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ST IVES GROUP PLC

REPORT AND ACCOUNTS 1985

ST IVES GROUP PLC

REPORT AND FINANCIAL STATEMENTS
1985

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS	R.Gavron (Chairman) K. P. Ladd B. C. Edwards P. M. W. Stafford
SECRETARY	B. C. Edwards
REGISTERED OFFICE	47/58 Bastwick Street, London, EC1V 3PS.
REGISTRARS AND TRANSFER OFFICE	Ravensbourne Registration Services Limited Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
STOCKBROKERS	Rowe & Pitman 1 Finsbury Avenue, London, EC2M 2PA.
MERCHANT BANKERS	N. M. Rothschild & Sons Limited New Court, St Swithin's Lane, London. EC4P 4DU.
AUDITORS	Touche Ross & Co., Chartered Accountants Hill House, 1 Little New Street, London, EC4A 3TR.
BANKERS	National Westminster Bank PLC 63 Piccadilly, London, W1V 0AJ.
SOLICITORS	Titmuss, Sainer & Webb 2 Serjeants' Inn, London, EC4Y 1LT.

CHAIRMAN'S STATEMENT

As indicated in our prospectus, and detailed in the proforma profit statement on page 4, the year to 31st July, 1985 showed continuing growth in both turnover and profits. Turnover advanced from £15,398,000 to £18,338,000 (19.1%) and profits before tax from £1,938,000 to £2,512,000 (29.6%). Earnings per share rose from 15.6p to 24.8p. The above figures have been calculated as if Folio Holdings Limited, which was acquired with effect from 1st August, 1985, had been part of the St. Ives Group throughout the two years ended 31st July, 1985 and as if the share structure of St. Ives Group plc arising from the flotation had been in place throughout this period.

During the year we gained a number of new magazine printing contracts for Severn Valley Press and Kingsdale, and also opened some significant new accounts at both Dorey and Acford.

Since the end of the last financial year a number of important changes have taken place. In October, St. Ives Group became a publicly listed company, the shares having been offered for sale by tender at a minimum price of 290p. At the striking price of 330p the shares were more than five times oversubscribed. Also since the year end Severn Valley Press completed the installation of the eight-unit web offset press referred to in the prospectus. This press has higher productivity than any press of its kind in this country, and after some interruptions to production caused by its installation, is now printing some of our magazine contracts at high speeds and with excellent results.

Acfords has also been involved in the installation of a large new press which will substantially improve the productivity of its book printing. This press has completed its trials and is now producing satisfactorily.

The trading results for the year to 31st July, 1985 were in line with our expectations and we are confident that we will achieve a successful outcome for the year to 31st July, 1986.

As indicated in our prospectus no dividend on the ordinary shares is to be recommended by the Board in respect of the year ended 31st July, 1985.

It was announced on 19th November, 1985 that the Boards of St. Ives Group plc and Richard Clay public limited company had agreed the terms of a recommended offer* on behalf of St. Ives for the whole of the issued share capital of Clays.

In view of the relative size of Clays, the approval of the shareholders of St. Ives will be required.

R. GAVRON
Chairman

26th November, 1985

*RECOMMENDED OFFER FOR CLAYS

At an Extraordinary General Meeting of St. Ives held on 18th December, 1985 the shareholders approved the resolution necessary to authorise the acquisition of Clays.

The offer became unconditional in all respects on 23rd December, 1985, acceptances of the offer having been received for over 75% of the Clays ordinary shares by that date.

PROFORMA PROFIT STATEMENT

Year ended 31st July, 1985

PROFIT ESTIMATE FOR YEAR ENDED 31st JULY, 1985

The directors in connection with the recent offer for sale of shares made an estimate that in respect of the year ended 31st July, 1985 the Group's turnover was £18.3 million, profit on ordinary activities before taxation was £2.5 million and profit on ordinary activities after taxation was £1.54 million. This estimate was based on the estimated results of St. Ives Group plc and its subsidiaries adjusted *inter alia* to reflect the acquisition of Folio Holdings Limited ("Folio"). These adjustments are not reflected in the audited accounts of St. Ives Group plc for the year ended 31st July, 1985 since the acquisition of Folio only became effective after the year end, but set out below is a proforma statement of profit which provides the information to enable the comparison to be made.

