Adjusted Profit to exclude the add back of amortisation of computer software to be in line with current market practice. Prior year comparatives have been restated.

The calculation of the basic and diluted earnings per share is based on the following data:

| | Year ended 30 June 2013 £'000 | Year ended 30 June 2012 £'000 restated |
|---|---|---|
| Earnings from continuing operations for the purpose of basic earnings per share | 3,537 | 4,884 |
| Add/(remove): | | |
| Amortisation of publishing rights, titles and benefits (net of non-controlling interest effect) | 6,105 | 5,252 |
| Impairment of goodwill | 4,500 | – |
| Net gain on disposal of property | (3,325) | – |
| Other non-recurring items | 1,325 | 924 |
| Share-based payments | 888 | 464 |
| Unwinding of the discount on the provisions for the future purchase of non-controlling interests | 16 | 188 |
| Unwinding of the discount on deferred consideration | 77 | 66 |
| Tax effect | (2,057) | (1,927) |
| Adjusted earnings for the purposes of adjusted earnings per share | 11,066 | 9,851 |

| | Number | Number |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic and adjusted earnings per share | 84,727,804 | 84,107,422 |
| Effect of dilutive potential ordinary shares: | | |
| Future exercise of share options | 1,992,729 | 2,611,551 |
| Deferred consideration to be settled by equity | 156,550 | – |
| Weighted average number of ordinary shares for the purposes of diluted and adjusted diluted earnings per share | 86,877,083 | 86,718,973 |
| Basic earnings per share | 4.17p | 5.81p |
| Diluted earnings per share | 4.07p | 5.63p |
| Adjusted basic earnings per share ("Adjusted Earnings Per Share") | 13.06p | 11.71p |
| Adjusted diluted earnings per share | 12.74p | 11.36p |

**11. Results of Wilmington Group plc**

Of the results for the year, a profit of £25,227,000 (2012: £3,782,000) relates to Wilmington Group plc, the Parent Company. Pursuant to Section 408 of the Companies Act 2006 the Company's own Income Statement and Statement of other Comprehensive Income are not presented separately in the Company Financial Statements, but they have been approved by the Board.

## 12. Acquisitions and disposals

**Business combinations**

In February 2013, the Group acquired the entire issued share capital of NHiS Limited for an initial cash consideration of £5.5m and a further deferred consideration of up to £3.75m subject to the business achieving challenging targets for the growth in underlying profit. The deferred consideration will be satisfied by issuing up to 1.5m new Wilmington Group plc shares in October 2016 dependent inter alia upon NHiS's audited future earnings for the years ended 30 June 2015 and 30 June 2016. The number of new Wilmington Group plc shares to be issued in October 2016 will be determined by reference to the average of the closing mid-market price on the preceding five business days.

NHiS has been in operation since 2007 and is a leading provider of business intelligence, data analysis, workflow tools and other services to pharmaceutical companies in the UK. Around 40% of its revenue is derived from subscriptions and the business has enjoyed high overall renewal rates as defined by customer spend in excess of 90%. Over 75% of NHiS revenue is delivered digitally.

The acquisition of NHiS is consistent with Wilmington's strategy of acquiring businesses with high repeat revenues and strong, cash generative income streams in the Group's key markets.

Details of the purchase consideration, the net assets acquired and goodwill for the acquisition are as follows:

| | £'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | 5,523 |
| Additional cash consideration to be paid | 81 |
| Deferred consideration – equity settled | 595 |
| Total purchase consideration | 6,199 |

The provisional fair values of assets and liabilities recognised as a result of this acquisition are as follows:

| | Provisional fair value £'000 |
|---|---|
| Customer relationships | 2,700 |
| Data | 1,010 |
| Brand | 187 |
| Other intangible assets | 407 |
| Total Intangible assets (see note 14) | 4,304 |
| Property, plant and equipment (see note 15) | 35 |
| Trade and other receivables (net of allowances) | 770 |
| Cash and cash equivalents | 547 |
| Subscriptions and deferred revenue | (909) |
| Trade and other payables | (792) |
| Net deferred tax liabilities | (1,047) |
| Net identifiable liabilities acquired | 2,908 |
| Provisional goodwill (see note 13) | 3,291 |
| Net assets acquired | 6,199 |

### 12. Acquisitions and disposals

**Business combinations** continued

In March 2013, the Group acquired the trading assets of Inese, the leading provider of information and events to the insurance industry in Spain, from Reed Business Information ("RBI") for a net consideration of €1.4m in cash.

Details of the purchase consideration, the net assets acquired and goodwill for the acquisition is as follows:

| | £'000 |
|---|---|
| Purchase consideration: | |
| Cash paid | 1,151 |
| Total purchase consideration | 1,151 |

The provisional fair values of assets and liabilities recognised as a result of this acquisition are as follows:

| | Provisional fair value £'000 |
|---|---|
| Customer relationships | 900 |
| Brand | 178 |
| Other intangible assets | 402 |
| Total Intangible assets (see note 14) | 1,480 |
| Trade and other receivables (net of allowances) | 749 |
| Subscriptions and deferred revenue | (927) |
| Trade and other payables | (151) |
| Net identifiable liabilities acquired | 1,151 |
| Provisional goodwill | – |
| Net assets acquired | 1,151 |

Acquisition-related costs of £215,000 have been recognised in the Income Statement as part of the non-recurring items for the two acquisitions.

The acquired businesses contributed revenues of £2,108,000 and profit before divisional overheads, tax and amortisation, of £681,000 to the Group for the period from their date of acquisition to 30 June 2013. If the acquisitions had occurred on 1 July 2012, consolidated revenue and consolidated adjusted profit before tax and amortisation for the twelve months ended 30 June 2013 would have been £88,450,000 and £15,876,000 respectively.

**Non-controlling interests acquired**

During the year, the Group acquired an additional 18.8% of the issued share capital of The Matchett Group Limited for £1,707,000, thus making it a wholly owned subsidiary.

**Disposals**

In January 2013, the Group sold its interest in its subsidiary Ark Group Australia Pty Limited for a nominal consideration.

### 13. Goodwill

| | £'000 |
|---|---|
| **Cost** | |
| At 1 July 2011 | 77,431 |
| Acquisitions | 250 |
| Change in provisions for the future purchase of non-controlling interests (see note 22) | (111) |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 27) | (171) |
| Revision to provisional fair value of prior year acquisition | (56) |
| At 1 July 2012 | 77,343 |
| Acquisitions (see note 12) | 3,291 |
| Exchange translation differences | – |
| Change in provisions for the future purchase of non-controlling interests (see note 22) | (99) |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 27) | (3) |
| **At 30 June 2013** | **80,532** |
| **Accumulated impairment** | |
| At 1 July 2011 and 1 July 2012 | 2,750 |
| Charge for the year | 4,500 |
| **At 30 June 2013** | **7,250** |
| **Net book amount** | |
| **At 30 June 2013** | **73,282** |
| At 30 June 2012 | 74,593 |
| At 1 July 2011 | 74,681 |

The £4.5m (2012: £nil) impairment charge for the year relates to Wilmington Professional Publishing (''WPP"), a legacy print directories, charities, film and television business included within the Business Intelligence operating segment, which has experienced significant challenges including the transition from print and advertising based information to digital services.

The Group tests goodwill annually for impairment. The recoverable amount of the goodwill is determined from value in use calculations for each cash generating unit ("CGU"). These calculations use pre-tax cash flow projections based on financial budgets and forecasts approved by the Board covering a three year period. Cash flows beyond the three year period are extrapolated using estimated long-term growth rates.

