

Goodhead Group Plc

Annual Report

For The Year Ended 31 May 2001



Goodhead Group Plc

Group Directory

Goodhead Group Plc
(Registered Number 1794199)
Chaucer Business Park
Launton Road
Bicester
Oxon
OX26 4QZ

Telephone: 01869 363364
Facsimile: 01869 363365

Email: marketing@goodhead.co.uk

Subsidiaries

Benham & Company Limited
(Registered Number 3302426)
Newcomen Way
Severalls Industrial Park
Colchester
Essex
CO4 4PF
Telephone: 01206 752525
Facsimile: 01206 752255

Goodhead Print Limited
(Registered Number 541611)
Chaucer Business Park
Launton Road
Bicester
Oxon
OX26 4QZ
Telephone: 01869 363333
Facsimile: 01869 363306

Paperback Binders Limited
(Registered Number 1648585)
Chaucer Business Park
Launton Road
Bicester
Oxon
OX26 4QZ
Telephone: 01869 363333
Facsimile: 01869 363301

Subsidiaries (Continued)

Stones the Printers Limited
(Registered Number 476399)
Unit 10, Acre Estate
Wildmere Road
Banbury
Oxon
OX16 7JU
Telephone: 01295 252211
Facsimile: 01295 273150

What Media Limited
(Registered Number 4069186)
Unit 9a, Hurlingham Studios
Ranelagh Gardens
London
SW6 3PA
Telephone: 0207 384 9330
Facsimile: 0207 384 9335

Regional Offices

Edinburgh
11 Waterloo Place
Edinburgh
EH1 3BG
Telephone: 0131 557 9852
Facsimile: 0131 558 1464

Manchester
Olympic Court
Third Avenue
The Village
Trafford Park
Manchester
M17 1AP
Telephone: 0161 873 8535
Facsimile: 0161 873 8536

Goodhead Group Plc

Board Review For The Year Ended 31 May 2001

The Board presents the Financial Statements and reports on a year in which the Group experienced mixed results, principally occasioned by short-term setbacks in the context of the long-term continuing consolidation and evolution of the printing operations.

However, risk has been diversified by the establishment of non-print related activities, new projects that offer the prospect of a higher return on capital than our traditional capital equipment programme.

Results for the year

In the year to 31 May 2001, turnover was £54.7million and pre-tax losses were £1.5m. This compares with last year's turnover of £62.7m and pre-tax profit of £4.1m.

The losses include £0.9m from our new publishing venture.

Trading Activities

Benhams once again achieved satisfactory results and embarked on a further programme of investment to broaden the range of products available to customers. During the year, the company leased an additional 50,000 sq ft of factory space to accommodate a new 40 station Heidelberg binding line. On completion of the commissioning of this new binder, promising increased productivity, Benhams will decommission older machinery and create space for a new press.

Benhams have also ordered a new MAN Roland 64-page commercial heatset press due for installation this autumn. This programme, together with investments in Computer to Plate (CtP) facilities, will create a complementary facility to the modern production capabilities of our Bicester operation.

Goodhead Print at Bicester suffered a substantial loss in the year to 31 May 2001 for the reasons outlined as follows: -

In order to maximise production capacity for the newly won contract to produce Exchange and Mart, an additional 30,000 sq ft of factory space was constructed at our Bicester site to accommodate the business of Paperback Binders (previously located in Abingdon) and the installation of 2 new Muller Martini binding lines.

The objective of this programme is to broaden our range of state of the art facilities, thus increasing the variety of products for customers at a lower unit cost.

In addition, to provide high-speed commercial print capability, we purchased and commissioned a Heidelberg M4000 press together with an enlarged CtP facility.

Engineering difficulties were experienced across the programme leading to a loss of productivity, capacity and revenue. Furthermore, one-off redundancy costs were incurred.

However, since the year end we have achieved a steady improvement in the engineering performance of the equipment and anticipate continuing progress.

Nevertheless, in order to optimise competitiveness and cost-efficiency, we have also taken the decision to merge the operations of our web printing activities and Paperback Binders to create a new business to be known as benhamgoodheadprint limited, trading as "bgp".

This new company will allow us to maximise the benefits of an integrated printing facility, operating from two sites, each capable of providing the other with comprehensive back up systems.

Goodhead Group Plc

Board Review For The Year Ended 31 May 2001 (Continued)

Results of our sheet fed printing operation, Stones the Printers, reflect the level of over capacity within this market, leading to erosion of margins.

However, we have taken steps to reduce the cost base of the business and achieved further improvements in productivity to redress the balance.

In addition the company will benefit from the creation of a new, visible, corporate identity.

In November 2000, the group began a new publishing venture, What Media Limited, which publishes self-selection magazines.

