“Bringing buyers and sellers together worldwide, on paper, online, in person”

Contents

Financial Highlights

	2003	**2002**
	£'000	**£'000**
Turnover	24,709	32,910
Operating (loss)/profit before exceptional items	(221)	1,789
Operating (loss)/profit before exceptional items as per cent of turnover	*(0.9)%*	*5.4%*
Loss before taxation	(1,166)	(394)
Operating cash flow	3,080	3,210
Net debt at year end	1,859	2,860
Net debt as a per cent of shareholders' funds	*17.2%*	*22.2%*
	pence	**pence**
Loss per share	(2.16)p	(0.73)p
Interim dividend – equity	–	0.10
Final dividend – equity	–	0.10

Corporate information

Head Office and Registered Office	55 North Wharf Road London W2 1LA
Website	www.sterling-plc.com
Company Registration No.	1309004
Key Events	
Year End	31 March
Preliminary announcement	June
Annual General Meeting	July
Interim announcement	November

We have been able to increase revenues in the web division by 15% from £4.1m to £4.8m and launch our Forums business which contributed £1.0m in its first year of operation

Christopher Haines, Chairman

Chairman's statement

Results

Looking back over the year we have seen our revenue from advertising in print media decline by 35% from £28.2m in 2002 to £18.2m in 2003 during one of the most difficult periods for business-to-business advertising that I can remember. I believe the Group has responded well to mitigate the effect of this downturn, which has affected world markets and North America in particular. This has been achieved by further reducing the cost base in response to market conditions and, importantly, these actions have been undertaken without impairing the Group's ability to take advantage of any future improvement in trading conditions.

We have been able to increase revenues in the web division by 15% from £4.1m to £4.8m and launch our Forums business which contributed £1.0m in its first year of operation. Analysis & Networking Limited, a specialist conference company, was acquired on 13 March 2003 and did not therefore make any significant impact on this year's results.

Despite the sharp fall in revenue we kept costs under control and, as a result, are reporting an operating loss for the year as a whole of £(0.9)m, which is lower than earlier market expectations and which includes a profit of £0.4m for the second half.

Our cash flow was positive with net debt reducing by £1.0m in the course of the year.

Dividends

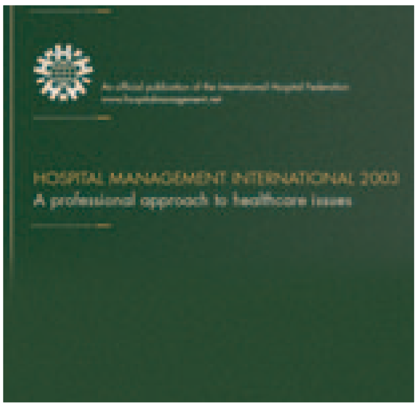
In the light of the full year results your board is not proposing a final dividend.

Business developments and outlook

Overall, we remain extremely cautious about future prospects until there is clearer evidence of a sustained recovery in world markets. We are however confident that having taken the appropriate steps to reduce costs and with a broader portfolio of product offerings we are ready to take advantage of any future economic upturn.

Christopher Haines

CJM Haines, Chairman
17 June 2003



EDIT was one of three founding forum events to take place in the year. An equally successful event for the European Banking sector and one for the European Railway industry took place in March 2003

Simone Kesseler, Group Chief Executive

Chief Executive's Review

The challenges we faced last year in business-to-business media continued into 2003. Ongoing economic difficulties and low business confidence in our main geographical markets and across most sectors, brought a further significant downturn in our print media advertising sales volumes, and a slower rate of growth in internet advertising revenues than in the previous year. Despite the difficult trading environment, we successfully launched our Forums business, which accounted for £1.0m of our Group turnover, and which we believe will be an exciting new revenue stream for the future.
We also cemented our presence in the events and information business with the acquisition, at the very end of the financial year, of conference company Analysis and Networking Limited. As we move forward, our strategy remains firm: to utilise our core strengths in the tracking of international markets and our unique telephone-based sales capabilities across an increasing range of media formats. In this way we intend to improve our risk profile as well as our yields and our margins.

We continued to address our cost base throughout this year. The year ended 31 March 2003 shows a reduction in our non-sales staff costs of almost £1.0m, and the cost of our operational properties fell by over £500,000 from the prior year. We ended the year with a non-sales staff head count of 161 (2002: 173) including a staff of 17 whom we acquired with Analysis and Networking Limited.

Our operating efficiencies and customer communications should improve further in the year to come as a result of the installation of a newly developed Group-wide computer system, which went into our operations at the end of March 2003. We are now beginning to enjoy the capabilities and full advantages of this new system.

Print media

Our print media businesses Sterling Publications, Cornhill Publications and Quasar International Communications responded to very tough conditions by reducing the number of issues published to 71 in the year in order to maintain their yield per issue published at £252,000 (2002: £261,000). The page yield achieved also held up despite obvious discounting pressure. Sales staff numbers were reduced by 24% to 190 staff. This was a natural consequence of the reduction in the number of publications and volumes in order to protect our yield per man, and to defend our margins. This led to some offset from the impact of the increased element of fixed costs in the cost of sales mix due to the changes we made to sales staff remuneration structures last year. This investment in the sales force coupled with our rigorous recruitment and selection processes have partially paid off this year as our staff churn rate has slowed and the average yield of a new recruit has improved by 49% in their first 12 weeks of employment with us. However, this has not been sufficient to mitigate the total damage to our gross profit margin which has reduced by 1.7% to 52.5% in print media. Markets remain difficult, however it is important that we maintain our remuneration package and selection processes in order to ensure that we are equipped to

capitalise on any upturn that may come this year.

Internet

Whilst the cost of sales has increased in print media, continued growth and management of the yield per man during the year has resulted in a decrease in cost of sales and a gross margin improvement in Net Resources International (NRI), our internet operation, to 44.9% (2002: 43.2%). Turnover also increased over last year by 14.8% to £4.75m. The number of sites we operated at the end of the year was 22, (2002: 26 sites). The mix included two new launches in the year: a specialist site for sports venue construction and management and one on road traffic management. Six sites were suspended during the year of which two (Hotel-technology.com and Semiconductor-technology.com) have been relaunched in the first quarter of the current year.

Our plans for our internet division include launches of at least four new sites in the year ahead, and further development of the recruitment advertising potential of our sites. We are also examining the advantages of establishing additional NRI sales offices both in the UK and overseas where significantly lower costs offer obvious advantages. Naturally, we shall strive to improve our service to clients and site users by optimising the content of NRI websites and, consequently, we fully expect to achieve growth across all of our sites during the coming year.

Forums

Forums are three or four day events, usually held at resort locations. Within the Forum framework, senior buyers and expert suppliers working within a specific industry are brought together for planned private meetings. The Forum also provides networking opportunities for all attendees together with informative seminars.

At the end of last year we had only just announced our plans for our first forum, the European Digital Infrastructure Technology Forum or EDIT2002 as it became known. I am pleased to inform you that EDIT2002 was a resounding success resulting in tangible business results for many of the participants. Industry support from both buy side and sell side in this sector continues and the second EDIT (EDIT2003) will take place this October. EDIT was one of three founding forum events to take place in the year. An equally successful event for the European Banking sector and one for the European Railway industry took place in March 2003. These events will be repeated in the coming year. In addition to nine brand new Forums making a total of 12 events planned to take place before the end of March 2004. Our experience in a wide range of sectors in which we operate in our established print and internet divisions, including our knowledge of both buyers and sellers, gives us a natural advantage when launching new events. Forums will represent a larger share of Group revenue in the years to come.

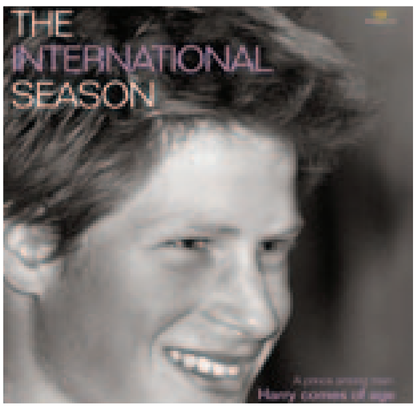
Conferencing and business information

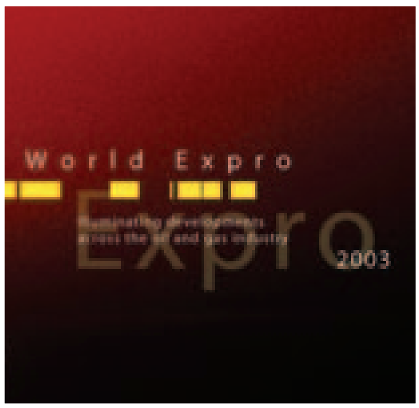
In March 2003 we completed the acquisition of a conference company specialising predominantly in the pharmaceuticals industry with a strong reputation for delivering high-quality business information products, both on a paying delegate basis and a free to attend model. Analysis and Networking Limited produces its conferences under the Vision in Business brand. Despite the difficulties faced by the conference sector, particularly around the Iraq war, early signs are that this will be a valuable addition to our Group. Conferences are traditionally sold by direct marketing; a skill which we hope will be transferable to our other Group companies over time, including Winthrop Publications, where subscription marketing activities and information rich products have much in common with the services of Vision in Business. Winthrop will increase its marketing activities this year to stimulate new subscribers in addition to building its renewal rates. At least one new product will also be introduced in the year ahead.