Key assumptions for the value in use calculations are those regarding discount rates, cash flow forecasts and long-term growth rates. Management has used a pre-tax discount rate of 12.3% (2012: 11.1%) across all CGUs except for the WPP CGU which had a pre-tax discount rate of 13.3% (2012: 11.1%) to reflect the greater market challenges and risks. These pre-tax discount rates reflect current market assessments for the time value of money and the risks associated with the CGUs as the Group manages its treasury function on a Group-wide basis. The same discount rate has been used for all CGUs except WPP, as the Directors believe that the risks are the same for each CGU. The long-term growth rates used are based on management's expectations of future changes in the markets for each CGU and are 2.00% (2012: 1.25%).

Management has performed sensitivity analyses on all impairment calculations, for all CGU's except WPP, by reducing the growth rates by 1% and by increasing the pre-tax discount rate to 14.3%. These scenarios individually would not give rise to a further impairment charge.

For WPP, management performed individual sensitivity analyses by:

- increasing the discount rate by 1.0% to 14.3%;
- reducing the long-term growth rate by 1.0%;
- reducing the forecast cash flows by 5.0%.

The result of these revised tests individually, would be a further impairment of between £0.7m and £2.0m.

### 14. Intangible assets

| | Group | | | Company |
|---|---|---|---|---|
| | Publishing rights, titles and benefits £'000 | Computer software £'000 | Total £'000 | Computer software £'000 |
| **Cost** | | | | |
| At 1 July 2011 | 59,914 | 3,288 | 63,202 | 554 |
| Additions | 13 | 1,064 | 1,077 | 52 |
| Acquisitions | 377 | – | 377 | – |
| Sale of subsidiary undertakings | – | (184) | (184) | – |
| Disposals | (909) | (3) | (912) | (47) |
| At 1 July 2012 | 59,395 | 4,165 | 63,560 | 559 |
| Additions | 262 | 764 | 1,026 | 28 |
| Acquisitions (see note 12) | 5,784 | – | 5,784 | – |
| Exchange translation differences | 21 | – | 21 | – |
| **At 30 June 2013** | **65,462** | **4,929** | **70,391** | **587** |
| **Accumulated amortisation** | | | | |
| At 1 July 2011 | 24,770 | 2,216 | 26,986 | 417 |
| Charge for year | 5,256 | 790 | 6,046 | 100 |
| Sale of subsidiary undertakings | – | (121) | (121) | – |
| Disposals | (873) | – | (873) | (47) |
| At 1 July 2012 | 29,153 | 2,885 | 32,038 | 470 |
| Charge for year | 6,105 | 755 | 6,860 | 55 |
| **At 30 June 2013** | **35,258** | **3,640** | **38,898** | **525** |
| **Net book amount** | | | | |
| **At 30 June 2013** | **30,204** | **1,289** | **31,493** | **62** |
| At 30 June 2012 | 30,242 | 1,280 | 31,522 | 89 |
| At 1 July 2011 | 35,144 | 1,072 | 36,216 | 137 |

The amortisation charge for the year includes an accelerated amortisation charge of £748,000 to reflect a reduction in the useful life of the Group's legacy print businesses.

### 15. Property, plant and equipment

| Group | Freehold property £'000 | Long leasehold property £'000 | Short leasehold property £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| At 1 July 2011 | 4,073 | 3,999 | 151 | 4,369 | 5,040 | 369 | 18,001 |
| Additions | – | – | 5 | 423 | 329 | 195 | 952 |
| Acquisitions | – | – | – | – | 13 | – | 13 |
| Sale of subsidiary undertakings | – | – | – | – | (34) | – | (34) |
| Disposals | – | – | – | (173) | (4) | (95) | (272) |
| Transfer to assets held for sale | (1,022) | – | – | (1,474) | – | – | (2,496) |
| Exchange translation differences | – | – | (8) | (5) | (24) | – | (37) |
| At 1 July 2012 | 3,051 | 3,999 | 148 | 3,140 | 5,320 | 469 | 16,127 |
| Additions | – | – | 22 | 550 | 528 | 117 | 1,217 |
| Acquisitions (see note 12) | – | – | – | 23 | 12 | – | 35 |
| Sale of subsidiary undertakings | – | – | – | (70) | – | – | (70) |
| Disposals | – | – | (31) | (843) | (2,000) | (112) | (2,986) |
| Transfer to assets held for sale | (1,049) | (44) | – | (45) | (34) | – | (1,172) |
| Exchange translation differences | – | – | 10 | 10 | 27 | – | 47 |
| **At 30 June 2013** | **2,002** | **3,955** | **149** | **2,765** | **3,853** | **474** | **13,198** |
| **Accumulated depreciation** | | | | | | | |
| At 1 July 2011 | 565 | 1,725 | 101 | 3,307 | 4,401 | 126 | 10,225 |
| Charge for the year | 49 | 175 | 2 | 447 | 251 | 101 | 1,025 |
| Sale of subsidiary undertakings | – | – | – | – | (34) | – | (34) |
| Disposals | – | – | – | (157) | (5) | (66) | (228) |
| Transfer to assets held for sale | (276) | – | – | (1,332) | – | – | (1,608) |
| Exchange translation differences | – | – | (2) | (1) | (22) | – | (25) |
| At 1 July 2012 | 338 | 1,900 | 101 | 2,264 | 4,591 | 161 | 9,355 |
| Charge for the year | 65 | 161 | 2 | 341 | 369 | 105 | 1,043 |
| Impairment | 258 | 37 | | 24 | 6 | – | 325 |
| Sale of subsidiary undertakings | – | – | – | (68) | – | – | (68) |
| Disposals | – | – | (29) | (789) | (2,000) | (76) | (2,894) |
| Transfer to assets held for sale | (391) | (44) | – | (45) | (34) | – | (514) |
| Exchange translation differences | – | – | 9 | 4 | 29 | – | 42 |
| **At 30 June 2013** | **270** | **2,054** | **83** | **1,731** | **2,961** | **190** | **7,289** |
| **Net book amount** | | | | | | | |
| **At 30 June 2013** | **1,732** | **1,901** | **66** | **1,034** | **892** | **284** | **5,909** |
| At 30 June 2012 | 2,713 | 2,099 | 47 | 876 | 729 | 308 | 6,772 |
| At 1 July 2011 | 3,508 | 2,274 | 50 | 1,062 | 639 | 243 | 7,776 |

Included in freehold property is £970,000 (2012: £970,000) of non-depreciated land.
Depreciation of property, plant and equipment is charged to operating expenses within the Income Statement.

**15. Property, plant and equipment** continued

| Company | Long leasehold property £'000 | Short leasehold property £'000 | Fixtures and fittings £'000 | Computer equipment £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 July 2011 | 2,789 | 31 | 42 | 171 | 3,033 |
| Additions | – | – | – | 5 | 5 |
| Disposals | – | – | – | (27) | (27) |
| At 1 July 2012 | 2,789 | 31 | 42 | 149 | 3,011 |
| Disposals | – | (31) | (8) | – | (39) |
| **At 30 June 2013** | **2,789** | **–** | **34** | **149** | **2,972** |
| **Accumulated depreciation** | | | | | |
| At 1 July 2011 | 1,423 | 29 | 36 | 123 | 1,611 |
| Charge for the year | 137 | 2 | 2 | 25 | 166 |
| Disposals | – | – | – | (8) | (8) |
| At 1 July 2012 | 1,560 | 31 | 38 | 140 | 1,769 |
| Charge for the year | 142 | – | 1 | 4 | 147 |
| Disposals | – | (31) | (5) | – | (36) |
| **At 30 June 2013** | **1,702** | **–** | **34** | **144** | **1,880** |
| **Net book amount** | | | | | |
| **At 30 June 2013** | **1,087** | **–** | **–** | **5** | **1,092** |
| At 30 June 2012 | 1,229 | – | 4 | 9 | 1,242 |
| At 1 July 2011 | 1,366 | 2 | 6 | 48 | 1,422 |

**Non-current assets held for sale**

During the year, the Group made a decision to sell one of its freehold properties. This property is currently being marketed and is expected to be sold for a value close to its book value. The property, together with associated fixtures and fittings, is shown as held for sale at the year end.