The titles and business of 'What Computer' and 'What Holiday' magazines were acquired in November 2000 and the group launched 'What Dublin In Your Backpack' in February 2001, and 'What Scotland In Your Backpack' in June 2001.

The group's associate companies, OTM Facilities Limited and Annex Publishing and Printing Inc, continued to flourish; the latter acquired more trade magazines and currently publishes 22 national trade and special interest magazines and 10 newspapers.

Corporate Matters

During the year, John Madejski completed the purchase of the outstanding ordinary and preference shares and the latter were converted into ordinary shares.

Goodhead Group PLC owns 60% of the shares of what Media Limited, the balance being held by management.

The shareholding structures within our associated companies remain unchanged.

Outlook

Since the beginning of the current financial year we have continued to refine our printing operations with the forthcoming merger of Goodhead Print, Paperback Binders and Benhams as stated above. Our ongoing equipment programme will allow us to expand our areas of activity and reduce our unit costs to counter the effects of a shrinking market.

Despite an uncertain year, the print companies go forward with an improved management structure and lower cost base which will benefit from the considerable capital investment already undertaken in the last five years.

What Media will continue to refine its operations and may expand through launches of new magazines.

People

Finally, we would wish to express our gratitude and thanks once more to the dedication, commitment and hard work of all our colleagues within the group.

By order of the Board


N.J. Newland
Company Secretary

19 September 2001

Goodhead Group Plc

Directors' Report For The Year Ended 31 May 2001

The directors submit their report together with the accounts of the Company and its subsidiary undertakings for the year ended 31 May 2001.

Results and dividends

The Group made a loss on ordinary activities before taxation for the year of £1,507,000 (2000: profit of £4,066,000).

For the year ended 31 May 2001, the directors are not recommending the payment of a final dividend (2000: £Nil).

For the year ended 31 May 2000, an interim ordinary dividend of 0.4p per share amounting to £161,000 was paid during the year. A special ordinary dividend of 0.8p per share, amounting to £327,000, and preference dividends of £257,000 were also paid during the year.

After taxation, minority interests and dividends the retained loss deducted from reserves was £1,463,000 (2000: retained profit of £2,759,000 transferred to reserves).

Principal activities of the group

The Group's principal activities continue to be web-offset and sheet-fed printing.

During the year, the Group began a new publishing venture, What Media Limited, which publishes free magazines to the computer, holiday and travel markets.

Review of business and future developments

A review of the Group's business during the year is set out in the Board Review on pages 2 and 3.

Directors

The directors who held office during the year are given below:

J Madejski OBE, DL
J A Cooling
N J Newland FCA
P J Higgins

Directors' interests

The interests of the directors and their families in the shares of the Company at the end of the period under review, all of which were beneficial, were as follows:

	20p ordinary shares		7% convertible cumulative redeemable preference shares of £1 each	
	31 May 2001	31 May 2000	31 May 2001	31 May 2000
J Madejski	44,268,632	43,795,469	-	139,199

Goodhead Group Plc

Directors' Report For The Year Ended 31 May 2001 (Continued)

Employees

The Group recognises the importance of employees to the success of the business and ensures they are fully informed of events which directly affect them and their working conditions.

Information on matters of concern to employees is given through newsletters which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

The involvement of employees in the success of the Group is further encouraged through participation in the employees' profit related pay schemes and other incentive schemes.

Disabled people are considered for employment having regard to their aptitude for the job concerned. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Charitable donations

During the year the Group made charitable donations of £2,000 (2000: £6,000).

Payment of suppliers

The Group and Company's current policy concerning the payment of its suppliers is to agree the terms of payment when negotiating the terms of each transaction and to pay in accordance with its contractual and other legal obligations. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

At the year end the balance owing to trade creditors by the Group represented 72 days of the total invoiced supplies for the year (2000: 71 days). The Company had no trade creditors at 31 May 2001 and 2000.

Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

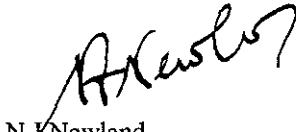
Goodhead Group Plc

Directors' Report For The Year Ended 31 May 2001 (Continued)

Auditors

The auditors, PricewaterhouseCoopers, are willing to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



N J Newland
Secretary

19 September 2001

Auditors' Report To The Members Of Goodhead Group Plc

We have audited the accounts on pages 8 to 26 which have been prepared in accordance with the accounting policies set out on pages 11 and 12.