Debrett's

2003 saw a small profit from the reference book publishing side of Debrett's as well as the successful continuation of the *Royal Collection*, a bi-annual consumer series for high net worth individuals following the highly successful *Debrett's Golden Jubilee Collection*.

During the year the editorial policies for inclusion in Debrett's *People of Today* were reviewed and refined, to limit those who are invited to become a Debrett's name to those people of true influence and achievement , and in preparation for the launch of the Debrett's Society of Members later this year for which entry in *People of Today* is a prerequisite. The Debrett's Society will provide a range of services and benefits to its members and will create many





publishing and brand development opportunities in future years.

Current trading

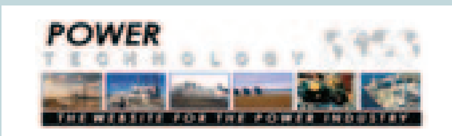
There has been no sign of a recovery in our print media advertising in the first calendar quarter or the second calendar quarter post Iraq. We will continue to manage our cost base in print media accordingly. Sales in NRI have slowed in the second quarter, but we are confident that this is directly related to sales staff numbers, which will begin to increase at the end of the academic year when our recruitment activity increases among the graduate population. Much of our growth in NRI for the current year is scheduled for the second half.

Sales of delegate places to supplier companies for our upcoming Forums are going to plan. Only one (The Leading European Architects Forum) of the 12 events scheduled will take place in the first half year and sales to date suggest that this should be a first-class Forum. Our task in the year will be to manage rapid expansion of our events division, whilst also producing the kind of quality that comes from attention to detail. With this in mind we will look to add an experienced and client-facing operations director to our very able team in the near future.

Other key performance indicators show a reduction in our cancellation rate compared with previous years, an increase in pro-forma payments in both the print and web divisions, and a healthy debt collection rate, all of which suggest that the financial standing of our client base has improved compared with the turbulent times of a year ago and that our rigorous compliance and client vetting policies have paid off. We wait fully prepared for stronger signs of a return to business confidence, particularly in the USA – one of our key markets and from which Europe and the rest of the world traditionally take their lead.

Finally, a thank you to staff, which is often read as a gratuitous comment at the end of the year, every year. A Herculean effort has been made by many of our talented people over the last two years. Few expected such a protracted adverse climate as has impacted upon our Group businesses since 2000. The commitment and skill of our people over this time has enabled us to react swiftly to changing circumstances, in the face of a smaller workforce and with no apparent respite. My thanks and congratulations with regard to the achievements of our staff this year have never been more heartfelt.

Simone Kesseler
Group Chief Executive
17 June 2003



About Sterling Publishing Group

Sterling Publishing Group specialises in business communications in print, online and at live events across a range of sectors that aim to match buyers and sellers around the world. The Group also owns Debrett's.

Our print media divisions provide more than a million of the world's leading business and industry decision makers with a yearly or twice yearly review of their industries and developments in key technologies and services available to them. The publications generate qualified response databases from their recipients around the world for the supplier companies who participate through advertising.

Our 22 industry websites attract more than 20 million worldwide user sessions per annum to reference equipment, machinery and services used by the most important industry engineering projects. Website users can make direct enquiries to the many thousands of international supplier companies who are our clients on the sites.

Our Forums bring together leading international buying decision makers to meet international suppliers of technologies and services at specialist three- or four-day industry meetings. Our conferences bring important industry information to key players in the pharmaceutical, telecoms and broadcast industries while offering companies important sponsorship and exhibition opportunities.

Our Companies

The Group currently comprises eight companies and publishes over 70 titles and more than 20 industry websites and runs more than 40 events a year.

Print media

Sterling Publications Limited (www.sterlingpublications.com), Cornhill Publications Limited (www.cornhillpublications.com) and Quasar International Communications Limited (www.quasar.uk.net) are our three business units engaged in the publication of annual and bi-annual paper products. Our R&D and editorial teams have developed expertise in more than 40 business and industry sectors. Our international telephone salesforce obtains supplier participation in each publishing project.

The combined sales power of all three businesses totals some 200 telephone sales professionals, working markets in over 90 countries worldwide.

Internet division

Net Resources International Limited creates vertical industry websites for engineering communities and applies its international telephone sales skills to obtaining advertising participation from world-class supplier companies. These sites generate a wide range of international enquiries from their web communities, from tenders to requests for help and advice.

Forums

Cornhill Events is a division of Cornhill Publications Ltd and creates and operates three or four day Forums where senior buyers and expert suppliers working within a specific industry are brought together for planned private meetings. The Forum also provides networking opportunities for all attendees together with management education and seminars.

Events include the European Digital Infrastructure Technology Forum (EDIT), the European Banking Forum (EBF), and the Forum for European Rail Operators and Owners (FERO), among others planned for the coming year.

Conferencing and business information

Analysis and Networking Ltd produces a range of conferences for the pharmaceutical, telecoms and broadcast sectors in Europe under the Vision in Business brand, which has a track record in the provision of quality business information. Analysis and Networking was acquired by Sterling on 13 March 2003.

Winthrop Publications Limited publishes a small specialist range of quarterly management journals, sold on subscription. Titles include:

- *The International Journal of Call Centre Management*
- *The International Journal of Customer Relations Management*
- *The International Journal of New Product Development*
- *The International Journal of Sports Marketing and Sponsorship*

Debrett's

Debrett's Limited owns the Debrett's brand, the authority on English society and manners for the last 200 years. Debrett's publishes a range of important reference products.
Titles include:

- *Debrett's People of Today* (this core product provides comprehensive biographical information, by invitation only, on more than 25,000 leaders in Britain today who are members of the Debrett's Society of Members)
- *Debrett's Guide to New Etiquette and Modern Manners*
- *Debrett's Guide to Correct Form*
- *Debrett's Guide to Easy Entertaining*
- *Debrett's Guide to the Season*
- *Debrett's Wedding Guide*

www.debretts.co.uk

Board of directors

From left to right:

Executive Directors

Simone Kesseler
Group Chief Executive
Ms Kesseler joined the Group in 1985, was appointed director of Cornhill Publications Limited in 1990 and Group chief executive in December 1996. Aged 40.

Laurence Garman
Group Sales Director
Mr Garman was appointed Group sales director in December 1996. He had previously held a number of senior positions within the Group. Aged 53.

Derek Watson FCA
Group Finance Director and Company Secretary
Mr Watson was a partner with KPMG until 1989 and has held a number of senior financial positions prior to joining the board in March 1997. Aged 53.

Non-Executive Directors

Christopher Haines * #
Chairman
Mr Haines joined the board in October 1996 and was, until December 2001, executive chairman. He was previously chief executive of the Jockey Club. Aged 64.

Roger Harrison MA * #
Mr Harrison was a non-executive director of Trinity International Holdings plc and is chairman of a number of private companies. He has served on the board since 1993. Aged 70.

Panton Corbett * #
Mr Corbett is a non-executive director of Haynes Publishing Group plc, South Staffordshire Group plc and Tex Holdings plc. Until March 1998 he was chairman of the Alternative Investment Market of the London Stock Exchange and was a director of Singer & Friedlander Limited from 1974 to 1998. He joined the board in June 1995. Aged 65.

Keith Turner * #
Mr Turner is a former technical director with Cap Gemini UK and director of internet services at Debis IT Services. He joined the board on 1 February 2001. Aged 46.

* member of the Audit Committee
# member of the Remuneration Committee

Advisers

Auditors
Deloitte & Touche

Brokers and financial advisers
Rowan Dartington & Co

Principal Bankers
Lloyds TSB Bank plc

Registrars
Capita IRG plc

Remuneration Consultants
New Bridge Street Consultants

Solicitors
Olswang

Senior Management Team

Underpinning our operations is a talented management team:

Support Staff
Steve Baxter, Group Facilities Manager • Monika Bibik, Group Head of Client Liaison • Robin Brooks, Group IT Manager • Liam Donnelly, Group Head of Editorial Communications • Edward Jackson, Group Webmaster • Sam Raingill, Group Head of Business Information • Jenny Roberts, Group Head of Circulation and Distribution • Henrik Williams, Group Art Director • Frank Wilton, Director of Group Production • Mark Palman, Group Financial Controller • Kate Fearey, Group Credit Control Manager

Print Media
Jason Cope, Divisional Sales Director, Sterling Publications Ltd • Sarah Woddis, Head of Publishing and Business Development, Sterling Publications Ltd • Carol Barker, Sales Director, Cornhill Publications Ltd, Cornhill Events, and Advertising Sales Director for Debrett's Ltd • William Crocker, Product Development Manager, Cornhill Publications Ltd • Carlo Nucera, General Manager Sales, Cornhill Publications Ltd

Internet
Les De Hoog, Director of Internet Sales • Rob Norton, Development Director • Yvette Hernandez, Head of Operations

Forums
Rob Norton, Development Director

Conferencing and Business Information
Anne Marie Larsen, Managing Director, Analysis and Networking Ltd • Rebecca Squire, General Manager Product, Analysis and Networking Ltd • Gabriel Engelhard, Publisher, Winthrop Publications Ltd

Debrett's Ltd
Sharon Tidball, Market Development Manager • Andrew Moulder, Finance and Operations Manager

Operating cash flow was £3.1 million (2002: £3.2 million) and at 31 March 2003 net debt was £1.9 million (2002: net debt £2.9 million).

