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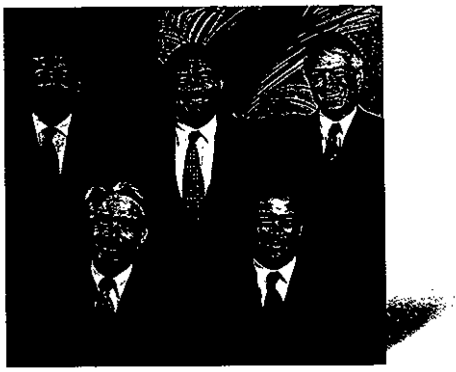
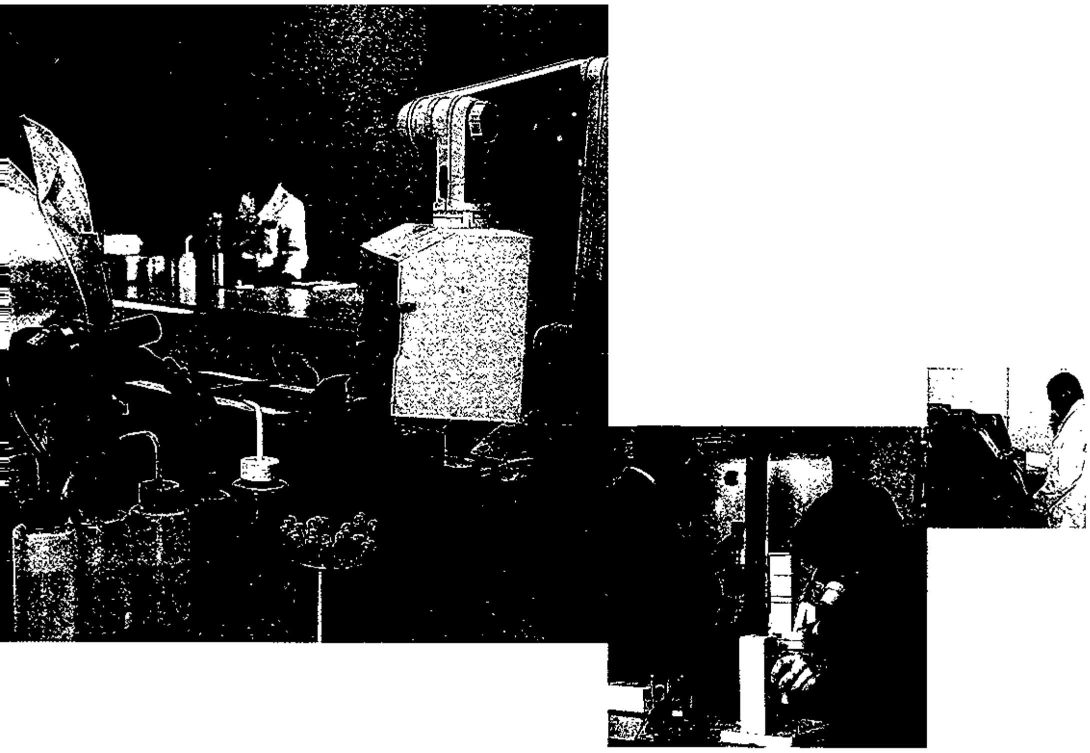


THE API BOARD *from left to right:*
JOHN ADEY Non-executive, DENNIS HOLT Group Finance Director, MOGER WOOLLEY Non-executive Chairman, MICHAEL SMITH Group Chief Executive, JOHN SHELDRICK Non-executive

CORPORATE STATEMENT

API GROUP plc IS AN INTERNATIONAL HOLDING COMPANY, WITH INTERESTS IN THE MANUFACTURE OF FOILS AND LAMINATES, CONVERTED FILM, PAPER PRODUCTS AND OFFICE CONSUMABLES. PRODUCTS ARE DESIGNED AND MANUFACTURED PRINCIPALLY FOR THE PACKAGING INDUSTRY, AND INCLUDE HIGH QUALITY IMAGE PACKAGING, TAMPER PROOF PACKAGING AND SPECIALIST COATINGS FOR THE MEDICAL AND SECURITY INDUSTRIES. SINCE THE BOARD WAS STRENGTHENED IN 1992 THE STRATEGY HAS BEEN TO FOSTER A CULTURE WITHIN API THAT WILL DELIVER CONTINUOUS IMPROVEMENT IN PROCESSES, TECHNOLOGY, PRODUCTS AND SERVICES. THE SUCCESS OF THAT STRATEGY IS SHOWN IN SALES GROWTH OF OVER 120% IN THE PAST FIVE YEARS AND A GROWTH IN THE RATE OF PRE TAX PROFITS OF OVER 180%. THE BOARD IS COMMITTED TO FURTHER DEVELOPMENT OF THE GROUP AND ENHANCING SHAREHOLDER VALUE THROUGH CONTINUED ORGANIC GROWTH AND THE ACQUISITION OF COMPLEMENTARY BUSINESSES WHICH MEET STRICT PRE DETERMINED CRITERIA.

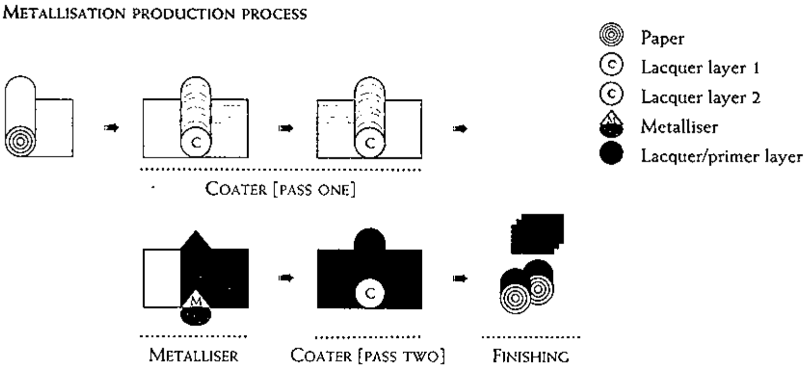
- *Sales advance 23% to £128m (£104m)*
- *Operating profit up 30% to £10.98m (£8.44m)*
- *Earnings per share up 16% to 31.4p (27.1p)*
- *Full year dividend up by 10% to 11.0p (10.0p)*



