

Registration No: 177901

BEMROSE CORPORATION PLC
ANNUAL REPORT AND ACCOUNTS
1999



Report & Accounts 1999

Directors' Report

The directors submit their report and the audited accounts for the 52 weeks ended 1 January 2000.

Results and dividends

The results of the Group for the 52 weeks are set out in detail on page 14.

Following the disposal of the US Supplier Division, a Special Dividend of 100.00p per ordinary share was paid on 24 May 1999. This was followed by a share consolidation of 13 for 20, as more fully described in note 21.

An interim dividend of 6.45p per ordinary share for 1999 was paid on 15 November 1999 and the directors recommend a final dividend of 12.20p per share. The proposed dividend, if approved, will be paid on 22 May 2000 in respect of shares registered in the books of the Company at the close of business on 25 April 2000.

The total of 1999 distributions paid and recommended on the ordinary shares is £48,236,000 or 118.65p per share (1998: £7,513,000 or 17.5p per share).

Principal activities

The principal activities of the Group in 1999 comprised the supply of promotional and security products. The future strategy of the Group is to focus on promotional marketing products and services.

Review of the business

A review of the business is contained in the Chairman's Statement and Review of Operations on pages 2 to 7.

Charitable and political donations

The Group contributed the following sums:

	1999	1998
Charitable purposes	£35,000	£36,629
Political purposes	£Nil	£Nil

Disabled persons

The Group has an established policy of encouraging the employment of disabled persons wherever this is practicable. In compliance with current legislation the Group seeks to employ at least the quota of disabled persons required and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The Group's policy includes, where practicable, the

continued employment of those who may become disabled during their employment.

Employee involvement

As a key part of the Group's philosophy, we continue to place great importance on involving our staff in our operations.

Regular meetings are held between management and employee representatives through which we seek to keep staff informed and involved in the progress and performance of the Group.

Year 2000 compliance issues

The Group's operating companies experienced a successful outcome to their Year 2000 compliance preparations. There have been no adverse operational or financial consequences resulting from Year 2000 information technology issues, both internally or via third parties. The directors consider that no significant residual risks or uncertainties remain.

As forecast in the 1998 Directors' Report, the costs to the Group of Year 2000 compliance were not material.

Fixed assets

The Group's operational land and buildings were revalued at 1 January 2000 by Edward Rushton Son & Kenyon Limited, International Surveyors and Valuers, on an existing use basis assuming continued operation of the various trade processes carried out in those properties. Non-operational properties were revalued on an open market basis.

Details of the movement in fixed assets resulting from the revaluation are shown in note 13.

Directors

The names of the directors in office at the end of the period and their interests in the share capital of the Company are shown on page 12. Biographical details of the directors proposed for re-election are shown on page 1.

M. R. Varley was appointed to the Board on 6 March 2000. All of the other directors held office throughout the period. N. H. T. Wrigley, D. M. Dunn and S. R. G. Booth retire by rotation and, being eligible, offer themselves for re-election. B. P. Ford will retire as a non-executive director following the AGM on 19 May 2000. M. R. Varley retires, and offers himself for re-election as he was appointed since the date of the last AGM.

Directors' Report

continued

The periods of appointment as non-executive directors of N. H. T. Wrigley and D. M. Dunn expire in August 2002 and June 2001 respectively.

S. R. G. Booth and M. R. Varley do not have service contracts as directors.

Neither the directors nor any members of their families had any interest either during or at the end of the period in any contract with the Company or its subsidiaries requiring disclosure under Parts II and III of Schedule 6 of the Companies Act 1985, except as disclosed in note 29.

Corporate Governance

Bemrose Corporation plc has complied throughout the year with the Combined Code of Best Practice on Corporate Governance except as stated below under Internal Control.

The Board

The Board usually meets 10 times a year. In 1999 it comprised a Chairman, three executive and three non-executive directors. There is a clear division of responsibilities between the Chairman and the US and UK Chief Executives. All directors have access to all relevant information and independent professional advice as required.

The Board is assisted by Audit, Remuneration and Nominations Committees, membership of which is shown, with biographical details, on page 1.

Internal Control

The Combined Code introduced a requirement that the effectiveness of the system of internal control is reviewed by the Board at least annually. "Internal Control: Guidance for Directors on the Combined Code" (the Turnbull Report) was published in September 1999 to provide guidance to directors. In this respect the Board has adopted the transitional approach for the Combined Code, as set out in the letter from the London Stock Exchange to listed companies at the end of September 1999.

In respect of the 1999 financial year the Board acknowledges responsibility for the Group's system of internal financial control, the effectiveness of which has been reviewed by the Board.

The Group's updated system of internal control comprises a Group-wide system of planning and budgeting with frequent reporting of results and an identification and assessment of the risks inherent at each operation. It must be recognised that this system can provide only reasonable and not absolute assurance against material misstatement or loss.

Going concern

After making enquiries the directors have reasonable expectation that the Company has adequate reserves

to continue operational existence for the foreseeable future. They continue to adopt the going concern basis in preparing the accounts.

Remuneration Report

The Remuneration Committee is comprised exclusively of non-executive directors. They are as follows:

B. P. Ford (Chairman of the Remuneration Committee), D. M. Dunn, N. H. T. Wrigley. D. M. Dunn replaces B. P. Ford as Chairman of the Remuneration Committee following B. P. Ford's notice of intention to retire after the 2000 AGM.

The Company has complied throughout the period with best practice provisions for directors' remuneration as required by the London Stock Exchange's Listing Rules, which concerns the membership and operation of the remuneration committee.

The Company's remuneration committee decides the remuneration policy, including service contracts, that applies to executive directors and the Group's other senior management. In determining that policy it has given full consideration to the best practice provisions for directors' remuneration annexed to the London Stock Exchange's Listing Rules. In setting the policy it considers a number of factors including:

- (a) The basic salaries and benefits available to executive directors of comparable companies.
- (b) The need to attract and retain directors of an appropriate calibre.
- (c) The need to ensure executive directors' commitment to the continued success of the Company by means of incentive schemes.

Details of individual directors' emoluments for the year are as detailed in note 5.

Remuneration of non-executive directors

The remuneration of the non-executive directors is determined by the Board with the assistance of independent advice concerning comparable organisations and appointments.

The non-executive directors do not receive any pension or other benefits from the Company, nor do they participate in any of the bonus or incentive schemes or share option schemes.

The non-executive directors do not have service contracts with the Company. They are all appointed on the basis of serving three-year periods in accordance with the Company's Articles of Association.

Directors' Report

continued

Remuneration policy for executive directors

The Company's remuneration policy for executive directors is to:

- (a) Have regard to the directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.
- (b) Link individual remuneration packages to the Group's long-term performance through the award of share options and incentive schemes.
- (c) Provide post-retirement benefits through the Group's pension schemes.
- (d) Provide employment-related benefits including the provision of a company car, life assurance, insurance relating to the director's duties and medical insurance.

Salaries and benefits

The remuneration committee meets at least once a year in order to consider and set the annual salaries for executive directors and senior management, having regard to personal performance and independently compiled salary survey information.

Pensions

All the UK executive directors are currently members of the Group's defined benefit scheme. Subject to Inland Revenue limits, members are eligible for a pension of up to two thirds of salary upon retirement at the age of 60, provided that the minimum service requirement of 20 years has been met.

Contracts of Service

All of the executive directors have contracts of service as employees which can be terminated by the Company with a notice period as detailed in note 5 and by the director with a notice period of six months.

Non-executive directorships

The Board believes that the Company can benefit from executive directors accepting appointments as non-executives and, as a consequence, allows them to hold one outside appointment as a non-executive director, subject to the approval of the Board.

Directors' interests

Interests in shares – Apart from the interests disclosed on page 12 no directors were interested at any time in the year in the share capital or loan stock of the Company or other Group companies.

Interests in share options – Details of options held by directors are set out in the table on page 12.

Statement of directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that 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 of the Group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, except where noted in these accounts, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the 52 weeks ended 1 January 2000. The directors also confirm that applicable accounting standards have been followed with the exception of the departure disclosed and explained in the accounting policies on page 20.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities.

Payment policy

In view of the diverse nature of the Group's activities, no universal code or standard on payment policy is followed, but the operations within the Group are expected to establish payment terms consistent with local procedures, custom and practice.

The Company had no trade creditors at the year end.

Substantial interests

At 31 March 2000 the Company had been notified of the following interests in the issued ordinary share capital of the Company.

	Number of shares	%
Fidelity Investments	3,643,985	12.9
Prudential	4,423,227	15.7
Southeastern Asset Management	1,246,689	4.4

Post-balance sheet events

Refer to note 28 for details of significant post-balance sheet events.

Annual General Meeting

Notice for the Annual General Meeting is on page 43.

Items of special business to be considered at the Annual General Meeting are described in detail in the Notice for the Annual General Meeting on page 43, and the notes on the business to be conducted on page 45.

