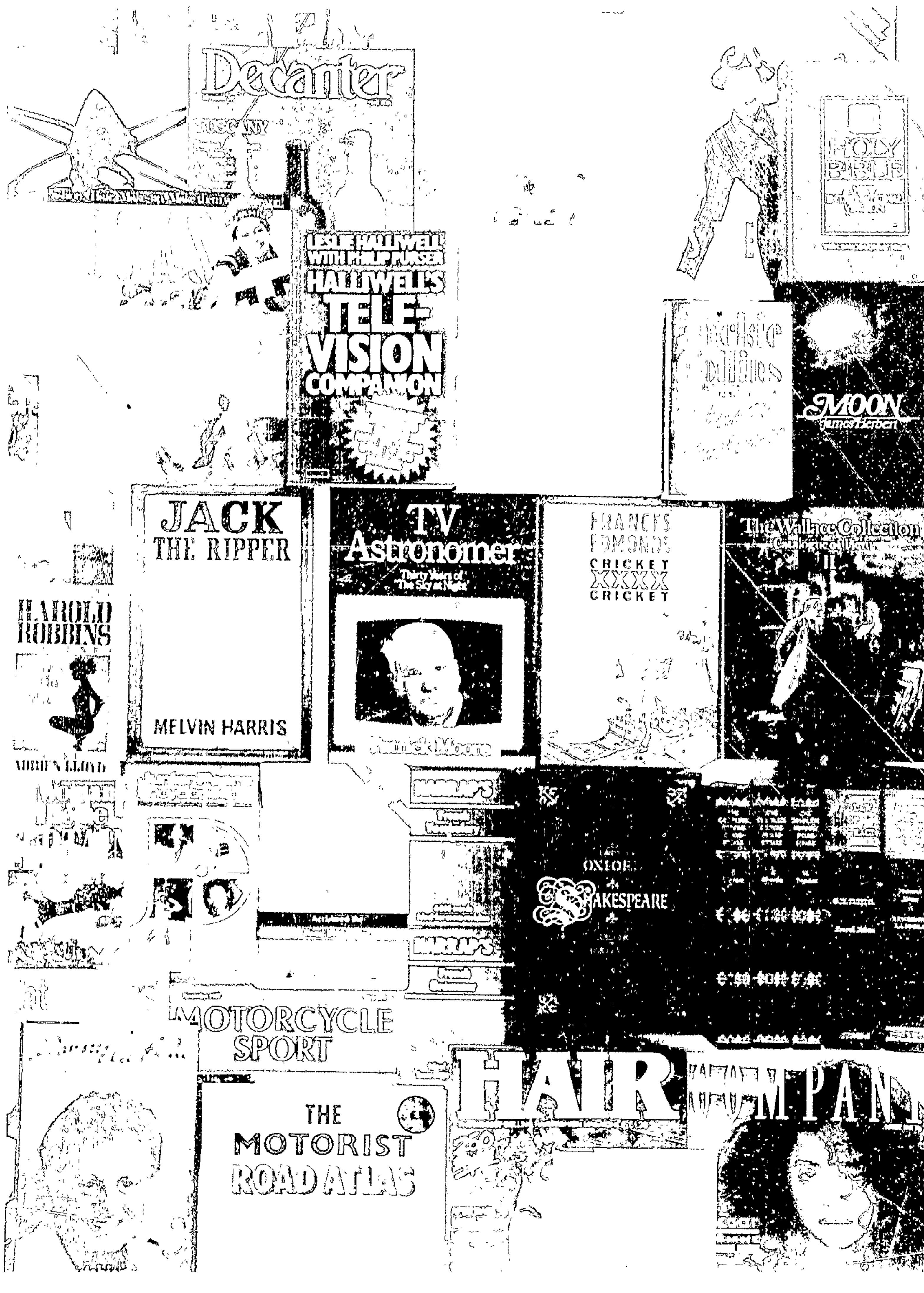
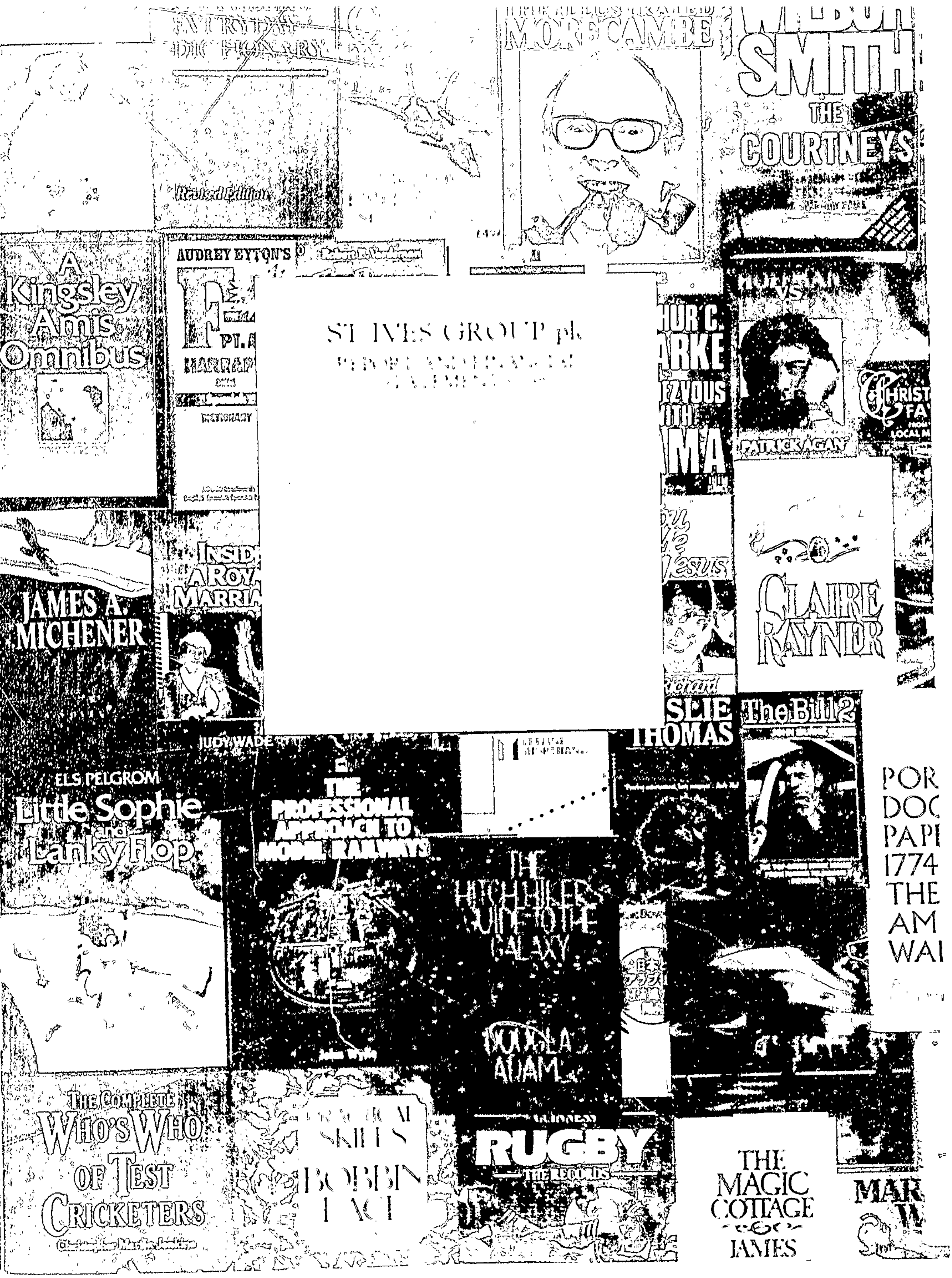
REPORT AND FINANCIAL STATEMENTS 1987