Respective responsibilities of the directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 5, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

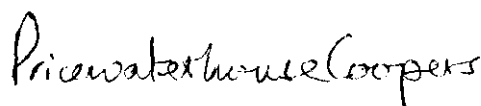
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 May 2001 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors

19 September 2001

Goodhead Group Plc

Consolidated Profit And Loss Account For The Year Ended 31 May 2001

	<i>Notes</i>	2001 £'000	2000 £'000
Turnover			
Continuing operations		54,384	62,674
Continuing operations – acquisitions		287	-
	2	54,671	62,674
Cost of sales		(44,882)	(48,688)
Gross profit		9,789	13,986
Distribution costs		(1,771)	(1,540)
Administrative expenses		(8,701)	(7,857)
Operating profit/(loss)			
Continuing operations		178	4,589
Continuing operations – acquisitions		(861)	-
	3	(683)	4,589
Share of operating profit of associates		452	512
(Loss)/profit on ordinary activities before interest	2	(231)	5,101
Interest receivable – group		293	337
Interest payable – group	4	(1,421)	(1,260)
Interest payable – associates		(148)	(112)
(Loss)/profit on ordinary activities before taxation		(1,507)	4,066
Taxation	7	(36)	(562)
(Loss)/profit on ordinary activities after taxation		(1,543)	3,504
Equity minority interest		80	-
(Loss)/profit for the financial year		(1,463)	3,504
Dividends (including non-equity)	8	-	(745)
Retained (loss)/profit for the financial year	21	(1,463)	2,759

The Group has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 11 to 26 form part of these financial statements.

Goodhead Group Plc

Consolidated And Company Balance Sheets As At 31 May 2001

		Group		Company	
	Notes	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Fixed assets					
Intangible assets	10	514	-	-	-
Tangible assets	11	38,406	27,934	61	72
Investments	12	1,455	1,605	3,026	3,206
		40,375	29,539	3,087	3,278
Current assets					
Stocks	13	1,691	1,717	-	-
Debtors due after more than one year	14	1,666	3,224	2,916	3,224
Debtors due within one year	14	9,199	11,065	318	304
Cash at bank and in hand		2,016	2,733	11,827	11,525
		14,572	18,739	15,061	15,053
Creditors – amounts falling due within one year					
Loans and overdrafts	15	(833)	(720)	(640)	(640)
Other	16	(18,140)	(18,037)	(416)	(606)
		(18,973)	(18,757)	(1,056)	(1,246)
Net current (liabilities)/assets		(4,401)	(18)	14,005	13,807
Total assets less current liabilities		35,974	29,521	17,092	17,085
Creditors – amounts falling due after more than one year					
Loans	17	(2,922)	(2,335)	(800)	(1,440)
Other	18	(15,419)	(8,000)	-	-
		(18,341)	(10,335)	(800)	(1,440)
Provision for liabilities and charges	19	(224)	(314)	(153)	(209)
Net assets		17,409	18,872	16,139	15,436
Capital and reserves					
Called up share capital	20	8,854	8,975	8,854	8,975
Share premium account	21	4,420	4,299	4,420	4,299
Other reserves	21	699	699	-	-
Profit and loss account	21	3,436	4,899	2,865	2,162
Shareholders' funds					
Equity		17,409	18,730	16,139	15,294
Non-equity		-	142	-	142
		17,409	18,872	16,139	15,436
Equity minority interest	22	-	-	-	-
Capital employed	23	17,409	18,872	16,139	15,436

Approved by the Board on 19 September 2001 and signed on its behalf by:


N.J. Newland FCA

The notes on pages 11 to 26 form part of these financial statements.

Goodhead Group Plc

Consolidated Cash Flow Statement For The Year Ended 31 May 2001

	<i>Notes</i>	2001 £'000	2000 £'000
Net cash inflow from operating activities	24(1)	8,478	10,565
Dividends received from associates		18	27
Returns on investment and servicing of finance			
Interest received		449	247
Interest paid		(271)	(330)
Interest element of finance lease rental payments		(1,138)	(970)
Dividends paid on non-equity shares		-	(257)
		(960)	(1,310)
Taxation			
UK Corporation tax paid		(346)	(226)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(5,427)	(5,130)
Sale of tangible fixed assets		835	649
		(4,592)	(4,481)
Acquisitions and disposals			
Purchase of business	10	(527)	-
Repayment of preference shares by associates	12	300	100
Minority shares subscribed in subsidiary		80	-
		(147)	100
Equity dividends paid		-	(770)
Financing			
Issue of ordinary share capital		-	426
Debt due beyond one year:			
- new secured loans		1,500	-
- repayment of amounts borrowed		(800)	(720)
- capital element of finance lease rental payments		(3,868)	(2,784)
		(3,168)	(3,078)
(Decrease)/increase in cash	24(2)	(717)	827

The notes on pages 11 to 26 form part of these financial statements.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001

1 Accounting Policies

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(2) Turnover

Turnover represents the value of goods and services provided to customers outside the Group excluding value added tax.