PROCESSES

API'S MAIN MANUFACTURING PROCESSES INVOLVE COATING, LAMINATING, METALLISING, THE PRINTING AND CONVERSION OF FILMS AND THE MANUFACTURE OF SELF ADHESIVE PRODUCTS. API IS A LEADER THROUGH QUALITY, PROCESS INNOVATION AND CAPITAL INVESTMENT ENABLING IT TO SUPPLY CUSTOMER REQUIREMENTS AT A COMPETITIVE PRICE. CAPITAL INVESTMENT, EFFICIENCY GAINS THROUGH CONTINUOUS IMPROVEMENT, THE UTILISATION OF NEW PROCESSES AND SELECTIVE ACQUISITIONS HAVE ENABLED THE GROUP TO EXPAND OUTPUT TO MEET THE SALES GROWTH OF OVER 120% DURING THE LAST FIVE YEARS. THE NEW METALLISED PAPER PLANT, PICTURED LEFT, OPENS UP FOR API A SUBSTANTIAL NEW MARKET ESTIMATED AT OVER £300M ACROSS THE UK AND CONTINENTAL EUROPE.

METALLISATION PRODUCTION PROCESS



THE USE OF ADVANCED MANUFACTURING TECHNIQUES, AND A COMMITMENT TO DELIVER THE BEST POSSIBLE PRODUCTS AT THE MOST COMPETITIVE PRICE, WORLD-WIDE, HAS LED TO CONTINUED SALES GROWTH ACROSS ALL OUR MARKETS.
THE GROUP IS COMMITTED TO A NEW PRODUCT DEVELOPMENT PROGRAMME, WHICH HAS PRODUCED MANY INNOVATIONS IN THE PAST TWELVE MONTHS, AND WHICH WILL PROVIDE THE CORNERSTONE FOR OUR FURTHER DEVELOPMENT IN THE YEARS AHEAD.

PRODUCTS

Foils and Laminates

Companies

Whiley Foils Ltd

Dri-Print Foils Inc

Henry & Leigh Slater Ltd

Peerless Foils Ltd

Data-Label Ltd

Products

Products include hot stamping foil, metallised laminated board, metallised paper, coding foil and thermal transfer ribbon. The uses are diverse, ranging from high quality image packaging to variable information marking and labelling. An example end use for the metallised range is in quality brand image labelling and packaging of wines and spirits, cosmetics, confectionery and cigarettes.

Sales	Sales Growth
£85.6m	+22%
Operating Profits	**Operating Profits Growth**
£7.5m	+16%

Converted Film, Paper Products and Office Consumables

Companies

Leonard Stace Ltd

Tenza Ltd

Learoyd Group Ltd

Products

Silicone release coatings are used in the production of self adhesive products, the most common being labels, tapes and self adhesive protective and decorative coverings. Film products include the extrusion of polypropylene film, the manufacture of tamper evident security bags for banks and film based packaging for a wide range of consumer merchandise.

Sales	Sales Growth
£42.4m	+26%
Operating Profits	**Operating Profits Growth**
£5.0m	+37%

CHAIRMAN'S STATEMENT

THE PAST YEAR HAS SEEN YOUR GROUP CONTINUE THE STRONG MOMENTUM OF RECENT YEARS, DESPITE THE UNPREDICTABLE AND VOLATILE MARKETS IN WHICH WE OPERATE.

IN THE YEAR under review, turnover increased 23% to £128m (1995: £104m), resulting in pre tax profits growth of 30% at £10.85m (1995: £8.35m), while earnings per share increased by 16% from 27.1p to 31.4p. Operating profit of £10.98m (1995: £8.44m) shows a 30% increase on the previous year, with the operating margin on sales improving from 8.1% to 8.6%, helped by the higher margins delivered through the Learoyd acquisition which was completed in May 1996.

Your Board is recommending an increase in the final ordinary dividend to 6.52p (5.93p), making a total for the year of 11.0p (10.0p), a 10% increase on last year. The cost of the dividend is covered 2.9 times by earnings, compared with 2.7 times last year.

CORPORATE ACTIVITY

The past year was notable for the acquisition of Learoyd Packaging Group Ltd and Learoyd Packaging (USA) Inc in May. The initial cost of this acquisition was £20m, which was funded by a placing and open offer at 615p per share to raise £37m net of expenses. The balance of the fund raising will be applied to reduce group indebtedness, pay any deferred consideration under the acquisition agreement and provide additional funds to invest in future growth. As a result the Group has finished the year with a strong balance sheet, shareholders' funds increasing to £59m (1995: £30m) and closing cash of £10.8m (1995: net borrowings £2.6m).

CORPORATE GOVERNANCE

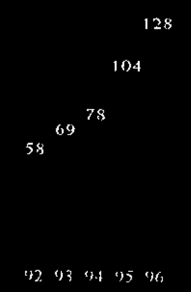
The Board is responding positively and constructively to the additional disclosure and organisational recommendations arising from the Cadbury and Greenbury Codes. In this context, shareholders will find the first report from the Remuneration Committee on pages 28 to 32.

PEOPLE

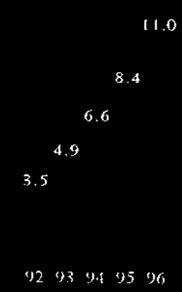
I would like to thank all our employees for their continued dedication and skill which helps to ensure that the forward momentum and profitability of the Group is maintained.

This year sees the retirement of our longest serving non-executive Director, John Adey, who retires at the Annual General Meeting. We thank him most sincerely for all his help and wish him well for the future.