Non-current assets held for sale comprise:

| | **30 June 2013 £'000** | 30 June 2012 £'000 |
|---|---|---|
| Freehold property | **657** | 746 |
| Fixtures and fittings | **–** | 142 |
| | **657** | 888 |

**16. Investments in subsidiaries**

| Company | Shares in subsidiary undertakings £'000 |
|---|---|
| Cost less provision at 1 July 2011 | 43,621 |
| Transfer of investment in subsidiaries to one of its subsidiaries | (1,976) |
| Share-based payments made on behalf of subsidiaries | 264 |
| Cost less provision at 1 July 2012 | 41,909 |
| Acquisitions (see note 12) | 6,199 |
| Share-based payments made on behalf of subsidiaries | 483 |
| **Cost less provision at 30 June 2013** | **48,591** |

During the year, Wilmington Group Plc transferred at book value its investments in its subsidiaries to Wilmington Holdings No 1 Limited, a newly formed company. Wilmington Group Plc owns 100% of Wilmington Holdings No 1 Limited.

The table below gives brief details of the Group's principal operating subsidiaries at 30 June 2013. All have ordinary share capital and a year end of 30 June. Except where indicated, all of the principal subsidiaries were incorporated in and principally operated in Great Britain. Subsidiaries marked (*) are indirectly owned.

The Group comprises a large number of entities and it is not practical to include all of them in this list. The list therefore includes only those entities that have a significant impact on the revenue, profit or assets of the Group. A full list of subsidiaries will be annexed to the Company's next annual return filed with the Registrar of Companies.

| Name of company | Business | Percentage owned |
|---|---|---|
| **Training & Events** | | |
| Adkins, Matchett & Toy (Hong Kong) Limited* (incorporated and operates in Hong Kong) | Provision of professional training | 100 |
| Adkins & Matchett (UK) Limited* | Provision of professional training | 100 |
| Adkins, Matchett & Toy Limited* (incorporated and operates in the USA) | Provision of professional training | 100 |
| APM International SAS* (incorporated and operates in France) | News information services to the healthcare industry | 100 |
| APM Media SARL* (incorporated and operates in France) | News information services to the healthcare industry | 100 |
| Ark Conferences Limited* | Provision of information and events for professional practice management | 100 |
| Ark Group Inc* (incorporated and operates in the USA) | Provision of information and events for professional practice management | 100 |
| Ark Group Limited* | Holding company | 100 |
| Ark Singapore Pty Limited* (incorporated and operates in Singapore) | Provision of information and events for professional practice management | 100 |
| Axco Insurance Information Services Limited* | Provision of international compliance and regulatory information for the global insurance industry | 100 |
| Bond Solon Training Limited* | Witness training and conferences | 100 |
| CLT International Limited* | Certified professional training | 100 |
| Central Law Training Limited* | Professional education, post qualification training and legal conferences | 100 |
| Central Law Training (Scotland) Limited* | Professional education, post qualification training and legal conferences | 80 |
| International Company Profile FZ LLC* (Middle East) (incorporated and operates in Dubai) | Provision of financial information | 100 |
| International Compliance Training Limited* | Training courses in international compliance and money laundering | 100 |
| International Compliance Training (Singapore) Limited* (incorporated and operates in Singapore) | Training courses in international compliance and money laundering | 100 |
| International Compliance Training (Middle East) LLC* (incorporated and operates in UAE) | Training courses in international compliance and money laundering | 100 |
| John Matchett Limited* | Provision of professional training and support services | 100 |
| La Touche Bond Solon Training Limited* (incorporated and operates in Ireland) | Witness and post qualification legal training | 100 |

| Name of company | Business | Percentage owned |
|---|---|---|
| Mercia Group Limited* | Training and support services to the accountancy profession | 100 |
| Mercia Ireland Limited* (incorporated and operates in Ireland) | Training and support services to the accountancy profession | 60 |
| Mercia NI Limited* (incorporated and operates in Northern Ireland) | Training and support services to the accountancy profession | 60 |
| NHiS Limited | Provision of business intelligence, data analysis, workflow tools and other services to the healthcare industry | 100 |
| Pendragon Professional Information Limited* | Provision of information for professionals in the pensions industry | 100 |
| Practice Track Limited* | Marketing support services for the accountancy profession | 100 |
| Quorum Training Limited* | Financial training courses | 100 |
| Smee and Ford Limited* | Provision of legacy information | 100 |
| The Matchett Group Limited* | Provision of professional training | 100 |
| Wilmington Business Information Limited | Holding company | 100 |
| Wilmington Healthcare Limited* | Provision of reference information to the healthcare industry | 100 |
| Wilmington Holdings No 1 Limited | Holding company | 100 |
| Wilmington Inese SL (incorporated and operates in Spain) * | Provision of Spanish language subscription based publications | 100 |
| Wilmington Millennium Limited* | Provision of legacy information | 82.5 |
| Wilmington Publishing & Information Limited * | Provision of information and events for professional markets | 100 |
| Wilmington Shared Services Limited* | Provision of shared services | 100 |
| Wilmington Training & Events Limited * | Holding company | 100 |

Wilmington Training & Events Limited owns 80% of Central Law Training (Scotland) Limited. Mercia Group Limited owns 60% of Mercia NI Limited and Mercia Ireland Limited. Wilmington Publishing & Information owns 82.5% of Wilmington Millennium Limited. During the year, Wilmington Training & Events Limited acquired additional shares in The Matchett Group Limited increasing its stake to 100%.

### 17. Inventories

| | Group | |
|---|---|---|
| | **30 June 2013 £'000** | 30 June 2012 £'000 |
| Raw materials | **6** | 11 |
| Work in progress | **8** | 20 |
| Finished goods - books for resale | **40** | 28 |
| | **54** | 59 |

### 18. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2013 £'000** | 30 June 2012 £'000 | **30 June 2013 £'000** | 30 June 2012 £'000 |
| **Current** | | | | |
| Trade receivables | **17,211** | 15,772 | **–** | – |
| Other receivables | **1,968** | 1,116 | **4** | – |
| Prepayments and accrued income | **2,146** | 3,222 | **84** | 426 |
| | **21,325** | 20,110 | **88** | 426 |
| **Non-current** | | | | |
| Amounts due from subsidiaries | **–** | – | **70,169** | 71,844 |
| | **21,325** | 20,110 | **70,257** | 72,270 |

Amounts due from subsidiaries are interest free, unsecured and are not due for repayment within 12 months of the balance sheet date.

### 19. Derivative financial liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2013 £'000** | 30 June 2012 £'000 | **30 June 2013 £'000** | 30 June 2012 £'000 |
| **Current liabilities** | | | | |
| Forward currency contracts | **(63)** | (26) | **(63)** | (6) |
| **Non current liabilities** | | | | |
| Interest rate swaps | **(1,096)** | (1,446) | **(1,096)** | (1,446) |

Details of these derivative financial liabilities are set out in note 23.

### 20. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2013 £'000** | 30 June 2012 £'000 | **30 June 2013 £'000** | 30 June 2012 £'000 |
| Trade payables | **3,995** | 3,409 | **–** | – |
| Other payables | **2,623** | 2,377 | **218** | 1,001 |
| Social security and other taxes | **3,591** | 3,240 | **–** | 69 |
| Subscriptions and deferred revenue | **18,563** | 17,310 | **–** | – |
| Accruals | **10,482** | 9,216 | **1,380** | 1,060 |
| Amounts due to subsidiaries | **–** | – | **1,601** | 17 |
| | **39,254** | 35,552 | **3,199** | 2,147 |

Amounts due to subsidiaries are interest free, unsecured and repayable on demand.