Bemrose

Directors' Report

continued

Directors' interests in the share capital of Bemrose Corporation plc

<i>Ordinary Shares</i>	<i>Holding at 2 January 1999</i>	<i>Adjustment following share consolidation</i>	<i>Granted or acquired</i>	<i>Date of grant</i>	<i>Sold, Exercised or lapsed</i>	<i>Holding at 1 January 2000</i>	<i>Exercise price</i>	<i>Date Exercisable From</i>	<i>To</i>
S. R. G. Booth	847,158	296,506				550,652			
Executive Options	153,892			7.5.91		153,892	160.5p	May 1994	May 2001
Executive Options	23,668			27.4.92		23,668	160.5p	Apr 1995	Apr 2002
Executive Options	51,560			28.9.94		51,560	381.1p	Sept 1997	Sept 2004
Executive Options	65,000			4.6.96	43,333	21,667	377p	June 2001	June 2006
S. R. G. Booth – Non-Beneficial	47,091	16,482				30,609			
G. J. Bennington	44,711	15,650				29,061			
Executive Options	7,399			27.4.92		7,399	160.5p	Apr 1995	Apr 2002
Executive Options	30,936			28.9.94		30,936	381.1p	Sept 1997	Sept 2004
Executive Options	40,000			4.6.96	26,667	13,333	377p	June 2001	June 2006
SAYE SOS (1995)	3,109			5.5.95		3,109	332.8p	May 2000	Nov 2000
G. J. Bennington – Non-Beneficial	10,071	100,542	260,000		24,391	145,138			
D. M. Dunn	2,650	928				1,722			
B. P. Ford	Nil					Nil			
R. Harrison	24,227	8,491	6,195			21,931			
Executive Options	22,195			27.4.92		22,195	160.5p	Apr 1995	Apr 2002
Executive Options	30,936			28.9.94		30,936	381.1p	Sept 1997	Sept 2004
Executive Options	50,000			4.6.96	33,333	16,667	377p	June 2001	June 2006
SAYE SOS (1995)	3,109			5.5.95		3,109	332.8p	May 2000	Nov 2000
R. Harrison – Non-Beneficial	10,071	100,542	260,000		24,391	145,138			
R. A. Nelson	166,382	58,234				108,148			
N. H. T. Wrigley	2,500	875				1,625			

The Savings Related, the 1986 Executive Share Option Scheme, the 1987 US Executive Share Option Scheme, the 1996 Executive Share Option Scheme, the 1996 Unapproved Share Option Scheme and the Share Plan 2000 were adopted by the Company at General Meetings on 19 May 1993, 21 May 1986, 26 August 1987, 16 May 1996, 16 May 1996 and 3 April 2000 respectively. The number of ordinary shares shown above under each of those schemes are those over which options outstanding at the relevant date had been granted.

The "adjustment following share consolidation" relates to the reduction in the number of shares held as a result of the 13 for 20 share consolidation effected on 17 May 1999, following the resolutions passed at the Extraordinary General Meeting held on 26 April 1999. Prior to the 13 for 20 consolidation, ordinary shares were denominated at 25p nominal value. Following the consolidation the ordinary shares have a nominal value of 38 $\frac{1}{3}$ p per share.

During 1999 the middle market value of the share price ranged from 239p to 399p and was 314p at the close of business on Thursday, 30 December 1999.

There has been no change in the interests set out above between 2 January 2000 and 14 April 2000, apart from the acquisition by R. Harrison of 22,195 Ordinary Shares as the result of exercising options, R. A. Nelson of 20,000 Ordinary Shares, M. R. Varley of 65,000 Ordinary Shares, and the disposal by G. J. Bennington of 3,350 Ordinary Shares.

Subsequent to the year end options have been granted under the terms of the Share Plan 2000 to R. A. Nelson (855,000), M. R. Varley (675,000) and R. Harrison (275,000) at 350p.

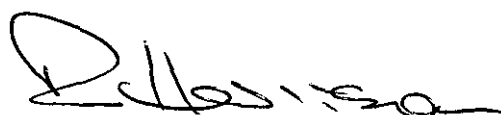
The non-beneficial interests of G. J. Bennington and R. Harrison result from their directorship of Bemrose QUEST Trustees Ltd.

By order of the Board

R. Harrison

Secretary

14 April 2000



Bemrose

Auditors' Report

Report of the Auditors to the members of Bemrose Corporation plc

We have audited the financial statements on pages 14 to 42.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 11, this includes responsibility for preparing the financial statements, 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, the Listing Rules of the London Stock Exchange and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. 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 or the Listing Rules 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 financial statements.

We review whether the statement on page 10 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, 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 to form an opinion on the effectiveness of the Company's or Group's corporate governance procedures or its risk and control procedures.

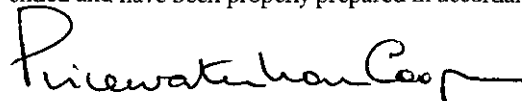
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 1 January 2000 and of the profit and cash flows of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Nottingham
14 April 2000

Bemrose

Consolidated Profit and Loss Account

for the 52 weeks ended 1 January 2000

	Note	Continuing operations			Discontinued operations £'000	1999 £'000	1998 £'000
		Existing £'000	Acquisitions £'000	Total £'000			
Turnover	1	142,829	17,500	160,329	19,966	180,295	216,616
Changes in stocks of finished goods and work in progress	2	(9)	(581)	(590)	1,228	638	219
Operating expenses	2	142,820 (129,253)	16,919 (17,537)	159,739 (146,790)	21,194 (22,280)	180,933 (169,070)	216,835 (193,804)
Operating profit		13,567	(618)	12,949	(1,086)	11,863	23,031
Exceptional item: loss on disposal of subsidiaries	6					(7,886)	
1998 provision	6					9,486	(9,486)
Net interest payable	7					(803)	(1,921)
Profit on ordinary activities before tax						12,660	11,624
Tax on profit on ordinary activities	8					(3,842)	(6,945)
Profit for the financial year	9					8,818	4,679
Dividends	10					(48,252)	(7,524)
Transfer (from) reserves	22					(39,434)	(2,845)
Earnings per ordinary share	11						
Basic						26.28p	10.91p
Diluted						26.21p	10.87p

Other Statements

for the 52 weeks ended 1 January 2000

Statement of total recognised gains and losses

	Note	1999 £'000	1998 £'000
Profit for the financial year		8,818	4,679
Exchange adjustments on foreign currency net investments	22	866	(36)
Tax on exchange adjustments	22	(640)	
Unrealised surplus on revaluation of properties	22	536	
Recognised gains and losses for the financial year		9,580	4,643
Prior year adjustment			(754)
Total gains and losses recognised since last annual report		9,580	3,889

Note of historical cost profits and losses

Reported profit on ordinary activities before taxation		12,660	11,624
Realisation of property revaluation deficits of previous years	22	(339)	
Difference between historical cost depreciation charge and the actual depreciation charge of the period calculated on the revalued amount		50	50
Historical cost profit on ordinary activities before taxation		12,371	11,674
Historical cost (loss) for the period retained after taxation and dividends		(39,723)	(2,795)

Reconciliation of movements in shareholders' funds

Profit for the financial year		8,818	4,679
Dividends	10	(48,252)	(7,524)
		(39,434)	(2,845)
Other recognised gains and losses relating to the period	22	290	(166)
Shares issued in the period	21	1,499	570
Shares to be issued	22		(107)
Goodwill reinstated on disposal of subsidiaries	22	42,554	
Goodwill adjustment relating to previous acquisitions	22	(47)	(56)
Net addition to/(deduction from) shareholders' funds		4,862	(2,604)
Opening shareholders' funds		58,960	61,564
Closing shareholders' funds		63,822	58,960

Bemrose

Balance Sheets

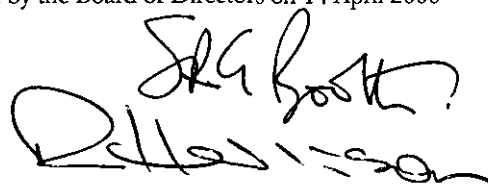
at 1 January 2000

	Note	Group		Parent	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000
<i>Fixed assets</i>					
Intangible assets	12	5,447	3,014		
Tangible assets	13	27,401	51,865	6,735	6,404
Investments	14	483	26	121,764	125,474
		33,331	54,905	128,499	131,878
<i>Current assets</i>					
Stocks	15	13,134	22,960		
Debtors due within one year	16	49,140	58,068	42,290	21,651
Debtors due after more than one year	16	5,041	186	4,927	205
Cash at bank and in hand		3,208	2,411	434	9
		70,523	83,625	47,651	21,865
<i>Creditors: amounts falling due within one year</i>	17	(45,466)	(48,163)	(50,364)	(18,227)
<i>Net current assets</i>		25,057	35,462	(2,713)	3,638
<i>Pension cost prepayments</i>	4	11,631	11,604		
<i>Total assets less current liabilities</i>		70,019	101,971	125,786	135,516
Creditors: amounts falling due after more than one year	18	(39)	(29,317)	(35)	(25,628)
Provisions for liabilities and charges	20	(6,158)	(13,694)	(662)	(662)
Net Assets		63,822	58,960	125,089	109,226
<i>Capital and reserves</i>					
Called up share capital	21	11,042	10,935	11,042	10,935
Share premium account	22	36,113	34,721	36,113	34,721
Revaluation reserve	22	4,288	3,463	1,677	1,261
Capital reserve	22			4,427	4,427
Profit and loss account	22	12,379	9,841	29,771	15,823
Special reserve	22			42,059	42,059
Shareholders' Funds		63,822	58,960	125,089	109,226
<i>Analysis of Shareholders' Funds</i>					
Equity		63,614	58,752	124,881	109,018
Non-Equity		208	208	208	208
		63,822	58,960	125,089	109,226

The financial statements on pages 14 to 42 were approved by the Board of Directors on 14 April 2000 and were signed on its behalf by

S. R. G. Booth *Chairman*

R. Harrison *Finance Director*



Bemrose

Cash Flow Statement

for the 52 weeks ended 1 January 2000

	Note	1999		1998	
		£'000	£'000	£'000	£'000
Cash inflow from operating activities	A		16,778		27,220
Returns on investments and servicing of finance	B		(1,256)		(1,591)
Taxation			(3,258)		(5,547)
Capital expenditure	B		(6,705)		(11,529)
Acquisitions and disposals	B		67,862		(3,494)
Equity dividends paid			(49,688)		(7,128)
Cash inflow/(outflow) before use of liquid resources and financing			23,733		(2,069)
Management of liquid resources					
Financing – Issue of shares	B	569		396	
Movement in debt		(23,424)		2,698	
			(22,855)		3,094
<i>Increase in cash in the period</i>			878		1,025
<i>Reconciliation of net cash flow to movement in net debt</i>	C				
Increase in cash in the period		878		1,025	
Cash outflow/(inflow) from movement in debt and lease financing		23,424		(2,698)	
Change in net debt resulting from cash flows			24,302		(1,673)
Loans and finance leases acquired with subsidiaries			(150)		
Loans and finance leases disposed of with subsidiaries			386		
New finance leases					(298)
Translation difference			(203)		(50)
Movement in debt in the period			24,335		(2,021)
Net debt at 2 January 1999			(24,939)		(22,918)
<i>Net debt at 1 January 2000</i>	C		(604)		(24,939)

