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Officers, Professional Advisers and Group Geography

Directors

Miles Emley *(Chairman)*

Brian Edwards *(Managing)*

Robert Gavron C.B.E.

Keith Holmes

Gary Iceton

Kenneth Ladd *(non executive)*

Derek Morgan

Kenneth Pardey

Secretary

Philip Harris

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Stockbrokers
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Merchant Bankers
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Auditors
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Chartered Accountants,
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London EC4A 3TR

Bankers
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London W2 2EQ

National Westminster Bank PLC
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London W1A 2AG

Solicitors
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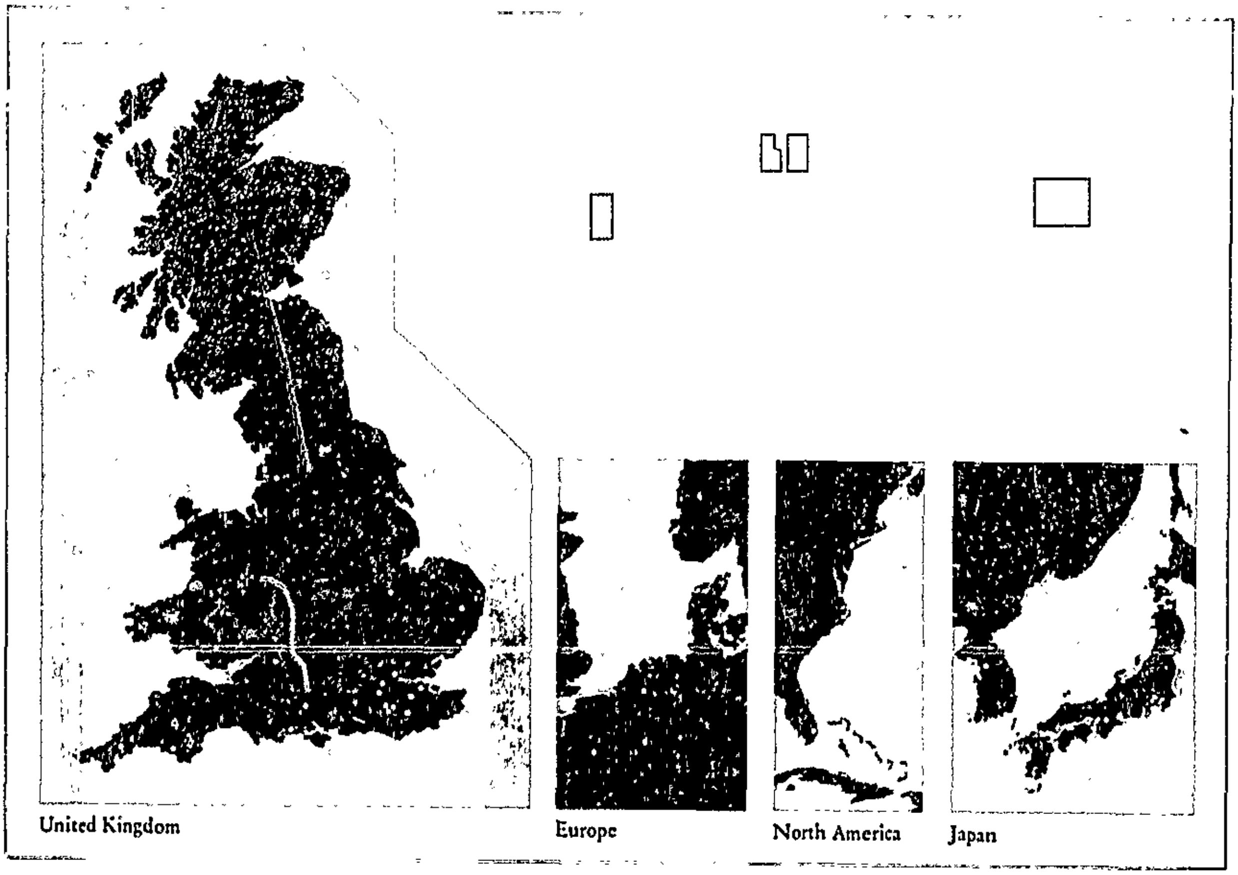
2 Serjeants' Inn,
London EC4Y 1LT



United Kingdom

Barbers
Wrotham, Kent

Bryer & Spencer
Penge SE20

Burrups
Southwark SE1

CB Dorey
Romford, Essex

Clays
Bungay, Suffolk

Cripplegate
Edenbridge, Kent

Nelson Packaging
Nelson, Lancashire

Robert Stace
Tunbridge Wells, Kent

Sevenoaks Print Finishers
Edenbridge, Kent

St Ives (Andover)
Andover, Hampshire

St Ives (Caerphilly)
Caerphilly, Mid Glamorgan

St Ives (Gillingham)
Gillingham, Kent

St Ives (Peterborough)
Peterborough, Cambridgeshire

St Ives (Plymouth)
Plympton, Devon

St Ives (Roche)
Roche, Cornwall

Talbot Publishing
Bournemouth, Dorset

Westerham Press
Edenbridge, Kent

Europe

Burrups
Luxembourg City, Luxembourg

Burrups
Paris, France

Stace Print Europe
Uden, Holland

Far East

Burrups Japan
Tokyo, Japan

Burrups Japan
Osaka, Japan

Burrups
Seoul, Korea

North America

St Ives Inc
Hollywood, Florida, USA

St Ives Inc
New York, USA

CHAIRMAN'S STATEMENT

Results and dividend

The results for the year ended 30 July 1993 show profit before taxation of £22.1 million as compared with £21.1 million in the previous financial year, an increase of 4.8 per cent. Sales were £221.3 million, as compared with £208.1 million, an increase of 6.4 per cent. Earnings per share were unchanged from the previous year at 15.2p, as a result of an increase in the effective tax rate towards a standard rate. We are pleased to report that profit margins at both the pre-interest and pre-tax levels are almost static at 9.5 per cent and 10.0 per cent respectively. This is a creditable result in trading conditions which have been far from easy.

The board is recommending a final dividend of 4p per share, making total dividends for the year of 5.5p per share, an increase of 4.8 per cent on the 5.25p paid in respect of the previous financial year. Dividend cover remains healthy at 2.7 times.

Trading Conditions

During the year there was little sign of improvement in most of our markets. The modest recovery in the UK economy that was experienced towards the end of our financial year has been mainly export led and, as most of our markets depend directly or indirectly on consumer expenditure, has not been of benefit to us. In the last quarter we experienced unusually extreme seasonal changes in levels of activity, in some cases at very short notice. Conditions in our markets in the USA deteriorated in the second half of the year. Against this background our principal objectives have been to maintain and improve quality and service standards, to optimise sales mix in each of our businesses and to control costs.

Magazines

The overall returns in our UK magazine business were below the previous year, although downward pressure on prices has eased and we have in some cases been able to agree price increases modestly in excess of inflation. We will obtain the benefit of these increases in the current financial year. The last quarter of the year witnessed an unexpectedly sharp reduction in volume as a result of reductions in pagination and consolidations of issues by our publishing customers. During the year we improved the mix of our work, in particular by replacing some of our less profitable work with new titles at better margins.