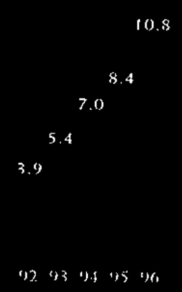
J MOGER WOOLLEY Non-Executive Chairman 20 December 1996



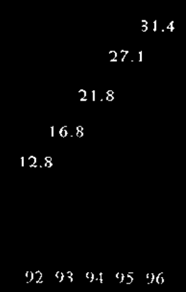
Turnover –
Continuing Operations (£'m)



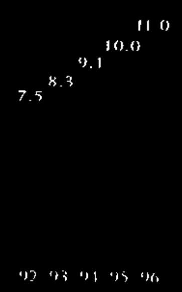
Operating Profit –
Continuing Operations (£'m)



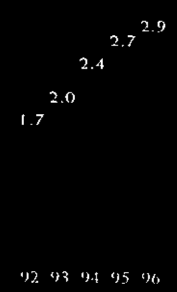
Profit Before Tax
(£'m)



Earnings per Share
(pence)



Dividend per Share
(pence)



Dividend Cover
(times)

Group Chief Executive's Review

A FOURTH CONSECUTIVE YEAR OF SUCCESSFUL ACHIEVEMENT ACROSS ALL AREAS OF THE GROUP WITH RECORD SALES, PRE TAX PROFITS, EARNINGS PER SHARE AND DIVIDENDS.

The past year has been one of major achievement, which is all the more creditable when set against the difficult market conditions prevailing for most of the period. The fundamental strategy formulated in 1993 and refined since, to concentrate on niche segments, rather than commodity products, has avoided some of the extreme volatility prevalent in our industry this year.

Further confirmation that our strategy is the correct one is borne out with turnover increasing during the year by 23% to £128m (1995: £104m) while pre tax profits rose 30% to £10.85m (1995: £8.35m) with earnings per share increased by 16% to 31.4p (1995: 27.1p). These figures represent record levels of sales and profitability for the Group.

Margins

Shareholders will be aware the operating margin in the second half of the year is, historically, higher than that achieved in the first half. In the year under review, this trend was repeated, with an actual margin in the second half of 9.5% lifting the margin achieved for the year as a whole to 8.6% compared to the 7.5% achieved in the first half. In addition to ongoing productivity gains the other major factor contributing to this encouraging year on year performance was the stability of raw material prices in the second half.

Acquisitions

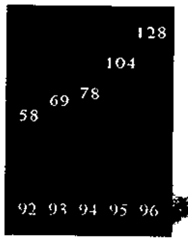
The Learoyd Group, a major acquisition, came under our control in May. The Learoyd Group, with operations in both the UK and the USA, is involved in extrusion, conversion, printing and security packaging. Learoyd, which has now been fully integrated into the group, contributed sales of £4.3m and pre tax profits of £0.8m for the year, comfortably ahead of internal budgets, and expectations. The combination of excellent operational facilities, proven new products, and a blue chip client list, bodes well for the future development of Learoyd.

Organic development

While we continue to seek complementary acquisitions which meet pre-determined criteria, we also remain committed to the continued progress of our existing business. Here, the development of new facilities specifically designed to produce new, innovative products remains of paramount importance, and therefore the commissioning of our new metallised paper plant in Macclesfield was another major step forward for the group. This plant, which occupies 3,000 sq metres and will be capable of producing 10,000 tonnes of metallised paper when fully operational, came on stream a little later than planned, but well within budget. We remain optimistic that the facility will make a major contribution in the future.

New product development

A cornerstone of our strategic plan revolves around the commitment to our new product development programme, and the past year has seen some notable introductions. We successfully



TURNOVER –
CONTINUING OPERATIONS (£'M)

launched thermal transfer ribbon, security foils, speciality coatings, and universal foils to the market place which resulted in some significant volume sales, particularly in the last six months.

ENVIRONMENTAL POLICY

The Group's endeavours to achieve the highest environmental standards are unrelenting. Accordingly, BS7750 environmental accreditation has been attained at Whileys, Tenza and Peerless, with certification imminent at Henry & Leigh Slater, J & J Makin and Leonard Stace. Introductory systems have also been documented for Learoyd and the new metallised paper facility located at Macclesfield. In addition, Dri-Print USA meet every aspect of the very stringent New Jersey state environmental protection legislation. Further strides have been made to eliminate solvents from our manufacturing processes to avoid abatement costs wherever possible and we feel confident these costs will be minimal within the context of our overall capital expenditure.

MANAGEMENT

The rate of growth of API over the last three years has meant that management in depth is vital to sustain this momentum. To support this process Whileys/Peerless/Dri-Print, Slaters and Learoyd have been divisionalised into three units with Chief Executives responsible for each division. In the first quarter of 1996/97 this structure was extended further when Data-Label was integrated into Tenza to become a fourth division. This philosophy allows senior management to derive the maximum efficiencies out of their manufacturing operations, avoid duplication and focus on common targets. To measure against the objectives of this strategy each company has installed management information systems with the capability of quantifying product and customer profitability as well as tracking orders from enquiry through to completion under the auspices of our logistics functions.

EMPLOYEE DEVELOPMENT

API's commitment to Management for Continuous Improvement remains a top priority in all aspects of activities. Teams comprising various combinations of employees attack areas for improvement such as productivity, scrap reduction, product re-specifications, customer care and employee development. Our determination to upgrade all employee skills continues unabated and a full structure of internal and external training programmes are scheduled a year in advance throughout all levels of the Group.

FOILS AND LAMINATES

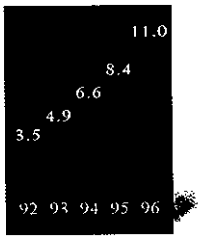
This grouping comprises Whiley Foils, Dri-Print Foils, the lamination and metallisation businesses of Henry & Leigh Slater, Peerless Foils and Data Label.

During the year operating profits rose by 16% to £7.5m (£6.5m) on sales 22% higher at £85.6m (£70.3m). Operating margins reduced slightly to 8.8% due to the impact of raw material cost increases being only partially offset by increased volume and efficiency gains in the first half.