Notes:

A *Reconciliation of operating profit to operating cash flows*

Operating profit	11,863	23,031
Depreciation charge	6,011	7,084
Amortisation of goodwill	250	18
Profit on sale of tangible fixed assets	(51)	(153)
Release of deferred profit on sale & leaseback	(150)	(150)
Increase in pension prepayment	(27)	(208)
(Increase)/decrease in stocks	(1,699)	283
Decrease in debtors	3,074	4,079
(Decrease) in creditors	(2,477)	(5,166)
(Expenditure) against provisions	(16)	(1,598)
<i>Net cash inflow from continuing operating activities</i>	16,778	27,220

Bemrose

Cash Flow Statement

for the 52 weeks ended 1 January 2000

	1999		1998	
	£'000	£'000	£'000	£'000
B Analysis of cash flows for headings netted in the cash flow statement				
<i>Returns on investments and servicing of finance</i>				
Interest received		302		111
Interest paid		(1,500)		(1,602)
Preference dividend paid		(13)		(11)
Interest element of finance lease rental payments		(45)		(89)
<i>Net cash outflow for returns on investments and servicing of finance</i>		(1,256)		(1,591)
<i>Capital expenditure</i>				
Purchase of tangible fixed assets		(6,820)		(12,486)
Sale of tangible fixed assets		115		957
<i>Net cash outflow for capital expenditure</i>		(6,705)		(11,529)
<i>Acquisitions and disposals</i>				
Purchase of subsidiary undertakings		(5,638)		(3,429)
Net overdrafts acquired with subsidiaries		(951)		(65)
Sale of subsidiary undertakings		75,562		
Net cash disposed of with subsidiaries		(1,111)		
<i>Net cash inflow/(outflow) for acquisitions and disposals</i>		67,862		(3,494)
<i>Financing</i>				
Issue of ordinary share capital		569		396
Debt due within one year				
Net movement on unsecured loans			(841)	
Repayment of unsecured loan stock	(33)		(1,629)	
Debt due after one year				
Net movement on unsecured loans	(22,960)		5,483	
Capital element of finance lease rental payments	(431)		(315)	
		(23,424)		2,698
<i>Net cash (outflow)/inflow from financing</i>		(22,855)		3,094

	At 2 January 1999 £'000	Cash Flow £'000	Acquisitions £'000	Disposals £'000	Other non-Cash movements £'000	Exchange movement £'000	At 1 January 2000 £'000
C Analysis of net debt							
Cash at bank and in hand	2,411	782				15	3,208
Overdrafts	(1,005)	96				14	(895)
	1,406	878				29	2,313
Debts due after one year	(25,443)	22,960			2,700	(217)	
Debts due within one year	(32)	33			(2,700)	(1)	(2,700)
Finance leases	(870)	431	(150)	386		(14)	(217)
	(26,345)	23,424	(150)	386		(232)	(2,917)
Total	(24,939)	24,302	(150)	386		(203)	(604)

Bemrose

Accounting Policies

for the 52 weeks ended 1 January 2000

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards except as detailed below. The accounting policies adopted have been consistently applied.

The accounts of Bemrose Corporation plc and its subsidiaries are prepared in accordance with historical cost accounting principles, other than the revaluation of land and buildings referred to below.

Basis of consolidation

The consolidated accounts comprise the accounts of Bemrose Corporation plc and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included from or up to the date of acquisition or disposal.

Goodwill

With effect from 28 December 1997, goodwill arising on acquisitions has been accounted for in accordance with the requirements set out in FRS 10. Goodwill denominated in foreign currencies is translated at closing rate. Goodwill is amortised on a straight line basis over its useful economic life up to a maximum of 20 years.

Goodwill eliminated against reserves prior to 28 December 1997 has not been reinstated on implementation of FRS 10, however if a subsidiary is subsequently sold or closed any goodwill previously written off directly to reserves is taken into account in determining the profit or loss on sale or closure.

Turnover

Turnover represents the net invoiced value of goods and services to customers outside the Group.

Tangible fixed assets and depreciation

Land and buildings are stated at their valuation on 1 January 2000. No depreciation is provided on land. For all other tangible fixed assets, depreciation is calculated to write off their cost or valuation by equal annual instalments over the period of their estimated useful lives, which are reviewed and revised on a regular basis.

The principal useful lives currently fall within the following ranges:

Buildings	20 — 60 years
Plant, machinery, fixtures and fittings	5 — 25 years
Motor vehicles	3 — 6 years

Profits and losses arising from depreciation over or under provided at the time of disposal are accounted for in arriving at operating profit and are separately disclosed when material.

Leases and hire purchase contracts

Fixed assets leased under finance leases or acquired under hire purchase contracts are capitalised and depreciated over their expected useful lives within the ranges specified above. Finance charges are allocated over the primary period of the lease or contract in proportion to the capital element outstanding.

Rentals payable under operating leases are charged to the profit and loss account as they accrue.

Deferred taxation

Provision is made, at appropriate rates of tax, using the liability method, where a material liability may arise in the foreseeable future. Where a provision is required, deductions are made for anticipated relief for losses.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost comprises materials, labour and the overheads attributable to the stage of production reached.

Foreign currencies

The financial statements of overseas enterprises are translated into sterling at the exchange rates ruling at the balance sheet date; profits and losses are translated at average rates for the trading period under review. The resulting surpluses and deficits, as reduced by matching surpluses and deficits arising on currency borrowings funding such enterprises, are taken directly to reserves and are reported in the statement of total recognised gains and losses. All other exchange profits and losses are dealt with through the profit and loss account.

Bemrose

Accounting Policies

continued

Financial Instruments

The Group has adopted FRS 13: "Derivatives and Other Financial Instruments: Disclosures" in the year.

The Group uses financial instruments, principally forward currency contracts, to manage the financial risks associated with its underlying operational activities and the financing of those activities. The Group does not undertake any trading activity in financial instruments. The Group's approach to the management of its financial risks is outlined in the Financial Review on page 8.

Exchange gains and losses arising from forward currency contracts are accounted for according to the underlying exposure hedged, as follows:

- where contracts hedge significant, firm third party commitments, the gains or losses are recognised in the profit and loss account in the same period as the underlying transaction.
- where contracts hedge currency flows from general trading, the gains or losses arising are taken to the profit and loss account in the period in which they mature.
- where contracts hedge overseas net investments, the gains or losses are taken to reserves to offset the exchange differences arising on the retranslation of net assets.

Pensions

The Group operates defined benefit-funded pension schemes for the majority of its full-time United Kingdom employees. Actuarial valuations of these schemes are carried out by independent professionally qualified actuaries at least every three years. Contributions to each of the schemes, which are determined in accordance with the recommendations of the actuaries, are charged to the profit and loss account so as to spread the cost to the Group of providing the expected benefits as nearly as possible in proportion to the expected pensionable remuneration of the participating employees over their anticipated service lives with the Group. The accounting policy follows the funding policy except where the actuarial valuation gives rise to a surplus or deficiency. For funding purposes, such surpluses or deficiencies are dealt with as advised by the actuary. Under normal circumstances, for accounting purposes, they are spread over the anticipated remaining service lives of the participating employees.

The Group's subsidiary companies in the United States of America maintain defined contribution-funded pension schemes for the majority of their employees. Contributions to these schemes are charged to the profit and loss account as made.

The figure for pension cost prepayments is shown in the Group's balance sheet separately from the figure for debtors and after arriving at the amount for net current assets. This represents a departure from the requirements of Schedule 4 of the Companies Act 1985 and of UITF Abstract 4. In view of the nature of the pension cost prepayments and the length of time for which they are anticipated to remain in existence, the Directors are of the opinion that such departure is necessary in order for the financial statements to give a true and fair view.

Notes to the Accounts

The accounts of which these notes form a part were approved by the Directors on 14 April 2000

1 Analysis of turnover, profit and net assets

The analysis of turnover in terms of destination is as follows:

	Continuing operations		Total £'000	Discontinued operations £'000	1999 £'000	Continuing £'000	Discontinued £'000	1998 £'000
	Acquisitions £'000							
Africa	287	15	302		302	510		510
America	37,103	551	37,654	19,427	57,081	30,926	76,993	107,919
Australia	98	134	232		232	210		210
Continental Europe	9,764	2,968	12,732	22	12,754	9,856	591	10,447
Far East	368	176	544	2	546	367	6	373
Middle East	664	50	714		714	1,575	1	1,576
United Kingdom	94,545	13,606	108,151	515	108,666	94,539	1,042	95,581
	142,829	17,500	160,329	19,966	180,295	137,983	78,633	216,616

The analysis of turnover, operating profit and net assets by origin is as follows:

		Turnover		Operating profit/(loss)		Net assets/(liabilities)	
		1999 £'000	1998 £'000	1999 £'000	1998 £'000	1999 £'000	1998 £'000
United Kingdom:	Continuing	126,543	108,339	10,002	12,693	64,388	50,745
	Discontinued	540	1,655	(24)	50		428
		127,083	109,994	9,978	12,743	64,388	51,173
America:	Continuing	33,786	29,644	2,947	2,661	4,181	3,329
	Discontinued	19,426	76,978	(1,062)	7,627		44,334
		53,212	106,622	1,885	10,288	4,181	47,663
Borrowings						(604)	(24,939)
Unallocated (liabilities)						(2,944)	(4,850)
Provisions arising on disposal of businesses						(1,199)	(10,087)
		180,295	216,616	11,863	23,031	63,822	58,960