Books

Our book printing business achieved sales growth in most of its market sectors, but especially in case bound books for the domestic market. In the few cases where we have chosen not to pursue business on price grounds we have been able to obtain replacement work at better margins. On the strength of our reputation for thin paper printing, we have increased our share of the international bible and reference book market, helped by the devaluation of sterling against the US dollar early in the financial year.

Financial

The second half year saw a marked recovery from the very low levels of activity experienced in financial printing markets at the beginning of the year. This reflects both the normal pattern of publication of Annual Reports and Accounts and a significant increase in activity in corporate financial and city printing in the UK. Burrups successfully produced the documentation for a number of large projects including the ICI/Zeneca demerger, BT3, the privatisation of Northern Ireland Electricity and the restructuring of Heron International. Included in this work are the first significant successes for the international sales effort of Burrups-Merrill, our joint venture with Merrill Corporation, a leading US financial printer. Since the year end, we have opened a sales office in Paris in order to service the growing French market in conjunction with Merrill and we have already gained a number of assignments.

Direct Response

Our performance in direct response and general commercial printing showed a modest improvement on the previous year, although the market was somewhat weak towards the end of the financial year. The level of business, both in volume and price, is now improving. The initial results of our greater sales activity in this market are encouraging for the future.

Packaging

Our music packaging business has grown during the year in the UK and Continental Europe both as a result of the growth in market share of our customers and by increasing our customer base. The CD singles market has been a particular area of growth for us.

The performance of our plastic bag business reflected the subdued conditions in retailing markets.

USA

With market conditions similar to those experienced in the UK, the year made an encouraging start. However, the second half year suffered from markedly lower volumes, particularly in medical titles which were affected by the US Government's healthcare review. We have modernised and re-organised our production facilities, and have also consolidated our position in the Spanish language market. We are working hard at increasing sales at profitable margins, improving work mix and reducing costs.

Quality and Service

We continue to seek ways to increase our competitive advantage by improving quality standards and enhancing service, particularly by reducing both order and production times. Eleven of our sixteen manufacturing sites have received certification for BS5750 (or ISO 9002, its European equivalent). However, certification is not an end in itself and we are using it as a basis on which to develop and extend our quality assurance systems further. In the last twelve months, we have won a number of awards and award nominations for quality, including three at St Ives Inc in Florida.

Investment

Capital expenditure during the year amounted to £18.7 million, somewhat in excess of the depreciation charge of £16.3 million. The main items of capital expenditure, most of which were commissioned in the second half of the year, included new bindery equipment in our book factory and additional quick-make-ready presses for our magazines, books and music packaging businesses. We continue to review the capital investment requirements of our businesses and, in making investment decisions, we will, as always, attach particular importance to reducing the cost of production and improving flexibility and service standards.

Balance Sheet

The balance sheet remains strong; at the year end shareholders' funds were just short of £100 million and the group continues to have no net debt. Despite adverse currency movements, we finished the year with net cash

CHAIRMAN'S STATEMENT *continued*

reserves of £21.6 million as compared with £13.5 million at the previous year end. This financial strength enables us to implement the investments necessary to meet customers' requirements.

Staff

Thanks are due to all who work in St Ives for the contribution they have made in difficult economic conditions.

During the year, we have introduced a number of new training programmes: the objectives of these are to develop to the full the potential of all our employees and to maximise their usefulness to the business, as well as to make sure that we continue to employ the most skilled people in the industry.

Board

Robert Gavron, who founded the company in 1964 and had been chairman throughout its history, retired as chairman in May. We are delighted that he remains on the board and that we retain the benefit of his experience and advice.

We have taken steps to implement or formalise those recommendations of the Cadbury Committee on the Financial Aspects of Corporate Governance which were not already in place. At present we have a single non executive director and are seeking to add to the number. However, we wish to ensure that any new director can make a positive contribution to our counsels and will complement the skills of the existing board.

Outlook

Current indications are that the rest of 1993 will be a busy period for most of our businesses, but it is still too early to judge whether the increase in activity represents more than a seasonal upturn. In the industry as a whole we believe that there is now a closer overall balance between demand and capacity, although this has yet to result in any general increase in pricing levels. The threat of imposition of VAT on some of our products represents a continuing uncertainty.

The financial position has strengthened further. Our workforce and our equipment are amongst the best in the industry. Our commitment to service is undiminished. On the basis of these strengths we are confident that, if there is a sustained recovery in our markets, we will also be able to deliver better returns for shareholders. In the meantime we shall concentrate on achieving improved product mix, greater efficiency and flexibility, and cost control throughout our businesses.

Miles Emley
Chairman

Review of Operations

Book Printing

Our book printing company, Clays, has made progress. This has been in large measure as a result of gaining a significant increase in our share of the UK general hardback market, where our volumes have grown by about 30 per cent compared with the previous year. This has been achieved both by opening new accounts and by increasing our share of existing ones, in some cases under long term agreements. We were unwilling to agree to substantially reduced prices on two significant paperback accounts, but have subsequently made up the loss of volume with new contracts.

We have established a worldwide reputation for printing on thin paper and have increased our market share in bibles, dictionaries and other reference books. We have been particularly successful selling in the USA, assisted by favourable currency rates. Some of this work is especially welcome because it can be produced in our less busy season. Other export markets have been more difficult, but we achieved some growth in Germany and Scandinavia.

CSP, our company which supplies computer software manufacturers, has opened a number of new accounts.

We have made significant capital investments during the year in all parts of the business: these have included additional pre-press equipment, a new quick-make-ready cover press, two new binding lines for both case bound and paperback books and other finishing equipment. These investments will give us greater flexibility in the manufacturing process, enable us to provide a faster and more reliable service and to maintain margins. We have also placed an order for new presses to be installed at the end of the current financial year.

Currently the market remains active and this is reflected in the number of new titles and reprints which we are producing. We continue to seek to achieve greater flexibility in response to customers' requirements for better service and faster deliveries.

Direct Response and Commercial Printing

The year under review was the first full year of operation of the direct response marketing team which we put in place towards the end of the previous financial year. Against the background of poor economic conditions and an increasingly competitive and service conscious market, we have seen an increase in direct response sales and market share. General commercial printing also remains highly competitive: to customers in both markets, St Ives offers stability of supply, a full range of print capabilities and high standards of service and quality.

We have won business from a number of important new customers, such as News International, the Inland Revenue and the Department of Social Security and increased the amount of business undertaken for long-standing

REVIEW OF OPERATIONS *continued*

customers such as the Post Office and National Westminster Bank. The amount and range of business for Government departments has increased significantly and now includes a wide variety of leaflets, brochures and internal stationery. Particular projects included the Stop Car Crime campaign for the Home Office and Child Support Agency information packs for the Department of Social Security. Regular direct mail and catalogue work has been won from mail order companies such as Racing Green, River Island Clothing and International Wine.

We have installed additional laser printing and computer capacity at Barbers, our data processing and database management company.

Our progress in the direct response market has been achieved by co-ordinating the resources of the whole group, which together represent the single most comprehensive production capability in the UK, to supply the complete range of print, finishing, personalisation and mailing services to customers to whom in the past we may only have supplied one or two of these services. However, there is still a wealth of opportunity for us to grow further in this section of the market, thereby enabling us to achieve even better utilisation of the capacity of the group as a whole.