Decanter
LESLIE HALLIWELL WITH PHILIP PURSER
HALLIWELL'S TELE-VISION COMPANION
HOLY BIBLE
MOON
James Herbert
JACK THE RIPPER
MELVIN HARRIS
TV Astronomer
Thirty Years of 'The Sky at Night'
FRANCES EDMONDS
CRICKET XXXX CRICKET
The Wallace Collection
HAROLD ROBBINS
HARRAP'S
OXFORD SHAKESPEARE
MOTORCYCLE SPORT
THE MOTORIST ROAD ATLAS
HAIR

ST IVES GROUP plc



OFFICERS AND PROFESSIONAL ADVISERS

Directors	R. Gavron (Chairman) B.C. Edwards L.M. Harvey G.J. Iceton K.P. Ladd K.M. Pardey 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 Ltd. 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 0AL.
Solicitors	Titmuss Sainer & Webb 2 Serjeants' Inn, London EC4Y 1LT

CHAIRMAN'S STATEMENT

The year ending 31st July, 1987 has seen excellent progress in both organic growth and acquisitions. Profits before tax rose by 41% to £13.8 million from a restated £9.8 million. Earnings per share increased by 51% to 36.1p from 23.9p. A final dividend of 4p per share is proposed making a total of 5.75p, an increase of 28% on last year. In addition the Directors propose a two for one scrip issue for the approval of Shareholders at the AGM.

During our last financial year we made two acquisitions. The first was Riverside Press, which further strengthened our position in the magazine printing market. In particular its Kent factories in Gillingham and Whitstable enable us to offer considerably shorter lead times for the growing London based weekly market.

Shortly before the year end we took our first step into packaging with the acquisition of Coloroll Packaging in Lancashire which we have renamed Nelson Packaging. Packaging is, of course, a much larger field than printing for publishers and one of our Directors, Peter Stafford, is devoting a high proportion of his time to researching and investigating further opportunities in the packaging field.

We have also, during the course of the year, made good progress in developing and improving our existing core businesses. In our magazine division the year was marred by an appalling and tragic fire in which our Plymouth factory was destroyed and three of our colleagues died. Their loss has deeply affected all our lives. Our new factory on a different site in Plymouth will carry a plaque commemorating them.

In spite of this setback the magazine printing division, under the Chairmanship of Max Harvey, has continued to expand vigorously and attract new contracts.

Our book division made substantial advances in both sales and margins, with the benefits of last year's reorganisation making a major contribution.

I am happy to report the first acquisition of our new financial year, and our largest acquisition so far. Burrups is the leading city and financial printer outside North America. In its last full year to 31st March, 1987, sales were £54 million and profits were £4.1 million. It employs some 900 people in 12 factories.

The combination of St Ives and Burrups offers a remarkable range of exciting opportunities. For Burrups the back-up of St Ives' web offset capacity means that large share issue documents and the annual reports of the growing number of very large privatised and merged companies can be produced entirely within the Group.

The potential of Burrups' "special products" division in the St Ives Group is substantial. The term "special products" describes the printed material sent out by direct mail or inserted into magazines. St Ives now prints almost 500 different magazines and the combination of the two companies creates an attractive source of supply for the publishers of this material.

Furthermore, St Ives, with its commitment to continuing investment in printing technology, can keep Burrups at the head of Europe's financial printing sector and enable it to exploit much more fully the opportunities that exist in the other financial centres of the world.

St Ives can also be helpful to Burrups in its marketing drive and in extending the range of its contacts. In addition St Ives' wide experience in improving productivity in the printing industry should help to enhance Burrups' margins.

St Ives has derived considerable cost advantages from creating a group purchasing policy with regard to capital equipment, materials such as paper, and also print consumables. This will now be extended to both divisions of Burrups.

Peter Rooke, Chairman of Burrup Mathieson & Company Limited, will be joining the Board of St Ives.

With the benefits of this substantial new acquisition, and our plans for considerable further growth in our existing businesses we have entered our new financial year with vigour and confidence. We continue to examine potential acquisition opportunities and we believe the year to 31st July, 1988 will be our most exciting year yet.

ROBERT GAVRON
Chairman

8th October, 1987

REVIEW OF OPERATIONS

Magazine Division

In the magazine division the year was marked by considerable sales successes. We signed 140 new contracts, including winning "Elle" and "Company" from printers in Europe. The spare capacity at Riverside Press proved invaluable, as it enabled us to transfer much of the printing from Plymouth, and ensured the continuity of the contracts with no uninsured financial loss expected, either now or in the future.

The integration of Riverside Press into our magazine division has progressed well, producing further benefits for the Group in both sales opportunities and reduced costs. Two major national weekly contracts have been signed, and production of both magazines starts in early November in the Kent factories.

The new bigger Plymouth factory is already built and started producing magazines on 6th October exactly four months after the fire. This represents a remarkable achievement by both management and workforce. By next January it will be in full production and will be the most advanced plant of its kind in the U.K.

The new financial year has started promisingly, and after running at full capacity for the last months, we are looking forward to the challenge of filling the new plant at Plymouth.