WHILEY FOILS LTD

The production of metallic graphic stamping foils is centred on Whiley Foils, which reported another good year. International sales were strong, particularly to Germany and Eastern Europe.

In the UK, sales increased by some 16%, mainly through increased market share to major accounts, where we have formed effective partnerships over the past three years. As a result, the Company consolidated its position in a relatively flat market.



OPERATING PROFIT –
CONTINUING OPERATIONS (£'M)

In Germany, new product introductions were the major factor in a sales increase of 90% over the previous year. In Eastern Europe sales were ahead by 16%, while sales to Africa rose by 25%. However, aggressive pricing by competitors and a weak economy led to sales to France being 14% lower than the previous year.

In Australia the new subsidiary continued to make good progress, while in New Zealand the business did well to retain its levels of profitability in a challenging market. These are both key areas for growth as new, country specific products are introduced, particularly in the fast growing Australian market.

A contributing factor to excellent international results was the high performance foil range, which was introduced during 1995. This range of products made a big impact world-wide, accounting for 23% of total sales for the year, and averaging 35% in the final quarter. These products are central to the product rationalisation programme which is aimed at improving customer service levels, first time performance, and increased production runs.

In addition to the BS7750 award, Whiley has recently received the "Investors in People" qualification.

DRI-PRINT FOILS, INC.

Based in New Jersey USA, Dri-Print is involved with the production of hot stamping foils and speciality formulations which achieved strong sales increases across the range, particularly in products with security and protective coatings applications. Anti-counterfeiting devices continue to be a major growth area. The Research and Development function has added new products, including the launch of engraveable foils.

The recent investment in new slitting equipment and plant layout improvements have been designed to maintain a low cost manufacturing base. This will be further strengthened next year with the purchase of a new high speed coating line and abatement equipment endorsing our culture for continuous improvement. The trend during the year to examine processing methods and procedures has resulted in considerable speed improvements with superior quality. Actions in right first time, waste reduction and line running speed improvements continue to reduce manufacturing costs.

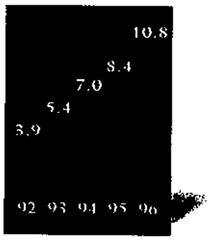
HENRY & LEIGH SLATER LIMITED

The businesses under this operating company fall into two distinct market categories of lamination and metallisation.

LAMINATION: The past year has been one of further progress, the fifth successive year of growth in both sales and profit. The volatility in raw materials witnessed over the past few years extended into the beginning of the year, which resulted in continued margin pressure. During the year raw material prices reached a plateau before declining and appear to have stabilised.

The introduction of new products and an increase in export sales, together with further improvements in efficiency have enabled the business to achieve an overall margin improvement despite these market conditions.

METALLISATION: This new facility effectively commenced production during the last quarter of the financial year and is now selling high quality material in commercial quantities. The project has been commissioned and completed at a cost of £6.8m compared with the £7.0m budgeted. Against the original target the plant was three months late in being commissioned, due entirely to the time taken by certain equipment manufacturers to complete the installation to our demanding standards.



PROFIT BEFORE TAX
(£'M)

Initial marketing has been well received and the plant is able to offer a range of high quality products which are gaining acceptance world-wide. Although the actual start up of the plant was behind schedule, the ramp up of sales is in line with original expectations. We are currently in negotiations with major customers for contractual volumes for 1997 and this, taken with the actual sales build up, gives renewed confidence that the plant will be a significant contributor to group profitability in the coming years.

PEERLESS FOILS LIMITED AND DATA-LABEL LIMITED

Following the acquisition of Data-Label in July 1995, the two companies joined together to form the Variable Information Printing business of the API Group. Year on year, sales increased by 16%, which again was a good performance in a specialised sector.

In addition to the manufacture of coding foils, Peerless introduced an environmentally friendly range of thermal transfer ribbons.

Data-Label is concentrating on marketing variable print and tracking systems providing UK customers with a single source supplier in terms of hardware, software and relevant print consumables, including self-adhesive labels, thermal transfer ribbon and coding foil.

CONVERTED FILM, PAPER PRODUCTS AND OFFICE CONSUMABLES

These activities include Leonard Stace, Tenza, and the Learoyd Division.

During the year operating profits increased by 37% to £5.0m (1995: £3.7m) on sales 26% higher at £42.4m (1995: £33.7m). The acquisition of Learoyd Packaging Group in May 1996 contributed sales of £4.3m and operating profits of £0.8m, in a four month period. Operating margins excluding Learoyd improved to 11.2% (1995: 10.9%); including Learoyd, which independently produces operating margins of around 18.0%, the overall operating margin improved to 11.9% (1995: 10.9%).

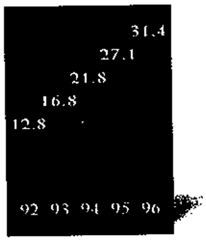
LEONARD STACE LIMITED

The production of speciality coated films and paper is centred on Leonard Stace. The year under review fell into two distinct parts, for in the first half customer destocking produced a slowing of activity but Stace showed reasonable sales and profit increases, raising market share and maintaining margins. In the second half Stace recorded a marked improvement in sales levels, and profitability, as raw material prices stabilised and margins improved.

The other main reason for the margin improvement emanates from our strategic decision to form customer partnership arrangements, focusing on total service, whilst also co-operating closely with suppliers.

Following the complete integration of the Arnold Bedford business into the Cheltenham operation of Stace at the end of 1994/95, the group Filmic Coatings operation was relocated from Bristol at the end of the first quarter. This move was completed on time and within budget, and following a period of extensive machinery upgrade and staff training, the API Coatings operations have been fully combined into the upgraded and extended Cheltenham manufacturing facility. Considerable progress has been made during the year in gaining the improvement in productivity necessary to handle the increased volumes and generate future additional capacity.