FINANCIAL PRINTING

Activity in the corporate finance market in the first part of our financial year was low, but picked up as we approached the second half-year, which saw a flow of rights issues and offers for sale. Our market share continued to rise, particularly as a result of our involvement in almost all of the larger corporate finance projects which dominated the latter half of the year. Burrups, combined with the substantial resources of the group as a whole, now has an unequalled track record for successfully completing these large and complex projects. The commitment and unrivalled depth of experience of the Burrups staff also gives customers an advantage on the smaller, more routine projects.

Transactions for which we produced the documentation included: Tomkins' take-over of RHM, the Reed-Elsevier merger and subsequent UK listing of Elsevier, the ICI demerger and international offer for sale of Zeneca, the National Express and Sharelink offers for sale, as well as the Government sponsored sales of Northern Ireland Electricity and BT3. In conjunction with our direct response team, Burrups printed, personalised, mailed and organised the data processing and distributions for all the documents for the BT3 marketing campaign, which reached twenty million householders, in addition to the corporate finance documentation.

Although we maintained our share of the Japanese equity warrant market, activity was low. Our operation in Tokyo has concentrated on Japanese language work for non-Japanese customers and has successfully grown this business during the year.

Burrups Luxembourg has further penetrated the local market by winning increasing amounts of local bond prospectus work and fund management documentation. It has also played an important role in the production and distribution of documents for international corporate finance transactions.

Our joint venture with Merrill Corporation, which we set up just over a year ago under the Burrups-Merrill name, has already established its reputation as a leading provider of documentation production and distribution services to the world's major financial centres at a time when the market is growing rapidly. The ICI/Zeneca demerger and the BT3 offer were both transactions to which Burrups-Merrill was able to contribute successfully. Other multi-national companies for which Burrups-Merrill has worked during the year include Philips, Alcatel and Telecom Argentina.

In anticipation of an increase in the number of international transactions by French companies, we have opened an office in Paris to provide an enhanced local service.

The market for printing Annual Reports and Accounts remained competitive as many companies continued to seek to reduce their costs of production. However, we increased our market share, although lower specifications and pressure on prices resulted in only a modest increase in sales value. New customers included Barclays Bank, East Midlands Electricity, Granada, London Electricity, Pearson and WPP. Existing customers for whom we worked included British Aerospace, Eurotunnel, Halifax Building Society, Hanson, Laporte, National Power, RTZ and SmithKline Beecham. Many of the long-run Annual Reports were produced in our web factories. We have also increased the amount of promotional literature and brochure work undertaken for corporate customers such as British Gas, ICI, KPMG, Redland, The Telegraph and Unilever.

The reputation of Westerham Press as a top quality sheet-fed printer continues to grow. The Carlton Communications, Securicor and WPP Annual Reports were all nominated for awards, while the Minorco Annual Report was voted "best Annual Report" in both the Printing World and Print Week industry awards.

We have invested in the latest typesetting and international communications technology, in particular so as to provide customers who have AppleMac or PC based desktop publishing capabilities with an on-line service and to enable the electronic distribution of documents internationally.

Magazine Printing

During the year our UK magazine publishing customers have generally experienced no increase in advertising revenue with the result that overall volumes have remained flat. In fact, the last quarter of the financial year showed a reduction in volume compared with the same period in the previous year, the effects of which we were only partly able to mitigate by winning

REVIEW OF OPERATIONS *continued*

new magazine contracts, such as for Music Magazine, 90 Minutes, Wildlife and Top Santé. We have continued to concentrate on achieving cost efficiencies and improving product mix in order to counter the effects of price reductions conceded in the previous financial year. Nevertheless we have been able to achieve some price increases, albeit modest, the full effect of which will be realised in the current year.

Similar conditions prevailed in US markets. We made some progress in the first half of the year through improved product mix and cost control, but towards the end of the year we suffered from general volume reductions, which were particularly marked in our medical titles, as a result of uncertainties caused by the US Government's review of healthcare costs.

Following further refinement of our administration and production control systems, all six UK factories have received certification for BS5750, making us the first UK magazine printer to achieve full certification. We see these systems as a foundation on which to build total quality management. We have again won prizes for quality and are particularly pleased to have won the "Gold Ink" award, the USA industry's highest accolade.

We continue to seek ways of lowering the cost of production and improving the service provided to our customers. At our plant in Roche, we have installed the latest digital equipment which offers customers the opportunity to transmit pre-press direct to the factory. Towards the end of the year investment was also made in quick-make-ready sheet-fed presses in order to improve the service for short-run magazines, and additional in-line coating facilities have been put in place for the printing of "glossy" magazine covers.

Although investment in more highly automated finishing equipment in both the UK and the USA has enabled us to reduce costs, post-press operations still present us with the greatest challenges and opportunities: we are investigating with customers and suppliers more efficient ways of binding, mailing, ancillary finishing and distribution which add value to the product.

The current financial year has started with a slight increase in volumes and customers are indicating that forward bookings for advertisements are improving. A number of national newspaper publishers are also launching weekly colour supplements which will utilise significant capacity in the UK: we are pleased to have been awarded a contract for one of these by Associated Newspapers and, as a result of the increased volumes, we look forward to better overall margins. However, despite the early signs of greater confidence, we have yet to experience a period of sustained volume increases.

PACKAGING

Our music packaging operations have shown strong sales growth. Many of our existing customers have installed additional CD capacity which we have been able to supply and we have widened our customer base to include new music publishers and disc duplicators. As a result, we have produced the printed material for a wide range of major issues including albums by Genesis, Tina Turner, Lenny Kravitz, Janet Jackson, John Lee Hooker, New Order, Kiri te Kanawa, Luciano Pavarotti, Cher and The Best of Dance 92.

The increased use of CDs as a singles carrier has also been of benefit to us. In order to meet this demand, we have installed specialist equipment to produce CD wallets in both the UK and Holland.

We have also supplied our first products for the computer games market, for which our equipment is ideally suited.

We have implemented a major investment programme, including computers, quick-make-ready presses and specialist finishing equipment. These investments enable us to produce a significantly larger number of smaller orders on shorter lead times with better delivery performance. Our subsidiary in Holland has now been virtually completely re-equipped and has three times more capacity than when we acquired it four years ago. To accommodate this enlarged capacity, we have purchased a new freehold factory close to our existing plant into which we will be transferring in the New Year.

The market remains competitive and our customers are ever more demanding: the completion of our major investment programme, our achievement of ISO9002 and BS5750 certification and the continued strengthening of our management teams enable us to improve on our already strong market position.

Directors' Report

The directors present their annual report and the audited financial statements for the fifty-two weeks ended 30 July 1993.

1. **Activities**
The activities of the Group comprise web-fed and sheet-fed offset magazine printing, book printing and book binding, direct response and general commercial printing, corporate and financial security printing and packaging.

2. **Review of Operations and Future Prospects**
A detailed review of the activities of the Group and its future prospects can be found in the Chairman's Statement and the Review of Operations.

3. **Results and Dividends**
The Group profit for the year after taxation amounted to £14,951,000 (1992 – £14,911,000).
The directors recommend that after payment of the following dividends by the Company the balance of profits be transferred to reserves:

	£'000
Ordinary dividends – interim	1,485
– proposed final	3,954

The directors recommend a final ordinary dividend of 4p net for each ordinary share payable to holders on the register on 5 November 1993. If approved, the final dividend will be paid on 3 December 1993.