(3) Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of work in progress includes materials, labour and an appropriate proportion of attributable overheads.

(4) Depreciation

Fixed assets are depreciated so as to write each asset down to its net realisable value in equal instalments over expected useful lives as follows:

Freehold buildings	50 years
Leasehold buildings	Amortised over the unexpired portions of the lease up to a maximum of 50 years
Plant and machinery	3 to 10 years

(5) Finance and operating leases

Fixed assets held under finance leases are capitalised at an amount equivalent to their cost and are depreciated over their useful economic lives on a basis consistent with owned assets. The corresponding liability is included in creditors. Interest included within lease payments is charged to the profit and loss account over the period of the lease at a rate to reflect the capital payments outstanding.

Amounts payable under operating leases are charged against profits as incurred.

(6) Foreign currencies

Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. Income earned in foreign currencies is recognised in the profit and loss account at the exchange rate ruling at the date of the transaction or, where a related forward exchange contract has been entered into, at the rate specified in the forward contract. Exchange differences arising from trading and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.

Profit and loss accounts of overseas companies are translated into sterling at average rates of exchange for the relevant accounting period. Exchange differences arising from the retranslation of the opening net assets and the profit and loss accounts to the closing rates, and exchange differences on long term foreign currency loans which relate to investments in overseas assets, are dealt with as movements on reserves.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

1 Accounting Policies (Continued)

(7) Deferred taxation

Deferred taxation is accounted for in respect of significant timing differences between profit for tax purposes and profit for accounting purposes to the extent that it is likely that an asset or liability will crystallise in the foreseeable future.

(8) Goodwill

Goodwill arising on the acquisition of businesses is calculated as the difference between the cost of acquisition and the fair value of the underlying net assets. Goodwill arising on acquisitions is capitalised and amortised on a straight line basis through the profit and loss account over its useful economic life not exceeding 20 years. Goodwill arising prior to 1 June 1998 was written off direct to reserves upon acquisition.

(9) Pensions

Pension costs for the Group's defined benefit scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of the employees in the scheme. Variations from the regular cost are spread over the average future service lives of employees in the scheme. For defined contribution schemes, costs are charged to profits as incurred.

(10) Associates

The appropriate share of the results of associates are shown separately in the consolidated profit and loss account. The amount included in the consolidated balance sheet is the Group's share of the net assets of the associates less provisions.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

2 Segmental Information

Group turnover, profit before interest and tax ("PBIT") and net assets by class of business and geographical origin are as follows:

Class of business	2001			2000		
	Sales £'000	PBIT £'000	Net assets £'000	Sales £'000	PBIT £'000	Net assets £'000
Continuing operations						
Printing	54,598	323	3,122	62,674	5,267	4,767
Publishing – acquisitions	287	(861)	(688)	-	-	-
Corporate items and inter-segmental sales	(214)	(145)	13,522	-	(678)	12,500
	54,671	(683)	15,956	62,674	4,589	17,267
Associates	-	452	1,453	-	512	1,605
	54,671	(231)	17,409	62,674	5,101	18,872
Geographical origin						
	Sales £'000	PBIT £'000	Net assets £'000	Sales £'000	PBIT £'000	Net assets £'000
Continuing operations						
United Kingdom	54,644	(641)	15,998	62,674	4,589	17,267
Australia – acquisitions	27	(42)	(42)	-	-	-
Associates:						
- United Kingdom	-	117	661	-	177	945
- Canada	-	335	792	-	335	660
	-	-	-	-	-	-
Total	54,671	(231)	17,409	62,674	5,101	18,872

Turnover, loss before interest and tax and net assets for the United Kingdom includes £260,000, £819,000 and net liabilities of £646,000, respectively, for companies acquired during the year.

The total figures for continuing operations in 2001 include the following amounts relating to acquisitions: cost of sales of £423,000, gross loss of £136,000, distribution costs of £103,000 and administrative expenses of £622,000.

Geographical analysis of turnover by destination is not materially different from the analysis by origin as shown above.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

3 Operating Loss

Operating loss is stated after charging / (crediting):

	2001 £'000	2000 £'000
Wages and salaries	15,017	14,406
Social security costs	1,303	1,268
Other pension costs	617	578
Depreciation		
- owned assets	1,776	2,738
- leased assets	3,116	2,222
Goodwill amortisation	13	-
Profit on disposal of fixed assets	(30)	(307)
Foreign exchange gains	(23)	(185)
Operating lease payments		-
- hire of plant and machinery	186	380
- other operating leases	1,099	1,013
Costs incurred in connection with delisting from the London Stock Exchange	-	321
Auditors' remuneration	45	56

The auditors' remuneration for the statutory audit of the Company amounted to £3,000 (2000: £3,000). Non audit fees paid to the auditors in the year amounted to £4,000 (2000: £260,000).