### 21. Bank loans and overdrafts

| | Group | | Company | |
|---|---|---|---|---|
| | **30 June 2013 £'000** | 30 June 2012 £'000 | **30 June 2013 £'000** | 30 June 2012 £'000 |
| **Current liability** | | | | |
| Bank overdrafts | **890** | 2,159 | **8,530** | 9,227 |
| **Non-current liability** | | | | |
| Bank loans | **40,286** | 38,000 | **20,286** | 38,000 |
| Facility fees | **(535)** | (782) | **(535)** | (782) |
| Bank loans net of facility fees | **39,751** | 37,218 | **19,751** | 37,218 |

Details of the Group's bank facilities are set out in note 23.

### 22. Provisions for future purchase of non-controlling interests

| | Group | |
|---|---|---|
| | Current provisions £'000 | Non current provisions £'000 |
| At 1 July 2011 | – | 1,896 |
| Unwinding of discount (see note 6) | – | 188 |
| Change in value of existing provisions (see note 13) | – | (111) |
| Non-current provisions that became current | 1,808 | (1,808) |
| At 1 July 2012 | 1,808 | 165 |
| Amounts paid in respect of acquisitions of non-controlling interests | (1,707) | – |
| Unwinding of discount (see note 6) | – | 16 |
| Change in value of existing provisions (see note 13) | (101) | 2 |
| **At 30 June 2013** | **–** | **183** |

Provisions represent the estimated future cost (discounted to reflect the time value of money) required to settle put options held by non-controlling shareholders over non-controlling interest shares, should the put options be exercised.

The actual settlement timing and value is dependent upon when (and if) the non-controlling shareholders choose to exercise their options and the profitability of the underlying companies at the date of exercise. For the purposes of estimating the above provision, it has been assumed that put options are exercised at the first available opportunity.

**23. Financial Instruments and risk management**
The Group's financial instruments arise from its operations (for example, trade receivables and trade payables) from the financing of its operations (for example, loans and borrowings and equity) and from its risk management activities (for example, interest rate swaps and forward currency contracts). The risks to which the Group is exposed include interest rate risk, foreign currency risk, liquidity and capital risk, and credit risk.

This note expands on the summary information provided in the Treasury Policy section of the Financial Review.

**Interest rate risk**
Risk
The Group financing arrangements include external debt that is subject to a variable interest rate. The Group is consequently exposed to cash flow volatility arising from fluctuations in market interest rates applicable to that external finance. In particular, interest is charged on the £40m (2012: £37m) amount drawn down on the revolving credit facility (see below) at a rate of between 2.00 and 2.75 per cent above LIBOR depending upon leverage. Cash flow volatility therefore arises from movements in the LIBOR interest rates.

Group policy
The Group policy is to enter into interest rate swap contracts to maintain the ratio of fixed to variable rate debt at a level that achieves a reasonable cost of debt whilst reducing the exposure to cash flow volatility arising from fluctuations in market interest rates.

Risk management arrangements
The Group's interest rate swap contracts offset part of its variable interest payments and replace them with fixed payments. In particular, the Group has hedged its exposure to the LIBOR part of the interest rate for a £35m portion of the loan facility via two interest rate swaps, as follows:

- A 5 year £15m interest rate swap commencing on 21 November 2011, whereby the Group receives interest on £15m based on the LIBOR rate and is paid interest on £15m at a fixed rate of 2.68%; and

- A 3 year £10m interest rate swap commencing on 21 November 2011, whereby the Group receives interest on £10m based on the LIBOR rate and is paid interest on £10m at a fixed rate of 2.12%.

These derivatives have been designated as a cash flow hedge for accounting purposes. The net settlement of interest on the interest rate swap, which comprises a variable rate interest receipt and a fixed rate interest payment, is recorded in interest expense in the income statement and so is matched against the corresponding variable rate interest payment on the revolving credit facility. The derivatives are re-measured at fair value at each reporting date. This gives rise to a gain or loss, the entire amount of which is recognised in equity following the Directors' assessment of the hedge's effectiveness.

Sensitivity analysis
The Group has performed a sensitivity analysis that measures the estimated charge to the Income Statement and equity arising from a 1% increase in market interest rates applicable at 30 June 2013, with all other variables remaining constant. The sensitivity analysis makes the following assumptions:

a) Changes in market interest rates only affect interest income or expense of variable financial instruments.

b) Changes in market interest rates only affect interest income or expense in relation to financial instruments with fixed interest rates if they are recognised at fair value.

c) Changes in market interest rates do not affect the fair value of derivative financial instruments designated as hedging instruments and all interest rate hedges are expected to be highly effective.

**23. Financial Instruments and risk management continued**
Sensitivity analysis continued

| | Income Statement 100 bps Increase £'000 | Equity (before tax) 100 bps Increase £'000 |
|---|---|---|
| Variable rate debt | (141) | – |
| Interest rate swap | – | 560 |
| | (141) | 560 |

**Foreign currency risk**
Risk
The currency of the primary economic environment in which the Group operates is Sterling, and this is also the currency in which the Group presents its Financial Statements. However, the Group has significant Euro and US dollar cash flows arising from international trading and overseas operations. The Group is consequently exposed to cash flow volatility arising from fluctuations in the applicable exchange rates for converting Euros and US dollars to Sterling.

Group policy
The Group policy is to fix the exchange rate in relation to a periodically reassessed set percentage of expected Euro and US dollar net cash inflows arising from international trading, by entering into foreign currency contracts to sell a specified amount of Euros or US dollars on a specified future date at a specified exchange rate. This set percentage is approved by the Board as part of the budgeting procedures.

The Group policy is to finance investment in overseas operations from borrowings in the local currency of the relevant operation, so as to achieve a natural hedge of the foreign currency translation risk.

**Risk management arrangements**
On 12 March 2012, the Group sold forward US$0.5m to 30 November 2012 at a rate of 1.5614. On 15 March 2012, the Group sold forward a total of US$3.5m at rates between 1.5290 and 1.5860 which are determined on 3 dates ("the expiry dates") between 28 September 2012 and 27 March 2013. These contracts were entered into in order to provide certainty in Sterling terms of the Group's net US dollar income.

On 12 December 2012, the Group sold forward €0.6m to 28 June 2013 at a rate of 1.2395. This contract was entered into in order to provide certainty in Sterling terms of the Group's net Euro income.

On 22 April 2013, the Group sold forward $1.0m to 10 December 2013 at a rate of 1.5248. On 20 June 2013, the Group sold forward $2.0m to 31 October 2013 at a rate of 1.545, $1.0m to 28 February 2014 at a rate of 1.5419, and $2.5m to 31 March 2014 at a rate of 1.5417. These contracts were entered into in order to provide certainty in Sterling terms of 80% of the Group's net US dollar income.

On 28 June 2013, the Group sold forward €0.5m to 30 September 2013 at a rate of 1.1673, €1.5m to 30 September 2013 at a rate of 1.1673,€1.0m to 29 November 2013 at a rate of 1.1664, and €0.5m to 28 February 2014 at a rate of 1.1655. These contracts were entered into in order to provide certainty in Sterling terms of 80% of the Group's net Euro income.

The above derivatives are re-measured at fair value at each reporting date. This gives rise to a gain or loss, the entire amount of which is recognised in the Income Statement.

The Group purchased, on 1 March 2013, the business and assets of Inese, an operation in Spain. The Group financed this acquisition via a €1.5m drawdown on the Group's multi-currency revolving loan facility (see below). This debt has been designated as a currency hedge of a net investment in a foreign operation for accounting purposes. It is translated into Sterling at each reporting date, which gives rise to a gain or loss, the entire amount of which is recognised in equity following the Directors' assessment of the hedge's effectiveness.