4. **Fixed Assets**
Movements in fixed assets are set out in notes 10 and 11 to the financial statements.

5. **Share Capital**
Details of the Company's share capital are set out in note 18 to the financial statements.

6. **Substantial Interests**
As at 12 October 1993, apart from Robert Gavron's shareholdings, the only notified share interest in excess of 3 per cent of the issued ordinary share capital of the Company was that of Allied Dunbar Assurance plc in respect of 4,500,000 shares representing 4.55% of the issued share capital of the Company.
Consequent to the Disclosure of Interest in Shares (Amendment) Regulations 1993 which were effective from 18 September 1993 and which amended the rules of disclosure of interests in shares by substantial shareholders in public companies, a number of previously reported interests ceased to be notifiable.

7. **Directors**
The present membership of the Board is set out on page 2. All directors served throughout the year apart from Miles Emley who was appointed a director on 1 October 1992.

Kenneth Ladd, FCA, FCMA, J Dip MA, aged 63, who is a non executive director, held a number of accounting positions in industry before joining the Company in 1966 and was the Group Finance Director from 1967 to 1988.

Robert Gavron and Keith Holmes retire by rotation and being eligible offer themselves for re-election. Keith Holmes has a service contract which expires on 1 August 1995. Robert Gavron has no service contract.

The directors' beneficial interests (as defined by the Companies Act 1985) in the shares and in options to subscribe for shares of the Company on 31 July 1992 or date of appointment and 30 July 1993 were as follows:

	Ordinary Shares		Options on Ordinary Shares			
			Executive Share Option Scheme		Savings-Related Share Option Scheme	
	1993	1992	1993	1992	1993	1992
Brian Edwards	639,500	639,500	243,000	243,000	8,259	8,259
Miles Emley	16,000	6,000	200,000	—	—	—
Robert Gavron	7,011,160	9,524,422	—	—	—	—
Keith Holmes	—	—	45,000	45,000	8,259	8,259
Gary Iceton	20,318	26,457	358,000	378,000	14,866	14,866
Kenneth Ladd	544,500	742,500	—	—	—	—
Derek Morgan	—	—	130,000	145,000	3,303	3,303
Kenneth Pardey	10,300	23,500	283,000	283,000	8,259	8,259

In addition, Robert Gavron had a non-beneficial interest in 207,800 shares (1992 – 1,207,800).

The following changes took place during the year to the directors' interests in the Company's share option schemes:

	Executive Share Option Scheme	
	Granted	Exercised
Miles Emley	200,000	—
Gary Iceton	—	20,000
Derek Morgan	—	15,000

There has been no change in the above directors' shareholdings between the year end and 12 October 1993.

No director had any material interest in any contract or arrangement with the Company or any of its subsidiaries during the year under review.

During the year the Company purchased insurance to cover Directors' and Officers' liability arising from the performance of their duties, as permitted by Section 310(3) of the Companies Act 1985.

8. **Corporate Governance**

The Board meets regularly throughout the year and is responsible for overall group strategy, acquisitions and divestments, major capital projects and financing matters. It reviews the strategic direction of individual trading subsidiaries, their annual budgets and their capital expenditure programmes. The directors have satisfied themselves that the Group has an appropriate system of internal control and have agreed a schedule of matters specifically reserved to the Board for decision.

The directors believe that, except as noted below, the governance of the Group's business activities has been conducted in accordance with the recommendations set out in the Cadbury Committee's Code of Best Practice (the Code) from its effective date of 30 June 1993.

Separate Audit and Remuneration Committees have been established as committees of the Board each of which is chaired by Robert Gavron, the Group's former chairman, with the Group's non executive director, Kenneth Ladd, and the current chairman, Miles Emley, also serving on both committees. The Group's managing director, Brian Edwards, is also a member of the Audit Committee. Members of the Remuneration Committee are not party to discussion and decisions concerning their own remuneration.

The Cadbury Committee recommends that the board of directors should include at least three non executive directors. The Company has not, as yet, complied with this recommendation in that currently only one non executive director serves on its board of directors. The Board believes that at present the composition of the Audit and Remuneration Committees provides an appropriate level of experience and expertise but intends to appoint at least one further non executive director and to formalise the terms of non executive director appointments.

In common with other companies, we cannot confirm our compliance with paragraphs 4.5 and 4.6 of the Code until the appropriate guidance has been issued; these paragraphs relate to reporting on the Group's systems of internal control and going concern basis respectively.

9. **Employment Policies**

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, race, colour or creed.

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 Group is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's ability.

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.

Details of the Group's pension schemes are set out in note 4(c) to the financial statements; all of the schemes are independently managed and the independent fund managers are proscribed from holding any investment in the Group. The number of trustees of the Group's main pension scheme is split equally between employee and employer representatives.

The Group has a positive approach to health and safety at work and regards compliance with statutory requirements as a minimum standard. The Group's formal statement on health and safety policy is available, on request, from the secretary.

10. Environmental Policy

The board has established an environmental policy which is implemented through the Group's existing management structure. The policy concentrates on achieving a deliverable improvement in performance, in consultation with suppliers, customers and employees, by a reduction in the use of raw materials, including utilities, as well as, where practicable, materials re-usage or recycling.

11. Political and Charitable Contributions

The Group made charitable donations of £11,000 during the year. No political donations were made.

12. Close Company Status

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

13. Special Business

(a) Share capital

Details of the Company's authorised and issued share capital are set out in note 18. The Companies Act 1985 requires pre-emption rights to be applied for any issue of shares for cash unless shareholders have given their consent to the waiver of such rights. Resolution 7 set out in the Notice of Annual General Meeting will therefore be proposed to enable the directors to issue shares for cash (other than by way of a rights issue or pursuant to the St Ives plc Executive Share Option Scheme 1985, the St Ives plc Savings-Related Share Option Scheme 1991 and the St Ives plc Overseas Executive Share Option Scheme 1992) up to a maximum of 4,900,000 shares representing approximately 5 per cent of the issued ordinary share capital without applying pre-emption rights.

DIRECTORS' REPORT *continued*

13. Special Business *(continued)*

(b) Authority for the Company to purchase its own ordinary shares

At the Annual General Meeting of the Company held on 30 November 1992, the directors were authorised to purchase the Company's ordinary shares on the London Stock Exchange. Resolution 8 set out in the Notice of Annual General Meeting will therefore be proposed to renew the directors' authority to purchase up to 9,800,000 ordinary shares being approximately 10 per cent of the issued ordinary share capital of the Company. The directors do not intend exercising such power unless it would result in an increase in the earnings per share attributable to the ordinary share capital of the Company and would be in the best interests of the shareholders generally.

14. Auditors

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

Approved by the Board of Directors
and signed on its behalf by

Philip Harris
Secretary

12 October 1993

Statement of Directors' Responsibilities

The directors are required to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit and cash flow of the Group for that period. These requirements are specified in the Companies Act 1985 and in applicable accounting standards. The directors also have responsibility for maintaining proper and adequate accounting records, safeguarding the assets of the Company and preventing and detecting fraud and other irregularities.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements and that applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

Approved by the Board of Directors
and signed on its behalf by

Philip Harris
Secretary

12 October 1993

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 19 to 37 which have been prepared under the accounting policies set out on pages 24 and 25.