4 Interest Payable And Similar Charges

	2001 £'000	2000 £'000
On bank loans, overdrafts and other loans		
- repayable within five years, by instalments	1,280	1,163
- repayable after more than five years by instalments	133	96
- repayable within five years, not by instalments	8	1
	1,421	1,260

Included in the above is the interest element of charges payable under finance leases amounting to £1,137,000 (2000: £966,000).

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

5 Directors' Emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	250	375
Gains made on exercise of share options	-	169
Amounts receivable under long-term incentive schemes	-	169
Company contributions paid to money purchase pension schemes	24	24
	274	737

Retirement benefits are accruing to two directors under money purchase pension schemes (2000: 2).

Highest Paid Director

	2001 £'000	2000 £'000
Aggregate emoluments, gains on share options exercised and benefits under long-term incentive schemes	136	301
Company contributions paid to money purchase pension schemes	12	12
	148	313

6 Employees

The average number of employees in the Group during the year was as follows:

	2001 Number	2000 Number
Print	610	614
Publishing	16	-
Central	4	4
	630	618

7 Tax On Loss On Ordinary Activities

Taxation on the loss for the year comprises:

	2001 £'000	2000 £'000
UK Corporation tax at 30% (2000: 30%)	33	599
Adjustment in respect of prior year	(133)	(36)
ACT previously written off now written back	-	(146)
Group's share of taxation of associates	136	145
	36	562

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

8 Dividends

	2001 £'000	2000 £'000
Non-Equity		
Convertible cumulative redeemable preference dividends	-	257
Equity		
Ordinary shares	-	488
	-	745

9 Goodhead Group Plc Profit And Loss Account

Under the provisions of the Companies Act 1985 the Company is not required to publish its own profit and loss account. The Group's profit after taxation for the financial year is after accounting for the Company's profit of £703,000 (2000: £61,000).

10 Intangible Fixed Assets

Group	Goodwill £'000
Cost	
Additions	527
At 31 May 2001	527
Accumulated amortisation	
Charge for the year	13
At 31 May 2001	13
Net book amount	
At 31 May 2001	514

On 28 November 2000 the Group purchased the goodwill, titles and business of What Computer and What Holiday magazines from Vastfield Limited for a cash consideration of £500,000.

The following table sets out the effect of this acquisition on the financial statements of the Group:

	Fair value and book value at date of acquisition £'000
Cost of acquisition	
Cash consideration	500
Acquisition costs	27
Total consideration	527
Net assets acquired	-
Goodwill	527

The goodwill acquired is being amortised on a straight line basis over 20 years.

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Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

11 Tangible Assets

	<u>Land and buildings</u> £'000	<u>Plant and machinery</u> £'000	<u>Group</u> <u>Total</u> £'000	<u>Company</u> <u>Plant and</u> <u>machinery</u> £'000
Cost				
At 1 June 2000	3,468	40,789	44,257	235
Additions	1,648	14,521	16,169	10
Disposals	-	(5,431)	(5,431)	-
At 31 May 2001	5,116	49,879	54,995	245
Accumulated depreciation				
At 1 June 2000	314	16,009	16,323	163
Charge for the year	103	4,789	4,892	21
Disposals	-	(4,626)	(4,626)	-
At 31 May 2001	417	16,172	16,589	184
Net book amount				
At 31 May 2001	4,699	33,707	38,406	61
At 31 May 2000	3,154	24,780	27,934	72

The cost and net book amount of plant and machinery held under finance leases at 31 May 2001 is £34,060,000 and £25,901,000 respectively (2000: £19,127,000 and £14,081,000).

	2001 £'000	2000 £'000
The net book amount of land and buildings comprises:		
Freehold properties	3,784	2,765
Short leasehold properties	915	389
	4,699	3,154

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Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

12 Investments

	<u>Group</u>		<u>Company</u>	
	Investments in associates £'000	Shares in subsidiary undertakings £'000	Investments in associates £'000	Total £'000
At 1 June 2000	1,605	2,140	1,066	3,206
Additions in year	-	120	-	120
Group's share of profits of associates	150	-	-	-
Redemption of preference shares	(300)	-	(300)	(300)
At 31 May 2001	1,455	2,260	766	3,026

The principal subsidiary undertakings at 31 May 2001, which are all fully consolidated, were:

Name	Holding	Proportion of shares held	Country of operation and incorporation	Nature of business
<i>Directly held by the Company</i>				
Goodhead Print Limited	Ordinary shares	100%	United Kingdom	Printing
Stones The Printers Limited	Ordinary shares	100%	United Kingdom	Printing
Benham & Company Limited	Ordinary shares	100%	United Kingdom	Printing
Paperback Binders Limited	Ordinary shares	100%	United Kingdom	Print Finishing
What Media Limited	Ordinary shares	60%	United Kingdom	Publishing
<i>Indirectly held by the Company</i>				
British Balls Magazine Pty Ltd	Ordinary shares	60%	Australia	Publishing

The proportion of voting rights does not differ from the proportion of ordinary shares held in each company.