**23. Financial Instruments and risk management continued**

Sensitivity analysis continued

The Group has performed a sensitivity analysis that measures the estimated charge to the Income Statement and equity arising from a 10% difference in the US Dollar to Sterling and Euro to Sterling exchange rates applicable at 30 June 2013, with all other variables remaining constant. The sensitivity analysis makes the assumption that changes in foreign currency rates only affect income, expense, assets and liabilities that are denominated in the relevant currencies.

| | Income Statement | | Equity (before tax) | |
|---|---|---|---|---|
| | +10% £'000 | -10% £'000 | +10% £'000 | -10% £'000 |
| Cash and cash equivalents | (249) | 249 | (528) | 528 |
| Trade receivables | – | – | (283) | 283 |
| Trade payables | – | – | 461 | (461) |
| Foreign exchange impact on profit | (278) | 278 | (278) | 278 |
| | (527) | 527 | (628) | 628 |

**Liquidity and capital risk**

Risk

The Group has historically expanded its operations both organically and via acquisition, financed partly by retained profits but also via external finance. As well as financing cash outflows, the Group's activities give rise to working capital obligations and other operational cash outflows. The Group is consequently exposed to the risk that it cannot meet its obligations as they fall due, or can only meet them at an uneconomic price.

Group policy

The Group policy is to preserve a strong capital base in order to maintain investor, creditor and market confidence and to safeguard the future development of the business, but also to balance these objectives with the efficient use of capital. The Group has, in previous years, made purchases of its own shares (see note 25) whilst taking into account the availability of credit.

Risk management arrangements

The Group ensures its liquidity is maintained by entering into short, medium and long-term financial instruments to support operational and other funding requirements. The Group determines its liquidity requirements by the use of short and long-term cash forecasts.

The Group has an unsecured committed bank facility of £65m (2012: £65m) to February 2016. The facility currently comprises a revolving credit facility of £60m (2012: £60m) and an overdraft facility of £5m (2012: £5m). At 30 June 2013, £40m of the revolving credit facility was drawn down (2012: £38m). Interest is charged on the amount drawn down at between 2.00 and 2.75 per cent above LIBOR depending upon leverage, and drawdowns are made for periods of up to six months in duration. Interest is charged on the overdraft facility at 2.25% above the Barclays bank base rate. The Group has complied at all times with the covenant requirements of the bank facility arrangement.

The Group had available undrawn committed bank facilities as follows:

| | **30 June 2013 £'000** | 30 June 2012 £'000 |
|---|---|---|
| Expiring within one year | **–** | – |
| Expiring after more than one year | **19,714** | 22,000 |
| | **19,714** | 22,000 |

The following tables provide a maturity analysis of the remaining contractually agreed cash flows for the Group's non-derivative financial liabilities on an undiscounted basis, which therefore differ from the carrying value and fair value.

**23. Financial Instruments** continued

**Group**

| **At 30 June 2013** | **Within 1 Year £'000** | **1 – 2 Years £'000** | **2 – 5 Years £'000** | **More than 5 Years £'000** | **Total £'000** |
|---|---|---|---|---|---|
| Bank overdrafts | **890** | **–** | **–** | **–** | **890** |
| Bank loans including interest | **1,108** | **1,108** | **41,025** | **–** | **43,241** |
| Trade payables and accruals | **17,100** | **–** | **–** | **–** | **17,100** |
| Provisions for future purchase of non-controlling interests | **–** | **183** | **–** | **–** | **183** |
| | **19,098** | **1,291** | **41,025** | **–** | **61,414** |

| At 30 June 2012 | Within 1 Year £'000 | 1 – 2 Years £'000 | 2 – 5 Years £'000 | More than 5 Years £'000 | Total £'000 |
|---|---|---|---|---|---|
| Bank overdrafts | 2,159 | – | – | – | 2,159 |
| Bank loans including interest | 2,220 | 2,220 | 41,700 | – | 46,140 |
| Trade payables and accruals | 15,002 | – | – | – | 15,002 |
| Provisions for future purchase of non-controlling interests | 1,808 | 100 | 89 | – | 1,997 |
| | 21,189 | 2,320 | 41,789 | – | 65,298 |

**Company**

| **At 30 June 2013** | **Within 1 Year £'000** | **1 – 2 Years £'000** | **2 – 5 Years £'000** | **More than 5 Years £'000** | **Total carrying amount £'000** |
|---|---|---|---|---|---|
| Bank overdrafts | **8,530** | **–** | **–** | **–** | **8,530** |
| Bank loans including interest | **558** | **558** | **20,658** | **–** | **21,774** |
| Trade payables, accruals and amounts due to subsidiary undertakings | **3,199** | **–** | **–** | **–** | **3,199** |
| | **12,287** | **558** | **20,658** | **–** | **33,503** |

| At 30 June 2012 | Within 1 Year £'000 | 1 – 2 Years £'000 | 2 – 5 Years £'000 | More than 5 Years £'000 | Total carrying amount £'000 |
|---|---|---|---|---|---|
| Bank overdrafts | 9,227 | – | – | – | 9,227 |
| Bank loans including interest | 2,220 | 2,220 | 41,700 | – | 46,140 |
| Trade payables, accruals and amounts due to subsidiary undertakings | 2,078 | – | – | – | 2,078 |
| | 13,525 | 2,220 | 41,700 | – | 57,445 |

The Company has entered into an unlimited cross guarantee with the Group's bankers (see note 28).

**23. Financial Instruments** continued

**Credit Risk**

Risk

The Group's principal financial assets are receivables and bank balances. The Group is consequently exposed to the risk that its customers or the bank cannot meet their obligations as they fall due.

Group policy

The Group policy is that the lines of business assess the creditworthiness and financial strength of customers at inception and on an ongoing basis. The Group also reviews the credit rating of the bank.

Risk management arrangements

The Group's credit risk is primarily attributable to its trade receivables. However, the Group has no significant exposure to credit risk because its trading is spread over a large number of customers. The payment terms offered to customers take into account the assessment of their creditworthiness and financial strength, and they are set in accordance with industry standards.

The amounts presented in the Balance Sheet are net of allowances for bad and doubtful receivables estimated by management based on prior experience and their assessment of the current economic value.

Set out below is an analysis of the Group's trade receivables by due date prior to impairment.

| | Not due £'000 | 0 – 30 days £'000 | 30 – 60 days £'000 | Over 60 days £'000 | Total £'000 | Allowances £'000 | Net £'000 |
|---|---|---|---|---|---|---|---|
| **At 30 June 2013** | **9,644** | **3,655** | **1,883** | **2,972** | **18,154** | **(943)** | **17,211** |
| At 30 June 2012 | 8,114 | 4,433 | 1,691 | 2,817 | 17,055 | (1,283) | 15,772 |

Receivables within the 0-30 days category or above are past due, but the Group considers them to be collectable and not impaired except where specifically provided for.

Set out below is the movement for the year in the allowance for bad and doubtful debts relating to trade receivables.

| | **30 June 2013 £'000** | 30 June 2012 £'000 |
|---|---|---|
| Allowances at 1 July 2012 | **1,283** | 694 |
| Additions charged to Income Statement | **182** | 180 |
| Allowances made in respect of acquisitions | **(198)** | 462 |
| Allowances used | **(107)** | (8) |
| Allowances reversed | **(217)** | (45) |
| Allowances at 30 June 2013 | **943** | 1,283 |

**23. Financial Instruments** continued

**Fair value of financial assets and financial liabilities**

The table below sets out the accounting classification and the carrying and fair values of all of the Group's financial assets and financial liabilities. The carrying value and fair value are equal in all cases. None of the financial instruments have been reclassified during the year.