Respective responsibilities of directors and auditors

As described on page 17 the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 as at 30 July 1993 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Touche Ross + Co.
Touche Ross + Co.

Touche Ross & Co.
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

12 October 1993

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	Continuing Activities	
		52 weeks to 30 July 1993 £'000	52 weeks to 31 July 1992 £'000
Turnover	2	221,326	208,101
Cost of sales		(168,644)	(158,093)
Gross profit		52,682	50,008
Sales and distribution costs		(9,110)	(8,039)
Administrative expenses		(23,106)	(22,293)
Other operating income		558	515
Operating profit		21,024	20,191
Interest receivable and similar income		2,517	2,227
Interest payable and similar charges	3	(1,481)	(1,361)
Profit on Ordinary Activities before Taxation	5	22,060	21,057
Tax on profit on ordinary activities	6	(7,109)	(6,146)
Profit for the Financial Year	7	14,951	14,911
Dividends	8	(5,439)	(5,179)
Retained profit for the financial year	19	9,512	9,732
Earnings per ordinary share	9	15.2p	15.2p

Consolidated Balance Sheet

	Note	30 July 1993		31 July 1992	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	10		107,488		101,847
Current Assets					
Stocks	12	7,189		7,906	
Debtors	13	42,271		39,465	
Cash at bank and in hand		41,082		37,061	
		90,542		84,432	
Creditors: Amounts Falling Due Within One Year	14	68,061		58,284	
Net Current Assets			22,481		26,148
Total Assets Less Current Liabilities			129,969		127,995
Creditors: Amounts Falling Due After More Than One Year	15	18,392		22,048	
Provisions for Liabilities and Charges	16	8,425		9,888	
Accruals and Deferred Income	17	3,680		4,484	
			(30,497)		(36,420)
			99,472		91,575
Capital and Reserves					
Called up share capital	18		9,886		9,853
Share premium account	18		27,957		27,345
Capital redemption reserve	19		1,040		1,040
Profit and loss account	19		60,589		53,337
			99,472		91,575

These financial statements were approved by the Board of Directors on 12 October 1993 and signed on its behalf by

Miles Emley } Directors
Brian Edwards }

Company Balance Sheet

	Note	30 July 1993 £'000	30 July 1993 £'000	31 July 1992 £'000	31 July 1992 £'000
Fixed Assets					
Tangible assets	10	22,272		22,346	
Investments	11	59,919		55,258	
			82,191		77,604
Current Assets					
Debtors	13	10,513		8,665	
Cash at bank and in hand		23,633		17,810	
		34,146		26,475	
Creditors: Amounts Falling Due Within One Year	14	15,939		10,634	
Net Current Assets			18,207		15,841
Total Assets Less Current Liabilities			100,398		93,445
Creditors: Amounts Falling Due After More Than One Year	15	601		1,122	
Provisions for Liabilities and Charges	16	325		748	
			(926)		(1,870)
			99,472		91,575
Capital and Reserves					
Called up share capital	18		9,886		9,853
Share premium account	18		27,957		27,345
Revaluation reserve	19		34,794		36,804
Capital redemption reserve	19		1,040		1,040
Profit and loss account	19		25,795		16,533
			99,472		91,575

These financial statements were approved by the Board of Directors on 12 October 1993 and signed on its behalf by

Miles Emley
Brian Edwards
} Directors

Consolidated Cash Flow Statement

	Note	52 weeks to 30 July 1993 £'000	52 weeks to 30 July 1993 £'000	52 weeks to 31 July 1992 £'000	52 weeks to 31 July 1992 £'000
Net Cash Inflow from Operating Activities	20		35,864		33,526
Returns on investments and servicing of finance					
Interest received		2,478		2,227	
Interest paid		(1,603)		(1,501)	
Dividends paid		(5,181)		(4,915)	
Net cash outflow from returns on investments and servicing of finance			(4,306)		(4,189)
Taxation					
United Kingdom Corporation tax paid		(5,278)		(8,123)	
Overseas tax paid		(368)		(78)	
Tax paid			(5,646)		(8,201)
Investing activities					
Payments to acquire tangible fixed assets		(13,481)		(14,369)	
Disposal of subsidiary undertakings		—		460	
Disposal of tangible fixed assets		1,845		2,574	
Net cash outflow from investing activities			(11,636)		(11,335)
Net cash inflow before financing			14,276		9,801
Financing					
Issue of ordinary share capital	18	645		1,020	
Medium term bank loans	21	(9,459)		5,208	
Net cash (outflow) inflow from financing			(8,814)		6,228
Increase in Cash	21		5,462		16,029

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	52 weeks to 30 July 1993 £'000	52 weeks to 31 July 1992 £'000
Profit for the financial year	14,951	14,911
Exchange differences	(2,260)	724
Total recognised gains and losses	12,691	15,635

MOVEMENTS IN SHAREHOLDERS' FUNDS

	52 weeks to 30 July 1993 £'000	52 weeks to 31 July 1992 £'000
Opening shareholders' funds	91,575	80,081
Total recognised gains and losses	12,691	15,635
Dividends	(5,439)	(5,179)
Issue of ordinary shares	645	1,020
Goodwill adjustment	—	18
Closing shareholders' funds	99,472	91,575

Notes to the Financial Statements

1. Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. Financial Reporting Standard No. 3 has been adopted during the year. The particular accounting policies adopted are described below.

(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 its subsidiary undertakings for the fifty-two weeks to 30 July 1993 (the financial year). The previous accounting period was for the fifty-two weeks to 31 July 1992.

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.

(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 with a minimum rate of 2 per cent. The annual rates of depreciation are as follows:

Freehold buildings	2% – 4%
Leasehold properties	Period of lease
Leasehold improvements	10% – 20%
Plant and machinery	10% – 25%
Fixtures, fittings and equipment	20% – 33⅓%
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 the Company.

(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 timing 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 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 for repairs

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

(i) Foreign currencies

The trading results and balance sheets of overseas operations are translated into sterling at the rates of exchange ruling at the year end. Exchange differences arising from the retranslation of the opening net investment in the overseas operations at the closing rates of exchange are taken to reserves. All other exchange differences are included in profit on ordinary activities before taxation.

(j) Pension costs

Pension costs for the Group's defined benefit pension schemes are charged against profits so as to spread the cost of pensions over the employees' expected working lives with the Group. This is in accordance with Statement of Standard Accounting Practice No. 24 ("SSAP 24"). Pension costs for the Group's defined contribution schemes are charged against profits as payable. Further details are set out in note 4(c).

(k) Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases. The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the Group's policy set out in note 1 (c) above. The full amount of the remaining payments due under the finance leases is included in creditors.

2. Turnover

Turnover represents the net invoiced value of sales outside the Group during the relevant financial year.

The geographical analysis of turnover by destination is stated below:

	1993 £'000	1992 £'000
United Kingdom	183,484	176,890
United States of America	26,677	22,403
Rest of the World	11,165	8,808
	221,326	208,101

NOTES TO THE FINANCIAL STATEMENTS *continued*

2. Turnover *(continued)*

The geographical analysis of turnover, operating profit and net operating assets by origin is stated below:

	Turnover		Operating Profit		Net Operating Assets	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000	1993 £'000	1992 £'000
United Kingdom	186,827	183,678	21,291	20,751	69,119	77,888
United States of America	24,324	18,822	(1,250)	(1,096)	19,974	14,514
Rest of the World	10,175	5,601	983	536	1,706	1,306
	221,326	208,101	21,024	20,191	90,799	93,708
Net interest received			1,036	866		
Profit before taxation			22,060	21,057		

Net operating assets are defined as total assets less current liabilities excluding cash balances and bank overdrafts.