Derek S Watson, Group Finance Director

Financial Review

Basis of consolidation and accounting policies

The Group accounts include the consolidated results of Sterling Publishing Group plc and its subsidiaries. Accounting policies have been applied consistently, year on year, across all companies in the Group.

Turnover

Turnover in the web-based businesses was up 14.7%, whereas in paper it declined 35.4% compared with last year. Sales in the UK increased as a percentage reflecting the relatively stronger UK economy compared with the USA and Europe.

Profitability

Operating loss for the year was £ (0.90)m (2002: profit £ 0.56m). The table below shows the breakdown of our results between the first half and second half year.

	Six months ended 30 Sep 2002		**Six months ended 31 Mar 2003**		**Year ended 31 Mar 2003**	
	£'000s	*As % turnover*	£'000s	*As % turnover*	£'000s	*As % turnover*
Turnover	10,769	*100.00%*	13,940	*100.00%*	24,709	*100.00%*
Cost of Sales	(5,509)	*51.16%*	(6,906)	*49.54%*	(12,415)	*50.24%*
Gross Profit	5,260	*48.84%*	7,034	*50.46%*	12,294	*49.76%*
Distribution Costs	(489)	*4.54%*	(458)	*3.29%*	(947)	*3.83%*
Administrative expenses	(6,070)	*56.37%*	(6,180)	*44.33%*	(12,250)	*49.58%*
Operating profit/(loss)	(1,299)	*12.06%*	396	*2.84%*	(903)	*3.65%*
Interest receivable		-	17	*0.12%*	17	*0.07%*
Interest payable	(152)	*1.41%*	(128)	*0.97%*	(280)	*1.13%*
Profit/(loss) before taxation	(1,451)	*13.47%*	285	*2.04%*	(1,166)	*4.72%*
Taxation	(607)	*5.64%*	-	-	(607)	*2.46%*
Profit/(loss) for the period	(2,058)	*19.11%*	285	*2.04%*	(1,773)	*7.18%*
Dividends – non-equity	(10)	*0.09%*	-	-	(10)	*0.04%*
	(2,068)	*19.20%*	285	*2.04%*	(1,783)	*7.22%*
Dividends – equity	-	-	-	-	-	-
	(2,068)	*19.20%*	285	*2.04%*	(1,783)	*7.22%*

European Digital Infrastructure Technology Forum 2003

European Multichannel Banking | Forum

20-23/03/2003

Forum for European Railway Operators and Owners

Cost base
Administrative costs, excluding exceptional items, were reduced by £2.6m to £11.6m. This included a £1.2m reduction in staff-related costs and a £0.5m reduction in occupancy costs. The bad debt charge was £0.6m lower although this partly relates to the reduction in turnover.

Acquisitions and goodwill
Analysis & Networking Limited was acquired on 13 March 2003 for an initial cash consideration of £316,000. Goodwill arising as a result of the acquisition amounted to £ 1,375,000.

Exceptional item
The exceptional item comprises a further provision against our Goodge Street property where we have one floor remaining empty following a letting during the year.

Interest and similar charges
Interest is made up of bank interest, finance lease interest, the unwinding of the discount inherent in the property provision and the mark to market adjustment on the EBT shares.

Taxation
We have overall tax losses for the year and these have been carried forward at the year-end. As a result the deferred tax asset established at 31 March 2002 following the adoption of FRS19 has now been fully provided in the year, as there is no immediate prospect of the reversal of the timing differences being able to reduce our future tax liabilities.

Loss per share
The loss per share amounted to 2.16p (2002: 0.73p)

Cash flow, net debt and gearing
Operating cash flow was £3.1m (2002: £3.2m) and at 31 March 2003 net debt was £1.9m (2002: net debt £2.9m). Capital expenditure amounted to £1.2m (2002: £1.4m), primarily on investment in information technology and fitting out office space. The remaining £0.72m of 8.25% preference shares were redeemed in May 2002.

The Group has an overdraft facility with Lloyds TSB that is repayable on demand and is due for renewal in May 2004.

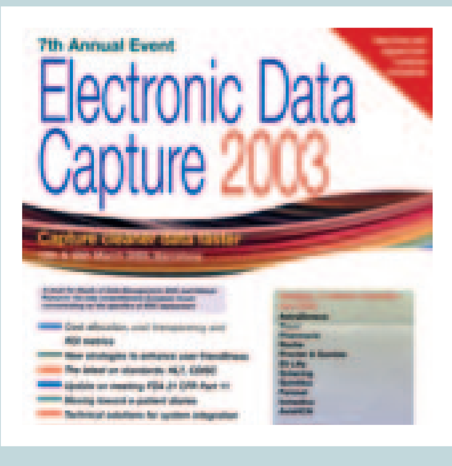
Net debt as a per cent of shareholders' funds at the year-end was 17.2% (2002: 22.2%)

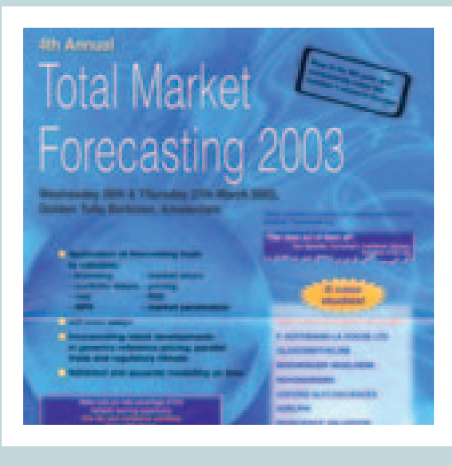
Risk management and treasury policy
Cash and debt is managed on a Group-wide basis. Subsidiary companies operate within funding restrictions controlled by the executive directors of the Group.

The Group does not have significant foreign exchange exposure but does have some net income in US dollars. These dollars are sold periodically, having regard to prevailing exchange rates, transaction charges and anticipated future currency flows.

The Group holds 1.2 million shares through an employee benefit trust. In accordance with our accounting policy, these are marked to market, resulting in a provision of £0.99m which is included as part of the interest charge for the year. Details of financial assets and liabilities as required by FRS13 are set out in the notes to the accounts.

DS Watson
Group Finance Director
17 June 2003





Directors' Report

The directors present their report together with the audited accounts for the year ended 31 March 2003.

Business review

The principal activity of the company is that of an investment holding and management company. The principal activity of the Group is to bring buyers and sellers together worldwide through the publication of international business reference books, magazines and websites supported by advertising revenue and management response systems, and through events and conferences.

Results and dividends

The chairman's and chief executive's statements on pages 1 to 4 report on the progress made in the financial year and outline the likely future development of the Group.

The Group loss before interest and tax for the year was £(0.90)m (2002: profit £0.56m) and the loss attributable to shareholders was £(1.78)m (2002: £(0.61)m).

Dividends in the year on the 8.25% preference shares amounted to £10,000 (2002: £59,000).

No interim dividend was paid and the directors do not recommend payment of a final dividend.

The retained loss transferred from reserves was £(1.78)m (2002: £(0.77)m).

Share capital and substantial interests

Details of the company's share capital are set out in Note 22. As at 17 June 2003 the directors had been notified of the following interests in the company's ordinary share capital:

Percentage ordinary shares owned

The Special Utilities Investment Trust plc	**28.83%**
INVESCO English and International Trust plc	**5.00%**
Herald Investment Trust	**6.02%**
Hunter Hall Investment Management Ltd	**3.97%**

Directors and directors' interests

The directors of the company who served during the year and biographical details appear on page 6.

The interests of the directors in the share capital of the company, all of which are beneficial, are as follows:

	31 March 2003	1 April 2002
CJM Haines	362,500	362,500
SE Kesseler	253,466	193,466
LS Garman	13,702	96,785
DS Watson	502,500	352,500
DRW Harrison	95,000	95,000
RP Corbett	100,000	-
KE Turner	-	-

Mr RP Corbett purchased a further 100,000 shares on 1 April 2003. There have been no other changes to the directors' interests in the share capital of the company during the period 1 April 2003 to 17 June 2003. None of the directors had interests in the shares of any Group company.

Re-election of directors

Mr DRW Harrison and Ms SE Kesseler retire by rotation in accordance with the company's Articles of Association and, being eligible, offer themselves for re-election.

Employment policies

The Group's employment policies, including the commitment to equal opportunities, are designed to attract, retain and motivate the very best staff regardless of sex, race, religion or disability. Good and effective employee communication is particularly important, and it is the Group's policy to promote the understanding and involvement of all its employees in the Group's business aims and performance.