BASIS OF PREPARATION

The proforma profit statement of St. Ives Group plc for the year ended 31st July, 1985 set out below, is based on the audited consolidated financial statements of St. Ives Group plc for the year ended 31st July, 1985 together with appropriate adjustments based on the audited financial statements of Folio Holdings Limited for the eleven months ended 31st July, 1985.

PROFORMA PROFIT STATEMENT FOR THE YEAR ENDED 31st JULY, 1985

	£'000
St. Ives Group plc turnover	18,338
Folio turnover	222
Less: Inter-group turnover	(222)
PROFORMA GROUP TURNOVER	18,338

	£'000	£'000
St. Ives Group plc profit on ordinary activities before taxation		2,326
Adjustment for rent on properties owned by Folio	242	
Less: depreciation and ground rentals	(56)	
		186
PROFORMA GROUP PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,512
Taxation on ordinary activities		
St. Ives Group plc	864	
Folio – tax effect relating to properties	86	
		(950)
PROFORMA GROUP PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,562

	Pence per share
Earnings per share for the year ended 31st July, 1985 based on the proforma group profit after taxation of £1,562,000 and the 6,298,446 ordinary shares that became in issue following the offer for sale of shares.	24.8p

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st July, 1985

1. ACTIVITIES

The activities of the group comprise web-fed and sheet-fed offset and general printing, book binding and the supply of printing inks and materials to the trade.

2. REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

A detailed review of this year's activities can be found in the Chairman's statement on page 3.

The directors are confident that a successful outcome will be achieved for the year to 31st July, 1986.

3. DIVIDENDS AND TRANSFERS TO RESERVES

Dividends of £221,200 (1984 — £168,700) have been paid in respect of the preferred ordinary shares and the 'A' preferred ordinary shares. No dividend in respect of the ordinary shares is proposed (1984 — £ Nil).

After providing for tax and dividends the undistributed profit for the year amounts to £1,240,515 (1984 — £351,097) and has been added to reserves.

4. FIXED ASSETS

Movements in tangible fixed assets are set out in note 10 to the financial statements.

5. SHARE CAPITAL

No movements in share capital arose during the year ended 31st July, 1985. Movements in share capital since the year end are disclosed in the section of the directors' report dealing with post balance sheet events.

6. POST BALANCE SHEET EVENTS

(i) Acquisition of Folio Holdings Limited

On 17th September, 1985, conditional on the company's ordinary shares being admitted to the Official List, it was agreed to acquire the entire share capital of Folio Holdings Limited, a company previously owned by Wardstock Limited, effective from 1st August, 1985 for a consideration of £1,518,000. This was satisfied by the issue of 47,586 ordinary shares of St. Ives Group plc. Following the settlement of the new ordinary share striking price at 330p a remittance of £209,378 was made to the company by Wardstock Limited in respect of the difference between the agreed consideration of £1,518,000 and the value of the 47,586 ordinary shares (as subsequently adjusted by the capitalisation issue) which had been initially allotted on the basis of the minimum tender price of 290p.

(ii) Share capital and public company status

On 11th September, 1985, the authorised share capital of the company was increased to £52,500 by the creation of 320,000 ordinary shares of 10p each, 10,500 preferred ordinary shares of 10p each and 94,500 'A' preferred ordinary shares of 10p each. On the same day a special resolution was passed whereby St. Ives Group Limited as it was then known, was re-registered as a public limited company and is now referred to as St. Ives Group plc.

On the same date a capitalisation issue was effected on the basis of 9 new shares of the relevent class for each ordinary, preferred ordinary and 'A' preferred ordinary share in issue.

On 17th September, 1985, following a resolution passed to amend the company's Articles of Association, the preferred ordinary and 'A' preferred ordinary shares were converted into ordinary shares of 10p each. The authorised share capital of the company on the same day, was increased to £825,000 by the creation of 7,725,000 ordinary shares of 10p each.

47,586 ordinary shares in the company were also allotted, credited as fully paid, to Wardstock Limited as consideration for the acquisition of Folio Holdings Limited. This transaction was conditional upon the ordinary shares of St. Ive's Group being admitted to the official list by the Council of The Stock Exchange.

On the same date a capitalisation issue was effected on the basis of 10 new ordinary shares for each ordinary share in issue.

On 3rd October, 1985, the company obtained a listing on The Stock Exchange following a successful offer for sale of a part of the company's ordinary shares.