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

3. Interest Payable and Similar Charges

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

4. Information Regarding Directors, Employees and Pension Costs

(a) Directors

The total emoluments of the directors of the Company are:

	1993 £'000	1992 £'000
Salaries and fees	738	600
Performance related pay	24	40
Taxable benefits	56	52
Total Remuneration	818	692
Pension contributions	32	10
National Insurance contributions	80	66
Total Emoluments	930	768

The remuneration of the Chairman and highest paid director are:

	1993 £'000	1992 £'000
Chairman		
Robert Gavron – to 13 May 1993	65	82
Miles Emley – from 13 May 1993	36	—
Highest paid director	157	161

Neither Chairman received performance related pay in either year. In addition to the normal national insurance contributions of both chairmen, pension contributions of £3,000 have been paid in respect of Miles Emley since the date of his appointment as Chairman.

In neither year did the highest paid director receive any performance related pay nor were there any additional pension contributions paid in respect of them except for the normal national insurance contributions.

The remuneration of each individual director falls within the following salary bands:

	No.	No.
£20,001 – £25,000	1	1
£80,001 – £85,000	1	1
£85,001 – £90,000	—	1
£95,001 – £100,000	2	1
£100,001 – £105,000	1	1
£120,001 – £125,000	1	—
£135,001 – £140,000	1	—
£140,001 – £145,000	—	1
£155,001 – £160,000	1	—
£160,001 – £165,000	—	1

All senior management and the executive directors, other than the former chairman, participate in a performance related pay scheme under which payments are made, on an individual basis, dependent upon the achievement of financial targets set for either the Group or operating unit as appropriate.

(b) Employees

	1993 £'000	1992 £'000
Employees' costs during the year:		
Wages and salaries	69,186	63,150
Social security costs	7,588	6,756
Other pension costs	227	312
	77,001	70,218

NOTES TO THE FINANCIAL STATEMENTS *continued*

4. Information Regarding Directors, Employees and Pension Costs *(continued)*

	1993 No.	1992 No.
Average number of persons employed:		
Production	2,341	2,322
Sales and distribution	173	185
Administration	513	528
	3,027	3,035

(c) Pension Costs

The Group operates pension schemes covering the majority of employees. The main schemes are of the defined benefit type with assets held in separate trustee administered funds.

The pension cost for the Group was £227,000 (1992 – £312,000).

The contributions were determined following actuarial valuations of the main schemes by Punter, Southall & Co, consulting actuaries, as at 6 April 1992 using the projected unit method. The principal actuarial assumptions adopted for the purposes of SSAP 24 in those valuations were a long term rate of return on investments of 10% per annum, salary increases of 7.5% per annum (together with promotional increases where appropriate), and dividend growth of 5.5% per annum. Pension increases were allowed for in accordance with the rules of the schemes and past practice.

At the valuation date, the actuarial value of the assets on this basis was sufficient to cover 141% of the benefits that had accrued to members in the main United Kingdom schemes. The market value of the schemes' assets as at 6 April 1992 was £31.9 million.

The element of the total pension cost relating to foreign schemes includes £181,000 (1992 – £280,000) where the charge has been determined in accordance with local best practice and regulations. The overseas arrangements are defined contribution schemes.

All schemes were fully funded as at 6 April 1992 and, in the opinion of the directors, all schemes remained fully funded as at 30 July 1993. A prepayment of £192,000 (1992 – £212,000) inclusive of interest accrued is included in debtors.

5. Profit on Ordinary Activities before Taxation

	1993 £'000	1992 £'000
Profit on ordinary activities before taxation is after charging/(crediting):		
Auditors' remuneration – Audit fees	221	200
– Non audit related fees	127	140
Deferred income (note 17)	(658)	(657)
Depreciation – leased assets	190	318
– owned assets	16,091	15,908
Operating lease rentals – land and buildings	1,107	1,052
– plant and machinery	155	156
Regional grant amortisation (note 17)	(146)	(158)

6. Tax on Profit on Ordinary Activities

	1993 £'000	1992 £'000
United Kingdom corporation tax at 33% (1992 – 33%) based on the profit for the year	8,334	6,694
Deferred taxation	(1,049)	(253)
Overseas taxation	272	181
	7,557	6,622
Adjustment to prior years' tax provisions	(448)	(476)
	7,109	6,146

7. Profit of Parent Company

As permitted by Section 230 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 £14,701,000 (1992 – £12,462,000) which is dealt with in the financial statements of the parent company.

8. Dividends

	1993 £'000	1992 £'000
Ordinary dividends – interim 1.5p (1992 – 1.5p)	1,485	1,483
– proposed final 4p (1992 – 3.75p)	3,954	3,696
	5,439	5,179

The directors recommend a final ordinary dividend of 4p net for each ordinary share payable to holders on the register on 5 November 1993. If approved, the final dividend will be paid on 3 December 1993.

9. Earnings per Ordinary Share

The calculation of earnings per ordinary share is based on profits after taxation of £14,951,000 (1992 – £14,911,000) and on a weighted average of 98,686,432 (1992 – 98,328,004) ordinary shares in issue during the year. Fully diluted earnings per share are not materially different from the stated earnings per share.

NOTES TO THE FINANCIAL STATEMENTS *continued*

10. Tangible Fixed Assets

	Land and buildings					
	Freehold £'000	Long leases £'000	Short leases £'000	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
The Group						
Cost or valuation						
At 31 July 1992	26,977	868	400	141,145	7,820	177,210
Exchange differences	1,174	—	—	5,914	171	7,259
Additions	287	—	—	16,131	2,285	18,703
Disposals	(534)	—	—	(6,936)	(868)	(8,338)
At 30 July 1993	27,904	868	400	156,254	9,408	194,834
Accumulated depreciation						
At 31 July 1992	2,796	88	58	66,975	5,446	75,363
Exchange differences	139	—	—	2,592	117	2,848
Charge for the year	706	17	9	14,174	1,375	16,281
Disposals	(65)	—	—	(6,319)	(762)	(7,146)
At 30 July 1993	3,576	105	67	77,422	6,176	87,346
Net book value						
At 30 July 1993	24,328	763	333	78,832	3,232	107,488
At 31 July 1992	24,181	780	342	74,170	2,374	101,847

Freehold land with a value of £2,904,000 (1992 – £3,024,000) has not been depreciated.

Included in the cost of plant and machinery are items in the course of construction amounting to £157,000 (1992 – £477,000).