Under an exclusive license with a major USA corporation, Stace is now manufacturing and marketing filmic anti-corrosion products for use in the automotive, engineering and computer industries. This range complements Stace's well established range of Corotex anti-corrosion papers, and will allow



Earnings per Share
(pence)

increased penetration of the European markets. In addition, Stace has added a novel range of paper release liners which provide exceptional benefits to end users who seek improved gloss, dimensional stability and temperature resistance. This UltraSil range utilises UV-cured lacquers and silicones which exploit the capabilities of our upgraded coaters.

Stace has also evolved a range of fire retardant products which can, amongst other uses, be used as a temporary covering particularly during refurbishment work. This patented technology exceeds the performance criteria laid down by the relevant regulatory bodies. Other applications for the technology have been identified and will be evaluated as part of ongoing product development.

Tenza Limited

This company is involved in the manufacture of a broad range of pressure sensitive products and materials. Sales grew steadily last year, resulting in an increase in operating profits, but margins came under pressure due to product mix.

Approximately 50% of production is exported, with major new areas last year including South America and Australia, where a new company has been formed to promote the complete product range.

In line with other group companies, Tenza was awarded BS7750 and is now working towards "Investors in People" certification.

Learoyd Group

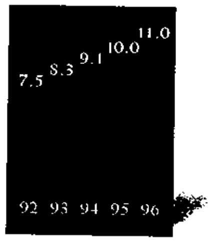
The acquisition of the Learoyd Group in May has given the opportunity to form a new division consisting of the Packaging business in the UK and the USA, Morris Plastics and Filmcast Extrusions in the UK.

Learoyd Packaging Limited: Excellent progress has been established at Learoyd's UK operation based at Burnley, where the company is involved in the production of plastic products for the toiletry, food, textile and tamper evident security packaging markets. Enterprising developments continue to underpin this growth in domestic and international markets and the company is expected to make a strong contribution to Group profits in the current financial year.

Morris Plastics Limited: Based in Yorkshire, the company achieved another year of solid progress where new supply contracts in the home furnishing, electrical and louvre blind markets are expected to provide substantial sales growth in the current year. Development of the manufacturing site and the management team continues with strong emphasis on zero defects in production.

Filmcast Extrusions Limited: Based in Lancashire, the company is involved in the production of polypropylene for the packaging industry. During the year the company continued to make excellent progress with strong growth in both sales and profits. Although the business only commenced production in 1994, the last few months have generated very encouraging results which can be enhanced following integration within the API Group. Expansion of the customer base continues and further site development is planned for the current year which will provide the opportunity to maximise output, sales and profits.

Learoyd Packaging (USA) Inc.: With headquarters in Atlanta, the company is benefiting from buoyant market conditions as the markets for security packaging and tamper evident materials grow strongly. The strategic marketing alliances formed with two major USA corporations has proved positive and further recruitment of sales and marketing personnel is planned for the current year to maximise the market opportunity for our products in the USA.



DIVIDEND PER SHARE
(PENCE)

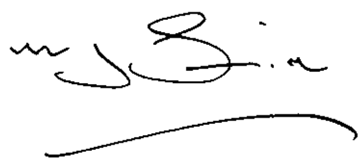
PROSPECTS

The culture we have fostered at API is one of focused, creative and prudent planning matched with a strong desire to be a most cost effective and efficient supplier of our products world-wide. Given the healthy order book and the encouraging start to the year, it is anticipated that the Group will make further progress in the current year. Currently, prices of most of our major raw materials have stabilised and in conjunction with this, efficiency gains and material re-specifications should enable us to improve margins.

In addition, we will enjoy a full twelve month contribution from the Learoyd acquisition, which is performing ahead of expectations, and although we do not expect any profit from our major new investment in the Metallised Paper plant until the second year of operation, on the basis of current trading, we should meet that objective.

Further inroads into emerging markets will be made and having drawn up a shortlist of joint venture candidates for the Far East markets, we will soon be evaluating our strategy to fulfil the potential of our products. The strong balance sheet and cash resources will allow appropriate investment in further acquisitions and new equipment as and when opportunities arise.

All of these factors, complemented by a very determined, dedicated team of employees gives confidence to the expansion plans of API.



MICHAEL J SMITH Group Chief Executive 20 December 1996

Financial Review

The Trading Results of the business and the headline results for the year under review are reported in both the Chairman's and Chief Executive's reviews. The purpose of the financial review is to give broader and deeper financial information to shareholders and to explain as much as possible the detail behind the figures. In particular, detailed information will be provided on cash flow, working capital management, treasury and taxation.

Cash Flow

The Group cash flow statement is set out in full on page 36. Our net cash position at the year end has improved greatly this year, principally as a result of the share placing in May 1996, as the following tables indicate:

Cash deposits and borrowings comprise:	1996 £'m	1995 £'m
Cash and deposits	10.8	5.9
Loans repayable after more than one year	—	(8.5)
Net cash/ (borrowings)	10.8	(2.6)

The cash inflow in the year of £13.4m can be analysed as follows:	£'m
Cash inflow from operating activity (net of interest)	8.9
Dividends and taxation	(4.9)
Net inflow from ongoing activity	4.0
Acquisitions	(1.7)
Net capital expenditure	(6.6)
Issue of shares	17.7
Net inflow	13.4

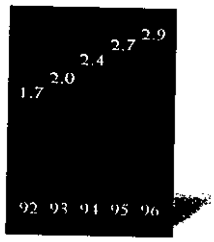
An inflow of £4.0m has been achieved from ongoing activity. £17.0m has been raised from the open offer element of the share issue and a further £0.7m from the exercise of share options which has been used to repay Group indebtedness and provide additional funds to invest in the growth of API Group. The £20m acquisition of Learoyd Group Ltd and Learoyd Packaging (USA) Inc. had no impact on the cash flow being satisfied by the issue of 3,252,033 vendor placing shares (and hence is not reflected in the cash flow summary above).

Full details of acquisitions spend are shown in note D to the cash flow statement.