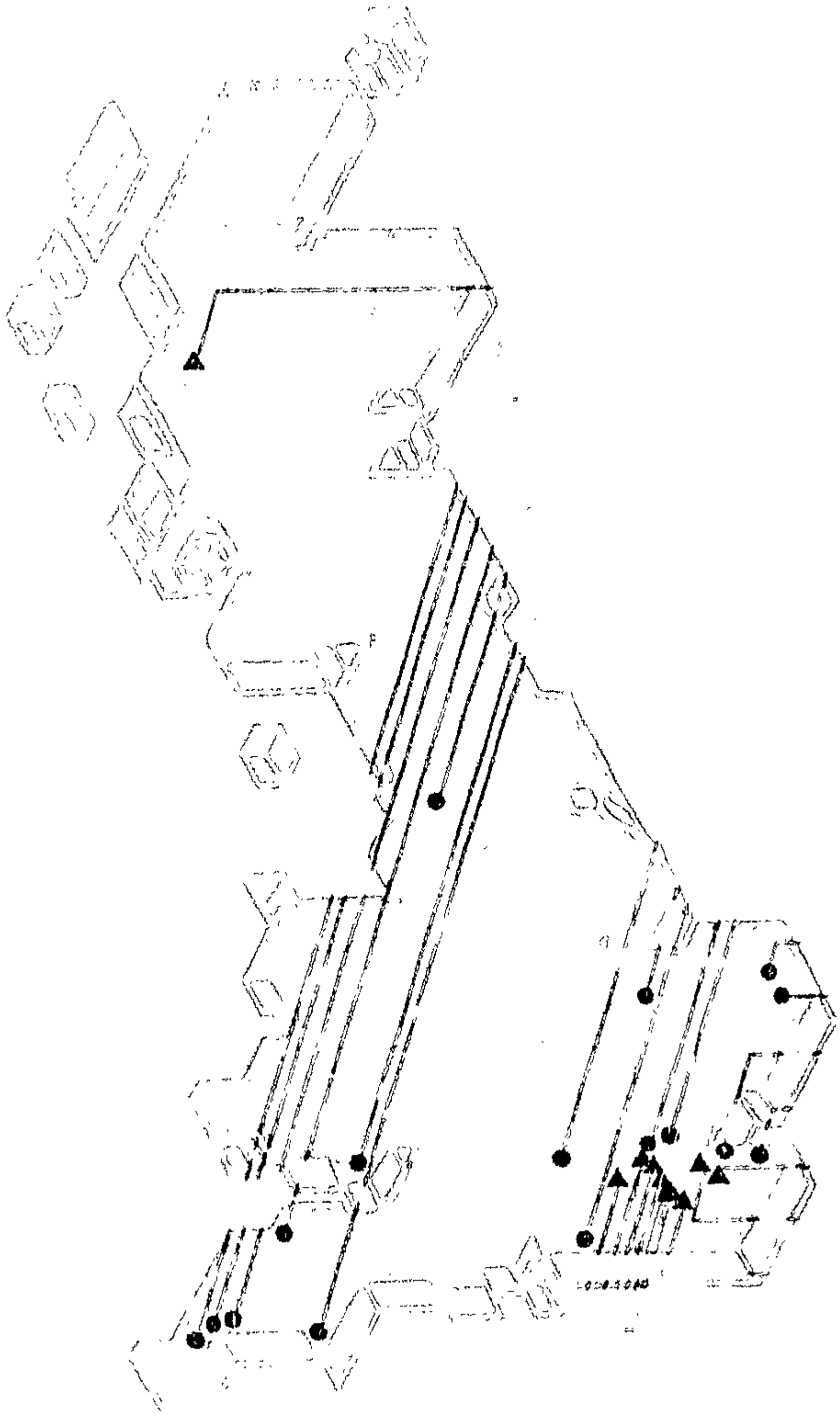
Book Division

In the bookprinting division we have now signed the two largest ever mass-market paperback contracts in the U K with Penguin Books and Pan Books. Substantial new agreements have been entered with Heinemann and Viking on hard back books. This is, in the main, due to Clay's ability to achieve very fast production times on new books, and to offer a reprint service which allows publishers to react almost instantly to market demand.

The continued strength of sterling against the dollar has caused us to examine closely the margins on our American bible printing. As a result we have changed our marketing emphasis to concentrate on the more expensive bibles which require the more elaborate bindings in which we specialise in our Bungay factory. This has enabled us to improve our margins at the same time as preserving a high proportion of our volume in this business.

We have continued our investment programme in our Norwich factory, improving the standard and range of services we are offering to our publishing customers. Since the year end we have integrated Acfords, the original St Ives book printing factory in Chichester, into the book printing division which is run from Bungay

The current year has begun well with a higher level of sales than the equivalent period last year.



KEY

- ● St Ives' factories
- ▲ Burrups' factories

FORT WILLIAM
TRURO
ST AUSTELL
BARNSTAPLE
NELSON
CAERPHILLY
PLYMOUTH
READING
PETERBOROUGH
CHICHESTER
LONDON
ROMFORD
NORWICH
BUNGAY
GILLINGHAM
WHITSTABLE
MAIDSTONE
WROTHAM
TUNBRIDGE WELLS
EDENBRIDGE
WESTERHAM
SYDENHAM
SOUTHWARK
ISLEWORTH

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31st July, 1987

1 ACTIVITIES

The activities of the Group comprise web-fed and sheet-fed offset magazine printing, book printing and book binding, packaging, and general printing.

2 REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

A detailed review of this year's activities can be found in the Chairman's Statement and the Review of Operations

On 14th April, 1987 the Company acquired the entire issued share capital of The Riverside Press Limited

On 5th June, 1987 the Group acquired the assets and goodwill of the packaging division of Coloroll Group PLC

Further details of these acquisitions can be found in note 2 to the financial statements.

The directors look forward with confidence to another successful year in 1987/8.

3. RESULTS AND DIVIDENDS

The Group profit for the year after taxation amounted to £9,320,000 (1986 — £6,178,000) and after extraordinary items to £10,107,000 (1986 — £5,474,000). As explained in note 1(b) to the financial statements, the results of the Company acquired during the year have been consolidated under the principles of merger accounting and the comparative figures for the previous year appropriately adjusted

The directors recommend that after payment of the following dividends by the Company the balance of profits be transferred to the profit and loss account reserve:

		£'000
Ordinary dividends	interim	423
	proposed final	966
Dividends paid by subsidiary prior to acquisition:		
The Riverside Press Limited		178

The directors recommend a final ordinary dividend of 4p net for each ordinary share payable to holders on the register on 5th November, 1987 excluding 2,462,191 ordinary shares issued in respect of the acquisition of The Riverside Press Limited and the packaging division of Coloroll Group PLC which, in accordance with the terms of issue of those shares, do not rank for dividend in the year ended 31st July, 1987 This final dividend will be paid on 4th December, 1987.