	Land and buildings			Plant and machinery	Fixtures, fittings, equipment and motor vehicles	Total
	Freehold £'000	Long leases £'000	Short leases £'000	£'000	£'000	£'000
The Company						
Cost or valuation						
At 31 July 1992	21,283	868	400	3,776	1,661	27,988
Additions	—	—	—	—	325	325
Transfers from subsidiaries	1,541	—	—	—	86	1,627
Disposals	(534)	—	—	—	(284)	(818)
At 30 July 1993	22,290	868	400	3,776	1,788	29,122
Accumulated depreciation						
At 31 July 1992	2,019	88	58	2,208	1,269	5,642
Charge for the year	419	17	9	420	264	1,129
Transfers from subsidiaries	387	—	—	—	24	411
Disposals	(65)	—	—	—	(267)	(332)
At 30 July 1993	2,760	105	67	2,628	1,290	6,850
Net book value						
At 30 July 1993	19,530	763	333	1,148	498	22,272
At 31 July 1992	19,264	780	342	1,568	392	22,346

Freehold land with a value of £1,890,000 (1992 – £2,092,000) has not been depreciated.

The net book value of the Group's and Company's land and buildings includes £573,000 (1992 – £587,000) in respect of assets revalued on 31 July 1985. The historical written down cost of these assets would have been £305,000 (1992 – £310,000). The net book value of the Group's and Company's plant and machinery in the prior year included £190,000 (1993 – nil) in respect of assets held under leases.

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

	1993 £'000	1992 £'000
The Group	24,418	18,219
The Company	2,337	445

NOTES TO THE FINANCIAL STATEMENTS *continued*

11. Investments held as Fixed Assets

	Shares at cost £'000	Loans £'000	Revaluation to net asset value £'000	Total £'000
Investments in subsidiaries:				
Balance at 31 July 1992	5,713	12,150	37,395	55,258
Additions	14,759	—	—	14,759
Loans repaid	—	(6,650)	—	(6,650)
Transfers to subsidiary companies	(1,438)	—	—	(1,438)
Revaluation of subsidiaries to net asset value	—	—	(2,010)	(2,010)
Balance at 30 July 1993	19,034	5,500	35,385	59,919

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

12. Stocks

	The Group 1993 £'000	The Group 1992 £'000
Raw materials	3,409	2,930
Work in progress	3,502	4,415
Finished goods	606	764
	7,517	8,109
Less: payments on account	(328)	(203)
	7,189	7,906

There are no significant differences between replacement cost and the values shown above for all stock categories for either year.

13. Debtors

	The Group 1993 £'000	The Group 1992 £'000	The Company 1993 £'000	The Company 1992 £'000
Amounts due within one year:				
Trade debtors	39,048	35,832	—	—
Amounts owed by subsidiary undertakings	—	—	9,556	7,739
Other debtors	2,315	2,731	350	392
Prepayments and accrued income	856	703	275	380
	42,219	39,266	10,181	8,511
Deferred taxation (Note 16)	—	—	304	—
Amounts due after more than one year:				
Other debtors	52	199	28	154
	42,271	39,465	10,513	8,665

14. Creditors: Amounts Falling Due Within One Year

	The Group		The Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Bank loans and overdrafts	1,912	2,774	676	—
Trade creditors	36,959	30,794	288	440
Bills of exchange payable	845	—	845	—
Amounts owed to subsidiary undertakings	—	—	2,221	911
Other creditors	10,019	10,852	2,715	3,133
Corporation tax	9,497	6,501	3,925	1,538
Social security	4,354	3,146	794	395
Lease obligations	521	521	521	521
Proposed final dividend	3,954	3,696	3,954	3,696
	68,061	58,284	15,939	10,634

15. Creditors: Amounts Falling Due After More Than One Year

	The Group		The Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Bank loans	17,568	20,833	—	—
Lease obligations – due within one to two years	521	521	521	521
– due within two to five years	80	601	80	601
Other creditors	223	93	—	—
	18,392	22,048	601	1,122

The lease obligations represent the full amount of the remaining payments under the leases other than those due within twelve months which are shown under creditors falling due within one year. The bank loans are denominated in United States dollars, are repayable on various dates in July 1995 and are guaranteed by the Company.

NOTES TO THE FINANCIAL STATEMENTS *continued*

16. Provisions for Liabilities and Charges

	Balance at 31 July 1992 £'000	Exchange differences £'000	Charged/(credited) to profit and loss account £'000	Applied £'000	Balance at 30 July 1993 £'000
The Group					
Closure and reorganisation	285	—	(160)	(45)	80
Provisions for repairs	325	—	250	(27)	548
Deferred taxation	9,278	19	(1,500)	—	7,797
	9,888	19	(1,410)	(72)	8,425
The Company					
Closure and reorganisation	105	—	43	(23)	125
Provisions for repairs	150	—	50	—	200
	255	—	93	(23)	325
Deferred taxation	493	—	(797)	—	(304)
	748	—	(704)	(23)	21

The Company's deferred tax asset is included in debtors (note 13).

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

	1993 Amount provided £'000	1993 Amount unprovided £'000	1992 Amount provided £'000	1992 Amount unprovided £'000
The Group				
Capital allowances in excess of depreciation	12,030	371	10,816	(188)
Gains deferred by rollover relief	—	3,019	—	3,004
Other timing differences	(1,619)	188	(909)	111
Losses carried forward	(2,614)	(2,063)	(629)	(420)
	7,797	1,515	9,278	2,507
The Company				
Capital allowances in excess of depreciation	692	371	862	—
Gains deferred by rollover relief	—	3,419	—	3,433
Other timing differences	(996)	—	(369)	—
	(304)	3,790	493	3,433

17. Accruals and Deferred Income

	The Group	
	Deferred insurance surplus £'000	Regional grants £'000
Balance at 31 July 1992	4,230	254
Transfer to profit and loss account	(658)	(146)
Balance at 30 July 1993	3,572	108

The deferred insurance surplus represents the difference between the original cost of fixed assets destroyed by fire at the Group's premises in previous periods, and the cost of the equivalent replacement assets recoverable under the terms of the relevant insurance policies together with the regional grants applicable to the destroyed assets. This balance is being amortised and credited to the profit and loss account over the lives of the replacement assets.

18. Called up Share Capital and Share Premium Account

	1993 £'000	1992 £'000
Authorised share capital:		
10p ordinary shares	15,000	15,000
10p 70% convertible redeemable cumulative preference shares	1,000	1,000
	16,000	16,000

Allotted and fully paid:

	Ordinary shares of 10p each £'000	Share premium account £'000
At 31 July 1992	9,853	27,345
Share options exercised	33	612
At 30 July 1993	9,886	27,957

Under the Executive Share Option Scheme, selected senior executives of the Group hold options to subscribe for up to 2,572,600 ordinary shares at prices between £1.01 and £2.92 per share, exercisable at various dates between 1993 and 2003. Under the Savings-Related Share Option Scheme, eligible employees of the Group hold options to subscribe for up to 1,855,030 ordinary shares at prices of between £2.27 and £2.68 per share, exercisable at various dates between 1997 and 2000. No options have, as yet, been granted under the Overseas Executive Share Option Scheme.

19. Reserves

	Capital redemption reserve £'000	Profit and loss account £'000
The Group		
Balance at 31 July 1992	1,040	53,337
Exchange differences	—	(2,260)
Retained profit for the financial year	—	9,512
Balance at 30 July 1993	1,040	60,589

NOTES TO THE FINANCIAL STATEMENTS *continued*

19. Reserves *(continued)*

Cumulative goodwill written off directly to the Group profit and loss account reserve amounts to £17,313,000 in both 1993 and 1992.