The analysis of turnover, operating profit and net assets by product is as follows:

	Turnover		Operating profit/(loss)		Net assets/(liabilities)	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Specialist Print Services	84,415	85,363	9,271	10,879	49,691	45,319
Promotional Marketing	75,914	52,620	3,678	4,475	18,878	8,755
Continuing operations	160,329	137,983	12,949	15,354	68,569	54,074
Discontinued operations	19,966	78,633	(1,086)	7,677		44,762
Borrowings					(604)	(24,939)
Unallocated assets/(liabilities)					(2,944)	(4,850)
Provisions arising on disposal of businesses					(1,199)	(10,087)
	180,295	216,616	11,863	23,031	63,822	58,960

Bemrose

Notes to the Accounts

continued

2 *Changes in stocks of finished goods and work in progress and operating expenses*

	<i>Continuing operations</i>			<i>Discontinued operations</i> £'000	1999 £'000	Continuing £'000	Discontinued £'000	1998 £'000
	<i>Existing</i> £'000	<i>Acquisitions</i> £'000	<i>Total</i> £'000					
<i>Changes in stocks of finished goods and work in progress</i>	(9)	(581)	(590)	1,228	638	105	114	219
<i>Operating expenses</i>								
Raw materials and consumables	62,919	11,775	74,694	8,838	83,532	57,188	30,260	87,448
Rentals under operating leases:								
Hire of vehicles and equipment	1,064	138	1,202	54	1,256	1,137	115	1,252
Other operating leases	1,215	554	1,769	67	1,836	934	233	1,167
Auditors' remuneration for audit (Parent: £15,000, 1998: £15,000)	121	39	160	20	180	172	48	220
Staff costs (note 3)	39,078	3,388	42,466	7,279	49,745	39,176	22,775	61,951
Depreciation of owned assets	4,557	198	4,755	1,058	5,813	3,971	2,859	6,830
Depreciation of assets held under finance leases	110	51	161	37	198	173	81	254
Amortisation of goodwill	100	150	250		250	10	8	18
Rental income	(72)	(122)	(194)		(194)	(162)		(162)
Profit on disposal of tangible fixed assets	(205)	5	(200)	(1)	(201)	(272)	(31)	(303)
Other external charges	20,366	1,361	21,727	4,928	26,655	20,407	14,722	35,129
	129,253	17,537	146,790	22,280	169,070	122,734	71,070	193,804

Non-audit fees paid to PricewaterhouseCoopers during the year were: within the UK £225,000 (1998: £297,000) and outside the UK £68,000 (1998: £42,000).

3 *Employees*

	<i>Continuing operations</i>			<i>Discontinued operations</i> number	1999 number	Continuing number	Discontinued number	1998 number
	<i>Existing</i> number	<i>Acquisitions</i> number	<i>Total</i> number					
Production	1,127	10	1,137	251	1,388	1,079	852	1,931
Sales and distribution	318	76	394	84	478	310	240	550
Administration	440	70	510	45	555	438	132	570
	1,885	156	2,041	380	2,421	1,827	1,224	3,051

The costs incurred and amounts credited in respect of these employees were:

	<i>Continuing operations</i>			<i>Discontinued operations</i> £'000	1999 £'000	Continuing £'000	Discontinued £'000	1998 £'000
	<i>Existing</i> £'000	<i>Acquisitions</i> £'000	<i>Total</i> £'000					
Wages and salaries	35,991	2,980	38,971	6,375	45,346	36,343	20,303	56,646
Social security costs	2,985	319	3,304	662	3,966	2,897	1,864	4,761
Pension charges (note 4)	102	89	191	242	433	(64)	608	544
	39,078	3,388	42,466	7,279	49,745	39,176	22,775	61,951

Bemrose

Notes to the Accounts

continued

4 Employee pension schemes

	<i>Continuing operations</i>			<i>Discontinued operations</i> £'000	1999 £'000	Continuing £'000	Discontinued £'000	1998 £'000
	<i>Existing</i> £'000	<i>Acquisitions</i> £'000	<i>Total</i> £'000					
The net pension charges (note 3) are made up as follows:								
Defined contribution plans	139	89	228	241	469	99	608	707
Defined benefit schemes:								
Regular cost	1,924		1,924	1	1,925	1,922		1,922
Part of actuarial surplus allocated to period	(917)		(917)		(917)	(1,059)		(1,059)
Interest effect of prepayment	(1,044)		(1,044)		(1,044)	(1,026)		(1,026)
	102	89	191	242	433	(64)	608	544

The funds of each of the Group's schemes are administered by trustees and are independent of the Group's finances.

The net pension scheme charges for the period have been assessed in accordance with the advice of the Group's independent actuaries, on an ongoing basis using the projected unit method of valuation. An actuarial assessment of the Group's UK scheme was made on 6 April 1998.

The assumptions which had the most significant effect on the results of the valuation were those concerning the annual rates of return on investments and the annual rates of increase in pensionable earnings. The assumptions used being 9% and 6% for SSAP24 purposes.

At the date of the actuarial valuation, the value of the assets of the scheme was £89,734,000 and the actuarial value of the assets was sufficient to cover, on average, 130% of the benefits which had accrued to the members after allowing for future increases in earnings.

Actuarial surpluses are being spread for accounting purposes over the average remaining service lives of the current participating employees of the scheme using a straight line amortisation method. The interest effects of the timing differences arising from the recognition of pension cost prepayments have been calculated assuming an annual interest rate of 9%.

Pension cost prepayments:

The prepayments included in the balance sheet amounting to £11,631,000 (1998: £11,604,000) represent those parts of the net actuarial surplus, which have been recognised immediately for the reasons set out above, reduced by contribution holidays taken and increased by interest effects. Under normal circumstances the Group is able to convert recognised actuarial surpluses into cashflows only by means of annual contribution holidays, which in accordance with the consent of the scheme actuary, are currently being taken.

5 Directors

	1999 £'000	1998 £'000
Emoluments of directors of the parent company are as follows:		
Fees		
Contractual salary payments	707	747
Performance related bonus	10	
Compensation for loss of office		150
Aggregate emoluments of highest paid director	231	233

In 1998 S. R. G. Booth made a notional gain of £4,270, and G. J. Bennington and R. Harrison each made notional gains of £1,708 on the exercise of save as you earn share options.

Bemrose

Notes to the Accounts

continued

5 Directors (continued)

The total emoluments, excluding pension contributions, of the directors were as follows:

<i>Directors' Emoluments</i>										
	<i>Notice Period (Years)</i>	<i>Basic salary £'000</i>	<i>Benefits £'000</i>	<i>Annual bonus £'000</i>	<i>Total emoluments</i>		<i>Pensions (A)</i>		<i>Accrued T.V. Entitlement £'000</i>	<i>Notes</i>
					<i>1999 £'000</i>	<i>1998 £'000</i>	<i>Increase £'000</i>	<i>T.V. £'000</i>		
<i>Executive</i>										
S. R. G. Booth	2	215	16		231	229	14	733	130	(B)
G. J. Bennington	1	130	8		138	122	9	349	62	(B)
R. Harrison	2	120	14	10	144	127	6	307	58	(B)
J. C. Meyer						131				(C)
R. A. Nelson	1	130	1		131	78				(D)
<i>Non-Executive</i>										
D. M. Dunn		21			21	20				(E)
B. P. Ford		23			23	22				(F)
N. H. T. Wrigley		19			19	18				(G)
Total 1999		658	39	10	707		29	446	250	
Total 1998		707	40			747	29	399	219	

Note: (A) The Pensions increase is the additional accrued benefit arising in 1999 whilst the Transfer Value (TV) is the capital amount applicable to the increase in accrued benefit.

(B) The Company is currently experiencing a pension contribution holiday in the UK and as such does not pay any contribution to the pension fund on behalf of the UK executive directors. The current notional funding rate of the pension scheme (the regular cost) is 17.3%.

(C) The Group made defined contributions to J. C. Meyer's US pension plan which amounted to £5,000 in 1998.

(D) The Group makes defined contributions to R. A. Nelson's US pension plan which amounted to £3,000 in 1999 (£1,000 in 1998).

(E) Non-executive directors do not have any pension arrangements with the Group.

(F) £6,000 of D. M. Dunn's remuneration was paid to Scapa Group plc.

(G) N. H. T. Wrigley's remuneration is paid to N. M. Rothschild & Sons Ltd.

All executive directors have performance related bonus plans linked to the financial results which are included in their total emoluments, but do not rank for pension benefits. Each year the Remuneration Committee sets target levels of performance which in their view would represent good Group performance. Maximum entitlement is 40% of basic salary and is accrued at the rate of 2% of salary for each 1% increase for the first 5% growth and 3% thereafter in relation to EPS (excluding exceptional items) and/or their area of responsibility. Other than share options there are no long term incentive schemes for directors.

R. A. Nelson was paid a performance bonus of \$5,000,000 in March 2000 in accordance with his service agreement dated 11 December 1995. This amount was fully provided for in the 1995 accounts.

J. C. Meyer, a former director, received £133,000 during the year in respect of compensation for loss of office. This amount was provided for in the 1998 accounts.

The Company's UK executive directors, in common with all other UK based employees with at least 12 months service, are eligible for grants of options under the terms of the Inland Revenue approved Savings Related Share Option Schemes.

Details of amounts in respect of directors' shareholdings and share options are given in the Directors' Report on page 12.

UK executive directors are members of the Group's UK pension scheme, details of which are included in note 4 to these accounts. The scheme is a defined benefit scheme and the benefits accrue at a rate of 1/60th of final pensionable salary for each year of membership.

Bemrose

Notes to the Accounts

continued

6 *Exceptional item*

	1999 £'000	1998 £'000
Loss on disposal of US Supplier businesses	(7,513)	
Release/(creation) of provision for loss on sale of US Supplier businesses	9,486	(9,486)
	1,973	(9,486)
Closure costs relating to Meridian Promotional Products BV, Holland	(271)	
Loss on disposal of Rowton Crystal Limited	(102)	
	1,600	(9,486)

The figures above are arrived at after charging goodwill previously written off to reserves of £42,062,000 (US Supplier businesses), £106,000 (Meridian), and £386,000 (Rowton).