Health and Safety

It is the policy of the Group to conduct all business activities in a responsible manner, free from recognised hazards, and to respect the environment, health and safety of our employees, customers, suppliers, partners, neighbours and the community at large

Creditor payment policy

Operating businesses are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. It is Group policy that payments to suppliers be made in accordance with these terms, provided that the supplier also complies with all relevant terms and conditions. Group trade creditors at 31 March 2003 were equivalent to 26 days of purchases during the year ended on that date (2002: 31 days).

Resolutions to be proposed at the annual general meeting

Full details of the annual general meeting to be held on 28 July 2003 and an explanation of the special business to be discussed appear in the notice of the annual general meeting.

Charitable donations

The Group made a donation of £1,000 to the Woodland Trust towards a grove planted to mark Debretts' bicentennial (2002: £ nil).

Corporate governance

The directors consider that the company complied, throughout the financial year, with the operative provisions of Section 1 of the Combined Code prepared by the Committee on Corporate Governance, chaired by Sir Ronald Hampel and appended to the Listing Rules. An explanation of how the provisions of the Combined Code have been applied is given below.

The board

The board comprises three executive and four non-executive directors. The non-executive directors are independent of management and free from any business or other relationships with the company, other than owning shares as disclosed on page 10. The board regards Mr DRW Harrison as the senior independent director. The chairman, who is responsible for the running of the board, ensures that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The chief executive's responsibilities focus on co-ordinating the company's business and implementing Group strategy. All directors are able to take independent professional advice in the furtherance of their duties if necessary.

The board has a formal schedule of matters reserved to it, meets monthly and is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It monitors the exposure to key business risks and reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The board also considers environmental and employee issues and key appointments. It has responsibility for providing all directors with appropriate training. All directors are required to stand for re-election at least once every three years.

The board has established both a Remuneration and an Audit Committee. There is no Nominations Committee since, due to the small size of the company, this is not considered necessary.

The Audit Committee, comprising Mr DRW Harrison (chairman), Mr RP Corbett, Mr CJM Haines and Mr KE Turner, has specific terms of reference which deal with its authority and duties. It meets at least twice a year, with the external auditors attending by invitation. The committee overviews the monitoring of the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the non-executive directors.

The Remuneration Committee comprises Mr DRW Harrison (chairman), Mr RP Corbett, Mr CJM Haines and Mr KE Turner, and has written terms of reference. It considers all changes to the remuneration of the executive directors.

Shareholder relations

The company is active in communicating with both its institutional and private shareholders. All shareholders have at least 20 working days notice of the annual general meeting, at which directors are introduced and available for questions.

Non-audit services provided by external auditors

In order to maintain the independence of the external auditors, the board has determined that non-audit work will not be offered to the external auditors unless there are clear efficiencies and value-added benefits for the company. During the year the auditors provided non-audit services to a value of £22,000.

Internal controls

The board has overall responsibility for the Group's system of internal controls and for monitoring its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Combined Code introduced a requirement that the directors review the effectiveness of the Group's system of internal controls. This extends the existing requirement in respect of internal financial controls to cover all controls including financial, operational, compliance and risk management.

An ongoing process for identifying, evaluating and managing the significant risks faced by the Group was put in place in 2001. This has included a review of the risks and prioritisation of those risks identified for further action. That process is regularly reviewed by the board and accords with the internal control guidance for the directors on the Combined Code produced by the Turnbull Working Party.

The board meets regularly throughout the year and has formally adopted a schedule of matters which are required to be brought to it for discussion. This ensures that the directors maintain overall control of all significant strategic, financial, operational and compliance issues. The board has delegated to the finance director the responsibility for establishing a system of internal control appropriate to the business environments in which the Group operates.

The following are the main features of the internal control framework:

Financial information. The Group has a comprehensive system for reporting financial results to the board; monthly results are prepared for each operating unit with a comparison against budget. The board reviews these for the Group as a whole and determines appropriate action.

Quality and integrity of personnel. The Group has clear external recruitment procedures, training as appropriate and published Group policies.

Operating unit financial controls. Key controls over major financial risks include reviews against performance indicators and exception reporting. The operating units make regular assessments of their exposure to major financial risks and the extent to which these risks are controlled.

Computer systems. The Group has established appropriate controls over the security of data held on computer systems and has put in place disaster recovery arrangements.

Control over central functions. A number of the Group's key functions, including treasury and taxation, are dealt with centrally and are required to report to the board on a monthly basis.

The board has considered the need for internal audit, but has decided that because of the size of the company it cannot be justified at present. The board reviews this decision on an annual basis.

The board has conducted a review of the effectiveness of the system of internal control for the year ended 31 March 2003 and has taken account of material developments that have taken place since the year end.

Going concern

The directors confirm that they are satisfied that the company and Group has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities

UK company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company, and of the Group, as at the end of the financial year, and of the profit or loss of the Group for that period.

The directors consider that in preparing the accounts, suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Directors are required to state whether applicable accounting standards have been followed and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose, with reasonable accuracy, at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for the system of internal control, for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to re-appointment them will be proposed at the forthcoming annual general meeting.

Deloitte & Touche has informed the directors that they are intending to transfer their business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000, to be known as Deloitte & Touche LLP. It is the current intention of the directors to use the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP at the appropriate time.

By order of the board.

DS Watson, Secretary
17 June 2003

Report to Shareholders on Remuneration

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002, which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the Principles of Good Governance relating to directors' remuneration. As required by the regulations, a resolution to approve the report will be proposed at the annual general meeting of the company at which the financial statements will be approved.

The regulations require the auditors to report to the company's members on the 'auditable part' of the directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the regulations). The report has therefore been divided into separate sections for audited and unaudited information.

PART NOT SUBJECT TO AUDIT

The Remuneration Committee

Throughout the year ended 31 March 2003 the Remuneration Committee consisted of Mr DRW Harrison (chairman), Mr RP Corbett, Mr CJM Haines and Mr KE Turner. In the matters to be decided members have no personal financial interests, other than as shareholders, nor are they involved in the day-to-day running of the business. The committee consults the chief executive about its proposals and has taken advice during the year from New Bridge Street Consultants, who were appointed by the committee to advise on remuneration generally and on the introduction of a new share option scheme. They provided no other services to the company.

Best practice

The company complied throughout the period with Section A of the Best Practice Provisions on Directors' Remuneration annexed to The London Stock Exchange Listing Rules. In framing its remuneration policy the committee has also given full consideration to all the matters referred to in Section B of the Best Practice Provisions.

Remuneration policy

Executive directors' and senior executives' remuneration

In assessing all aspects of pay and benefits the committee compares packages offered by similar companies. These companies are chosen having regard for the company's size, diversity and complexity.

Executive remuneration packages are designed to attract, motivate and retain directors and senior executives, and to reward them for delivering predetermined targets and for enhancing long-term value to shareholders.

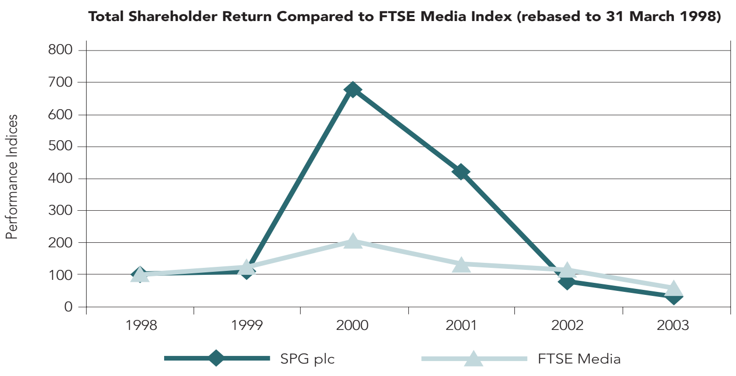
The main elements of the remuneration package for executive directors are:

- **Basic annual salary**
  Salaries are reviewed annually, but the committee does not automatically grant an increase.
- **Long-term incentive arrangements**
  Long-term incentives are achieved by aligning directors' and shareholders' interests through shares held under options and the annual bonus plan, both of which include performance criteria linked to growth in earnings per share.
- **Performance bonuses**
  The sales director is entitled to bonuses based on sales for the year and on the performance of the company. For the year commencing 1 April 2003 the committee has introduced a bonus arrangement for the remaining executive directors which provides for a bonus equal to 10% of salary for the achievement of agreed budgets and a further 8% of salary for each 10% by which actual results exceed budget but capped at 50% of salary. For the year ended 31 March 2003 there was no formal bonus arrangement in place, but the committee had discretion to award bonuses to individual directors where it believed this was justified in the light of their overall performance.
- **Pension arrangements**
  The executive directors are entitled to contributions by the company to their individual personal pension schemes varying between 10% and 20% of their basic salary.
- **Other benefits**
  These include car, fuel, mobile telephones and medical cover for the director and immediate family.

Non-executive directors' remuneration

All non-executive directors have letters of appointment and their remuneration is determined by the board, having regard to the level of fees for similar companies. Non-executive directors cannot participate in any of the company's share option schemes unless they were granted options while holding an executive position. Non-executive directors are not entitled to any contribution in respect of pensions.