At the conclusion of the above mentioned changes on 3rd October, 1985, the authorised, and allotted and fully paid share capital was as follows:

	Called up share capital
Authorised:	
8,250,000 shares of 10 pence each	£825,000.00
Allotted and fully paid:	
6,298,446 shares of 10 pence each	£629,844.60

(iii) Proposed acquisition of Richard Clay PLC

It was announced on 19th November, 1985 that the Boards of St. Ives Group plc ("St. Ives") and Richard Clay public limited company ("Clays") had agreed the terms of a recommended offer on behalf of St. Ives for the whole of the issued share capital of Clays. Due to the relative size of Clays, the approval of the shareholders of St. Ives will be sought.

7. DIRECTORS

The present membership of the board is set out on page 2. All directors served throughout the year.

The directors' interests as defined by the Companies Act 1985, in the shares of the company at 1st August, 1984 and 31st July, 1985 were as follows:

	1st August, 1984			*31st July, 1985*		
	10p preferred ordinary shares	*10p ordinary shares*	*10p 'A' preferred ordinary shares*	*10p preferred ordinary shares*	*10p ordinary shares*	*10p 'A' preferred ordinary shares*
R. Gavron						
— beneficial	1,000	30,040	2,396	1,000	28,748	2,250
— non-beneficial	200	1,050	312	225	1,842	563
K. P. Ladd						
— beneficial	—	2,725	—	—	2,725	—
B. C. Edwards						
— beneficial	250	1,430	420	250	1,430	420
P. M. W. Stafford						
— beneficial	250	1,430	420	250	1,430	420

Following the offer for sale, and as at 26th November, 1985 the interests of the directors in the ordinary shares of the company were as follows:

	10p ordinary shares
R. Gavron	
— beneficial	2,472,377
— non-beneficial	201,300
K. P. Ladd	
— beneficial	178,750
B. C. Edwards	
— beneficial	173,250
P. M. W. Stafford	
— beneficial	173,250

DIRECTORS' REPORT

(continued)

The aggregate holdings of the directors immediately following the offer for sale was 50.7 per cent of the allotted and fully paid ordinary share capital of St. Ives Group plc.

No director had any material interest in any contract or arrangement with the company during the year except as detailed in note 22 to the financial statements.

Executives' share options

The company adopted on 17th September, 1985, an Executive Share Option Scheme. This scheme is subject to approval by the Inland Revenue under Schedule 10 to the Finance Act 1984, and no options have yet been granted.

8. SUBSTANTIAL INTERESTS

The Board is not aware of any person, other than a director, who is interested in 5 per cent or more of the issued ordinary share capital of the company.

9. CLOSE COMPANY STATUS

Following the offer for sale on 18th September, 1985, in the opinion of the directors the company is now not a close company within the provisions of the Income and Corporation Taxes Act 1970.

10. DISABLED EMPLOYEES

It is the policy of the group that disabled people, whether registered disabled or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment, wherever this is practicable, so that full use use can be made of an individual's ability.

11. POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political or charitable donations during the year.

12. COMMUNICATIONS WITH EMPLOYEES

Employees of the company and its subsidiaries are regularly consulted by local managers and kept informed of matters affecting them and the overall development of the group.

13. AUDITORS

A resolution to re-appoint Touche Ross & Co. as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

B. C. EDWARDS

Secretary

26th November, 1985

AUDITORS' REPORT TO THE MEMBERS
OF
ST. IVES GROUP PLC

We have audited the financial statements on pages 9 to 21 in accordance with approved Auditing Standards.

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group at 31st July, 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Touche Ross & Co

Touche Ross & Co.
Chartered Accountants

26th November, 1985

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st July, 1985

	Note	1985	1984
		£	£
Turnover	2	18,338,078	15,398,028
Cost of sales		13,745,843	11,618,571
Gross profit		4,592,235	3,779,457
Sales and distribution costs		613,437	562,567
Administrative expenses		1,890,794	1,637,016
Other operating income		(90,979)	(78,906)
		2,413,252	2,120,677
		2,178,983	1,658,780
Interest receivable		147,141	93,148
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	2,326,124	1,751,928
Tax on profit on ordinary activities	5	864,409	849,139
Profit on ordinary activities after taxation		1,461,715	902,789
Extraordinary item	6	—	(382,992)
Profit for the financial year	7	1,461,715	519,797
Dividends paid in respect of the preferred and 'A' preferred ordinary shares	8	(221,200)	(168,700)
		1,240,515	351,097
Bonus issue of shares	18	—	(1,050)
Profit and loss account brought forward		2,978,506	2,628,459
Profit and loss account carried forward		£ 4,219,021	£ 2,978,506
Earnings per share	9	£ 31.01p	£ 18.35p