4 FIXED ASSETS

Movements in fixed assets are set out in notes 12 and 13 to the financial statements.

5 SHARE CAPITAL

Details of shares issued during the year are contained in notes 2 and 21 to the financial statements.

6. POST BALANCE SHEET EVENTS

Under the terms of an agreement dated 2nd October, 1987 the Company conditionally agreed to acquire all the issued share and loan capital of Burrups Printing Group Limited together with certain properties. In connection with this acquisition 5,310,588 new ordinary shares of 10p each will be issued. In addition the Company proposes to issue a further 604,588 new ordinary shares of 10p each in order to finance the related costs of this acquisition and to provide additional working capital.

7. DETAILS OF THE PROPOSED SCRIP ISSUE AND OTHER SPECIAL BUSINESS

Following the issue of new shares in connection with the acquisition of Burrups Printing Group Limited the amount standing to the credit of the share premium account will be further increased. Your Board are of the opinion that a scrip issue of a sufficient number of ordinary shares would create a better balance between reserves and share capital as well as enhancing the marketability of the shares.

Accordingly, proposals will be put forward at the forthcoming annual general meeting for a scrip issue utilising part of the balance on the share premium account on the basis of two new ordinary shares of 10p each for every one already held. This scrip issue will take place after the issue of shares in connection with the acquisition of Burrups Printing Group Limited has been effected.

8. DIRECTORS

The present membership of the Board is set out on page 2. All directors served throughout the year. Mr. C. G. Birchall was a director during the year until his retirement from the Board on 31st January, 1987.

Mr. R. Gavron and Mr. B. C. Edwards retire by rotation and being eligible offer themselves for re-election. Mr. B. C. Edwards has a service contract which expires on 17th September, 1992.

The directors' interests, as defined by the Companies Act 1985, in the shares of the Company on 31st July, 1986 and 31st July 1987 were as follows:

	31st July, 1986		*31st July, 1987*	
	New 10p ordinary shares	*10p 70% convertible redeemable cumulative preference shares*	*New 10p ordinary shares*	*10p 70% convertible redeemable cumulative preference shares*
R. Gavron				
—beneficial	4,944,754		4,422,254	—
—non-beneficial	402,600		402,600	—
K. P. Ladd				
—beneficial	357,500		357,500	—
B. C. Edwards				
—beneficial	346,500		346,500	—
P. M. W. Stafford				
—beneficial	346,500		346,500	—
K. M. Pardey				
—beneficial	27,350		20,000	—
—non-beneficial	35,554*		—	—
G. J. Iceton				
—beneficial	26,760		20,000	—
L. M. Harvey				
—beneficial	2,040,722	8,889,002	1,640,722	8,889,002
—non-beneficial	367,548	1,110,998	367,548	1,110,998

*These shares were held as a trustee of the Richard Clay employee share participation scheme and were issued to the employees of that company on 8th September, 1986.

DIRECTORS' REPORT

The shareholdings as at 31st July, 1986 reflect the situation as if the scrip issue of 3rd February, 1987 had already been effected. Information concerning this scrip issue is set out in note 21 to the financial statements.

During the year 522,500 shares were transferred by the Trustees of Mr. R. Gavron's Children's Settlement into the names of certain of his children and consequently these shares are no longer included in the aggregate of Mr. R. Gavron's disclosed beneficial interest.

There has been no change in the directors' shareholdings between the year end and 8th October, 1987.

Messrs. G. J. Iceton and K. M. Pardey were each granted options on 30th January, 1986 over 76,000 ordinary shares of 10p each. These options are exercisable at £3.04 per share.

Apart from these, none of the directors has any options over the ordinary shares of the Company. No director had any material interest in any contract or arrangement with the Company during the year except as detailed in note 24 to the financial statements.

9 SUBSTANTIAL INTERESTS

Apart from those of Messrs. R. Gavron and L. M. Harvey, the directors are not aware of any shareholdings which on 8th October, 1987 represented more than 5% of the issued ordinary share capital of the Company.

10 CLOSE COMPANY STATUS

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1970.

11 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 can be made of an individual's ability.

12 POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made £4,744 charitable donations during the year. No political donations were made.

13 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.

14 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

8th October, 1987

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 10 to 27 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, 1987 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
London

8th October, 1987

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31st July, 1987

		Note	1987 £'000	1986 Restated £'000
Turnover		3	96,084	81,459
Cost of sales			(69,817)	(58,927)
Gross profit			26,267	22,532
Sales and distribution costs			(2,994)	(2,830)
Administrative expenses			(10,206)	(9,375)
Other operating income			1,073	458
Operating profit			14,140	10,785
Interest receivable and similar income			64	70
Interest payable and similar charges		5	(437)	(1,096)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6	13,767	9,759
Tax on profit on ordinary activities		7	(4,447)	(3,581)
Profit on ordinary activities after taxation			9,320	6,178
Extraordinary items		8	787	(704)
Profit for the financial year		9	10,107	5,474
Dividends		10	(1,567)	(1,315)
Retained profit for the financial year		22	8,540	4,159
Earnings per ordinary share	basic	11	36.1p	23.9p
	fully diluted	11	30.8p	20.6p

CONSOLIDATED BALANCE SHEET

31st July, 1987

	Note	1987 £'000	1987 £'000	1986 Restated £'000	1986 Restated £'000
FIXED ASSETS					
Tangible assets	12		34,385		36,091
CURRENT ASSETS					
Stocks	14	5,586		5,122	
Debtors	15	25,945		17,523	
Investments	16	13			
Cash at bank and in hand		2,965		1,404	
		34,509		24,049	
CREDITORS. AMOUNTS FALLING DUE WITHIN ONE YEAR	17	25,804		23,626	
NET CURRENT ASSETS			8,705		423
TOTAL ASSETS LESS CURRENT LIABILITIES			43,090		36,514
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	1,476		2,956	
PROVISIONS FOR LIABILITIES AND CHARGES	19	6,884		8,252	
ACCRUALS AND DEFERRED INCOME	20	1,480		2,045	
			(9,840)		(13,253)
			33,250		23,261
CAPITAL AND RESERVES					
Called up share capital	21		3,662		2,376
Share premium account	21		5,632		1,188
Revaluation reserve	22		166		529
Capital redemption reserve	22		—		1
Other reserves	22		—		281
Profit and loss account	22		23,790		18,886
			33,250		23,261

These financial statements were approved by the Board of Directors on 8th October, 1987.