Performance graph



The above chart shows the performance of the Group for the five years ended 31 March 2003 by comparing Total Shareholder Return for the company against comparative performance of the FTSE Media Index rebased to 31 March 1998. In the opinion of the directors this comparison is the most appropriate for judging the relative performance of the Group from a shareholder perspective.

Directors' service agreements

It is the Group's policy that directors should not have service agreements with notice periods capable of exceeding 12 months. The existing service agreements have neither fixed terms nor contractual termination payments but do have fixed notice periods. Non-executive directors have letters of appointment with the company. The details of the service agreements or letters of appointment of those who served during the year are:

	Agreement Date	Notice Period
Executive directors		
SE Kesseler	22 November 1997	12 months
LS Garman	29 November 1997	6 months
DS Watson	5 June 1997	12 months
Non-executive directors		
DRW Harrison	25 June1999	6 months
CJM Haines	26 November 2001	6 months
RP Corbett	25 June1999	6 months
KE Turner	1 February 2001	6 months

PART SUBJECT TO AUDIT

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2003 £'000	2002 £'000
Emoluments	659	663
Money purchase pension contributions	50	49
Total	**709**	**712**

Directors' emoluments

	2003 Salary & fees £'000	2003 Bonus £'000	2003 Pension £'000	2003 Other benefits £'000	2003 Total £'000
Executive directors					
SE Kesseler	135	41	13	15	204
LS Garman	164	41	16	21	242
DS Watson	107	32	21	2	162
Non-executive directors					
DRW Harrison	15	-	-	-	15
CJM Haines	56	-	-	-	56
RP Corbett	15	-	-	-	15
KE Turner	15	-	-	-	15
Total remuneration	**507**	**114**	**50**	**38**	**709**

	2002 Salary & fees £'000	2002 Bonus £'000	2002 Pension £'000	2002 Other benefits £'000	2002 Total £'000
Executive directors					
SE Kesseler	133	-	13	14	160
LS Garman	162	66	15	16	259
DS Watson	105	-	21	2	128
CJM Haines	102	-	-	1	103
Non-executive directors					
DRW Harrison	15	-	-	-	15
CJM Haines	12	-	-	-	12
RP Corbett	15	-	-	-	15
KE Turner	15	-	-	-	15
CW Stoddart	5	-	-	-	5
Total remuneration	**564**	**66**	**49**	**33**	**712**

Bonuses

The bonus awarded to Mr LS Garman is calculated as a percentage of sales and those to Mr DS Watson and Ms SE Kesseler were awarded at the discretion of the Remuneration Committee based on individual performance.

Pension arrangements

There is no company-managed pension scheme, but the Group operates a defined contribution Group personal pension scheme as well as making contributions to other individuals' personal pension schemes. The assets of all these schemes are held separately from those of the Group and in independently administered funds. The pension cost charge represents contributions payable by the Group to these funds and during the year amounted to £98,000 (2002: £101,000) including £50,000 (2002: £49,000) on behalf of the three executive directors.

Share option schemes

The company currently has three option schemes for directors and other employees, each of which is controlled by the Remuneration Committee. The schemes are as follows:

(i) Sterling Publishing Group 1996 Approved Share Option Scheme ('Approved Scheme')

Under the terms of the Approved Scheme, options may only be exercised provided the average annual growth in earnings per share over a three-year period exceeds inflation by at least 2%.

As at 31 March 2003 there were options in force over 948,100 shares as follows:

Number of shares	Grant date	Exercise price (pence)	First exercise date	Last exercise date
79,600	28 Jul 1997	22.50	28Jul 2000	27 Jul 2007
75,000	19 Dec 1997	18.50	19 Dec 2000	18 Dec 2007
200,000	7 Jul 1998	15.00	7 Jul 2001	6 Jul 2008
95,000	6 Jul 1999	33.00	6 Jul 2002	5 Jul 2009
238,500	15 Dec 1999	76.50	15 Dec 2002	14 Dec 2009
260,000	20 Dec 2002	11.25	20 Dec 2005	19 Dec 2012

(ii) Sterling Publishing Group 1990 Unapproved Share Option Scheme ('Unapproved Scheme')

There are no performance criteria under the terms of the Unapproved Scheme.

As at 31 March 2003 there were options in force over 1,783,000 shares as follows:

Number of shares	Grant date	Exercise price (pence)	First exercise date	Last exercise date
93,700	14 Jan 1997	28.50	14 Jan 2000	13 Jan 2007
210,000	19 Dec 1997	18.50	19 Dec 2000	18 Dec 2007
125,000	6 Jul 1999	33.00	6 Jul 2002	05 Jul 2009
1,195,000	7 Jul 2000	132.00	7 Jul 2003	06 Jul 2010
160,000	24 Nov 2000	135.00	24 Nov 2003	23 Nov 2010

(iii) Sterling Publishing Group 2000 Unapproved Share Option Scheme ('2000 Scheme')

The 2000 Scheme was approved by shareholders on 10 March 2000.The sole purpose of the scheme was to grant options by way of compensation for rights given up under the long-term incentive plan. The options were exercisable as to 40% immediately, 35% after one year (10 March 2001) and 25% after two years (10 March 2002). A total of 50% of the share options are subject to a requirement that average earnings per share over a three-year period exceed inflation by at least 2%. Provision also exists for option holders to receive the cash equivalent of the excess of the market price of shares over the option exercise price in the event of a general offer for the shares in the company. No further options may be granted under this scheme.

Number of shares	Grant date	Exercise price (pence)	First exercise date	Last exercise date
8,000,000	10 March 2000	116.50	see above	31 May 2008

Proposals for a new share option scheme

The notice of annual general meeting enclosed with these accounts sets out the board's proposals to introduce a new share option scheme.

Share options for directors

The following table shows the details of options in force for each of the directors of the company:

	Scheme	Excercise price (pence)	Date of grant	Number at 1 April 2002	Granted	Exercised	Number at 31 March 2003
Executive directors							
SE Kesseler	(ii)	28.50	14 Jan 1997	93,700	-	-	93,700
	(ii)	18.50	19 Dec 1997	100,000	-	-	100,000
	(iii)	116.50	10 Mar 2000	3,333,330	-	-	3,333,330
				3,527,030	-	-	**3,527,030**
LS Garman	(ii)	18.50	19 Dec 1997	60,000	-	-	60,000
	(iii)	116.50	10 Mar 2000	2,000,000	-	-	2,000,000
				2,060,000	-	-	**2,060,000**
DS Watson	(ii)	18.50p	19 Dec 1997	50,000	-	-	50,000
	(iii)	116.50p	10 Mar 2000	1,333,335	-	-	1,333,335
				1,383,335	-	-	**1,383,335**
Non-executive directors							
CJM Haines	(ii)	33.00p	6 Jan 1999	125,000	-	-	125,000
	(iii)	116.50p	10 Mar 2000	1,333,335	-	-	1,333,335
				1,458,335	-	-	**1,458,335**

No options over ordinary shares were exercised during the year. The market price of the ordinary shares at 31 March 2003 was 7.125p and the range during the year was 7.0p to 15.5p.

Long-term incentive arrangements for directors

A long term incentive plan (the 'Plan') was approved by shareholders in July 1998. On 10 March 2000 two-thirds of these rights were given up as part of the introduction of the 2000 Unapproved Share Option Scheme.

Amounts due under the Plan are determined by reference to the average middle-market quotation of the ordinary shares for the ten dealing days following the announcement of the annual results subject to a cap of 30 times the IIMR earnings per share. Sums due are payable up to 30 days thereafter, subject to the requirement for the average growth in IIMR earnings per share over a three-year period to exceed inflation by at least 2%. Rights under the Plan expire on 31 May 2008.

Rights over 800,000 notional shares were in force under the Plan at 1 April 2002 and 31 March 2003 as follows:

	Number of notional shares 1 April 2002 and 31 March 2003	Notional base price per share 1 April 2002 and 31 March 2003
CJM Haines	133,333	100p
SE Kesseler	333,334	100p
LS Garman	200,000	100p
DS Watson	133,333	100p

No amounts are due under the terms of the Plan in respect of the year ended 31 March 2003 (2002: £ nil)

This report was approved by the board on 17 June 2003 and signed on its behalf by Mr DRW Harrison, chairman of the Remuneration Committee.

Independent Auditors' Report to the Members of Sterling Publishing Group PLC

We have audited the financial statements of Sterling Publishing Group Plc for the year ended 31 March 2003, which comprise the profit and loss account, the balance sheets, the cash-flow statement, the statement of total recognised gains and losses and the related notes 1 to 29. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the directors' remuneration report that is described as having been audited. This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable UK law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the directors' remuneration report. Our responsibility is to audit the financial statements and the part of the directors' remuneration report described as having been audited in accordance with relevant UK legal and regulatory requirements and auditing standards.