Working Capital

	1996 £'m	1996 Net of Acquisition £'m	1995 £'m
Stock	12.2	10.2	9.3
Debtors	37.0	34.5	28.8
Creditors	(37.5)	(34.5)	(31.9)
Total	11.7	10.2	6.2

Net of acquisitions working capital represents 8% of annual sales (1995: 6%).



DIVIDEND COVER
(TIMES)

Excluding acquisitions stock turn has improved by 6% on last year. Debtors are £5.7m up on last year with £1.3m of this reflecting increased trade. The remaining increase is due principally to phasing of receipts with the year end not being co-terminous with a calendar month end. Creditors are £2.6m up on prior year with tax and dividends £1.4m up and £1.2m reflecting increased trading activity in the last quarter.

The Group continues to protect most of its exposure to potential bad debts through the use of credit insurance.

TREASURY AND FUNDING

The Group continually reviews it's interest rate management and control over treasury management is exercised by the Board through the setting of policy and review of rolling cash flow forecasts. The net interest charge for the year of £0.13m is broadly in line with 1995 (£0.09m) in spite of investment expenditure totalling £22.7m in the past two years (inclusive of £3.3m debtor build on acquisition of J & J Makin in 1995). This is due in part to capitalisation of £0.6m interest over the same period in respect of the metallisation plant investment and share issue proceeds of £17.7m in the current year.

Appropriate policies are agreed to ensure that the Group has sufficient liquidity and can implement it's investment activities without funding constraint.

Sales in overseas currencies are hedged by six month rolling contracts and, where appropriate, a proportion of foreign currency investments are covered by borrowings in local currency.

TAXATION

The current year effective tax rate of 30.0% is in line with last year and is expected to remain around 30% for the next 3 years reflecting investments in capital expenditure, both planned and currently being undertaken, with timing differences not expected to reverse in the foreseeable future.

SHAREHOLDERS' FUNDS

The reconciliation of movements in shareholders' funds is shown on page 38.

Shareholders' funds increased by £28.6m in the year with £4.8m profit after dividends transferred to reserves, £37.7m increase in funds resulting from share issues and £0.3m surplus on revaluation offset in part by the write off of £14.4m goodwill resulting from the acquisition of Learoyd Group Ltd and Learoyd Packaging (USA) Inc.

DENNIS J HOLT Group Finance Director 20 December 1996

Directors & Advisers

Directors
J M Woolley, Chairman*
M J Smith, Group Chief Executive
D J Holt, ACMA, Group Finance Director
J F Adey, MA, MBA*
J N Sheldrick, MA, MSC, FCMA*
non-executive

Secretary
T K Johnston, LLB

Registered Office: Silk House , Park Green, Macclesfield,
Cheshire SK11 7NU.

Registered Number: 169249

Bankers
Barclays Bank PLC, Park Green, Macclesfield, Cheshire SK11 7ND

The Royal Bank of Scotland PLC, Sidlaw House, Almondvale North,
Livingston, West Lothian EH45 6QA

Registrars and Transfer Agents
Independent Registrars Group Limited, Bourne House,
34 Beckenham Road, Beckenham, Kent BR3 4TU

Auditors
Ernst and Young, Chartered Accountants, Commercial Union House,
Albert Square, Manchester M2 6LP

Solicitors
Addleshaw Sons & Latham, Dennis House, Marsden Street,
Manchester M2 1JD

Stockbrokers
Credit Lyonnais Laing, Broadwalk House, 5 Appold Street,
London EC2A 2DA

Henry Cooke, Lumsden & Co, 1 King Street, Manchester M2 6AW

Merchant Bankers
Baring Brothers & Co Limited, 8 Bishopsgate, London EC2N 4AE

Directors' Report

The Directors present their annual report and the audited accounts for the year ended 28 September 1996.

Results and Dividends

The Group results for the year, together with the appropriations made and proposed, are set out in the Group profit and loss account on page 33. Profit before taxation was £10.8m (1995: £8.4m). After taxation, distributable profit amounted to £7.6m (1995: £5.9m) and from this amount dividends of £21,000 (1995: £21,000) have been paid on the preference share capital of the Company. The earnings per ordinary 25p share have increased from 27.11p in 1995 to 31.44p in 1996 and the Directors recommend a final dividend of 6.52p per ordinary share making a total for the year of 11.00p (1995: 10.00p). If approved the final dividend will be paid on 10 February 1997 to Shareholders on the register on 8 January 1997.

Activities

API Group plc is a holding company.

The Group operates in the following markets: foils and laminates and converted film, paper products and office consumables.

A review of activities is contained in the Group Chief Executive's Review on pages 9 to 14. An analysis of turnover, operating profit and net operating assets by geographical area and by activity is set out in note 2 on page 40. The principal companies are listed on page 52. Throughout the Group each operating company devotes appropriate resources to product research and development. Attention is also given to market research to find opportunities for the development of new products and processes.

Fixed Assets

Gross expenditure in the year amounted to £7.1m (1995: £7.3m). Capital commitments at 28 September 1996 amounted to £0.8m (1995: £1.3m) . The Group's land and buildings were last professionally valued as at 28 September 1996 on the basis of open market value for existing use. The valuation of the UK properties was carried out by Edward Rushton Son & Kenyon in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. The valuation of the USA property was carried out by AF Appraisal Company (professional valuers).

Acquisitions

In May 1996 the Company acquired the share capital of Learoyd Group Limited and Learoyd Packaging (USA) Inc. for a total consideration of £22m. Of this value £20m was satisfied by the allotment and issue of shares in the Company as a result of a vendor placing. Additional cash consideration of up to £2m will become payable following the first anniversary of the acquisition if certain profit targets are achieved and certain key executives have remained with Learoyd Group.

Share Capital

Full details of shares issued during the year are shown in note 18 on page 47. On 23 May 1996 a placing and open offer of 6,219,562 new shares was underwritten at 615p per share.

Directors

The Directors of the Company are shown on page 17. Information about the Directors is set out below and details of the remuneration and service agreements of the Directors are set out in the Report of the Remuneration Committee to Shareholders on pages 28 to 32.