The Group's principal associates at 31 May 2001, which are all held directly by the Company, were:

Name	Holding	Proportion of shares held	Country of operation and incorporation	Nature of business
OTM Facilities Limited	Ordinary shares	42%	United Kingdom	Creative Services
Annex Publishing and Printing Inc	Common shares	24.99%	Canada	Publishing

The Group's share of the retained profits of associates at 31 May 2001 was £687,000 (2000: £537,000).

During the year the Company's interest in 300,000 preference shares in OTM Facilities Limited were redeemed at their issue price of £1 per share.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

13 Stocks

	2001 £'000	Group 2000 £'000
Raw materials and consumables	1,158	993
Work in progress and finished goods for resale	533	724
	1,691	1,717

14 Debtors

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Debtors due after more than one year				
Amounts owed by group undertakings	-	-	1,250	-
Amounts owed by associates	1,666	3,224	1,666	3,224
	1,666	3,224	2,916	3,224
Debtors due within one year				
Trade debtors	7,134	8,613	-	-
Amounts owed by group undertakings	-	-	1	-
Amounts owed by associates	257	229	257	229
Corporation tax recoverable	117	-	-	-
Other debtors	1,478	1,663	53	68
Prepayments and accrued income	213	560	7	7
	9,199	11,065	318	304
Total	10,865	14,289	3,234	3,528

Included within amount owed by associates, are loan notes of C\$3,437,500 (2000: C\$6,875,000) due from the Group's associate, Annex Publishing and Printing Inc. The loan notes, which were issued on 21 November 1997, are due for repayment no later than 20 November 2002 and carry interest of 6¼% per annum for the remainder of the term. The loan notes are secured by way of a second charge over the assets of the business of Annex Publishing and Printing Inc.

During the year, Annex Publishing & Printing Inc repaid loan notes of C\$3,437,500 in cash.

15 Loans And Overdrafts - Amounts Falling Due Within One Year

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Bank loans (payable in instalments)	833	720	640	640
	833	720	640	640

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

16 Creditors - Amounts Falling Due Within One Year

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Trade creditors	9,044	9,537	-	-
Amounts owed to group undertakings	-	-	255	254
Amounts owed to associate	32	-	5	-
Corporation tax	-	330	15	94
Other creditors	1,801	3,654	22	126
Accruals and deferred income	1,435	1,283	115	120
Obligations under finance leases	5,457	2,852	-	-
Other taxation and social security	371	381	4	12
	18,140	18,037	416	606

17 Loans - Amounts Falling Due After More Than One Year

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
Bank loans (secured)	2,922	2,335	800	1,440
Repayable by instalments:				
- between one and two years	841	721	640	640
- between two and five years	820	1,041	160	800
- after more than five years	1,261	573	-	-
	2,922	2,335	800	1,440

The Group has the following sterling denominated bank loans outstanding at 31 May 2001:

- (i) A bank loan of £1,440,000 (2000: £2,080,000) which bears a fixed rate of interest of 8.25% per annum and is repayable by equal quarterly instalments up to June 2003. The loan is secured by way of fixed and floating charges over the assets of the Group.
- (ii) Three bank loans of £492,000, £402,000 and £1,421,000 (2000: £537,000, £438,000, and £Nil) which bear a fixed rate of interest of 9.375%, 9.25%, and 7.233% per annum respectively and are repayable by equal quarterly instalments up to April 2012, June 2012, and August 2010 respectively. The interest rate on the first two loans reverts to floating rates for the last five years of the term. The bank loans are secured on the freehold properties of the company concerned.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

18 Creditors - Amounts Falling Due After More Than One Year

	2001 £'000	Group 2000 £'000
Obligations under finance leases:		
- between one and two years	5,719	2,922
- between two and five years	9,700	5,078
	15,419	8,000

19 Provisions For Liabilities And Charges

	Group £'000	Company £'000
Provision for leasehold property obligations		
At 1 June 2000	314	209
Utilised during the year	(90)	(56)
At 31 May 2001	224	153

The provision for leasehold property obligations relates to the rent and associated costs of vacant properties and properties that are sublet at a shortfall of rental income compared with rental expense, net of future expected rent receivable from sublets. The property leases have expiry dates that range from June 2003 to December 2014.