CONSOLIDATED BALANCE SHEET

31st July, 1985

	Note	1985 £	1985 £	1984 £	1984 £
FIXED ASSETS					
Tangible assets	10		7,416,455		4,161,197
CURRENT ASSETS					
Stocks	12	999,313		828,535	
Debtors	13	3,733,065		3,684,401	
Cash at bank and in hand		1,205,163		1,197,593	
		5,937,541		5,710,529	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	5,600,680		4,801,391	
NET CURRENT ASSETS			336,861		909,138
TOTAL ASSETS LESS CURRENT LIABILITIES			7,753,316		5,070,335
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	531,670		1,837	
PROVISIONS FOR LIABILITIES AND CHARGES	16	2,130,072		1,566,562	
ACCRUALS AND DEFERRED INCOME	17	866,503		517,380	
			(3,528,245)		(2,085,779)
			£4,225,071		£2,984,556
CAPITAL AND RESERVES					
Called up share capital	18		5,250		5,250
Capital redemption reserve	19		800		800
Profit and loss account	19		4,219,021		2,978,506
			£4,225,071		£2,984,556

These financial statements were approved by the Board of Directors on 26th November, 1985.

R. GAVRON } *Directors*
K. P. LADD

BALANCE SHEET

31st July, 1985

	Note	1985 £	1985 £	1984 £	1984 £
FIXED ASSETS					
Tangible assets	10	39,077		39,402	
Investments	11	4,297,899		3,107,386	
			4,336,976		3,146,788
CURRENT ASSETS					
Debtors	13	1,308,019		1,042,299	
Cash at bank and in hand		480,592		1,190,250	
		1,788,611		2,232,549	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	1,883,146		2,376,230	
NET CURRENT LIABILITIES			(94,535)		(143,681)
TOTAL ASSETS LESS CURRENT LIABILITIES			4,242,441		3,003,107
PROVISIONS FOR LIABILITIES AND CHARGES	16		(17,370)		(18,551)
			£4,225,071		£2,984,556
CAPITAL AND RESERVES					
Called up share capital	18		5,250		5,250
Revaluation reserve	19		4,036,899		2,846,386
Capital redemption reserve	19		800		800
Profit and loss account	19		182,122		132,120
			£4,225,071		£2,984,556

R. GAVRON
K. P. LADD } *Directors*

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 31st July, 1985

	1985 £	1985 £	1984 £	1984 £
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		2,326,124		1,751,928
Adjustment for items not involving movement of funds:				
Depreciation	745,724		718,140	
Pension fund provision	(1,181)		(1,180)	
		744,543		716,960
Total generated from operations		3,070,667		2,468,888
FUNDS FROM OTHER SOURCES				
Net book value of tangible fixed assets disposals	27,959		32,035	
Regional grants	447,226		50,835	
		475,185		82,870
		3,545,852		2,551,758
APPLICATION OF FUNDS				
Purchase of tangible fixed assets	4,127,044		526,312	
Tax paid	893,789		199,741	
Dividends paid	221,200		168,700	
		(5,242,033)		(894,753)
		(1,696,181)		1,657,005
DECREASE/(INCREASE) IN WORKING CAPITAL				
Increase in debtors	(84,417)		(1,181,693)	
Increase in stocks	(170,778)		(269,579)	
Increase/(decrease) in creditors and provisions	1,958,946		(714)	
		1,703,751		(1,451,986)
INCREASE IN CASH AT BANK AND IN HAND		£ 7,570		£ 205,019

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st July, 1985

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain assets.

(b) Basis of consolidation

The group financial statements consolidate the financial statements of the company and all subsidiaries for all financial periods ended 31st July, 1985.

(c) Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	20%
Plant and machinery	10 - 25%
Motor vehicles	20 - 33⅓%
Fixtures, fittings and equipment	20%

(d) Investments

Investments in subsidiaries are revalued to directors' valuation and are stated at net asset value. In the opinion of the directors this valuation policy gives a fairer representation of the net worth of St. Ives Group plc.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, direct labour and appropriate production overheads.

(f) Deferred taxation

Deferred taxation is provided at the anticipated rate of corporation tax on the expected reversal of timing differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, except where reversals of timing differences are not anticipated in the foreseeable future.