**Group**

| At 30 June 2013 | Fair value through profit and loss £'000 | Loans and receivables £'000 | Financial instruments designated for hedging £'000 | Amortised cost £'000 | Other £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | – | 7,803 | – | – | – | 7,803 |
| Trade and other receivables | – | 19,179 | – | – | – | 19,179 |
| | – | 26,982 | – | – | – | 26,982 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | – | – | – | (17,100) | – | (17,100) |
| Bank overdrafts | – | – | – | (890) | – | (890) |
| Borrowings due after more than one year | – | – | (1,167) | (38,584) | – | (39,751) |
| Interest rate swaps | – | – | (1,096) | – | – | (1,096) |
| Forward currency contracts | (63) | – | – | – | – | (63) |
| Put options for non-controlling interests | – | – | – | – | (183) | (183) |
| | (63) | – | (2,263) | (56,574) | (183) | (59,083) |

| At 30 June 2012 | Fair value through profit and loss £'000 | Available for sale £'000 | Loans and receivables £'000 | Derivatives used for hedging £'000 | Other financial liabilities £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | – | 3,954 | – | – | – | 3,954 |
| Trade and other receivables | – | 16,888 | – | – | – | 16,888 |
| | – | 20,842 | – | – | – | 20,842 |
| **Financial liabilities** | | | | | | |
| Trade and other payables | – | – | – | (15,002) | – | (15,002) |
| Bank overdrafts | – | – | – | (2,159) | – | (2,159) |
| Borrowings due after more than one year | – | – | – | (37,218) | – | (37,218) |
| Interest rate swaps | – | – | (1,446) | – | – | (1,446) |
| Forward currency contracts | (26) | – | – | – | – | (26) |
| Put options for non-controlling interests | – | – | – | – | (1,973) | (1,973) |
| | (26) | – | (1,446) | (54,379) | (1,973) | (57,824) |

**23. Financial Instruments** continued

**Company**

| At 30 June 2013 | Fair value through profit and loss £'000 | Loans and receivables £'000 | Financial instruments designated for hedging £'000 | Amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | – | 47 | – | – | 47 |
| Trade and other receivables | – | 70,169 | – | – | 70,169 |
| | – | 70,216 | – | – | 70,216 |
| **Financial liabilities** | | | | | |
| Trade and other payables | – | – | – | (3,199) | (3,199) |
| Bank overdrafts | – | – | – | (8,530) | (8,530) |
| Borrowings due after more than one year | – | – | – | (19,751) | (19,751) |
| Interest rate swaps | – | – | (1,096) | – | (1,096) |
| Forward currency contracts | (63) | – | – | – | (63) |
| | (63) | – | (1,096) | (31,480) | (32,639) |

| At 30 June 2012 | Fair value through profit and loss £'000 | Loans and receivables £'000 | Financial instruments designated for hedging £'000 | Amortised cost £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and cash equivalents | – | 1 | – | – | 1 |
| Trade and other receivables | – | 71,844 | – | – | 71,844 |
| | – | 71,845 | – | – | 71,845 |
| **Financial liabilities** | | | | | |
| Trade and other payables | – | – | – | (1,534) | (1,534) |
| Bank overdrafts | – | – | – | (9,227) | (9,227) |
| Borrowings due after more than one year | – | – | – | (37,218) | (37,218) |
| Interest rate swaps | – | – | (1,446) | – | (1,446) |
| Forward currency contracts | (6) | – | – | – | (6) |
| | (6) | – | (1,446) | (47,979) | (49,431) |

The 'Put options for non-controlling interests' refers to options between the non-controlling interest holders of subsidiaries and the Group. The options require the Group to purchase a non-controlling shareholding in accordance with its contractual obligation. The liability represents the costs to the Group of buying out these non-controlling interests should the put options be exercised by the non-controlling shareholders. The valuation upon exercise is dependent on the performance of the subsidiary undertakings at the date the options are exercised.

**23. Financial Instruments** continued

**Fair value measurement**

The methods and assumptions used to estimate the fair values of financial assets and liabilities are as follows:

- The carrying amount of trade receivables and payables approximates to fair value due to the short maturity of the amounts receivable and payable.
- The fair value of the Group's borrowings are estimated on the basis of the discounted value of future cash flows using approximate discount rates in effect at the balance sheet date.
- The fair value of the Group's outstanding interest rate swaps, foreign exchange contracts and put options for non-controlling interest are estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

The table below analyses financial instruments measured at fair value via a valuation method. The different levels have been defined as:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

**Group**

| **At 30 June 2013** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities at fair value through income or Expense | | | | |
| – Trading derivatives at fair value through the Income Statement | **–** | **63** | **–** | **63** |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | **–** | **1,096** | **–** | **1,096** |
| **Total liabilities** | **–** | **1,159** | **–** | **1,159** |

| At 30 June 2012 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities at fair value through income or Expense | | | | |
| – Trading derivatives at fair value through the Income Statement | – | 26 | – | 26 |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | – | 1,446 | – | 1,446 |
| **Total liabilities** | – | 1,472 | – | 1,472 |

**Company**

| At 30 June 2013 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities at fair value through income or Expense | | | | |
| – Trading derivatives at fair value through the Income Statement | **–** | **63** | **–** | **63** |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | **–** | **1,096** | **–** | **1,096** |
| **Total liabilities** | **–** | **1,159** | **–** | **1,159** |

| At 30 June 2012 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Financial liabilities at fair value through income or Expense | | | | |
| – Trading derivatives at fair value through the Income Statement | – | 26 | – | 26 |
| Financial liabilities at fair value through equity | | | | |
| – Derivative financial instruments designated for hedging | – | 1,446 | – | 1,446 |
| **Total liabilities** | – | 1,472 | – | 1,472 |

**24. Deferred tax**
Movements on deferred tax are as follows:

| | Group £'000 | Company £'000 |
|---|---|---|
| **Non-current assets** | | |
| Asset at 1 July 2011 | 335 | 217 |
| Deferred tax credit/(charge) in the Income Statement for the year | 131 | (14) |
| Write off of deferred tax asset on sale of business | (3) | – |
| Prior year deferred tax adjustment | – | 3 |
| Deferred tax credit included directly in equity for the year | 176 | 176 |
| Asset at 1 July 2012 | 639 | 382 |
| Deferred tax credit/(charge) in the Income Statement for the year | 56 | 122 |
| Effect on deferred tax of change in corporation tax rate | (24) | (16) |
| Deferred tax credit included directly in equity for the year | 216 | 19 |
| **Asset at 30 June 2013** | **887** | **507** |

The Group deferred tax asset arises as a result of tax on share-based payments of £620,000 (2012: £292,000) and fair value interest rate swap losses of £267,000 (2012: £347,000).

The Company deferred tax asset arises as a result of tax on share-based payments of £240,000 (2012: £35,000) and fair value interest rate swap losses of £267,000 (2012: £347,000). It is anticipated that the Company will make sufficient taxable profit to allow the benefit of the deferred tax asset to be utilised.

### 24. Deferred tax continued

Movements on deferred tax are as follows:

| | Group £'000 | Company £'000 |
|---|---|---|
| **Non-current liabilities** | | |
| Liability at 1 July 2011 | 7,938 | – |
| Deferred tax (credit) in the Income Statement for the year | (890) | – |
| Prior year deferred tax adjustment | 15 | – |
| Effect on deferred tax of change in corporation tax rate | (545) | – |
| Exchange translation differences | – | – |
| Liability at 1 July 2012 | 6,518 | – |
| Deferred tax (credit) in the Income Statement for the year | (1,413) | – |
| Deferred tax liabilities arising on acquisition of businesses (see note 12) | 1,047 | – |
| Prior year deferred tax adjustment | (41) | – |
| Effect on deferred tax of change in corporation tax rate | (292) | – |
| Exchange translation differences | 3 | – |
| **Liability at 30 June 2013** | **5,822** | **–** |

The deferred tax liability arises as a result of accelerated tax depreciation and amortisation.