	Revaluation reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
The Company			
Balance at 31 July 1992	36,804	1,040	16,533
Retained profit for the financial year	—	—	9,262
Revaluation of subsidiaries to net asset value	(2,010)	—	—
Balance at 30 July 1993	34,794	1,040	25,795

20. Net Cash Inflow from Operating Activities

	1993 £'000	1992 £'000
Operating profit	21,024	20,191
Non cash movements:		
Depreciation	16,281	16,226
Deferred income	(804)	(815)
Provisions made	90	299
Profit on disposal of tangible fixed assets	(558)	(402)
Profit on disposal of subsidiary undertakings	—	(113)
Changes in working capital:		
Stocks	994	1,023
Debtors	(1,704)	901
Creditors	707	(1,033)
Other cash inflow (outflow):		
Provisions spent	(166)	(2,774)
Deferred income received	—	23
	35,864	33,526

21. Analysis of Cash Balances

	Balance at 31 July 1992 £'000	Exchange differences £'000	Cash inflow £'000	Balance at 30 July 1993 £'000
Cash at bank and in hand	37,061	162	3,859	41,082
Bank loans and overdrafts	(2,774)	(741)	1,603	(1,912)
Short term cash	34,287	(579)	5,462	39,170
Medium term bank loans	(20,833)	(6,194)	9,459	(17,568)
	13,454	(6,773)	14,921	21,602

22. Capital Commitments

	The Group 1993 £'000	The Group 1992 £'000
Contracted for but not provided in the financial statements	2,544	3,639
Authorised but not yet contracted for	6,175	2,537

The Company had no outstanding capital commitments at 30 July 1993 (1992 – nil).

23. Operating Lease Commitments

The following commitments in respect of operating leases are due for payment during the period ending 29 July 1994:

	The Group		The Company
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000
Leases expiring within			
One year	102	13	—
Two to five years	244	175	—
After five years	748	—	44

24. Contingent Liabilities

In addition to the guarantee of the bank loans as set out in note 15, the Company has contingent liabilities not exceeding £3.2 million (1992 – £3.7 million) relating to guarantees given to third parties in respect of banking facilities granted to certain of the Group's overseas operations.

25. Additional Information on Subsidiaries

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

	Country of operation	Country of incorporation
Barbers Limited	England	England
Bryer & Spencer Limited	England	England
Burrups Limited	England, France and Luxembourg	England
Burrups Japan KK	Japan	Japan
CB Dorey Limited	England	England
Clays Limited	England	England
Cripplegate Limited	England	England
Nelson Packaging Limited	England	England
Robert Stace Limited	England	England
Sevenoaks Print Finishers Limited	England	England
St Ives (Andover) Limited	England	England
St Ives (Caerphilly) Limited	Wales	England
St Ives (Gillingham) Limited	England	England
St Ives (Peterborough) Limited	England	England
St Ives (Plymouth) Limited	England	England
St Ives (Roche) Limited	England	England
St Ives Inc.	U.S.A.	U.S.A.
Stace Print Europe B.V.	Holland	Holland
Talbot Publishing Systems Limited	England	England
Westerham Press Limited	England	England

A complete list of the subsidiary companies of the Company will be filed with the next annual return.

FINANCIAL CALENDAR 1993/94

5 November 1993	Record date for final ordinary dividend
30 November 1993	Annual General Meeting
3 December 1993	Payment date for final ordinary dividend
Early April 1994	Announcement of interim results
Mid May 1994	Record date for interim ordinary dividend
Early June 1994	Payment date for interim ordinary dividend

The Annual General Meeting of St Ives plc will be held at St Ives House, Lavington Street, London SE1 0NX on 30 November 1993 at 10.00 am.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 12th Annual General Meeting of St Ives plc will be held at St Ives House, Lavington Street, London SE1 0NX on Tuesday 30 November 1993 at 10.00 am for the following purposes:

Ordinary Business

1. To receive and adopt the audited financial statements for the fifty-two weeks ended 30 July 1993 together with the reports of the directors and auditors (Resolution 1).
2. To re-elect Robert Gavron (Resolution 2) and Keith Holmes (Resolution 3), both of whom are retiring from office by rotation, as directors of the Company.
3. To declare a final dividend of 4p (net) per ordinary share (Resolution 4).
4. To re-appoint Touche Ross & Co. as auditors to the Company (Resolution 5).
5. To authorise the directors to fix the remuneration of the auditors (Resolution 6).
6. To transact any other ordinary business of the Company.

Special Business

To consider and, if thought fit, to pass the following resolutions which will be proposed as Special Resolutions:

7. That the directors are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the general authority to allot relevant securities (within the meaning of Section 80 of the Act) conferred by Resolution of the Company dated 30 November 1992 as if Section 89(1) of the Act did not apply to any such allotment provided that:

   (a) this power be limited to:

      (i) 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 ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them but subject to such exclusions, exceptions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws or requirements of any government or recognised regulatory body or any stock exchange or otherwise in any territory;

      (ii) the allotment of equity securities pursuant to the terms of the St Ives plc Executive Share Option Scheme 1985, the St Ives plc Savings-Related Share Option Scheme 1991, the St Ives plc Overseas Executive Share Option Scheme 1992 or any other employees' share option scheme approved by the members in general meeting;

      (iii) the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities up to an aggregate nominal value of £490,000;

   (b) the power conferred hereby shall expire on the date of the next annual general meeting of the Company or 31 March 1995 (whichever is the earlier) unless renewed, extended, varied or revoked by the Company in general meeting;

NOTICE OF ANNUAL GENERAL MEETING *continued*

Resolution 7 *(continued)*

(c) 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 directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired; and

(d) the power conferred hereby shall be in substitution for and to the exclusion of any other earlier power conferred on the directors pursuant to Section 95 of the Act.

8. That authority is hereby generally and unconditionally given, pursuant to Section 166 of the Act, for the Company to make market purchases (as defined in Section 163(3) of the Act) of any of its own ordinary shares of 10p each in such manner and on such terms as the directors may from time to time determine provided that:

(a) the authority hereby conferred shall expire, unless previously varied, renewed or revoked by the Company in general meeting, at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 30 November 1994 (whichever is the earlier), save that the Company shall be entitled under such authority to make at any time before the expiry thereof any contract of purchase of its own ordinary shares which will or might be concluded wholly or partly after the expiry of such authority;

(b) the maximum number of ordinary shares hereby authorised to be acquired is 9,800,000 being approximately 10 per cent of the issued ordinary share capital of the Company on the date hereof; and

(c) the maximum price which may be paid for each ordinary share of 10p is an amount equal to 105 per cent of the average middle market quotations for the ordinary shares of the Company (as derived from the London Stock Exchange Daily Official List) for the ten business days prior to the date of purchase and the minimum price is 10p, such prices being exclusive of Advance Corporation Tax, if any, payable by the Company.

By Order of the Board

Philip Harris
Secretary

5 November 1993

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

2. A form of proxy for the Annual General Meeting is enclosed. To be valid, forms of proxy together with any power of attorney or other authority (if any) under which any form of proxy is signed or a notarially certified or office copy of such power of attorney or other authority should be sent to Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4BR so as to arrive not later than 48 hours before the time appointed for the meeting. Completion and return of the form of proxy will not preclude members from attending and voting at the meeting in person should they find themselves able to do so.

3. The register of the interests of the directors in the share capital of the Company and copies of the service agreements of the directors are available for inspection at the registered office of the Company during normal business hours and will be available at the meeting.

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