Provision for deferred taxation

The Group and Company have no liability for deferred taxation as at 31 May 2001 (2000: £Nil).

	2001 £'000	Group 2000 £'000
The potential amount of deferred taxation for all timing differences is as follows:		
Capital allowances	2,704	1,793
Taxation losses carried forward	(1,124)	-
	1,580	1,793

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

20 Share Capital

Group and Company

	2001 Number	2000 Number	2001 £'000	2000 £'000
Authorised				
Equity:				
Ordinary shares of 20p each	60,000,000	60,000,000	12,000	12,000
Non-equity:				
7% convertible cumulative redeemable preference shares of £1 each	-	3,690,000	-	3,690
	60,000,000	63,690,000	12,000	15,690
	2001 Number	2000 Number	2001 £'000	2000 £'000
Allotted and fully paid				
Equity:				
Ordinary shares of 20p each				
At 1 June	44,167,277	40,407,187	8,833	8,081
Allotted under share option scheme	-	1,240,000	-	248
Allotted on conversion of preference shares	101,355	2,520,090	21	504
At 31 May	44,268,632	44,167,277	8,854	8,833
Non-equity:				
7% convertible cumulative redeemable preference shares of £1 each				
At 1 June	141,897	3,670,023	142	3,670
Conversion into ordinary shares of 20p each	(141,897)	(3,528,126)	(142)	(3,528)
At 31 May	-	141,897	-	142
Total	44,268,632	44,309,174	8,854	8,975

During the year 141,897 issued 7% convertible cumulative redeemable preference shares of £1 each were converted at £1.40 per ordinary share into 101,355 issued ordinary shares of 20p each.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

21 Reserves

Group	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 June 2000	4,299	699	4,899	9,897
Premium on ordinary shares issued on conversion of preference shares	121	-	-	121
Loss for the financial year	-	-	(1,463)	(1,463)
At 31 May 2001	4,420	699	3,436	8,555

The cumulative amount of goodwill written off in respect of acquisitions at 31 May 2001 net of goodwill relating to subsidiary undertakings or businesses sold is £2,149,000 (2000: £2,149,000).

Company	Share Premium £'000	Profit And loss account £'000	Total £'000
At 1 June 2000	4,299	2,162	6,461
Premium on ordinary shares issued on conversion of preference shares	121	-	121
Profit for the financial year	-	703	703
At 31 May 2001	4,420	2,865	7,285

22 Equity Minority Interest

Group	£'000
Minority shares subscribed in subsidiary	80
Minority interest's share of losses for the year	(80)
At 31 May 2001	-

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

23 Reconciliation Of Movements In Shareholders' Funds

	2001 £'000	Group 2000 £'000	2001 £'000	Company 2000 £'000
(Loss)/profit attributable to shareholders	(1,463)	3,504	703	61
Dividends	-	(745)	-	(745)
Retained (loss)/profit for the financial year	(1,463)	2,759	703	(684)
Issue of ordinary shares	142	3,955	142	3,955
Conversion of preference shares	(142)	(3,528)	(142)	(3,528)
Net (decrease)/increase in shareholders' funds	(1,463)	3,186	703	(257)
Opening shareholders' funds	18,872	15,686	15,436	15,693
Closing shareholders' funds	17,409	18,872	16,139	15,436

24 Notes To The Group Cash Flow Statement

(1) Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2001 £'000	2000 £'000
Operating (loss)/profit	(683)	4,589
Depreciation	4,892	4,960
Goodwill amortisation	13	-
Profit on disposal of fixed assets	(30)	(307)
Decrease in stocks	26	321
Decrease/(increase) in debtors	3,373	(343)
Increase in creditors	887	1,345
Net cash inflow from operating activities	8,478	10,565

(2) Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
(Decrease)/increase in cash in year	(717)	827
Cash flow from movement in debt and lease financing	4,668	3,504
Change in net debt resulting from cash flows	3,951	4,331
New secured loan	(1,500)	-
New finance leases	(13,892)	-
Movement in net debt in the year	(11,441)	4,331
Net debt at 1 June 2000	(11,174)	(15,505)
Net debt at 31 May 2001	(22,615)	(11,174)

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

24 Notes To The Group Cash Flow Statement (Continued)

(3) Analysis of net debt

	At 31 May 2000 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 May 2001 £'000
Cash	2,733	(717)	-	2,016
Debt due after 1 year	(2,335)	(1,387)	800	(2,922)
Debt due within 1 year	(720)	687	(800)	(833)
Finance leases	(10,852)	3,868	(13,892)	(20,876)
Total	(11,174)	2,451	(13,892)	(22,615)

25 Capital Commitments

	2001 £'000	2000 £'000
Authorised but not contracted	1,365	12,054
Contracts placed	5,675	10,889
	7,040	22,943

26 Contingent Liabilities

The Group has no contingent liabilities at the year end.