The credit from the release of the original provision relating to the disposal of the US Supplier businesses arises principally from exchange rate movements and a favourable outcome to the purchase price adjustment.

7 *Net interest payable*

	1999 £'000	1998 £'000
Interest receivable and similar income	(302)	(111)
Bank loans and overdrafts		
Repayable within five years not by instalments	1,060	1,943
	758	1,832
Finance leases	45	89
Net interest payable	803	1,921

8 *Tax on profit on ordinary activities*

	Before <i>exceptional item</i> £'000	Exceptional <i>item</i> £'000	1999 £'000	1998 £'000
United Kingdom taxation:				
Corporation tax at 30.25% (1998: 31.0%)	2,098	1,848	3,946	4,339
Advance corporation tax	207		207	(272)
Deferred taxation	465		465	146
Adjustments in respect of previous year:				
Corporation tax	(52)	(601)	(653)	72
Deferred taxation	(113)		(113)	(103)
	2,605	1,247	3,852	4,182
Overseas taxation:				
Current	(862)	(255)	(1,117)	2,206
Deferred	1,633		1,633	440
Adjustments in respect of previous year:				
Current	(559)		(559)	
Deferred	33		33	117
	2,850	992	3,842	6,945

The taxation charge on the exceptional item results from an element of the sales proceeds being receivable and taxable in the UK. The 1998 United Kingdom Corporation tax charge includes £601,000 in respect of exceptional items.

Bemrose

Notes to the Accounts

continued

9 Profit for the financial year

The Company has taken advantage of Section 230 of the Companies Act 1985 and consequently a profit and loss account for the Company alone is not presented. Profits for the financial year of £61,160,000 (1998: £22,446,000) have been dealt with in the financial statements of the Company.

10 Dividends

	1999 £'000	1998 £'000
Equity dividends – ordinary shares:		
Special 100.00p (1998: nil), paid 24 May 1999	43,003	
Interim 6.45p (1998: 6.15p), paid 15 November 1999	1,807	2,630
Final 12.20p (1998: 11.35p), proposed to be paid 22 May 2000	3,426	4,883
Non-equity dividends – preference shares	48,236	7,513
	16	11
	48,252	7,524

The preference dividends are for the year ending 31 March 2000.

The special dividend was paid following the disposal of the US Supplier businesses in May 1999.

11 Earnings per share

	1999	1998
Net profit for the financial year before exceptional items (£'000)	8,210	14,766
Preference dividends (£'000)	(16)	(11)
Exceptional items after tax (£'000)	608	(10,087)
Net profit for the financial year after preference dividends (£'000)	8,802	4,668
Earnings per ordinary share before exceptional items (pence)	24.46	34.47
Profit/(loss) per ordinary share on exceptional items (pence)	1.82	(23.56)
Basic earnings per ordinary share (pence)	26.28	10.91
Diluted earnings per ordinary share before exceptional items (pence)	24.40	34.35
Diluted profit/(loss) per ordinary share on exceptional items (pence)	1.81	(23.48)
Diluted earnings per ordinary share (pence)	26.21	10.87
Average number of ordinary shares in issue for basic earnings (thousands)	33,493	42,801
Dilutive impact of share options outstanding (thousands)	93	158
Diluted average number of ordinary shares in issue (thousands)	33,586	42,959

Earnings per ordinary share before exceptional items has been calculated to eliminate the impact of exceptional items on the results of the business.

Bemrose

Notes to the Accounts

continued

12 Goodwill

	£'000
<i>Group:</i>	
<i>Cost:</i>	
At 2 January 1999	3,032
Additions	3,628
Discontinued operations	(984)
Exchange translation	31
<i>At 1 January 2000</i>	<i>5,707</i>
<i>Amortisation:</i>	
At 2 January 1999	18
Charge for period	250
Discontinued operations	(8)
Exchange translation	
<i>At 1 January 2000</i>	<i>260</i>
<i>Net book value at 1 January 2000</i>	<i>5,447</i>
<i>Net book value at 2 January 1999</i>	<i>3,014</i>

The goodwill arising on the acquisitions made in the period is being amortised on a straight line basis over 20 years. This is the period over which the directors estimate that the values of the underlying businesses acquired are expected to exceed the value of the underlying assets.

Notes to the Accounts

continued

13 Tangible assets

	Land and buildings Freehold £'000	Short leasehold £'000	Plant and machinery £'000	Fixtures and fittings £'000	Compositions and artwork £'000	Total £'000
<i>Group:</i>						
Cost or valuation:						
At 2 January 1999	20,004	203	71,495	13,531	2,143	107,376
Additions	776	11	4,070	1,249		6,106
New subsidiaries		50	464	1,094		1,608
Discontinued operations	(12,414)		(20,902)	(8,406)	(2,215)	(43,937)
Disposals		(13)	(408)	(319)		(740)
Revaluation	(92)					(92)
Exchange translation	372		683	249	72	1,376
<i>At 1 January 2000</i>	<i>8,646</i>	<i>251</i>	<i>55,402</i>	<i>7,398</i>		<i>71,697</i>
At valuation	8,646					8,646
At cost		251	55,402	7,398		63,051
Depreciation:						
At 2 January 1999	1,239		45,232	8,319	721	55,511
Charge for period	301	24	4,540	1,096	50	6,011
New subsidiaries		19	275	579		873
Discontinued operations	(938)		(11,285)	(4,307)	(796)	(17,326)
Disposals			(370)	(306)		(676)
Revaluation	(628)					(628)
Exchange translation	26		354	126	25	531
<i>At 1 January 2000</i>		<i>43</i>	<i>38,746</i>	<i>5,507</i>		<i>44,296</i>
<i>Net book value at 1 January 2000</i>	<i>8,646</i>	<i>208</i>	<i>16,656</i>	<i>1,891</i>		<i>27,401</i>
Net book value at 2 January 1999	18,765	203	26,263	5,212	1,422	51,865
<i>Parent:</i>						
Cost or valuation:						
At 2 January 1999	6,753					6,753
Additions						
Disposals						
Revaluation	(18)					(18)
<i>At 1 January 2000</i>	<i>6,735</i>					<i>6,735</i>
Depreciation:						
At 2 January 1999	349					349
Charge for period	118					118
Disposals						
Revaluation	(467)					(467)
<i>At 1 January 2000</i>						
<i>Net book value at 1 January 2000</i>	<i>6,735</i>					<i>6,735</i>
Net book value at 2 January 1999	6,404					6,404

Bemrose

Notes to the Accounts

continued

13 Tangible assets (continued)

Revaluation of land and buildings

The Group's operational land and buildings were revalued as at 1 January 2000 by Edward Rushton Son & Kenyon Limited, International Surveyors and Valuers, on an existing use basis assuming continued operation of the various trade processes carried out in those properties. Non-operational properties have been valued on an open market basis.

Land and buildings

If stated under historical cost principles the comparable amounts for the total of land and buildings would be:

	<i>Group</i>		<i>Parent</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<i>Cost:</i>				
Freehold	5,705	16,971	5,885	5,885
Short leasehold	251	203		
	5,956	17,174	5,885	5,885
<i>Depreciation:</i>				
Freehold	1,347	1,669	827	742
Short leasehold	43			
	1,390	1,669	827	742
<i>Net book value at end of period</i>	4,566	15,505	5,058	5,143

Assets held under finance leases

Included in tangible assets are the following capitalised values and related accumulated depreciation of plant and machinery held under finance leases:

	<i>Group</i>		<i>Parent</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<i>Plant and machinery:</i>				
Capitalised values	1,202	3,374		
Accumulated depreciation	(574)	(2,318)		
<i>Net book value at end of period</i>	628	1,056		
<i>Fixtures and fittings:</i>				
Capitalised values	156			
Accumulated depreciation	(65)			
<i>Net book value at end of period</i>	91			
<i>Total:</i>				
Capitalised values	1,358	3,374		
Accumulated depreciation	(639)	(2,318)		
<i>Net book value at end of period</i>	719	1,056		

Bemrose

Notes to the Accounts

continued

14 Investments

<i>Group:</i>	1999 £'000	1998 £'000
Interests in own shares	483	26

Interests in own shares represents the cost of 145,138 (1998: 10,071) of the Company's ordinary shares. These shares were acquired by the Bemrose qualifying employee share trust (QUEST) using funds provided by Bemrose Corporation plc to meet obligations under save as you earn share option schemes. The costs of funding and administering the scheme are charged to the profit and loss account of the Company in the period to which they relate. Dividend income from, and voting rights on the shares held by the QUEST have been waived and the shares have been excluded from the earnings per share calculation. The market value of the shares at 1 January 2000 was £455,736, (1998: £24,473).

<i>Parent:</i>	Group companies			Total £'000
	Shares at cost £'000	Loans owing to parent company £'000	Loans owing by parent company £'000	
At 2 January 1999	73,892	60,500	(8,918)	125,474
Additions	185			185
Disposals	(3,895)			(3,895)
<i>At 1 January 2000</i>	<i>70,182</i>	<i>60,500</i>	<i>(8,918)</i>	<i>121,764</i>

Subsidiary companies:

The principal operating subsidiaries at 1 January 2000, all wholly owned, were:

<i>Company</i>	<i>Country of incorporation and operation</i>	<i>Business</i>
Bemrose Finance Limited	England*	Holding company
Bemrose UK Limited	England	Security and promotional products
Charles Letts & Co. Limited	England	Diary products
Charles Letts (Canada) Limited	England (incorporation) Canada (operation)	Diary products
Barnard and Jackson Limited	England	Diary products
Broadway Incentives Limited	England	Promotional products
RHS Promotional Services Limited	England	Promotional products
Kreyer Werbeartikel GmbH	Germany*	Promotional products
Bourne Publicity Limited	England	Promotional products
Product Plus International Limited	England	Promotional products
Seltzer Kaufmann Marketing, Inc.	USA	Coupon calendar publishers
Nelson Marketing, Inc.	USA	Direct marketing

**Held by Bemrose Corporation plc.*

Full information on all subsidiary companies will be annexed to the Company's next annual return to the Registrar of Companies.