R. GAVRON
Directors
K. P. LADD

BALANCE SHEET

31st Dec 1987

	Note	1987 £'000	1987 £'000	1986 £'000	1986 £'000
FIXED ASSETS					
Tangible assets	12	241		48	
Investments	13	34,090		18,974	
			34,331		19,022
CURRENT ASSETS					
Debtors	15	3,045		3,035	
Investments	16	13			
Cash at bank and in hand		1,306		1	
		4,364		3,036	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	5,434		3,471	
NET CURRENT LIABILITIES			(1,070)		(435)
TOTAL ASSETS LESS CURRENT LIABILITIES			33,261		18,587
PROVISIONS FOR LIABILITIES AND CHARGES	19		(11)		(20)
			33,250		18,567
CAPITAL AND RESERVES					
Called up share capital	21		3,662		2,208
Share premium account	21		5,632		1,188
Revaluation reserve	22		23,422		14,530
Capital redemption reserve	22		–		1
Profit and loss account	22		534		640
			33,250		18,567

R GAVRON
K P LADD } Directors

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended 31st July 1987

	1987		1986 Restated	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit on ordinary activities before taxation		13,767		9,759
Adjustments for items not involving movement of funds.				
Depreciation		5,123		4,391
Realised revaluation and exchange surpluses		(350)		-
Regional grant amortisation		(286)		(327)
Total generated from operations		18,254		13,823
FUNDS FROM OTHER SOURCES				
Issue of shares	5,710			
Net book value of tangible fixed assets disposals	7,717		780	
Regional grants received	5		362	
Disposal of fixed asset investments	-		33	
Extraordinary profit before taxation	1,211			
		14,643		1,175
		32,897		14,998
APPLICATION OF FUNDS				
Purchase of goodwill	3,911		-	
Purchase of tangible fixed assets	11,134		7,827	
Tax paid	1,229		839	
Dividends paid	1,217		879	
Regional grants repaid	284		-	
Repayment of bank loan	-		521	
Extraordinary items before taxation	-		923	
		(17,775)		(10,989)
		15,122		4,009
DECREASE/(INCREASE) IN WORKING CAPITAL				
(Increase) in debtors	(8,422)		(1,445)	
(Increase)/decrease in stocks	(464)		468	
(Increase) in investments	(13)			
Increase/(decrease) in creditors and provisions	529		(2,079)	
		(8,370)		(3,056)
INCREASE IN NET LIQUID FUNDS		6,752		953

(Net liquid funds comprise cash at bank and in hand less bank overdrafts due within one year).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st July 1987

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 its subsidiaries for the year ended 31st July, 1987.

In the particular circumstances of the acquisition during the year of The Riverside Press Limited ("Riverside") the directors consider it appropriate to consolidate the results of this company using the principles of merger accounting. Further details of this acquisition are set out in note 2 below. The effect is to present these financial statements as if Riverside had been combined with St Ives Group plc throughout the two year period ended 31st July, 1987 covered by these financial statements.

The provisions of Section 131 of the Companies Act 1985 apply and accordingly no share premium arises in respect of the acquisition of Riverside.

In respect of business combinations entered into by the Group which are accounted for under the principles of acquisition as opposed to merger accounting, the fair value of the purchase consideration given is allocated between the underlying net assets of the acquired businesses other than goodwill, on the basis of the fair value to the Group, and any difference representing goodwill is written off directly to reserves. The acquisition by the Group during the year of the assets and goodwill of the packaging division of the Coloroll Group PLC has been accounted for under these principles. Further details of this acquisition are set out in note 2 below.

(c) Tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost or revalued amounts in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows

Leasehold properties	Period of the lease
Freehold buildings	2%
Leasehold improvements	20%
Plant and machinery	10%-25%
Fixtures, fittings and equipment	20%
Motor vehicles	20%-33⅓%

(d) Investments

Fixed asset 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. Current asset investments are stated at cost.

(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 tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES *(continued)*

(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 for repairs

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 except for differences arising on the translation of the opening net investment in the overseas subsidiary which are taken directly to reserves.

(j) Profit taking

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

2 MERGERS AND ACQUISITIONS

(a) Riverside

On 14th April, 1987 the whole of the issued share capital of Riverside (1,000 ordinary shares of £1 each) was acquired for £8.4 million satisfied by the issue of 1,680,000 new ordinary shares of 10p each in St Ives Group plc.

(b) Other acquisitions

On 5th June, 1987 the Group acquired for £5,816,000 the assets and goodwill of the packaging division of Coloroll Group PLC which was chiefly satisfied by the issue of 782,191 new ordinary shares of 10p each in St Ives Group plc giving rise to a share premium of £5,632,000. Goodwill amounting to £3,911,000 has arisen in respect of this transaction and has been written off directly to reserves as set out in note 22 below.

(c) The Group profit on ordinary activities before taxation for the year ended 31st July, 1986 has been restated to include the results of Riverside for the year ended 31st July, 1986. Riverside's financial year end was not coterminous with St Ives Group plc and appropriately adjusted financial statements have been used in determining the comparative figures.

	1986 Restated £'000
St Ives Group plc as previously reported	8,449
Riverside	1,310
Restated profit on ordinary activities before taxation	9,759

(d) The Group profit before taxation for the year ended 31st July, 1987 includes profits of £1,167,000 earned by Riverside prior to its acquisition by the Group and £377,000 since acquisition.

(e) No material profits or losses have arisen from the disposal of assets of companies acquired by the Group during the three years ending 31st July, 1987 and to which the merger relief provisions of the Companies Act 1985 have been applied save for.

NOTES TO THE FINANCIAL STATEMENTS

2 MERGERS AND ACQUISITIONS *(continued)*

(e) (continued)

(i) Certain assets of Chase Printers (Holdings) Limited ("Chase") the details of which are set out in note 8 below

(ii) Profits of £709,000 in respect of disposals of property by Richard Clay Limited ("Clays").

3 TURNOVER

Turnover represents the net invoiced value of sales outside the Group during the relevant accounting period

The geographical analysis of turnover is stated below.

	1987	1986 Restated
	£'000	£'000
United Kingdom	91,298	76,571
Europe (excluding United Kingdom)	3,916	2,469
The Americas	870	2,360
Africa	—	59
	96,084	81,459

The directors consider that the Group has only one class of business and consequently no analysis of turnover or profit is given.