Under the terms of the Group's arrangements with its main banker, the bank has a right of set off between credit balances and all overdrawn balances of those Group undertakings with similar arrangements.

Goodhead Group PLC is party to a multi-lateral guarantee given by all companies within the Group in respect of a bank overdraft facility. At 31 May 2001 the maximum contingent liability under this guarantee was £Nil (2000: £Nil).

27 Commitments Under Operating Leases

The Group is committed to annual payments under operating leases terminating:

	Land and buildings		Other	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Within one year	25	23	54	36
Within two to five years	35	43	171	131
Over five years	1,221	925	-	2
	1,281	991	225	169

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2001 (Continued)

28 Pension Commitments

The Group operates pension schemes covering certain of its employees and directors. The principal scheme is a defined benefit pension scheme which is subject to actuarial valuation every three years. The assets of the scheme are held separately from those of the Group in an independently administered fund called the Goodhead Group Pension Life and Disability Plan. The contributions are determined by an independent professional qualified actuary on the basis of valuations using the Projected Unit method. The most recent valuation was at 1 June 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The actuarial assumptions used for the 1 June 2000 valuation are that investment returns would be 2.0% more than salary increases, and future pensions would increase at the rate laid down in the rules. The 2000 actuarial valuation showed that the market value of the assets was £9,249,000 which represented 99% of the benefits that had accrued to pensioners, deferred pensioners and members after allowing for expected future increases in earnings. The small actuarial deficit of £50,000 is being amortised over the average remaining service lives of the scheme's members. On a discontinuance basis the market value of the assets represented only 95% of the benefits accrued at the valuation date. The pension cost for the year for the defined benefit scheme amounted to £500,000 (2000: £516,000).

Contributions in respect of the defined contribution scheme are charged to the profit and loss account as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost for the year for the defined contribution scheme amounted to £117,000 (2000: £62,000).

29 Other Commitments

The Group enters into forward foreign exchange contracts to eliminate the currency exposures that arise on sales denominated in foreign currencies.

At 31 May 2001 the Group had forward foreign exchange contract commitments to sell the equivalent of £947,000 (2000: £3,186,000) in respect of future income receivable in foreign currencies. These contracts all mature prior to October 2001.

30 Related Party Transactions

Transactions with OTM Facilities Limited

The Group made purchases from and sales to OTM Facilities Limited, its associate, in the year of £31,000 and £25,000 respectively (2000: £38,000 and £Nil respectively). The balance due to OTM Facilities at 31 May 2001 was £32,000 (2000: £Nil).

During the year OTM Facilities redeemed 100,000 preference shares of £1 each and 200,000 floating preference shares of £1 each at par, together with accrued dividend of £6,000.

An amount of £256,000 of the redemption monies was left outstanding by way of an unsecured loan, which earns interest at 2% above base rate and is repayable by equal half year instalments with the last instalment due 31 December 2002. An amount of £56,000 was subsequently repaid and the balance due at 31 May 2001 from OTM Facilities was £200,000.

In the year to 31 May 2000, the Group made a loan to OTM Facilities of £100,000 which earned a fixed rate of interest of 8% per annum and was repayable by equal quarterly instalments with the last instalment due January 2001. There was no balance due at 31 May 2001 (2000: £75,000).

Goodhead Group Plc

Directors And Advisers

John Madejski OBE, DL – 60 years
(CHAIRMAN)

Chairman since June 1991. Founded Auto Trader magazine in 1976 and sold the business in July 1998. Chairman of The Reading Football Club Ltd.

John Alfred Cooling – 48 years
(MANAGING DIRECTOR)

A director since June 1992. Formerly a banker and financial consultant. Non-Executive director of Microlease plc.

Nicholas John Newland FCA – 53 years
(FINANCE DIRECTOR)

A director since April 1992. Formerly a financial management consultant and Finance Director of Kennedy Brookes plc.

Paul James Higgins - 45 years

A director since 1991. Corporate finance specialist and chairman of a number of companies in the Design, Marketing and Publishing sectors.

Secretary

Nicholas John Newland FCA

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Solicitors

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Bankers

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160 Crockhamwell Road
Woodley
Reading
Berkshire
RG5 3JJ

Goodhead Group Plc

Five Year Record

	1997 £'000	1998 £'000	1999 £'000	2000 £'000	2001 £'000
Turnover	32,243	42,318	52,066	62,674	54,671
Profit/(loss) before taxation	1,528	1,779	4,556	4,066	(1,507)
Profit/(loss) after taxation	1,229	1,448	4,426	3,504	(1,543)
Net assets	12,080	11,920	15,686	18,872	17,409