Bemrose

Notes to the Accounts

continued

15 Stocks

	1999 £'000	1998 £'000
<i>Group:</i>		
Raw materials and consumables	2,893	9,187
Work in progress	3,571	8,050
Finished goods and goods for resale	6,670	5,723
	13,134	22,960

16 Debtors

	Group		Parent	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<i>Due within one year:</i>				
Trade debtors	41,933	51,196		
Amounts due from subsidiary companies			41,058	21,302
Other debtors	4,039	2,082	1,232	
Advance Corporation Tax recoverable		349		349
Prepayments	3,168	4,441		
	49,140	58,068	42,290	21,651
<i>Due after more than one year:</i>				
Other debtors	5,041	186	4,927	
Deferred tax asset				205
	5,041	186	4,927	205

17 Creditors: amounts falling due within one year

	Group		Parent	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank and other loans	2,700	32	2,700	
Bank overdrafts	895	1,005		61
Trade creditors	19,024	19,506		
Amounts due to subsidiary companies			41,713	11,655
Corporation tax	4,809	4,960	1,973	206
Advance Corporation Tax		658		658
Other tax and social security	2,880	3,033		
Obligations under finance leases	213	354		
Other creditors	11,518	13,739	551	771
Dividends	3,427	4,876	3,427	4,876
	45,466	48,163	50,364	18,227

Bemrose

Notes to the Accounts

continued

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

	<i>Group</i>		<i>Parent</i>	
	<i>1999</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>	<i>1999</i> <i>£'000</i>	<i>1998</i> <i>£'000</i>
<i>Group:</i>				
Bank loans		25,443		25,443
Obligations under finance leases	4	516		
Other	35	3,358	35	185
	39	29,317	35	25,628
<i>Bank loans:</i>				
From one to two years		15,393		15,393
From two to five years		10,050		10,050
<i>Obligations under finance leases:</i>				
From one to two years	4	258		
From two to five years		258		
	4	25,959		25,443
Other	35	3,358	35	185
	39	29,317	35	25,628

Bemrose

Notes to the Accounts

continued

19 Financial instruments

The Group's approach to managing financial risk is detailed in the Financial Review on page 8. As permitted by FRS 13, the Group has taken advantage of the exemption available for short term debtors and creditors. Comparatives are not given as the changing nature of the Group has made this impracticable.

a) Interest rate risk

The interest rate and currency profile of the financial assets and liabilities (excluding short term debtors and creditors) of the Group at 1 January 2000 was:

Financial liabilities:

	Total £'000	At floating interest rates £'000	At fixed interest rates £'000	On which no interest is paid £'000	Fixed rate financial liabilities	
					Weighted average interest rate %	Weighted average period for which rate is fixed Years
Sterling – preference shares	208		208		7.50	*
Sterling – other	3,108	2,706	217	185	10.30	0.68
US dollar	497	497				
Euro	232	232				
Other	160	160				
	4,205	3,595	425	185		

* There is no redemption date on the preference shares, but a resolution is being put to the Annual General Meeting on 19 May 2000 to cancel them and repay the nominal value, together with any arrears of dividend and a correction to market value.

Floating rate financial liabilities, comprising mainly debt, bear interest based on LIBOR or equivalent.

Financial liabilities on which no interest is paid relates to deferred profit from transactions in previous years. This will all be released by March 2001.

Financial assets

	Total £'000	At floating interest rates £'000	On which no interest is paid £'000
Sterling	8,829	2,162	6,667
US dollar	2,199	1,697	502
Euro	532	520	12
Other	728	725	3
	12,288	5,104	7,184

Floating rate financial assets comprise cash and deposits bearing interest at commercial deposit rates.

Financial assets bearing no interest comprise principally deferred consideration arising from the disposal of businesses. The weighted average period until maturity of financial assets on which no interest is paid is 2.15 years.

b) Currency exposures

Details of the Group's policies for managing currency exposure are given in the Financial Review on page 8. There are no significant currency exposures arising from either transactional monetary assets and liabilities or net investment overseas.

The Group has no unrecognised gains and losses for the year resulting from hedging activity.

Bemrose

Notes to the Accounts

continued

19 Financial instruments (continued)

c) Liquidity risk

The liquidity analysis of the Group's financial liabilities is set out below:

	1999 £'000
In one year or less, or on demand	4,166
From one to two years	39
	4,205

d) Undrawn committed borrowing facilities

	1999 £'000
Expiring in one year or less	7,300
From one to two years	
From two to five years	10,000
	17,300

All of the undrawn committed borrowing facilities would bear interest at floating rates. Overdraft facilities repayable on demand are not included in the above.

e) Fair value of financial assets and liabilities

	Book value £'000	Fair value £'000
Cash, deposits and overdrafts	2,313	2,313
Bank loans and finance leases	(2,917)	(2,917)
Other financial assets	9,080	9,080
Other financial liabilities	(185)	(185)
Preference shares	(208)	(208)
	8,083	8,083

For those financial assets and liabilities which bear either a floating rate of interest or no interest, fair value is estimated to be equivalent to book value. The fair value of the Preference Shares is assessed at par value in view of the proposed repurchase of those shares during 2000.

Bemrose

Notes to the Accounts

continued

20 Provisions for liabilities and charges

	<i>Group</i>		<i>Parent</i>	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Deferred taxation liability	3,774	2,383		
Onerous lease	67			
Disposal of subsidiaries	1,199	10,087		
Other provisions	1,118	1,224	662	662
	6,158	13,694	662	662

Movements in the period:

	Deferred taxation £'000	Onerous lease £'000	Disposal of subsidiaries £'000	Other provisions £'000
<i>Group:</i>				
At 2 January 1999	2,383		10,087	1,224
Acquisition of subsidiaries		83		
Discontinued operations	(918)		1,199	(202)
Exchange translation	(19)			
Tax on profit on ordinary activities	2,018		(601)	
Profit and loss account			(9,486)	
Advance Corporation Tax Utilised in the period	310	(16)		
Other movements				96
<i>At 1 January 2000</i>	3,774	67	1,199	1,118
<i>Parent:</i>				
At 2 January 1999	(205)			662
Tax on profit on ordinary activities	205			
<i>At 1 January 2000</i>				662

Notes to the Accounts

continued

20 Provisions for liabilities and charges (continued)

<i>Deferred taxation liability/(asset)</i>	Amount provided		Amount not provided	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
<i>Group:</i>				
Depreciation/capital allowances	752	3,082	(8)	
Goodwill acquired	(141)	(871)		
Pension cost prepayments	3,489	3,254		
Other timing differences	(326)	(2,772)	(350)	
	3,774	2,693	(358)	
Less: Advance Corporation Tax recoverable		(310)		
<i>At 1 January 2000</i>	3,774	2,383	(358)	
<i>Parent:</i>				
Depreciation/capital allowances		63	73	
Chargeable gains less losses				830
Other timing differences		(268)	(297)	
<i>At 1 January 2000</i>		(205)	(224)	830

The above figures exclude taxation payable in the event of the accumulated reserves of overseas subsidiaries being distributed as there is no present intention to distribute them.

Onerous lease

The onerous lease provision relates to a commitment acquired with the business and assets of Bourne Publicity Limited. This provision is expected to be utilised within 3 years.

Disposal of subsidiaries

The provision established in 1998 for the loss on disposal of the US Supplier businesses has been released in full to the Profit and Loss account (see note 6). New provisions of £1,199,000 have been established against further residual liabilities arising from this transaction. It is anticipated that these provisions will be utilised in 1-2 years.

Other provisions

Other provisions relate to possible claims in connection with companies previously owned by the Group (£1,088,000) and underfunded pension schemes (£30,000). These provisions are likely to crystallise within 5 years.

Bemrose

Notes to the Accounts

continued

21 Called up share capital

	1999 £'000	1998 £'000
<i>Authorised:</i>		
300,000 7.5% cumulative preference shares of £1 each	300	300
32,500,000 ordinary shares of 38 $\frac{1}{3}$ p each (1998: 50,000,000 ordinary shares of 25p each)	12,500	12,500
	12,800	12,800
<i>Allotted and fully paid:</i>		
207,548 7.5% cumulative preference shares of £1 each	208	208
28,167,453 ordinary shares of 38 $\frac{1}{3}$ p each (1998: 42,908,004 ordinary shares of 25p each)	10,834	10,727
	11,042	10,935

As described in the circular to shareholders dated 1 April 1999, the Company proposed to return £43,000,000 to shareholders by way of a Special Dividend of 100.00p per existing ordinary share. In order to maintain the comparability of future and historical data on earnings per share, dividends per share and share price, a share capital consolidation of 13 new ordinary shares for every 20 existing ordinary shares was proposed. Following shareholder approval, the Special Dividend was paid, the ordinary share capital was consolidated on this basis and the nominal value per ordinary share was increased to 38 $\frac{1}{3}$ p.

During the period 355,926 ordinary 25p shares (1998: 183,142) were issued for £1,351,631 (1998: £553,960) under the Savings Related Share Option Scheme and Executive Share Option Schemes. A further 45,898 ordinary 38 $\frac{1}{3}$ p shares were issued for £146,521 (1998: nil) under Executive Share Option Schemes.

The aggregate nominal value of shares issued during the period was £106,635.