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

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section, including the unaudited part of the directors' remuneration report, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with UK auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the Group, have been consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the Group as at 31 March 2003 and of the loss of the Group for the year then ended; and
- the financial statements and the part of the directors' remuneration report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
London
17 June 2003

Consolidated Profit and Loss Account

For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Turnover	2	24,709	32,910
Cost of sales		(12,415)	(15,566)
Gross profit		12,294	17,344
Distribution costs		(947)	(1,373)
Administrative expenses		(12,250)	(15,411)
Operating (loss)/profit before exceptional items		(221)	1,789
Exceptional items:			
Property provision	18	(682)	(529)
Write-down of intangible fixed asset		-	(700)
Operating (loss)/profit	3	(903)	560
Interest receivable and similar income	4	17	32
Interest payable and similar charges	5	(280)	(986)
Loss on ordinary activities before taxation		(1,166)	(394)
Tax on loss on ordinary activities	6	(607)	(152)
Loss on ordinary activities after taxation for the financial year		(1,773)	(546)
Dividends – non-equity	7	(10)	(59)
Loss attributable to equity shareholders		(1,783)	(605)
Dividends – equity	7	-	(166)
Loss for the financial year transferred from reserves		(1,783)	(771)
Basic loss per share – Net basis	8	(2.16)p	(0.73)p
Diluted loss per share – Net basis	8	(2.16)p	(0.73)p

Both years' results derive from continuing operations.

Consolidated statement of recognised gains and losses
There are no recognised gains and losses other than those recorded in the profit and loss account.

Consolidated Balance Sheet

As at 31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	9	6,274	5,057
Tangible assets	10	3,553	3,291
Investments in own shares	11	86	185
		9,913	8,533
Current assets			
Stocks and work-in-progress	13	4,149	4,901
Debtors	14	7,002	10,612
Cash at bank and in hand		255	136
		11,406	15,649
Creditors – amounts falling due within one year	16	(9,088)	(10,407)
Net current assets		2,318	5,242
Total assets less current liabilities		12,231	13,775
Creditors – amounts falling due after more than one year	17	(307)	(152)
Provisions for liabilities and charges	18	(1,088)	(746)
		10,836	**12,877**
Capital and reserves			
Called-up share capital	22	4,223	4,904
Shares to be issued	22	407	-
Share premium account	23	7,231	7,215
Capital redemption reserve	23	7,874	7,157
Other reserves	23	733	733
Profit and loss account	23	(9,632)	(7,132)
Shareholders' funds	24	**10,836**	**12,877**
Comprising:			
Equity interests		10,836	12,160
Non-equity interests		-	717
		10,836	**12,877**

Consolidated Cash Flow Statement

For the year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	28	3,080	3,210
Returns on investments and servicing of finance			
Interest received		17	32
Interest paid		(89)	(102)
Dividends paid – non-equity		(30)	(59)
Interest element of finance lease payments		(38)	(80)
Taxation			
Corporation tax recovered/(paid)		336	(1,573)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,224)	(1,350)
Acquisitions and disposals			
Payment to acquire subsidiary undertaking		(316)	-
Cash acquired with subsidiary undertaking		65	-
Equity dividends paid		(83)	(659)
Cash inflow/(outflow) before management of liquid resources & financing		1,718	(581)
Management of liquid resources			
Decrease in monies held in escrow		-	755
Net cash inflow before financing		1,718	174
Financing			
Capital element of finance lease payments		(203)	(98)
Redemption of preference shares		(717)	-
Issue of ordinary shares		-	29
Decrease in net debt in the year	29	**798**	**105**
Reconciliation of net cash flow to movement in net debt			
Decrease in net debt in the year		798	105
Cash outflow from lease financing		203	98
Change in net debt resulting from cash flow		1,001	203
Opening net debt		(2,860)	(3,063)
Closing net debt	29	**(1,859)**	**(2,860)**

Company Balance Sheet

As at 31 March 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	10	2	3
Investments in own shares	11	86	185
Investments in subsidiary undertakings	12	33,958	32,726
		34,046	32,914
Current assets			
Debtors	14	1,673	14,650
		1,673	14,650
Creditors – amounts falling due within one year	16	(7,440)	(19,177)
Net current liabilities		(5,767)	(4,527)
Total assets less current liabilities		28,279	28,387
Creditors – amounts falling due after more than one year	17	(307)	-
Provisions for liabilities and charges	18	(197)	(217)
		27,775	**28,170**
Capital and reserves			
Called-up share capital	22	4,223	4,904
Shares to be issued	22	407	-
Share premium account	23	7,231	7,215
Capital redemption reserve	23	7,874	7,157
Other reserves	23	1,701	1,701
Profit and loss account	23	6,339	7,193
Shareholders' funds	24	**27,775**	**28,170**
Comprising:			
Equity interests		27,775	27,453
Non-equity interests		-	717
		27,775	**28,170**

These financial statements were approved by the board of directors on 17 June 2003.

Derek Watson

Director

Notes to the Accounts

1. Statement of Accounting Policies

The significant accounting policies applied in preparing the financial statements are as follows:

(a) Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards on a basis consistent with the previous year.

(b) Basis of consolidation
The consolidated financial statements include the accounts of the company and all of its subsidiary undertakings drawn up to 31 March each year. No profit and loss account is presented for the company as provided by s230 of the Companies Act 1985.

(c) Acquisitions
On the acquisition of a business, fair values are attributed to the Group's share of separable net assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised in the Group balance sheet in the year of acquisition and acquisitions are accounted for under the acquisition method. Cost of acquisition includes deferred consideration to the extent that it is considered probable that it will become due. The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

(d) Turnover
Turnover comprises amounts invoiced for services performed or advertisements published by the Group during the year. Website revenues are recognised on a straight-line basis over the contract term.

(e) Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation and any provision for impairment. Depreciation is provided on the following bases:

Fixtures, fittings and equipment:	**Straight line at 20%**
Motor vehicles:	**Straight line at 25%**
Computer equipment:	**Straight line at 20%**

Short leasehold premises are amortised over the terms of the leases.

(f) Intangible fixed assets and publishing rights
Publishing rights and other intangible fixed assets acquired are stated at cost or fair value at the date of acquisition. Fair value is determined by reference to multiples of pre-acquisition earnings. Having no finite economic life, amortisation is not provided. Subject to annual review, any impairment of value is written off against profits. No value has been attributed to internally generated titles.

(g) Goodwill
Goodwill, being the excess of the consideration paid over the fair value attributed to net assets acquired, is capitalised and amortised through the profit and loss account over its estimated useful life, not exceeding 20 years. The directors regard 20 years as a reasonable maximum for the estimated useful economic life of goodwill since it is difficult to make projections beyond this period. Provision is made for any impairment.

(h) Investments in subsidiary undertakings
Investments are stated at cost less provision for any impairment in their value. Loans to subsidiary undertakings, which are of a long-term nature, are included as part of the company's investment in subsidiary undertakings.

(i) Investments in own shares
Shares in the company held by the Sterling Publishing Group Plc employee benefit trust are included under investments in own shares. The shares are recorded at their middle market value at the year end date, and any gain or loss is included under interest payable or receivable as appropriate.

(j) Leased assets
Assets acquired under finance leases are capitalised as tangible fixed assets and depreciated in accordance with the Group's normal accounting policies. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. Rentals payable relating to all other leases are charged to the profit and loss account in equal amounts over the term of the lease.

(k) Deferred taxation
Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(l) Stocks and work-in-progress
Costs incurred relating to unpublished material and deferred revenue at the year end, including attributable overheads, are treated as work-in-progress which is valued at the lower of cost and net realisable value.

(m) Foreign currencies
Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

(n) Pensions
The Group's contributions to the pension schemes for its employees, all of which are defined contribution schemes, are charged against profits in the year they fall due.

2. Segmental Information

The whole of the Group's business is derived from international business-to-business communication and originates in the UK.

Geographical analysis of turnover by destination:

	2003 £'000	**2002 £'000**
UK	9,925	8,641
USA	4,503	7,973
Europe (other than UK)	8,844	13,717
Other	1,437	2,579
	24,709	**32,910**

3. Operating (Loss)/Profit

Operating (loss)/profit is stated after charging the following amounts:

	2003 £'000	**2002 £'000**
Staff costs (including directors)		
Wages and salaries	11,816	14,464
Social security costs	1,135	1,370
Pensions	98	101
	13,049	**15,935**

Depreciation, amortisation and write-down		
Owned assets	935	738
Assets held under finance leases	73	68
Goodwill	69	66
Intangible assets	-	700
Loss on disposal of fixed assets		
Owned assets	-	29
Assets held under finance leases	-	-
Auditors' remuneration		
Audit fee	64	74
Other	22	10
Operating lease rentals		
Land and buildings	911	1,034
Plant and machinery	230	543

Information regarding directors' remuneration, share options, bonuses and pension contributions are set out in the report to shareholders on remuneration on pages 13 to 17. Included in the audit fee above are fees in respect of the audit of the company and consolidation of £26,000 (2002: £23,000).