### 25. Share capital

| | Number of ordinary shares of 5p each | Ordinary shares £'000 | Share premium account £'000 | Obligation to issue shares £'000 | Treasury shares £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Authorised** | | | | | | |
| At 1 July 2012 | 110,000,000 | 5,500 | | | | |
| **At 30 June 2013** | **110,000,000** | **5,500** | | | | |
| **Issued and fully paid ordinary shares** | | | | | | |
| At 1 July 2011 | 84,813,981 | 4,241 | 43,792 | 1,746 | (4,008) | 45,771 |
| Shares issued during the year | 1,289,156 | 64 | 1,439 | (1,746) | – | (243) |
| At 1 July 2012 | 86,103,137 | 4,305 | 45,231 | – | (4,008) | 45,528 |
| Treasury shares reissued during the year | – | – | – | – | 1,652 | 1,652 |
| **At 30 June 2013** | **86,103,137** | **4,305** | **45,231** | **–** | **(2,356)** | **47,180** |

During the year, no ordinary shares were issued in respect of share options and awards exercised by members of staff (including Directors) (2012: nil).

The Company sold 800,000 treasury shares during the year (2012: nil). At 30 June 2013, 1,142,000 shares were held in Treasury (2012: 1,942,000), which represents 1.3% (2012: 2.3%) of the called up share capital of the Company.

**26. Share based payments**
Details of Directors' share options and awards are set out in the Report on Directors' Remuneration. Employees of the Group (including Directors) hold options to subscribe for ordinary shares as follows:

**a) Under the Wilmington Group plc 1999 Approved Share Option Scheme**

| Year of grant | Subscription price per share | Period within which options exercisable | Number of shares for which options outstanding at 1 July 2012 | Options exercised during year | Options lapsed during year | **Number of shares for which options outstanding at 30 June 2013** |
|---|---|---|---|---|---|---|
| 2004 | 118.5p | Mar 2007-Mar 2014 | 47,500 | – | – | **47,500** |

The increase in Adjusted Earnings per Share of the Company must be at least as great as the growth in the FTSE All Share Index over the same period. For options granted since March 2003 the increase in Adjusted Earnings per Share must have grown by a percentage which is not less than the percentage increase during the relevant period in the Retail Price Index plus 2% or 3% for each year up to the exercise date. If options remain unexercised after a period of 7 years from the date of the grant, the option expires. Furthermore, options are forfeited if the employee leaves the Group before the options vest.

The options were valued using the Black Scholes model with the following assumptions:

| | |
|---|---|
| Expected volatility (%) | 25 |
| Expected life (years) | 5 |
| Risk free rate (%) | 5 |
| Expected dividends (%) | 3 |

Expected volatility was determined by reference to the historical volatility of the Group's share price. The expected life used in the model is the mid-point of the exercise period.

| | **Year ended 30 June 2013** | | Year ended 30 June 2012 | |
|---|---|---|---|---|
| | **Number** | **Weighted average exercise price (pence)** | Number | Weighted average exercise price (pence) |
| Outstanding at 1 July | **47,500** | **118.50** | 65,100 | 132.42 |
| Lapsed | **–** | **–** | (17,600) | 170.00 |
| Outstanding at 30 June | **47,500** | **118.50** | 47,500 | 118.50 |
| Exercisable at 30 June | **47,500** | **118.50** | 47,500 | 118.50 |

**26. Share based payments continued**

| Range of exercise prices | Year ended 30 June 2013 Weighted average exercise price (pence) | Year ended 30 June 2013 Number of shares | Year ended 30 June 2013 Weighted average remaining contractual life (years) | Year ended 30 June 2012 Weighted average exercise price (pence) | Year ended 30 June 2012 Number of shares | Year ended 30 June 2012 Weighted average remaining contractual life (years) |
|---|---|---|---|---|---|---|
| 100p - 199p | **118.50** | **47,500** | **0.75** | 118.50 | 47,500 | 1.75 |

**b) Under the Wilmington Group plc 2007 Performance Share Plan**

| Year of Grant | Awards price per Share | Date of vesting | Number of shares for which awards outstanding at 1 July 2012 | Awards granted during year | Awards vested during year | Awards lapsed during year | **Number of shares for which awards outstanding at 30 June 2013** |
|---|---|---|---|---|---|---|---|
| 2009 | Nil | Sept 2012 | 520,514 | – | – | (520,514) | **–** |
| 2010 | Nil | Sept 2013 | 1,326,159 | – | – | – | **1,326,159** |
| 2011 | Nil | Oct 2014 | 911,959 | – | – | – | **911,959** |
| 2012 | Nil | Oct 2015 | – | 444,198 | – | – | **444,198** |

Details of the Performance Share Plan are set out in the Report on Directors' Remuneration on pages 41 to 44.

These awards were valued using the Monte Carlo method with the following assumptions:

| | |
|---|---|
| Expected volatility (%) | 26 to 36 |
| Expected life (years) | 3 |
| Expected dividends (%) | Nil |

Expected volatility was determined by reference to the historical volatility of the Group's share price. The expected life used in the model is the mid-point of the exercise period.

**27. Non-controlling interests**

| | Non-controlling interests – share of results and funds £'000 | Non-controlling interests – provisions for future acquisition £'000 | Net Non-controlling interests £'000 |
|---|---|---|---|
| At 1 July 2011 | 1,356 | (1,306) | 50 |
| Profit for the year | 170 | – | 170 |
| Dividends paid | (10) | – | (10) |
| Exchange translation difference | 11 | – | 11 |
| Acquisition of non-controlling interests during the year | (364) | 364 | – |
| Non-controlling interests in subsidiaries sold during the year | (56) | 6 | (50) |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 13) | – | (171) | (171) |
| At 1 July 2012 | 1,107 | (1,107) | – |
| Profit for the year | 95 | – | 95 |
| Dividends paid | (27) | – | (27) |
| Acquisition of non-controlling interests during the year | (982) | 982 | – |
| New contribution from non-controlling interest | 80 | – | 80 |
| Movement in offset of provisions for the future purchase of non-controlling interests (see note 13) | – | (3) | (3) |
| **At 30 June 2013** | **273** | **(128)** | **145** |

### 28. Contingencies and commitments
**Contingencies**

Company

The Company has entered into an unlimited cross guarantee with the Group's bankers in respect of the net £5 million overdraft facilities extended to certain of the Company's subsidiaries. At 30 June 2013, the Company's gross contingent liability in respect of this facility was £1,981,000 (2012: £3,953,000).

Commitments

a) The Group had, in relation to property, plant and equipment, capital commitments contracted but not provided for at 30 June 2013 of £nil (2012: £nil).

b) Total future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | Property | | Property | |
| | **30 June 2013 £'000** | 30 June 2012 £'000 | **30 June 2013 £'000** | 30 June 2012 £'000 |
| One year | **351** | 459 | **12** | 50 |
| Between two and five years | **722** | 950 | **–** | 12 |
| After five years | **163** | 233 | **–** | – |
| | **1,236** | 1,642 | **12** | 62 |

### 29. Related party transactions
The Company and its wholly owned subsidiary undertakings offer certain Group-wide purchasing facilities to the Company's other subsidiary undertakings whereby the actual costs are recharged.

The Company has made recharges totaling £1,024,000 (2012: £3,000,000) to its subsidiaries in respect of management services. In addition, it has recharged at cost certain administrative expenses totaling £422,750 (2012: £761,300) to its subsidiary undertakings.

Amounts due from and to subsidiary undertakings by the Company are set out in notes 18 and 20 respectively.

During the year, the Company received dividends of £30,100,000 from subsidiaries (2012: £6,050,000).