4 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

(a) Directors

	1987	1986
Directors' emoluments	£	£
Fees	3,500	2,500
Other emoluments	565,364	340,344
	£568,864	£342,844
Remuneration of the Chairman	£86,910	£63,000
Remuneration of the highest paid director	£87,630	£65,000

Scale of other directors' remuneration

	No.	No
£1-£5,000	1	1
£20,001-£25,000	-	1
£25,001-£30,000		2
£55,001-£60,000		1
£60,001-£65,000	3	1
£85,001-£90,000	2	

NOTES TO THE FINANCIAL STATEMENTS
(continued)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES *(continued)*

(b) Employees

	1987	1986 Restated
	£'000	£'000
Employee costs during the year:		
Wages and salaries	27,999	23,401
Social security costs	2,540	2,088
Other pension costs	250	574
	30,789	26,063

The numbers of persons employed by the Group (including subsidiaries' directors) who received remuneraton of more than £30,000 in 1987 and the preceding year was as follows:

	1987	1986 Restated
	No.	No
£30,001-£35,000	20	15
£35,001-£40,000	9	3
£40,001-£45,000	2	—
£45,001-£50,000	—	1
£50,001-£55,000	3	1
£55,001-£60,000	—	1
£60,001-£65,000	1	—
£65,001-£70,000	4	
£70,001-£75,000	1	

None of the above are employed by the Company.

	No.	Restated No
Average number of persons employed:		
Production	1,502	1,578
Sales and distribution	101	83
Administration	329	295
	1,932	1,956

5. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable is in respect of overdrafts and bank loans repayable by instalments within five years.

NOTES TO THE FINANCIAL STATEMENTS

6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1987 £'000	1986 Restated £'000
Profit on ordinary activities before taxation is after charging (crediting):		
Hire of plant and machinery	38	24
Depreciation	5,123	4,391
Regional grant amortisation (note 20)	(286)	(327)
Auditors' remuneration	101	90
Provision for repairs (notes 1(h) and 19)	271	149
Redundancy costs	648	—
Profit on sale of plant and machinery	(209)	(302)
Profit on sale of properties	(709)	(13)
Selective financial assistance	—	(153)
Foreign exchange profit	(38)	(34)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	1987 £'000	1986 Restated £'000
United Kingdom corporation tax at 35% (1986 — 38.3%) based on the profit for the year	6,080	2,975
Deferred taxation	(1,343)	611
	4,737	3,586
Adjustment to prior years' tax provisions	(290)	(5)
	4,447	3,581

The taxation charge does not bear a normal relationship to the profit for the year as it has now been established that losses incurred in past years by an overseas subsidiary are available to relieve taxable profits of other Group companies. The resulting exceptional reduction in the overall taxation charge amounts to £395,000 and will not recur in future periods.

8 EXTRAORDINARY ITEMS

On 6th June, 1987 a fire destroyed the factory of Chase in Plymouth and all plant and machinery which was on those premises. Insurance claims in respect of the destroyed fixed assets have been made. In respect of such assets, which at the date of the fire had been written down below original cost in accordance with the Group's depreciation policy and which under the terms of the insurance policies will be replaced as new, a surplus of £1,211,000, arises representing the difference between written down value and original cost. This amount, net of attributable taxation of £424,000, is being accounted for as an extraordinary item.

Insurance claims are being made in respect of the business interruption arising from the effect of this fire. It has not yet been practicable to establish the final recoveries which will be made under the terms of these policies in respect of the periods subsequent to the fire. Accordingly, the directors consider it appropriate to account in these financial statements only for payments on account receivable from the insurers in respect of claims relating to the period between the fire and the year end. Such amounts are accounted for within the profits arising from ordinary activities.

8. EXTRAORDINARY ITEMS *(continued)*

The extraordinary items for the year ended 31st July, 1986 were as follows:

	1986
	£'000
Costs of St Ives Group plc's offer for sale	263
Net costs relating to closures	507
Expenses of mergers borne by subsidiaries	153
Total extraordinary charge before taxation	923
Less: taxation	(219)
	704

9. 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 £1,283,000 (1986 — £1,421,000) which is dealt with in the financial statements of the parent company.

10. DIVIDENDS

	1987	*1986 Restated*
	£'000	*£'000*
"A" Preferred ordinary and Preferred ordinary dividends	—	39
Ordinary dividends — interim 1.75p (1986 — 1.5p)	423	308
— proposed final 4p (1986 — 3p)	966	616
	1,389	963
Paid by subsidiaries prior to acquisition:		
Richard Clay Limited	—	273
The Riverside Press Limited	178	79
	1,567	1,315

Dividends on the 70% convertible redeemable cumulative preference shares of 10p each are not payable until 1st February, 1992 in respect of the period from and including 1st August, 1991.

The directors recommend a final ordinary dividend of 4p net for each ordinary share on the register on 5th November, 1987 excluding 2,462,191 ordinary shares issued in respect of the acquisitions as set out in note 2. This final dividend will be paid on 4th December, 1987.

11. EARNINGS PER ORDINARY SHARE

The calculation of earnings per ordinary share is based on profits after taxation and before extraordinary items of £9,320,000 (1986 — £6,178,000) and on 25,836,100 (1986 — 25,836,100) ordinary shares in issue during the period. The number of shares has been adjusted as if the scrip issue and the issue of ordinary shares in connection with the acquisition of Riverside had taken place on 1st August, 1985.

The fully diluted earnings per share is based on a weighted average of 30,248,465 (1986 — 29,988,100) ordinary shares on the basis that a maximum of 4,000,000 ordinary shares could be issued on conversion of the 70% convertible redeemable cumulative preference shares; after taking into account options granted on 282,000 (1986 — 152,000) ordinary shares; and in respect of 1987, after taking into account 782,191 ordinary shares issued in connection with the acquisition of the packaging division of Coloroll Group PLC which did not rank for dividend in the period ended 31st July, 1987.