(g) Regional grants

Regional grants are provided for and amortised in equal annual instalments over the estimated lives of the assets to which they relate.

(h) Provisions

Provision is made for repairs to plant and machinery and leasehold premises based on estimates of expenditure required to sustain the assets' operating capacity at present levels over their estimated useful lives.

(i) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the year end. Differences on exchange are included in profit on ordinary activities before taxation.

(j) Profit taking

Income is accounted for when orders are completed and invoiced to customers.

2. TURNOVER

The group has only one class of business. Turnover, which has been exclusively within the United Kingdom, represents the net invoiced value of sales outside the group during the relevant accounting period.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1985 £	*1984* £
Directors' emoluments:		
Fees	—	—
Other emoluments	255,774	211,641
	£255,774	£211,641
Remuneration of the Chairman	£ 62,078	£ 55,600
Remuneration of the highest paid director	£ 64,000	£ 57,350

	No.	No.
Scale of other directors' remuneration:		
£40,001 - £45,000	—	1
£50,001 - £55,000	—	1
£55,001 - £60,000	1	—
£60,001 - £65,000	1	—

	£	£
Employee costs during the year:		
Wages and salaries	4,549,247	3,752,354
Social security costs	378,268	336,017
Other pension costs	24,786	18,339
	£4,952,301	£4,106,710

No employees received remuneration of more than £30,000 in 1985 or the preceding year.

	No.	No.
Average number of persons employed:		
Production	308	268
Sales and distribution	21	23
Administration	58	51
	387	342

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	£	£
Profit on ordinary activities before taxation is after charging:		
Hire of plant and machinery	2,845	277
Depreciation	745,724	718,140
Auditors' remuneration	27,825	19,250
Provision for repairs (note 1(h) and 16)	85,400	88,500
Profit on sale of plant and machinery	(2,550)	(4,825)
Interest relief grant	—	(7,500)
Selective financial assistance	—	(10,000)
Regional development grant amortisation	98,103	85,164

NOTES TO THE FINANCIAL STATEMENTS *continued*

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1985	1984
	£	£
United Kingdom Corporation Tax at 43.33% (1984 – 48.33%) based on the profit for the year	454,257	1,020,542
Deferred taxation	434,420	(143,482)
	888,677	877,060
Adjustment to prior years' tax provisions	(24,268)	(27,921)
	£864,409	£849,139

6. EXTRAORDINARY ITEM

The extraordinary charge in 1984 arose from the revision of the opening deferred tax provision necessitated by changes in the rates of first year allowances and corporation tax introduced in the Finance (No. 2) Act 1984.

7. PROFIT OF PARENT COMPANY

As permitted by Section 228(7) of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes £271,202 (1984 – £165,178) which is dealt with in the financial statements of the parent company.

8. DIVIDENDS

Dividends of £221,200 (1984 – £168,700) were paid in respect of the preferred ordinary shares and the 'A' preferred ordinary shares.

9. EARNINGS PER SHARE

The earnings per share of £31.01p (1984 – £18.35p) is based on 40,000 10p ordinary shares in issue during the year ended 31st July, 1985 (1984 – 40,000) and on profit on ordinary activities after taxation but before extraordinary items of £1,240,515 (1984 – £734,089). These figures are calculated after deduction of the dividends paid in respect of the preferred ordinary shares and the 'A' preferred ordinary shares.

10. TANGIBLE FIXED ASSETS

THE GROUP	Total £	Leasehold improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £
Cost					
At 1st August, 1984	7,406,983	115,061	6,917,838	141,580	232,504
Additions	4,127,044	22,878	3,960,594	45,891	97,681
Disposals	(75,076)	—	(2,716)	—	(72,360)
At 31st July, 1985	11,458,951	137,939	10,875,716	187,471	257 825
Accumulated depreciation					
At 1st August, 1984	3,245,786	89,351	2,958,828	92,248	105,359
Provisions	745,724	14,754	646,762	22,618	61,590
Disposals	(47,117)	—	(2,716)	—	(44,401)
Transfer from regional grant	98,103	4,031	93,050	1,022	—
At 31st July, 1985	4,042,496	108,136	3,695,924	115,888	122,548
Net book value					
At 31st July, 1985	£ 7,416,455	£ 29,803	£ 7,179,792	£ 71,583	£135,277
At 31st July, 1984	£4,161,197	£25,710	£3,959,010	£49,332	£127,145