### 30. Staff and their pay and benefits
a) Employee costs (including Directors) were as follows:

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| Wages and salaries | **30,877** | 31,794 |
| Social security costs | **3,876** | 3,734 |
| Pension costs | **613** | 784 |
| Share-based payments (including social security costs) (see note 5) | **888** | 464 |
| | **36,254** | 36,776 |

Wilmington

## 30. Staff and their pay and benefits

b) Remuneration of key management personnel that held office for part or all of the year (2013: 10 people: 2012; 10 people), which includes the directors and other key management personnel, is shown in the table below:

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| Short-term employee benefits | **2,181** | 1,718 |
| Pension costs | **75** | 93 |
| Share-based payments | **427** | 113 |
| | **2,683** | 1,924 |

More detailed information concerning director's remuneration, shareholdings, pension entitlement, share options and other long-term incentive plans is shown in the audited part of the Report on Directors Remuneration on pages 35 to 44, which forms part of the Consolidated Financial Statements.

c) The average number of employees (including Directors) employed by the Group was as follows:

| | **Year ended 30 June 2013 Number** | Year ended 30 June 2012 Number |
|---|---|---|
| Selling and distribution | **249** | 260 |
| Production | **191** | 182 |
| Administration | **364** | 377 |
| | **804** | 819 |

Total full time equivalents at 30 June 2013 were 742 (2012: 737).

d) Retirement benefits

The Group contributes to defined contribution pension schemes. Total contributions to the schemes during the year were £613,000 (2012: £784,000).

### 31. Cash generated from operations

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
| **Profit from continuing operations before income tax** | **5,116** | 6,328 | **24,576** | 3,606 |
| Net gain on disposal of property (see note 5) | **(3,325)** | – | **–** | – |
| Non-recurring items (see note 5) | **1,325** | 924 | **728** | 42 |
| Depreciation of property, plant and equipment (see note 15) | **1,043** | 1,025 | **147** | 166 |
| Impairment of goodwill (see note 13) | **4,500** | – | **–** | – |
| Amortisation of intangible assets (see note 14) | **6,860** | 6,046 | **55** | 100 |
| Loss/(profit) on disposal of property, plant and equipment (see note 5) | **94** | (11) | **–** | – |
| Share-based payments (including social security costs) (see note 30) | **888** | 464 | **280** | 83 |
| Net finance costs (see note 6) | **2,256** | 2,710 | **2,064** | 2,460 |
| **Operating cash flows before movements in working capital** | **18,757** | 17,486 | **27,850** | 6,457 |
| Decrease in inventories | **5** | 77 | **–** | – |
| Decrease in receivables | **59** | 1,831 | **4,606** | 3,348 |
| Increase/(decrease) in payables | **564** | (1,980) | **997** | (19) |
| **Cash generated from operations before non-recurring items** | **19,385** | 17,414 | **33,453** | 9,786 |

There were no discontinued operations during the year (2012: nil).

Cash conversion is calculated as a percentage of cash generated by operations to Adjusted EBITA as follows:

| | **Year ended 30 June 2013 £'000** | Year ended 30 June 2012 £'000 |
|---|---|---|
| Adjusted EBITA (see note 2) | **16,865** | 15,682 |
| Amortisation of computer software | **755** | 790 |
| Depreciation of property, plant and equipment | **1,043** | 1,025 |
| Loss on disposal of property, plant and equipment | **94** | (11) |
| Operating cash before movement in working capital | **18,757** | 17,486 |
| Net working capital movement | **628** | (72) |
| Funds from operations before non-recurring items | **19,385** | 17,414 |
| Cash conversion | **115%** | 111% |

### 32. Events after the reporting period

On 15 August 2013, the Group acquired Compliance Week for $11.2m. Compliance Week focuses on regulatory and compliance issues related to financial reporting, regulatory enforcement, corporate governance, enterprise risk management, and related global issues, from consumer privacy to data management. It is located in Boston, USA, and will provide a base for selective further US expansion and investment, in particular for our Axco insurance and risk products and for our Compliance businesses.

The acquisition of Compliance Week is consistent with Wilmington's strategy of acquiring businesses with high repeat revenues and strong, cash generative income streams in the Group's key markets. The business will form part of Wilmington's Banking & Compliance division.

# Pro-forma Five Year Financial Summary (Unaudited)

| | 2009 £m | 2010 £m | 2011 £m | 2012 £m | **2013 £m** |
|---|---|---|---|---|---|
| Consolidated Income Statements | | | | | |
| Revenue | 86.3 | 78.4 | 83.8 | 85.3 | **85.0** |
| Cost of sales | (27.1) | (24.8) | (25.5) | (25.8) | **(26.0)** |
| Gross profit | 59.2 | 53.6 | 58.3 | 59.5 | **59.0** |
| Operating expenses | (44.6) | (39.4) | (44.0) | (43.6) | **(42.3)** |
| Operating profit before amortisation and impairment of goodwill and intangible assets and non-recurring items | 14.6 | 14.2 | 14.3 | 15.9 | **16.7** |
| Operating non-recurring items | (1.7) | (0.1) | (0.7) | (0.9) | **2.1** |
| Operating profit before amortisation and impairment of goodwill and intangible assets | 12.9 | 14.1 | 13.6 | 15.0 | **18.8** |
| Amortisation of intangible assets | (5.0) | (4.9) | (5.7) | (6.0) | **(6.9)** |
| Impairment of Goodwill | (2.8) | – | – | – | **(4.5)** |
| Profit from operations before finance costs and taxation | 5.1 | 9.2 | 7.9 | 9.0 | **7.4** |
| Finance costs | (2.2) | (1.9) | (1.8) | (2.7) | **(2.3)** |
| Profit on ordinary activities before taxation | 2.9 | 7.3 | 6.1 | 6.3 | **5.1** |
| Taxation | (1.9) | (2.5) | (1.5) | (1.2) | **(1.5)** |
| Profit on ordinary activities after taxation | 1.0 | 4.8 | 4.6 | 5.1 | **3.6** |
| Adjusted Profit before Tax (restated) | 12.8 | 12.6 | 12.9 | 13.2 | **14.7** |
| Operating cash inflows | 13.9 | 15.5 | 15.8 | 17.4 | **19.4** |
| Basic earnings per ordinary share from continuing operations (pence) | 0.46 | 5.38 | 5.20 | 5.81 | **4.17** |
| Diluted earnings per ordinary share from continuing operations (pence) | 0.45 | 5.30 | 5.07 | 5.63 | **4.07** |
| Adjusted Earnings per ordinary share from continuing operations (pence) (restated) | 10.07 | 10.16 | 11.38 | 11.71 | **13.06** |
| Interim and proposed final dividend per share (pence) | 7.00 | 7.00 | 7.00 | 7.00 | **7.00** |
| Return on Equity (%) (restated) | 22.27 | 23.95 | 24.75 | 25.31 | **28.08** |
| Return on Sales (%) (restated) | 16.40 | 17.79 | 17.27 | 18.38 | **19.83** |

The above is based on information extracted from the Company's Annual Report and Financial Statements.

# Advisers and Corporate Calendar

**Financial Advisers and Joint Stockbrokers**
Numis Securities Limited
10 Paternoster Square
London EC4M 7LT

Canaccord Genuity
88 Wood Street
London EC2V 9QR

**Independent Auditors**
PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

**Solicitors**
Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

**Principal Bankers**
Barclays Bank plc
1 Churchill Place
Canary Wharf
London E14 5HP

**Registrars**
Equiniti Limited
Aspect House
Spencer Road
Lancing BN99 6DA

**Shareholder helpline**
0871 384 2855 (UK)
+44 121 415 7047 (Overseas)

**Registered Office**
6-14, Underwood Street,
London, N1 7JQ
Tel: +44 (0) 20 7490 0049
Fax: +44 (0) 20 7422 6822
Company Registration No. 3015847
Incorporated and domiciled in the UK

www.wilmington.co.uk

**Corporate calendar**
Annual General Meeting
5 November 2013

Announcement of Interim Results
February 2014

Announcement of Final Results
September 2014

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Wilmington Group plc

6-14, Underwood Street, London, N1 7JQ
Tel: +44 (0)20 7490 0049 Fax: +44 (0)20 7422 6822

www.wilmington.co.uk