At 1 January 2000, the following options had been granted and were outstanding under the Company's share option schemes:

Scheme	Date of Grant	Number of ordinary shares	Number of options outstanding	Sub- scription price	Date Exercisable From	To
1986 Executive Scheme	7.5.91	153,892	1	160.5p	May 1994	May 2001
	27.4.92	66,580	4	160.5p	Apr 1995	Apr 2002
	28.9.94	113,432	3	381.1p	Sept 1997	Sept 2004
	13.4.95	17,526	9	350.1p	Apr 2000	Apr 2005
	19.4.96	40,250	13	384p	Apr 2001	Apr 2006
1987 Executive Scheme USA	14.4.97	16,000	4	419.5p	Apr 2002	Apr 2007
1998 Executive Scheme USA	14.4.98	18,000	5	450.33p	Apr 2003	Apr 2008
1996 Executive Scheme	14.4.97	29,000	11	419.5p	Apr 2002	Apr 2007
	14.4.98	25,177	12	450.33p	Apr 2003	Apr 2008
1996 Unapproved Executive Scheme	4.6.96	61,667	5	377p	June 2001	June 2006
	14.4.97	34,000	8	419.5p	Apr 2002	Apr 2007
	14.4.98	30,823	10	450.33p	Apr 2003	Apr 2008
	16.4.99	38,000	13	350p	Apr 2004	Apr 2009
SAYE SOS	5.5.95	109,646	94	332.8p	May 2000	Nov 2000
	14.5.96	154,917	179	332.8p	May 2001	Nov 2001
	14.5.97	160,742	266	335.6p	May 2002	Nov 2002
	13.5.98	258,885	323	360.3p	May 2003	Nov 2003
Totals		1,328,537	960	330.05p	Weighted Average Exercise Price	

Bemrose

Notes to the Accounts

continued

22 Reserves

	Share premium account £'000	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000	Special reserve £'000
<i>Group:</i>					
At 2 January 1999	34,721	3,463		9,841	
Transfer from reserves				(39,434)	
Shares issued to QUEST	970			(472)	
Other shares issued	422				
Goodwill written off				(47)	
Goodwill reinstated on disposal of subsidiaries (note 6)				42,554	
Currency adjustments				866	
Tax on currency adjustments				(640)	
Revaluation deficit realised on disposal of subsidiaries		339		(339)	
Surplus on revaluation of properties		536			
Transfer – depreciation on revalued assets		(50)		50	
<i>At 1 January 2000</i>	<i>36,113</i>	<i>4,288</i>		<i>12,379</i>	
<i>Parent:</i>					
At 2 January 1999	34,721	1,261	4,427	15,823	42,059
Transfer to reserves				12,908	
Shares issued to QUEST	970				
Other shares issued	422				
Currency adjustment				1,007	
Surplus on revaluation of properties		449			
Transfer – depreciation on revalued assets		(33)		33	
<i>At 2 January 1999</i>	<i>36,113</i>	<i>1,677</i>	<i>4,427</i>	<i>29,771</i>	<i>42,059</i>

The capital reserve arose from the cancellation of the balance standing to the credit of the share premium account in 1987. As a result of an undertaking given by the Company at the time, the capital reserve has, for the time being, to be regarded as non-distributable.

The special reserve was created in 1993 as a result of a special resolution, confirmed by the High Court, enabling the Company to cancel its share premium account by creating a special reserve to be applied in writing off the goodwill write-off reserve.

In the Group accounts £203,000 of net exchange losses (1998: £50,000) on foreign currency loans have been offset in reserves against exchange gains (1998: gains) on net investments in overseas subsidiaries.

The cumulative amount of goodwill written off in this, and earlier years in respect of subsidiary companies and businesses presently held amounts to £46,887,000 (1998: £89,394,000).

During the period the Company received £1,035,000 on the issue of shares to the Bemrose qualifying employee share trust (QUEST). Of this amount £65,000 represents ordinary share capital, and £970,000 represents share premium. Employees paid £563,000 to the Group for the issue of these shares and the balance of £472,000 comprised contributions to the QUEST from Group companies.

Bemrose

Notes to the Accounts

continued

23 *Financial commitments*

	1999		1998	
	<i>Land and buildings £'000</i>	<i>Other £'000</i>	<i>Land and buildings £'000</i>	<i>Other £'000</i>
At 1 January 2000, the Group was committed to making the following payments during the next year in respect of non-cancellable operating leases which expire;				
within one year	184	134	44	126
in two to five years	309	793	154	753
in more than five years	855		553	
	1,348	927	751	879

24 *Contingent liabilities*

Guarantees have been given by the parent company for Group bank borrowings which, at 1 January 2000 amounted to £895,000 (1998: £112,000).

25 *Capital commitments*

	<i>Group</i>		<i>Parent</i>	
	<i>1999 £'000</i>	<i>1998 £'000</i>	<i>1999 £'000</i>	<i>1998 £'000</i>
Amounts not provided for in these accounts:				
Contracted for	532	431		

Bemrose

Notes to the Accounts

continued

26 Acquisition of businesses

During the period the Group made two acquisitions:

- The entire share capital of Bourne Publicity Limited (24 February 1999).
- The entire share capital of Product Plus International Limited (15 March 1999).

These have been accounted for by the acquisition method. Details of assets acquired and of the consideration are set out below:

	Book Value £'000	Adjustments £'000	Fair value to the Group £'000
Tangible fixed assets	735		735
Current assets:			
Stocks	2,719	(225)	2,494
Debtors	3,390	(63)	3,327
Total assets	6,844	(288)	6,556
Liabilities and provisions:			
Bank overdrafts	(951)		(951)
Creditors	(3,358)	71	(3,287)
Corporation tax	(6)	90	84
Finance leases		(150)	(150)
Deferred tax	(8)		(8)
Provisions		(83)	(83)
Net assets	2,521	(360)	2,161
Costs of acquisition			(194)
Goodwill			3,628
			5,595
Satisfied by:			
Cash			5,295
Deferred consideration			300
			5,595

The movements from book value arose from writing down slow-moving and obsolete stock and sundry other working capital adjustments, together with the related taxation effect, along with the establishment of a provision against an onerous lease and the reclassification of finance lease balances.

The deferred consideration is contingent upon future performance. The maximum, and expected payment is £300,000.

As a result of the above acquisitions the Group's turnover increased by £17,500,000, and operating profit before taxation was reduced by £618,000. The acquisitions reduced the Group's cash inflow from operating activities by £492,000, paid £33,000 in respect of net returns on investments and servicing of finance, paid £151,000 in respect of taxation and utilised £141,000 for capital expenditure.

Previous acquisitions

During the period £149,000 (1998: £66,000) was paid in deferred consideration relating to sundry acquisitions made in previous years.

£47,000 has been charged to goodwill written off in respect of adjustments to the original purchase price of Nelson Marketing Inc.

Bemrose

Notes to the Accounts

continued

27 Disposal of businesses

Disposal of US Supplier businesses

On 13 May 1999 the Group completed the sale of its US Supplier Division. The disposal is analysed as follows:

	£'000
Net assets disposed of:	
Fixed assets	26,589
Goodwill	976
Stock	14,107
Debtors	11,223
Cash	1,111
Creditors	(6,962)
Finance leases	(386)
Goodwill previously written off to reserves	42,062
	88,720
Costs of disposal	2,331
Loss on disposal	(7,513)
	83,538
Satisfied by:	
Cash	77,327
Deferred consideration	6,211
	83,538

The costs of disposal include £1,199,000 in respect of provisions established against future liabilities (note 20).

The operating profit before taxation of the Group includes losses of £1,062,000 incurred by the US Supplier Division up to the date of its disposal. During this period these businesses contributed £3,224,000 to the Group's cash inflow from operating activities, paid £75,000 in respect of taxation and utilised £1,976,000 for capital expenditure.

Bemrose

Notes to the Accounts

continued

27 Disposal of businesses (continued)

Disposal of Rowton Crystal

On 17 September 1999 the Group completed the sale of Rowton Crystal Limited. The disposal is analysed as follows:

	£'000
Net assets disposed of:	
Fixed assets	22
Stock	216
Debtors	147
Creditors	(84)
Goodwill previously written off to reserves	386
	687
Costs of disposal	12
Loss on disposal	(102)
	597
Satisfied by:	
Cash	377
Deferred consideration	220
	597

The operating profit before taxation of the Group includes profits of £10,000 made by Rowton Crystal up to the date of its disposal. The cash flows of Rowton Crystal were not material to the Group in the year.

28 Post balance sheet events

- (a) On 10 March 2000 the Group issued a circular to shareholders announcing a proposed new Share Plan, involving the grant of options to certain senior employees over 4.2 million shares. The circular also detailed the proposed creation of an additional 1,625,000 ordinary shares to increase the authorised share capital of the Company. These plans were approved at an Extraordinary General Meeting of the Company on 3 April 2000.

29 Related party transactions

- (a) During the period Broadway Incentives Limited, a subsidiary company, used the services of Impact Consulting, a psychometric testing company. Impact Consulting is controlled by Shelley Rubinstein who is the sister of M. R. Varley, a director of the Company. The value of services rendered during the year was £8,967, (1998: £27,388).
- (b) N. M. Rothschild & Sons Limited have been retained by the Company to undertake a strategic review of operations. N. H. T. Wrigley, an independent non-executive director of Bemrose Corporation plc, is also a director of N. M. Rothschild & Sons Limited. The value of services rendered had not been determined at the balance sheet date, although an amount of £50,000 had been accrued for services to date.
- (c) From the date of disposal of the US Supplier businesses in May 1999 to 1 January 2000 the Bemrose Group made sales to and purchases from those businesses of £1,354,000 and £1,149,000 respectively. At 1 January 2000 the Bemrose Group had trade debtor balances of £300,000 and trade creditor balances of £123,000 with these former subsidiaries. All transactions were in the normal course of trading.