4. Interest Receivable and Similar Income

	2003 £'000	2002 £'000
Interest receivable and other income	**17**	**32**

5. Interest Payable and Similar Charges

	2003 £'000	2002 £'000
Interest on bank loans and overdrafts repayable within five years	89	102
Interest on finance leases	38	80
Unwinding of discount on provisions	54	-
Amounts written off investments in own shares	99	804
	280	**986**

6. Tax on Loss on Ordinary Activities

	2003 £'000	2002 £'000
United Kingdom corporation tax at 30% (2002: 30%	-	458
Deferred taxation (see note 15)	607	(259)
Prior year credit	-	(47)
	607	**152**

The current year tax can be reconciled to tax at the standard rate of 30% as follows:

	2003	2002
Loss on ordinary activities before taxation	(1,166)	(394)
Corporation tax at 30% (2002: 30%)	(350)	(118)
Effects of:		
Expenses not deductible for tax purposes	12	87
Depreciation of eligible assets in excess of capital allowances	46	(59)
Losses carried forward	271	28
Provision against own shares	30	241
General bad debt provisions	(30)	49
Amortisation of goodwill	21	20
Write-down of intangible fixed assets	-	210
Current tax charge for the year	**-**	**458**

7. Dividends

	2003 £'000	2002 £'000
Non-equity		
8.25% convertible cumulative redeemable second preference shares 2002	10	59
Equity – ordinary shares		
Interim paid – nil pence per share (2002: 0.1p)	-	83
Final proposed – nil pence per share (2002: 0.1p)	-	83
	-	**166**
Total	**10**	**225**

8. Earnings per Share

The loss per share of (2.16)p (2002: loss (0.73)p) and the diluted loss per share of (2.16)p (2002: loss (0.73)p) have been calculated based on the attributable loss to shareholders for the financial year of £(1,773,000) (2002: loss £(546,000)) less preference dividends of £10,000 (2002: £59,000).

The weighted average number of shares in issue during the year (excluding those held by the Sterling Publishing Group employee benefit trust) were:

	2003 Number '000	**2002 Number '000**
Basic	82,570	82,482
Shares to be issued	69	-
Diluted	**82,639**	**82,482**

FRS14 requires the presentation of diluted earnings per share when a company could be called upon to issue shares that would decrease net profit or increase net loss per share. Where a company is reporting a net loss and there are outstanding share options, the net loss per share could only be increased by the exercise of out-of-the-money options. Since it is inappropriate to assume that option holders would act irrationally, no adjustment has been made to the diluted loss per share for out-of-the-money options.

9. Intangible Fixed Assets

	Goodwill £'000	**Publishing rights and other intangible fixed assets £'000**	**Total £'000**
Cost			
At 1 April 2002	1,545	11,139	12,684
Adjustment	(89)	-	(89)
Acquired during the year	1,375	-	1,375
At 31 March 2003	**2,831**	**11,139**	**13,970**
Amortisation			
At 1 April 2002	420	7,207	7,627
Charge for the year	69	-	69
At 31 March 2003	**489**	**7,207**	**7,696**
Net book amount			
At 31 March 2003	2,342	3,932	6,274
At 31 March 2002	**1,125**	**3,932**	**5,057**

The adjustment to cost represents the release of contingent consideration no longer considered payable in respect of a prior year's acquisition. Goodwill is being amortised over a period of 20 years.

10. Tangible Fixed Assets

Group	Short-term leasehold premises £'000	Fixtures, fittings, vehicles and equipment Owned by Group £'000	Held under finance leases £'000	Total £'000
Cost				
At 1 April 2002	1,370	3,574	366	5,310
Acquisitions	-	48	-	48
Additions	181	1,043	-	1,224
Disposals	(115)	(205)	-	(320)
At 31 March 2003	**1,436**	**4,460**	**366**	**6,262**
Depreciation				
At 1 April 2002	625	1,326	68	2,019
Acquisitions	-	2	-	2
Charge for the year	257	678	73	1,008
Disposals	(115)	(205)	-	(320)
At 31 March 2003	**767**	**1,801**	**141**	**2,709**
Net book amount				
At 31 March 2003	**669**	**2,659**	**225**	**3,553**
At 31 March 2002	**745**	**2,248**	**298**	**3,291**

Company	Fixtures, fittings and equipment £'000
Cost	
At 1 April 2002 and 31 March 2003	**101**
Depreciation	
At 1 April 2002	98
Charge for the year	1
At 31 March 2003	**99**
Net book amount	
At 31 March 2003	**2**
At 31 March 2002	**3**

11. Investments in Own Shares

The investment in own shares comprises 1,214,395 (2002: 1,214,395) ordinary shares of 5p each in the company, with an original cost of £1,755,000 held by the Sterling Publishing Group employee benefit trust as a hedge against employers' NIC on unapproved options. The trust has waived its entitlement to dividends on these shares.

	2003 £'000	2002 £'000
Market value at beginning of year	185	989
Amounts written off in the year	(99)	(804)
Market value at end of year	**86**	**185**

12. Investments in Subsidiary Undertakings

Investments, which are stated at cost, represent shares in Group companies. No provision has been made for impairment. The company owns all of the issued ordinary and 5% non-cumulative preference share capital of Sterling Publications Limited, and all of the issued ordinary share capital of Quasar International Communications Limited, Winthrop Publications Limited, Cornhill Publications Limited, Debrett's Limited, Net Resources International Limited and Analysis & Networking Limited. All of the trading subsidiaries are involved in business-to-business communication.

All of the above companies are incorporated and operate in Great Britain and are registered in England and Wales.

On 13 March 2003 the company acquired the whole of the issued share capital of Analysis & Networking Limited. The net liabilities acquired, which required no adjustments for fair value, amounted to £(293,000). Goodwill of £1,375,000 arises assuming £614,000 of deferred consideration will become payable. This is a provisional amount calculated on the basis of current estimates of profits for the period ending 31 March 2005. The maximum such deferred consideration is £976,000 and any deferred consideration will be settled by 50% cash and 50% shares. The combination has been accounted for by the acquisition method of accounting.

The net liabilities acquired and goodwill arising are made up as follows:

	£'000
Fixed assets	46
Debtors	248
Cash	65
Creditors	(652)
Net liabilities acquired	(293)
Satisfied by:	
Cash	316
Shares issued (718,669 shares at 7.2p)	52
Shares to be issued	100
Initial consideration	468
Fair value of deferred consideration	614
Total consideration	1,082
Goodwill arising	**1,375**

Analysis & Networking Limited commenced trading on 14 October 2002. The summarised results for the period from 14 October 2002 to 31 March 2003 are set out below. The amounts shown for the period 14 March 2003 to 31 March 2003 have been included in the Group accounts.

	14 Oct 2002 to 13 Mar 2003 £'000	**14 Mar 2003 to 31 Mar 2003 £'000**	**14 Oct 2002 to 31 Mar 2003 £'000**
Turnover	977	120	1,097
Direct costs	(503)	(60)	(563)
Gross profit	474	60	534
Administrative expenses	(585)	(45)	(630)
(Loss)/profit before tax	(111)	15	(96)
Total recognised gains relating to the period	**(111)**	**15**	**(96)**

There was a net operating cash outflow associated with Analysis & Networking Limited of £40,000 during the period 14 March to 31 March 2003.

13. Stocks and Work-in-Progress

	Group 2003 £'000	Group 2002 £'000
Costs attributable to unpublished orders and deferred revenues	**4,149**	**4,901**

14. Debtors

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
Trade debtors	6,249	8,913	-	-
Amounts owed by Group undertakings	-	-	1,558	14,231
UK corporation tax	-	336	-	336
Deferred taxation (see note 15)	-	607	-	-
Other debtors	5	51	115	43
Prepayments and accrued income	748	705	-	40
	7,002	**10,612**	**1,673**	**14,650**

15. Deferred Taxation

Movements on deferred taxation in the year were as follows:

	Group 2003 £'000	Group 2002 £'000
As at beginning of year	607	348
(Charge)/Credit to profit and loss account	(607)	259
As at end of year	**-**	**607**

As there is no immediate prospect of the deferred tax asset being realised it has been written off in the year.

The balance at the end of the year comprised:

	Group 2003 £'000	Group 2002 £'000
Provision against own shares	-	471
General bad debt provisions	-	179
Capital allowances in excess of depreciation of eligible fixed assets	-	(71)
Losses carried forward	-	28
As at end of year	**-**	**607**

There was a deferred tax asset not recognised at the end of the year comprising:

	Group	
	2003 £'000	2002 £'000
Provision against own shares	501	-
General bad debt provisions	97	-
Capital allowances in excess of depreciation of eligible fixed assets	(25)	-
Losses carried forward	351	-
As at end of year	**924**	**-**

16. Creditors – amounts falling due within one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank overdraft (secured)	1,962	2,641	2,579	3,297
Obligations under finance leases	152	203	-	-
Trade creditors	959	828	67	53
Amounts owed to Group undertakings	-	-	3,698	14,767
Social security and other taxes	294	385	119	134
Other creditors	2,129	1,879	24	16
Accruals and deferred income	3,592	4,368	953	807
Dividends payable	-	103	-	103
	9,088	**10,407**	**7,440**	**19,177**

The bank overdraft is secured by a debenture over the assets of the Group.

17. Creditors – amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Obligations under finance leases	-	152	-	-
Deferred consideration	307	-	307	-
	307	**152**	**307**	**-**

18. Provisions for Liabilities and Charges

Certain leasehold properties that are not required for current operations are subject to leases under which the rent payable is in excess of current market rates. Provision has been made for the net present value of future residual lease commitments, taking into account expected future lettings. The provision is expected to be utilised over the terms of the relevant leases.