THE COMPANY	Total £	Fixtures, fittings and equipment £	Motor vehicles £
Cost			
At 1st August, 1984	107,221	68,636	38,585
Additions	30,784	4,284	26,500
Disposals	(18,544)	—	(18,544)
At 31st July, 1985	119,461	72,920	46,541
Accumulated depreciation			
At 1st August, 1984	67,819	50,819	17,000
Provisions	18,109	6,569	11,540
Disposals	(5,544)	—	(5,544)
At 31st July, 1985	80,384	57,388	22,996
Net book value			
At 31st July, 1985	£ 39,077	£ 15,532	£ 23,545
At 31st July, 1984	£39,402	£17,817	£21,585

The plant and machinery, and fixtures, fittings and equipment include items with costs which have been fully depreciated as detailed below:

	1985	*1984*
The group	£1,691,217	£1,177,561
The company	£32,509	£20,716

11. INVESTMENTS HELD AS FIXED ASSETS

	Shares at cost	Revaluation to net asset value	Total
	£	£	£
Balance at 1st August, 1984	261,000	2,846,386	3,107,386
Movements during the year	—	1,190,513	1,190,513
Balance at 31st July, 1985	£261,000	£4,036,899	£4,297,899

12. STOCKS

	The group	
	1985	*1984*
	£	£
Raw materials	652,130	499,635
Work in progress	475,281	458,258
	1,127,411	957,893
Less: payments on account	(128,098)	(129,358)
	£999,313	£828,535

13. DEBTORS

	The group		The company	
	1985	*1984*	*1985*	*1984*
	£	£	£	£
Amounts due within one year:				
Corporation tax recoverable	—	35,753	—	—
Trade debtors	3,099,511	3,375,864	—	—
Amounts owed by group companies - subsidiaries	—	—	1,170,991	827,582
Other debtors	518,766	149,895	100,544	141,773
Bills of exchange receivable	3,089	—	—	—
Prepayments and accrued income	111,699	122,889	35,195	26,940
	3,733,065	3,684,401	1,306,730	996,295
Amounts due after more than one year:				
Prepayments and accrued income - deferred taxation asset (note 16)	—	—	1,289	46,004
	£3,733,065	£3,684,401	£1,308,019	£1,042,299

NOTES TO THE FINANCIAL STATEMENTS *continued*

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The group		The company	
	1985	*1984*	*1985*	*1984*
	£	£	£	£
Trade creditors	2,801,057	2,732,414	—	—
Bills of exchange payable	1,297,936	378,934	—	—
Amounts owed to group companies - subsidiaries	—	—	1,168,287	1,940,303
Other creditors	712,478	525,017	379,496	215,874
Corporation tax	495,622	1,038,209	41,776	93,236
Other taxation	174,587	72,962	174,587	72,962
Social security	119,000	53,855	119,000	53,855
	£5,600,680	£4,801,391	£1,883,146	£2,376,230

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The group		The company	
	1985	*1984*	*1985*	*1984*
	£	£	£	£
Corporation tax	—	1,837	—	—
Bills of exchange payable	531,670	—	—	—
	£531,670	£1,837	£Nil	£Nil

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1st August, 1984	Charged to Profit and Loss account	(Applied)/ transferred	Balance at 31st July, 1985
	£	£	£	£
The group				
Repairs to plant and machinery	200,000	80,000	—	280,000
Repairs to leasehold premises	61,600	5,400	—	67,000
Pension fund	8,551	—	(1,181)	7,370
Deferred taxation	1,296,411	445,762	33,529	1,775,702
	£1,566,562	£531,162	£32,348	£2,130,072
The company				
Repairs to leasehold premises	10,000	—	—	10,000
Pension fund	8,551	—	(1,181)	7,370
	£18,551	£ Nil	£(1,181)	£17,370

16. PROVISIONS FOR LIABILITIES AND CHARGES *continued*

The potential amounts of deferred taxation and the amount provided in the financial statements are the same and are as follows:

	1985 Amount provided/ total potential tax £	*1984* Amount provided/ total potential tax £
The group		
Capital allowances in excess of depreciation	1,875,666	1,424,034
Gains deferred by rollover relief	39,169	41,300
Other timing differences	(139,133)	(121,523)
	1,775,702	1,343,811
Less: unrelieved advance corporation tax	—	(47,400)
	£1,775,702	£1,296,411