NOTES TO THE FINANCIAL STATEMENTS
continued

12 TANGIBLE FIXED ASSETS

THE GROUP		*Land and buildings*				*Plant and machinery*	*Fixtures, fittings & equipment*	*Motor vehicles*
	Total	*Freehold*	*Long leases*	*Short leases*	*Leasehold improvements*			
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
COST OR VALUATION								
At 1st August, 1986 restated	54,921	5,931	1,969	400	250	44,289	1,050	1,032
Additions	11,134	425	646	—	63	9,095	398	507
Transfers	-	947	(947)	—	—	4	(4)	—
Disposals	(3,019)	(590)	—	—	—	(1,936)	(145)	(348)
Assets destroyed (see note 8)	(7,570)	(947)	—	—	—	(6,623)	—	—
At 31st July, 1987	55,466	5,766	1,668	400	313	44,829	1,299	1,191
ACCUMULATED DEPRECIATION								
At 1st August, 1986 restated	18,830	711	48	8	140	16,771	643	509
Provisions	5,123	113	20	8	22	4,517	209	234
Transfers	—	—	—	—	—	2	(2)	—
Disposals	(1,661)	(132)	—	—	—	(1,148)	(125)	(256)
Assets destroyed (see note 8)	(1,211)	(21)	—	—	—	(1,190)	—	—
At 31st July, 1987	21,081	671	68	16	162	18,952	725	487
NET BOOK VALUE								
At 31st July, 1987	34,385	5,095	1,600	384	151	25,877	574	704
At 31st July, 1986 restated	36,091	5,220	1,921	392	110	27,518	407	523

Land and buildings with a net book value of £2,358,000 (1986 – £3,129,000) are included in the above figures on the basis of valuations carried out as at 31st July, 1985. The written down cost of these assets would have been £1,082,000 (1986 – £1,881,000). Payments on account and assets in the course of construction of £537,000 (1986 – £Nil) and £1,196,000 (1986 – £78,000) are included in long leases and plant and machinery respectively.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

12. TANGIBLE FIXED ASSETS *(continued)*

	Total £'000	*Fittings and equipment* £'000	*Motor vehicles* £'000
THE COMPANY			
COST			
At 1st August, 1986	141	82	59
Additions	265	248	17
Transfer from subsidiary company	18	–	18
Disposals	(82)	(63)	(19)
At 31st July, 1987	342	267	75
ACCUMULATED DEPRECIATION			
At 1st August, 1986	93	65	28
Provisions	72	57	15
Transfer from subsidiary company	7	–	7
Disposals	(71)	(57)	(14)
At 31st July, 1987	101	65	36
NET BOOK VALUE			
At 31st July, 1987	241	202	39
At 31st July, 1986	48	17	31

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

	1987 £'000	*1986 Restated* £'000
The Group	3,836	2,971
The Company	4	35

13. INVESTMENTS HELD AS FIXED ASSETS

	Shares at cost £'000	*Loans* £'000	*Revaluation to net asset value* £'000	*Total* £'000
Investment in subsidiaries				
Balance at 1st August, 1986	3,872		15,102	18,974
Additions	389	5,816	–	6,205
Revaluation of subsidiaries to net asset value (see note 22)	–		8,911	8,911
Balance at 31st July, 1987	4,261	5,816	24,013	34,090

All of the above are unlisted investments. The principal trading subsidiaries are listed in note 25.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

14. STOCKS

	The Group 1987 £'000	The Group 1986 Restated £'000
Raw materials	3,195	3,028
Work in progress	2,064	2,107
Finished goods	337	—
	5,596	5,135
Less: payments on account	(10)	(13)
	5,586	5,122

15. DEBTORS

	The Group 1987 £'000	The Group 1986 Restated £'000	The Company 1987 £'000	The Company 1986 £'000
Amounts due within one year:				
Trade debtors	17,119	15,653	—	—
Amounts owed by group companies - subsidiaries	—	—	2,816	2,719
Other debtors	848	1,212	204	224
Insurance debtor (note 8)	7,561	—	—	—
Capital grants receivable	—	22	—	—
Prepayments and accrued income	389	615	15	81
	25,917	17,502	3,035	3,024
Amounts due after more than one year:				
Deferred taxation asset (note 19)	—	—	10	11
Other debtors	28	21	—	—
	25,945	17,523	3,045	3,035

16. CURRENT ASSET INVESTMENTS

	The Group and Company 1987 £'000	The Group and Company 1986 Restated £'000
	13	Nil

This represents listed investments with a market value of £23,300.

NOTES TO THE FINANCIAL STATEMENTS

(continued)

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	1987	1986 Restated	1987	1986
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	—	5,191	—	313
Trade creditors	11,218	9,430	—	—
Bills of exchange payable	480	1,360	—	—
Amounts owed to group companies — subsidiaries	—	—	3,445	1,744
Finance lease obligations		456	—	
Other creditors	4,837	3,481	478	334
Corporation tax	6,734	1,730	2	29
Social security	1,241	717	231	190
Other taxation	328	645	312	245
Proposed final dividend	966	616	966	616
	25,804	23,626	5,434	3,471

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

	The Group		The Company	
	1987	1986 Restated	1987	1986
	£'000	£'000	£'000	£'000
Corporation tax	1,476	1,334	—	—
Bills of exchange payable	—	257	—	—
Finance lease obligations	—	1,365	—	—
	1,476	2,956	Nil	Nil

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1st August, 1986 Restated £'000	Charged/(credited) to profit and loss account £'000	Applied £'000	Balance at 31st July, 1987 £'000
The Group				
Repairs to plant and machinery	357	175	(122)	410
Repairs to leasehold premises	100	96	(12)	184
Pension fund	6	(1)	—	5
Deferred taxation	7,789	(1,545)	41	6,285
	8,252	(1,275)	(93)	6,884
The Company				
Repairs to leasehold premises	14	(8)	—	6
Pension fund	6	(1)	—	5
	20	(9)	Nil	11

NOTES TO THE FINANCIAL STATEMENTS
(continued)

19. PROVISIONS FOR LIABILITIES AND CHARGES *(continued)*

The amounts of deferred taxation provided and unprovided in the financial statements are as follows:

	1987		1986 Restated	
	Amount provided £'000	Amount unprovided £'000	Amount provided £'000	Amount unprovided £'000
THE GROUP				
Capital allowances in excess of depreciation	6,899	120	8,452	124
Revaluation surplus	—	58		97
Gains deferred by rollover relief	50	—	39	—
Other timing differences	(294)	—	(263)	—
Losses carried forward	—	(37)	(29)	(41)
	6,655	141	8,199	180
Less: unrelieved advance corporation tax	(370)	—	(410)	—
	6,285	141	7,789	180
THE COMPANY (see note 15)				
Capital allowances in excess of depreciation	(2)	—	(1)	—
Other timing differences	(8)	—	(10)	—
	(10)	Nil	(11)	Nil