Bemrose

Notice of Annual General Meeting

Notice is hereby given that the 79th Annual General Meeting of Bemrose Corporation plc will be held at The Racecourse, Beverley, East Yorkshire on 19 May 2000 at 12.30pm for the following purposes:

As ordinary resolutions:

1. To receive and adopt the Report of the Directors and the Company's Accounts for the 52 weeks ended 1 January 2000.
2. To declare a final dividend of 12.20p.
3. To re-elect Mr. S. R. G. Booth who retires by rotation.
4. To re-elect Mr. D. M. Dunn who retires by rotation.
5. To re-elect Mr. N. H. T. Wrigley who retires by rotation.
6. To re-elect Mr. M. R. Varley who was appointed a director since the date of the last Annual General Meeting.
7. That PricewaterhouseCoopers be reappointed auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be agreed by the directors.
8. The directors be and they are hereby generally and unconditionally, authorised pursuant to Section 80 of the Companies Act 1985 to exercise during the period ending on the fifth anniversary of the date of the passing of this Resolution (and thereafter in pursuance of any offer or agreement made by the Company prior to the expiry of such period) all powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £2,281,656.15p, and so that this authority shall be in addition to and without prejudice to any other authority vested in the directors to exercise the powers of the Company to allot relevant securities.

As special resolutions:

9. That the Directors be and are hereby authorised pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash as if the pre-emption provisions of Section 89(1) of that Act did not apply to any such allotment. This power shall be limited to:
 - (a) the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where the interests of such ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them subject only to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any territory or by virtue of shares being represented by depository receipts, the requirements of any regulatory body or stock exchange, or any other similar matter; and;
 - (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £542,167.19p.

This power shall expire at the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2001. The Company may make any offer or agreement before the expiry of this power which would or might require equity securities to be allotted after it has expired and the Directors may allot equity securities pursuant to such an offer or agreement as if the power granted by this resolution had not expired.

Bemrose

Notice of Annual General Meeting

continued

10. (i) That the share capital of the Company be reduced from £13,425,000 to £13,125,000 by the cancellation of each of the issued and unissued Cumulative Restricted Voting Preference Shares of £1 each in the capital of the Company ("the Preference Shares") on terms that the holders of the issued Preference Shares will receive for each such share held by them:
- (a) the repayment of £1 paid up on such share;
 - (b) a sum equal to all arrears or deficiency of the fixed dividend payable upon the Preference Shares calculated down to the date of such repayment; and
 - (c) a sum equal to the excess over £1 (if any) of the average price at which the Preference Shares shall have been dealt in on the London Stock Exchange during the period of six months ending on the date of the passing of this resolution calculated from the dealings recorded in the Daily Official List of the London Stock Exchange.
- (ii) When the above reduction takes effect, the Articles of Association of the Company be altered by deleting the existing Articles 3.1, 3.2, 3.3 and 3.4 and replacing the same with a new Article 3 as follows:
- "3. The Share Capital of the Company at the date of the adoption of this Article is £13,125,000 divided into 34,125,000 Ordinary Shares of 38 $\frac{1}{2}$ p each".
11. That the Company be generally and unconditionally authorised to make market purchases (as defined in Section 163(3) of the Companies Act 1985) of the Company's Ordinary Shares up to an aggregate of 2,819,269 Ordinary Shares (being 10% of the issued Ordinary Shares), provided that:-
- (i) the minimum price (exclusive of expenses) which may be paid for each Ordinary Share is not less than 38 $\frac{1}{2}$ pence per share;
 - (ii) the maximum price (exclusive of expenses) which may be paid for each Ordinary Share is not more than 5% above the average of the middle market quotations for such Ordinary Shares taken from the Daily Official List of the London Stock Exchange Limited for the five business days immediately before the date of purchase; and
 - (iii) such authority shall expire at the conclusion of the date falling 15 months after the passing of this resolution or, if earlier, at the Annual General Meeting in 2001 save that the Company may before such expiry make a contract to purchase Ordinary Shares which would or might require to be executed wholly or partly after such expiry and may make a purchase of Ordinary Shares pursuant to such contracts as if the authority had not expired.

By order of the Board

R. Harrison
Secretary
14 April 2000

Notes

A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not also be a member of the Company. A prepaid form of proxy is enclosed which shareholders are invited to complete and return.

Members may only attend and vote at the Meeting in respect of shares registered in their names 48 hours before the time set for the Meeting; changes to the register after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

Because of Resolution 10, holders of the Preference Shares and holders of the Ordinary Shares are entitled to attend or be represented at the meeting and vote on all resolutions.

The following information will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until 19 May 2000, and at the place of the meeting for 15 minutes prior to the meeting until its conclusion.

- 1 A statement of transactions during the past year of each director and of his family interests in the share capital of the Company.
- 2 Copies of Directors' service contracts with the Company or any of its subsidiaries.

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Notes on business to be conducted at the Annual General Meeting

The majority of the resolutions for the AGM are of a routine nature and their purposes stated in the wording of the resolution. However, resolutions 8, 9, 10 and 11 are of a non-routine nature and the purpose of these notes is to explain them.

Resolution No. 8

Section 80 of the Companies Act 1985

Section 80 of the Companies Act 1985 requires that the authority of the directors to allot relevant securities shall be subject to the approval of shareholders in general meeting. Accordingly, an ordinary resolution (Resolution No. 8) will be proposed to renew the authority and thereby authorise the directors to allot current unissued ordinary shares of the Company up to a total nominal amount of £2,281,656.15p or 5,932,306 ordinary shares representing 21% of the issued ordinary share capital. At present the directors have no intention of exercising the authority. The authority will expire on the fifth anniversary of the date of the passing of this Resolution No. 8.

Resolution No. 9

Sections 89 and 95 of the Companies Act 1985

Section 89 of the Companies Act 1985 requires that any shares issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings. This resolution proposes to renew the Directors' authority to allot equity shares for cash other than on a pro rata basis. This will be limited to 1,409,634 ordinary shares (which represents 5% of the Company's issued share capital). The authority will expire at the conclusion of the Annual General Meeting of the Company held in 2000.

Resolution No. 10

Redemption and Cancellation of Preference Shares

As part of the directors' overall consideration of the Company's funding arrangements they have come to the conclusion that the capital represented by the £207,548 issued 7.5 per cent Preference Shares is surplus to the Company's requirements. Further, the administrative costs and burdens of maintaining a separate listing for this class of shares is not justified by the amount of such capital in issue.

The Company is entitled to cancel the Preference Shares, without affecting class rights, provided that it pays to the holders of such shares the amounts provided for by the Articles of Association. This the Company intends to do. Because of the formula set out in the Articles it is not possible to state exactly how much will be paid to the holders of the Preference Shares. However, for illustrative purposes only, were the resolution to cancel the shares to have been passed on 30 March and the repayment to take place on 30 June 2000 then the amount payable on each Preference Share would be a total of £1.02p being the paid up capital of £1 and the accumulated dividend down to 30 June 2000 of 2p. The average market price of the Preference Shares for the six months prior to 30 March has been less than £1.00 and consequently no adjustment is necessary in this respect. The directors do not anticipate the proposed repayment exceeding £211,700 in aggregate.

Accordingly the directors have proposed that the Company cancel the Preference Shares by special resolution. This resolution is subject to confirmation by the High Court. In the event that the resolution is passed the Company anticipates making the necessary application to the Court in about 3 weeks with the resolution anticipated to become effective in about 6 weeks.

To obtain the Court's confirmation the Company will have to show that its creditors will not be prejudiced by the proposed repayment. The Company may do this in a number of ways which may include evidence as to the Company's cash resources, or the provision of a bank guarantee or other security for the benefit of any creditors which have not consented to the proposed reduction.

In accordance with the Articles of Association the inclusion of this resolution in the notice of meeting entitles the holders of preference shares to attend and vote at the meeting.

Resolution No. 11

Share Buy Back

This resolution allows the Company to make market purchases of up to 2,819,269 Ordinary Shares at a price not exceeding 5% above the average market price of the Ordinary Shares for the preceding 5 days.

The directors have no present intention of using this authority, and in any case they would only do so if it was in the best interests of shareholders generally and would result in an increase in earnings per share.

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Five Year Financial Record

	1999 £'000	1998 £'000	1997 £'000	1996 £'000	1995 £'000
<i>PROFIT AND LOSS ACCOUNT</i>					
Turnover	180,295	216,616	203,333	195,036	148,755
Operating profit	11,863	23,031	24,816	25,396	19,068
Profit/(loss) on the sale and termination of discontinued operations	1,600	(9,486)			
Net interest payable	13,463 803	13,545 1,921	24,816 1,809	25,396 2,352	19,068 2,293
Profit on ordinary activities before tax	12,660	11,624	23,007	23,044	16,775
Tax on profit on ordinary activities	3,842	6,945	7,379	7,950	5,871
Profit for the financial year	8,818	4,679	15,628	15,094	10,904
Dividends	48,252	7,524	6,977	6,386	4,867
Transferred (from)/to reserves	(39,434)	(2,845)	8,651	8,708	6,037
Earnings per ordinary share (pence)	26.28	10.91	36.71	37.51	33.01
Dividends per share (pence)					
- Ordinary, as adjusted	18.65	17.50	16.25	15.10	13.87
- Special	100.00				
<i>BALANCE SHEET</i>					
Fixed assets	33,331	54,905	45,293	42,839	39,443
Net current assets	25,057	35,462	32,108	29,660	31,363
Pension prepayment	11,631	11,604	11,396	11,205	10,716
Other liabilities	(6,197)	(43,011)	(27,233)	(29,240)	(34,757)
Shareholders' funds	63,822	58,960	61,564	54,464	46,765
Net debt	604	24,939	22,918	23,011	19,791
Debt/equity ratio	1%	42%	37%	42%	42%

- a The Financial Record has been restated to reflect the requirements of FRS12 issued by the Accounting Standards Board (ASB).
- b Earnings per share have been adjusted for the bonus element of the April 1996 rights issues.
- c Dividends per share have been adjusted for the bonus element of the April 1996 rights issues.
- d Group land and buildings were revalued on 1 January 2000.