Moger Woolley, 61, was until 1989 Chief Executive of DRG plc, and he joined the Board on 6 February 1992. He is Chairman of Brunel Holdings plc and Floral Street plc, and a director of Staveley Industries plc and Bristol Water Works plc. He is a Board and Council member of Bristol University.

Michael Smith, 50, has held key senior Chief Executive positions for 22 years. At 28 he became Managing Director of the USA listed multinational Dennison Company, with responsibility for their European office products activities. For 12 years he worked for Avery International, a Fortune 500 Corporation, ultimately becoming Vice President/General Manager and main Board Corporate Officer of their labelling, machinery, office products and licensee operations. Prior to joining API on 1 June 1992 as Group Chief Executive, he was Chief Executive of the Jefferson Smurfit Group plc UK print, packaging and converting companies.

Dennis Holt, 52, is a Chartered Management Accountant and joined the Board on 17 September 1990 as Group Financial Director. Prior to joining API, he was formerly Finance Director of The East Lancashire Paper Group plc from 1975 to 1985 and Microvitec plc from 1985 to 1990, both publicly quoted companies.

John Adey is aged 55 and joined the Board on 13 October 1987. He has an MA from Oxford University, an MBA from Harvard Business School and is a qualified mechanical and electrical engineer. He has had wide experience of industrial and manufacturing companies. He was formerly Chairman of Baxter Healthcare Limited, the UK subsidiary of Baxter International Inc. and is now Chief Executive of the National Blood Authority.

John Sheldrick is aged 47 and joined the Board on 10 February 1995. He has an MA from Cambridge University, an MSc in Management Sciences from the University of Manchester Institute of Science and Technology and is a Chartered Management Accountant. Mr Sheldrick is an executive director of Johnson Matthey plc with responsibility for finance, technology, planning and systems and, prior to joining Johnson Matthey plc in September 1990, he was the Group Treasurer of The BOC Group plc.

The Director retiring by rotation is Mr D J Holt who, being eligible, offers himself for re-election. The non-executive Directors of the Company are Mr J M Woolley, Mr J F Adey and Mr J N Sheldrick.

DIRECTORS' INTERESTS

The interests of the Directors, as defined by the Companies Act 1985, in the issued shares and share options of the Company are set out in the Report of the Remuneration Committee to Shareholders on pages 28 to 32.

Apart from service contracts, no contracts subsisted at any time during the year between the Company or its subsidiary undertakings and any of the Directors or their families or connected persons which would require disclosure.

PENSIONS

The Group has two funded pension schemes in the UK, the principal scheme being the API Group plc Pension and Life Assurance Fund, the other being a small insured scheme operated by Learoyd Packaging Ltd. A full actuarial valuation of the API Fund was undertaken as at 3 April 1993 and reviewed as at 2 April 1994, 1 April 1995 and 30 March 1996 by Watson Wyatt Partners, Independent Consulting Actuaries. The valuation and reviews confirmed that, on an ongoing basis, the assets of the API Fund exceeded its liabilities and that Company contributions into the API Fund by the Company and its subsidiaries could remain suspended, with the exception of Tenza Limited who continued to pay contributions throughout the financial year, all in accordance with the advice of the Fund's Actuaries. A formal actuarial valuation of the API Fund as at 30 March 1996 is currently being undertaken.

The Group continues to pay pensions under three unfunded non-contributory pension schemes, membership of which is now closed. The charge to profits for the year to 28 September 1996 in respect of these unfunded schemes amounted to £28,000 (1995: £34,000).

Dri-Print Foils, Inc. has three funded pension plans. Total contributions for the period ended 28 September 1996 were £111,000 (1995: £154,000) and contributions continue to be paid in accordance with the advice of independent consulting actuaries.

EMPLOYEES

The Group continues to recognise that good relationships and clear communications with employees are important elements of Group affairs. Reflecting its overall policy of decentralisation, the Company does not impose a formalised uniform policy on employee involvement in the Group. Nevertheless, each operating company is encouraged to develop its own policies and priorities to encourage their employees to be involved in their company's performance through managing for continuous improvement and participation in company bonus schemes. Furthermore, Management Resource Planning continues to be developed throughout the Group which, together with employee personal development and training, is designed to fit the qualifications, aptitude and ability of each individual employee to the appropriate job and to provide equal opportunity for personal development regardless of sex, religion or ethnic origin.

The Group endeavours to employ and train disabled people whenever their aptitudes and abilities allow and suitable vacancies are available.

GROUP ENVIRONMENTAL POLICY

It is the policy of the Group that in the operations of its subsidiary undertakings, due regard and care is taken of the effects on the environment of each company's products and manufacturing processes. Applications have been made or are currently being considered by the UK companies for accreditation under the British Environmental Standard BS7750. Whiley Foils Ltd, Peerless Foils Ltd and Tenza Ltd have already received accreditation and it is expected that all remaining UK operating companies will have applied for accreditation within the next twelve months.

BOARD COMMITTEES

An Audit Committee of the Board, which comprises solely the non-executive Directors, is chaired by John Sheldrick with the Company's Auditors normally in attendance. The Audit Committee reviews the internal and external audit activities, monitors compliance with statutory requirements for financial reporting, and reviews the half year and annual financial statements before they are presented to the Board for approval.

A Nomination Committee of the Board, comprising the Chairman, the Group Chief Executive and one non-executive Director, is responsible for nominating candidates (both executive and non-executive) for the approval of the Board to fill vacancies or appoint additional persons to the Board and to consider and make recommendations regarding the composition and balance of the Board.

Details of the Remuneration Committee of the Board and its activities are set out in its first Report to Shareholders on pages 28 to 32.

The Group Company Secretary acts as Secretary to the Committees and keeps appropriate records of their proceedings.