	1985 Amount provided/ total potential tax £	*1984* Amount provided/ total potential tax £
The company		
Capital allowances in excess of depreciation	2,462	5,547
Other timing differences	(3,751)	(4,151)
	(1,289)	1,396
Less: unrelieved advance corporation tax	—	(47,400)
	£(1,289)	£(46,004)

17. ACCRUALS AND DEFERRED INCOME

	The group *1985* £	The group *1984* £
This comprises regional grants as follows:		
Balance at 1st August, 1984	517,380	551,709
Receivable during the year	447,226	50,835
Transfer to depreciation	(98,103)	(85,164)
Balance at 31st July, 1985	£866,503	£517,380

18. CALLED UP SHARE CAPITAL

	1985 Authorised £	*1985* Allotted and fully paid £	*1984* Authorised £	*1984* Allotted and fully paid £
10p 'A' Preferred ordinary shares	1,050	1,050	1,050	1,050
10p Preferred ordinary shares	950	200	950	200
10p Ordinary shares	8,000	4,000	8,000	4,000
	£10,000	£5,250	£10,000	£5,250

During the year ended 31st July, 1984 a 1 for 4 bonus issue was made for every share in issue. The bonus shares took the form of 10p 'A' preferred shares and 10,500 such shares were issued.

18. CALLED UP SHARE CAPITAL *continued*

Post balance sheet event

On 11th September, 1985 the authorised share capital of the company was increased to £52,500 by the creation of 320,000 ordinary shares of 10p each, 10,500 preferred ordinary shares of 10p each and 94,500 'A' preferred ordinary shares of 10p each.

On the same date a capitalisation issue was effected on the basis of 9 new shares of the relevant class for each ordinary, preferred ordinary and 'A' preferred ordinary share in issue.

On 17th September, 1985, following a resolution passed to amend the company's Articles of Association the preferred ordinary and 'A' preferred ordinary shares were converted into ordinary shares of 10p each. The authorised share capital of the company on the same day, was increased to £825,000 by the creation of 7,725,000 ordinary shares of 10p each.

47,586 ordinary shares in the company (before adjustment for the capitalisation issue referred to below) were also allotted, credited as fully paid, to Wardstock Limited as consideration for the acquisition of Folio Holdings Limited. This was conditional upon the ordinary shares of St. Ives Group being admitted to the Official List by the Council of The Stock Exchange.

On the same day a capitalisation issue was effected on the basis of 10 new ordinary shares for each ordinary share in issue.

On 3rd October, 1985, following the company obtaining a listing on The Stock Exchange, the authorised, allotted and fully paid share capital was as follows:

	Called up share capital
Authorised	
8,250,000 shares of 10 pence each	£825,000
Allotted and fully paid	
6,298,446 shares of 10 pence each	£629,844.60

19. RESERVES

	The group		The company		
	Capital redemption reserve £	Profit and loss account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £
Balance at 1st August, 1984	800	2,978,506	2,846,386	800	132,120
Profit retained for the year	—	1,240,515	—	—	50,002
Revaluation of subsidiaries to net asset value	—	—	1,190,513	—	—
Balance at 31st July, 1985	£800	£4,219,021	£4,036,899	£800	£182,122

20. CAPITAL COMMITMENTS

	The group		The company	
	1985	*1984*	*1985*	*1984*
Contracted for but not provided in the financial statements	£435,000	£130,000	£Nil	£Nil
Authorised but not yet contracted for	£Nil	£3,000,000	£Nil	£Nil

21. CONTINGENT LIABILITY

The company and certain of its subsidiaries have charged their undertakings as collateral security and have given unlimited guarantees for a bank facility granted to St. Ives Group plc. The facility was not utilised at 31 July 1985. This contingent liability was discharged on 22nd August, 1985.

22. TRANSACTIONS WITH INTERESTED PARTIES

Certain subsidiary companies of the group, have made sales amounting to £233,005 (1984 – £190,720) to Octopus Books PLC and £18,512 (1984 - £11,066) to The Folio Society Limited. Mr. Gavron, the Chairman, is a director of Octopus Books PLC and The Folio Society Limited and he has a beneficial interest in both companies.

The group rented premises from Folio Holdings Limited, a company in which the Chairman, Mr. R. Gavron, had an interest during the year.

The annual rental payable for the premises, which has been calculated on an arms length basis, amounted to £242,000 (1984 - £242,000).

As stated in note 6(i) to the Directors' Report, the company acquired the entire share capital of Folio Holdings Limited with effect from 1st August, 1985.