	Future leasehold obligations	
	Group £'000	**Company £'000**
Balance at 1 April 2002	746	217
Utilised	(394)	(30)
Adjustment arising from discounting	54	10
Charge for year – additional provision made	682	-
Balance at 31 March 2003	**1,088**	**197**

19. Financial Assets and Liabilities

Short-term debtors and creditors are not considered in this note as permitted under FRS13 'Derivatives and Financial Instruments'. The Group operates mainly in sterling and has no material currency exposure. The only financial assets held are cash deposits and current accounts, where interest is earned by reference to base rates and the fair value is not materially different to the carrying value. The currency profile of these assets is as follows:

	2003 £'000	**2002 £'000**
Floating rate assets		
Sterling	-	-
Euro	34	-
US dollars	221	136
	255	**136**

The Group's financial liabilities, which are denominated in sterling, comprise preference shares (see note 22), obligations under finance leases (see note 20) and the bank overdraft. The book values and fair values of the preference shares and bank overdraft were as follows:

	2003		**2002**	
	Book value £'000	**Fair value £'000**	**Book value £'000**	**Fair value £'000**
Bank overdraft	1,962	1,962	2,641	2,641
8.25% preference shares	-	-	717	717
	1,962	**1,962**	**3,358**	**3,358**

The company and its subsidiary undertakings operate within a Group banking facility under which there is a right of set-off of balances for each currency. As at 31 March 2003 Analysis & Networking was not a party to the set-off arrangement. Interest is charged on the bank overdraft by reference to base rates.

20. Obligations under Finance Leases

Obligations under finance leases net of finance charges allocated to future periods are as follows:

	Group		Company	
	2003 £'000	**2002 £'000**	**2003 £'000**	**2002 £'000**
Amounts due				
In one year or less, or on demand	143	161	-	-
In more than one, but not more than two years	-	143	-	-
	143	**304**	**-**	**-**

The weighted average effective annualised interest rate inherent in these leases is 9.1% with a maturity profile as shown above. The fair value of the obligations is not materially different from the book value.

21. Operating Leases

Minimum annual commitments payable under existing leases may be analysed by date of expiry as follows:

	2003 £'000	**2002 £'000**
Land and buildings		
Within one year	-	109
Between two and five years	-	334
After five years	911	591
Other		
Within one year	69	161
Between two and five years	161	390

22. Share Capital

	2003 Number '000	**2002 Number '000**	**2003 £'000**	**2002 £'000**
Authorised				
Ordinary shares of 5p each	223,754	223,754	11,188	11,188
6% convertible cumulative redeemable Preference shares 2000 of £1 each	2,044	2,044	2,044	2,044
8.25% convertible cumulative redeemable Second preference shares 2002 of £1 each	1,251	1,251	1,251	1,251
Redeemable deferred shares of 1p each	535,621	535,621	5,356	5,356
			19,839	**19,839**
Allotted and fully paid				
Ordinary shares of 5p each	84,468	83,750	4,223	4,187
8.25% convertible cumulative redeemable Second preference shares 2002 of £1 each	-	717	-	717
			4,223	**4,904**

During the year, 716,575 of 8.25% convertible cumulative redeemable second preference shares were redeemed at par. During the year, 718,699 shares were issued as part of the consideration for the purchase of a subsidiary undertaking (see note 12).

Share options
Details of options granted over the company's ordinary share capital are given in the Report to Shareholders on Remuneration (pages 13 to 17).

Shares to be issued
The following shares are due to be issued under the terms of the acquisition agreement for Analysis & Networking Limited:

	£'000
Two tranches of 694,444 ordinary shares of 5p each are to be issued at 7.2p on 13 June 2003 and 31 October 2003 as part of the initial consideration.	100
Half the additional payment, estimated at £614,000 (see note 12), is due to be paid in ordinary shares following the determination of the results for the period ending 31 March 2005.	307
Total	**407**

23. Reserves

Group	Capital redemption reserve £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000
As at 1 April 2002	7,157	7,215	733	(7,132)
Recognised loss for the year	-	-	-	(1,773)
Shares issued	-	16	-	-
Dividends	-	-	-	(10)
Redemption of preference shares	717	-	-	(717)
As at 31 March 2003	**7,874**	**7,231**	**733**	**(9,632)**
Company				
	£'000	**£'000**	**£'000**	**£'000**
As at 1 April 2002	7,157	7,215	1,701	7,193
Recognised loss for the year	-	-	-	(127)
Shares issued	-	16	-	-
Dividends	-	-	-	(10)
Redemption of preference shares	717	-	-	(717)
As at 31 March 2003	**7,874**	**7,231**	**1,701**	**6,339**

The amount of the loss for the financial year dealt with in the accounts of Sterling Publishing Group Plc is £(127,000) (2002: profit £400,000).

24. Reconciliation of Movements in Shareholders' Funds

	Group		Company	
	2003 £'000	**2002 £'000**	**2003 £'000**	**2002 £'000**
Results attributable to shareholders	(1,773)	(546)	(127)	400
Ordinary shares issued	52	29	52	29
Ordinary shares to be issued	407	-	407	-
Redemption of preference shares	(717)	-	(717)	-
Dividends	(10)	(225)	(10)	(225)
Net change in shareholders' funds	(2,041)	(742)	(395)	204
Opening shareholders' funds	12,877	13,619	28,170	27,966
Closing shareholders' funds	**10,836**	**12,877**	**27,775**	**28,170**

25. Contingent Liabilities

The company had a contingent liability of £72,000 in respect of bank borrowings of subsidiary companies at 31 March 2003 (2002: £ nil).

26. Capital Commitments

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Contracted for, but not provided	-	781	-	-

27. Number of Employees

The average number of persons, including executive directors, employed by the Group during the year was:

	2003	2002
Sales	289	387
Production, editorial and administrative	149	179
Total	**438**	**566**

28. Reconciliation of Operating (Loss)/Profit to Net Cash Inflow from Operating Activities

In the table below, positive amounts represent generation of cash and negative amounts, cash utilisation.

	2003 £'000	2002 £'000
Operating (loss)/profit	(903)	560
Amortisation of goodwill	69	66
Write-down of intangible fixed assets	-	700
Depreciation of tangible fixed assets	1,008	806
Loss on disposal of tangible fixed assets	-	29
Stocks and work-in-progress	752	1,399
Debtors	2,915	2,647
Creditors	(1,049)	(3,493)
Provisions for liabilities and charges	288	496
Net cash inflow from operating activities	**3,080**	**3,210**

29. Analysis of Net Debt

	1 April 2002 £'000	Acquisitions £'000	Cash flow £'000	31 March 2003 £'000
Cash in hand and at bank	(136)	(65)	(54)	(255)
Overdraft	2,641	-	(679)	1,962
	2,505	(65)	(733)	1,707
Finance lease obligations	355	-	(203)	152
Net debt	**2,860**	**(65)**	**(936)**	**1,859**

Five-Year Financial Summary

Years ended 31 March

Consolidated profit and loss account	**1999 £'000**	**2000 £'000**	**2001 £'000**	**2002 £'000**	**2003 £'000**
Turnover	25,966	30,590	37,632	32,910	24,709
Operating profit before exceptional items	3,022	4,136	6,281	1,789	(221)
Exceptional items					
Provision against intangible fixed assets	-	-	-	(700)	-
Property provision	-	-	-	(529)	(682)
Interest and similar items	118	(19)	(760)	(954)	(263)
Profit/(loss) before tax	3,140	4,117	5,521	(394)	(1,166)
Taxation	(926)	(1,101)	(1,816)	(152)	(607)
Profit/(loss) for the financial year	2,214	3,016	3,705	(546)	(1,773)
Dividends	(698)	(917)	(957)	(225)	(10)
Finance (debit)/credit on repurchase of non-equity shares	77	(6)	-	-	-
Transfer to/(from) reserves	**1,593**	**2,093**	**2,748**	**(771)**	**(1,783)**

Basic earnings/(loss) per share					
Continuing operations	2.45p	3.45p	4.41p	(0.73)p	(2.16)p
Dividends per ordinary share	0.60p	0.90p	1.05p	0.20p	-

Consolidated balance sheet at 31 March	**1999 £'000**	**2000 £'000**	**2001 £'000**	**2002 £'000**	**2003 £'000**
Intangible fixed assets	1,800	9,266	5,823	5,057	6,274
Tangible fixed assets	1,394	1,564	2,776	3,291	3,553
Investment in own shares	-	1,054	989	185	86
Net working capital	5,845	3,917	8,025	7,950	4,177
Deferred consideration	-	(4,923)	(681)	-	(307)
Provisions for liabilities and charges	(576)	(280)	(250)	(746)	(1,088)
	8,463	**10,598**	**16,682**	**15,737**	**12,695**
Shareholders' fund	9,787	11,788	13,619	12,877	10,836
Net (cash)/debt	(1,324)	(1,190)	3,063	2,860	1,859
	8,463	**10,598**	**16,682**	**15,737**	**12,695**

All amounts are restated for the changes in accounting policies.

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