20. ACCRUALS AND DEFERRED INCOME

	The Group £'000
This comprises regional grants as follows:	
Balance at 1st August, 1986	2,045
Receivable during the year	5
Repayable during the year	(284)
Profit and loss account	(286)
Balance at 31st July, 1987	1,480

21 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	1987 £'000	1986 £'000
Authorised share capital:		
10p Ordinary shares	3,390	1,890
10p 7% convertible redeemable cumulative preference shares	1,000	1,000
	4,390	2,890

NOTES TO THE FINANCIAL STATEMENTS

21 CALLED UP SHARE CAPITAL AND SHARE PREMIUM ACCOUNT *(continued)*

Allotted and fully paid:

	Ordinary shares of 10p each £'000	70% Convertible redeemable cumulative preference shares of 10p each £'000	Total called up share capital £'000	Share premium account £'000
At 1st August, 1986 as previously stated	1,208	1,000	2,208	1,188
Exchange of shares (see note 2) The Riverside Press Limited	168		168	—
At 1st August, 1986 restated	1,376	1,000	2,376	1,188
Scrip issue and capitalisation of reserves	1,208		1,208	(1,188)
Share issue and premium arising on an acquisition (see note 2)	78	-	78	5,632
At 31st July, 1987	2,662	1,000	3,662	5,632

On 8th September, 1986 17,777 ordinary shares of 10p each were allotted to acquire outstanding Clays' shares held by the Clays share option scheme trustees. Also on 8th September, 1986 1,118,000 70% convertible redeemable cumulative preference shares of 10p each were allotted in respect of the balance of the agreed consideration for the acquisition of Chase on 17th March, 1986. Both these allotments are reflected in the balances as at 1st August, 1986.

On 3rd February, 1987 the authorised share capital of the Company was increased to £4,390,000 by the creation of 15,000,000 ordinary shares of 10p each. On the same date £1,187,990 being the sum then standing to the credit of the share premium account, £800 being the sum standing to the credit of the capital redemption reserve and £19,015 being part of the sum standing to the credit of the revaluation reserve in the books of the Company, were capitalised and applied in paying up in full 12,078,050 new shares of 10p each which were allotted and distributed credited as fully paid to the holders of the ordinary shares in the proportion of one new ordinary share of 10p for each ordinary share held on 30th January, 1987.

The Company has the option to redeem all or any balance of the 70% convertible redeemable cumulative preference shares of 10p each at a premium of 90p per share at any time after the third anniversary of the issue of those shares (17th March, 1986 in respect of 8,882,000 shares and 8th September, 1986 in respect of 1,118,000 shares). The holders of these shares have the option to convert unredeemed shares into fully paid ordinary shares at various dates in 1989, 1990, 1991 and 1993 in accordance with and subject to certain limits and restrictions set out in the Articles of Association of the Company. These rights of conversion only become exercisable subsequent to the Company's rights of redemption becoming exercisable. Any outstanding 70% convertible redeemable cumulative preference shares have to be redeemed by the Company on 1st August, 2001 at a premium of 90p per share.

At 31st July, 1987 options had been granted in respect of 282,000 ordinary shares of 10p each. These options are exercisable at any time after the third anniversary of issue and expire on the tenth anniversary of issue. Options in respect of 152,000 shares were granted on 30th January, 1986 exercisable at £3.04 per share and in respect of 130,000 shares were granted on 6th May, 1987 exercisable at £6.50 per share.

The number of shares in respect of which options have been granted have been appropriately adjusted to take account of changes which are being made to the share option scheme and which are subject to Inland Revenue approval. These changes are necessitated by the one for one scrip issue on 3rd February, 1987.

22 RESERVES

	Revaluation reserves £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000
The Group				
Balance at 1st August, 1986 as previously stated	843	1	281	14,046
Reserves of subsidiary acquired	—	—	—	4,840
Excess of investment in acquired subsidiary over nominal value of shares of subsidiary	(314)	—	—	—
Balance at 1st August, 1986 restated	529	1	281	18,886
Exchange differences	—	—	(20)	—
Capitalisation of reserves (see note 21)	(19)	(1)	—	—
Retained profit for the year	—	—	—	8,540
Realisations on disposal of fixed assets	(330)	—	—	—
Transfers	(14)	—	(261)	275
Write off of goodwill (see note 2(b))	—	—	—	(3,911)
Balance at 31st July, 1987	166	Nil	Nil	23,790

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
The Company			
Balance at 1st August, 1986	14,530	1	640
Loss for the year	—	—	(106)
Revaluation of subsidiaries to net asset value	8,911	—	—
Capitalisation of reserves (see note 21)	(19)	(1)	—
Balance at 31st July, 1987	23,422	Nil	534

23 CAPITAL COMMITMENTS

	The Group 1987 £'000	The Group 1986 Restated £'000	The Company 1987 £'000	The Company 1986 £'000
Contracted for but not provided in the financial statements	9,441	2,514	Nil	150
Authorised but not yet contracted for	2,900	291	Nil	Nil

The capital commitments at 31st July, 1987 principally comprise expenditure to restore the factory and plant and machinery of Chase which were destroyed by fire.

24. TRANSACTIONS WITH INTERESTED PARTIES

Certain subsidiary companies of the Group have made sales amounting to £2,821,000 (1986 – £2,565,000) to Octopus Publishing Group plc and £3,000 (1986 – £2,000) to The Folio Society Limited. Mr. Gavron, the Chairman, was a director of Octopus Publishing Group plc and is a director of The Folio Society Limited. During the period he has had a beneficial interest in both companies.

Certain subsidiary companies of the Group have also made sales amounting to £230,000 (1986 – £225,000) to Advanced Publishing Limited. Mr. L. M. Harvey is a director of Advanced Publishing Limited and has a beneficial interest in that company.

NOTES TO THE FINANCIAL STATEMENTS
(continued)

25. ADDITIONAL INFORMATION ON SUBSIDIARIES

The principal subsidiaries, all of which are wholly owned, are as follows:

	Country of operation	*Country of registration*
CB Dorey Limited	England	England
Chase Web Offset Limited	England	England
Cromwell Reproductions Limited	England	England
Molyneux Offset Limited	England	England
N & W Litho Limited	England	England
Nelson Packaging Limited	England	England
Richard Clay Limited*	England	England
St Ives Properties Limited*	England	England
Severn Valley Bindery Limited	Wales	England
Severn Valley Press Limited	Wales	England
The Riverside Press Limited*	England	England

The subsidiaries with an asterisk are directly held by the Company. The remaining subsidiaries are directly held by the subsidiaries of the Company.