23. ADDITIONAL INFORMATION ON SUBSIDIARIES

The principal subsidiaries, together with their divisions, all of which are wholly owned are as follows:

	Country of operation	Country of incorporation
Severn Valley Press Limited	Wales	England
Kingsdale Press (a division of Severn Valley Press Limited)	England	N/A
Severn Valley Bindery Limited	Wales	England
Molyneux Offset Limited	England	England
R. J. Acford (a division of Molyneux Offset Limited)	England	N/A
CB Dorey Limited (formerly H. P. Dorey & Company Limited)	England	England
Britannic Printing Supplies (London) Limited	England	England

24. RE-REGISTRATION AS A PUBLIC LIMITED COMPANY

On 12th September, 1985 St. Ives Group Limited was re-registered as a public limited company. Throughout these financial statements the company has been referred to as "St. Ives Group plc".

25 POST BALANCE SHEET EVENT

It was announced on 19th November, 1985 that the Boards of St. Ives Group plc ("St. Ives") and Richard Clay public limited company ("Clays") had agreed the terms of a recommended offer on behalf of St. Ives for the whole of the issued share capital of Clays.

In view of the relative size of Clays, the company will be seeking approval of the shareholders for the proposed purchase.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 4th ANNUAL GENERAL MEETING OF ST. IVES GROUP plc will be held at Great Eastern Hotel, Liverpool Street London E.C.2. on 7th February 1986 at 3.00 pm for the following purposes:—

1. To receive and adopt the financial statements for the year ended 31st July 1985, together with the reports of the directors and auditors.
2. To re-elect R. Gavron Esq. as a director and Chairman (retiring by rotation).
3. To re-appoint Touche Ross & Co. as auditors to the company and to authorise the directors to fix their remuneration.
4. To consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:—

   "That the Directors be granted power to allot equity securities (within the meaning of Section 94 of the Companies Act 1985) pursuant to the authority to allot securities (within the meaning of Section 80 Companies Act 1985) conferred by the Ordinary Resolution of the Company dated 18th December 1985, as if Section 89(1) of the said Act did not apply to such allotment provided that 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 equity securities respectively attributable to the interests of all Ordinary Shareholders are proportionate (as nearly as may be) to the respective number of Ordinary Shares held by them; and

   (b) to the allotment (otherwise than pursuant to sub-paragraph (a)) of equity securities up to an aggregate nominal value of £68,250,

   and provided that this power shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired."
5. To transact any other business of the Company.

By order of the Board

B. C. Edwards
Secretary
6th January 1986.

Notes:

1. A member of the company entitled to attend and vote at a general meeting is entitled to appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company.
2. The register of the interests of the directors in the share capital of the Company and copies of the Directors' service agreements and the Memorandum and Articles of Association of the Company are available for inspection at the registered office of the Company during normal business hours and will be available at the meeting.

Form of Proxy

St. Ives Group plc.

Form of Proxy for use only by holder of Ordinary Shares having the right to attend and vote at the Annual General Meeting to be held on 7th February 1986.

I/We ....
(Please use block letters)

being (a) registered holder(s) of Ordinary Shares in hereby appoint the CHAIRMAN OF THE MEETING (Note 2).

....

....

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 7th February, 1986 and at any adjournment thereof.

Signature.............. ....Date..1986

Ordinary Resolutions	For	Against
1 To receive Directors' Report and Accounts.		
2 To re-elect R. Gavron a director and Chairman of the Company.		
3 To re-appoint the Auditors and authorise the fixing of their remuneration.		
Special Resolution		
4 To renew the power to allot equity securities as if Section 89(1) Companies Act 1985 did not apply to such allotment.		

Please indicate, by inserting a cross in the appropriate space, how you wish your votes to be cast on the resolutions mentioned. If you sign this form and return it without any specific directions, your proxy will abstain or vote as he thinks fit. This proxy will be used only in the event of a poll being directed or demanded.

Notes.

1 To be effective, this form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority, must be deposited at the office of the Company's Registrars not later than forty-eight hours before the time appointed for holding the meeting.

2 This form may be used for the appointment of any other person as proxy by deleting the words "Chairman of the Meeting" and inserting the name and address of the person whom it is desired to appoint. A proxy need not be a Member of the Company.

3 Any alterations made in this form of proxy should be initialled

4 If the appointor is a corporation this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised in writing.

5 In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.

6 Return of a completed form of proxy will not preclude a member from attending and voting personally at the meeting

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