SUBSTANTIAL INTERESTS IN SHARES OF THE COMPANY

The Company has been notified of the following substantial interests in the issued preference and ordinary shares of the Company as at 20 December 1996:

	%
PREFERENCE SHARES	
Jove Investment Trust plc	34.60
The Investment Company plc	22.58
Danae Investment Trust plc	18.21
Aboyne-Clyde Rubber Estates of Ceylon plc	8.07
Birchin Lane Nominees Limited	4.55
ORDINARY SHARES	
Lloyds TSB Group plc*	14.12
M & G Group plc (including M & G Investment Management Limited which is the investment management subsidiary)	10.85
Standard Life Assurance Company and subsidiaries	7.65
Edinburgh Fund Managers plc*	6.38
Framlington Investment Management Limited*	4.62
Sun Life Holdings plc and subsidiaries	4.03
General Accident plc	3.40
Mercury Asset Management*	3.24
Prudential Corporation plc*	3.14
Norwich Union Life Insurance Society	3.01

* Funds managed or advised by

Except as disclosed above, the Directors are not aware of any interests amounting to 3% or more in any class of share of the Company.

AUTHORITY TO ALLOT SECURITIES

The existing Directors' authority and power to allot securities in the Company will expire at the conclusion of the forthcoming Annual General Meeting. Accordingly an ordinary resolution (resolution 6) will be proposed at the Annual General Meeting to grant the Directors a new general authority to allot securities until the conclusion of the 1998 Annual General Meeting. If resolution 6 is passed, the number of ordinary shares authorised to be allotted will be 9,217,382 being 32.8% of the issued ordinary share capital as at 20 December 1996. The Directors have no present intention of issuing any part of the unissued share capital other than for the purpose of issuing shares in accordance with the rules of the Executive Share Option Schemes of the Company.

Additionally, a special resolution (resolution 7) will also be proposed at the Annual General Meeting to confer on the Directors, for a period of 15 months or, if earlier, until the conclusion of the 1998 Annual General Meeting, the power to allot securities for cash other than *pro-rata* to existing holdings. If passed, resolution 7 will give to the Directors the power to allot securities in connection with a rights issue and shares for cash up to an aggregate nominal amount of £351,245 (equivalent to 1,404,980 ordinary shares) being approximately 5% of the issued ordinary share capital as at 20 December 1996. The Directors believe it is in the interests of Shareholders that they should be given this limited power, providing them with a prudent measure of flexibility to act in the Company's interests.

PAYMENTS TO SUPPLIERS

The Group's policy is normally to pay suppliers according to agreed terms of business. These terms are agreed with suppliers upon entering into binding contracts and the Group's policy is to adhere to the payment terms providing the supplier meets its obligations.

CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group during the year amounted to £5,660 (1995: £4,596). There were no political donations.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as Auditors and in accordance with Section 384(1) of the Companies Act 1985 a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By order of the Board
T K JOHNSTON, LLB Secretary   Macclesfield   20 December 1996

Corporate Governance

The Board continues to support the principles contained in the Cadbury Committee's Code of Best Practice.

Code of Best Practice

For the financial year ended 28 September 1996, the Company complied fully with the Code of Best Practice.

The Company's Auditors, Ernst & Young, have reviewed compliance with specific matters in the Code which the London Stock Exchange requires auditors to review and their report to the Directors is reproduced on page 26.

The statement below covers some areas of governance in more detail.

The Board of Directors

The Board meets on a regular basis. There is a clear division of responsibility at the head of the Company with a non-executive Chairman and a full time Group Chief Executive. The Board has a formal schedule of reserve powers, a procedure for Directors to obtain independent legal advice and all Directors have unrestricted access to the Company Secretary. The Board currently comprises a non-executive Chairman, two full time executive Directors and two non-executive Directors. It is the Board's policy to maintain an appropriate balance between executive and non-executive Directors.

Non-executive Directors

Details of the non-executive Directors are given on page 19 of the Directors' Report. Non-executive Directors do not participate in the Company's share option schemes or senior executive bonus scheme and their service is non-pensionable.

Executive Directors

Details of the executive Directors are given on page 19 of the Directors' Report. The remuneration of the Directors and other matters, including terms of service contracts, are determined by a Remuneration Committee, whose first Report to Shareholders is given on pages 28 to 32.

Board Committees

Details of the Remuneration Committee, the Audit Committee and the Nomination Committee are given on page 20 of the Directors' Report and in the Report of the Remuneration Committee on pages 28 to 32. These Committees are an important element of the Board's compliance with the Code and reflect the Board's approach to Corporate Governance issues.

Internal Financial Control

The Board has overall responsibility for ensuring that the Group maintains a system of internal financial control and has formally reviewed the effectiveness of the internal financial control system of the Group for the year ended 28 September 1996. Internal control systems, by their nature, can provide reasonable, but not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key internal financial control procedures which the Board has established and which operated throughout the period covered by the financial statements are as follows;

CONTROL ENVIRONMENT

There is a clearly defined organisational structure in which levels of authority and accountability are well defined.

Businesses operate within a framework of procedures laid down in written manuals and the Group's personnel are required to comply with these procedures as relevant to their functions and responsibilities. Financial reporting follows generally accepted accounting practice in all areas.

IDENTIFICATION AND EVALUATION OF RISKS AND CONTROL OBJECTIVES

The process of risk assessment and the evaluation of its related financial impact is an ongoing process reflected in decision-making at Group and operating levels. Central review and approval procedures are in place in respect of major areas of risk such as acquisitions and disposals, major contracts, capital expenditure, litigation, treasury management, taxation and environmental issues. Wherever practical, duties are segregated and a high degree of management control is also exercised through review by executives of historical and forecast financial information. Conformity with procedures is monitored on an ongoing basis with operating units required to submit a detailed confirmation of compliance by reference to control checklists.

INFORMATION AND COMMUNICATION

Comprehensive information systems are maintained at Group and operating unit level and are subject to scrutiny by the Board of the Company as follows;

- Detailed budgeting systems with an annual budget approval
- Monthly consideration of actual results compared with budgets and forecasts
- Monthly review of rolling profit and cash flow forecasts
- Monthly review of the Group capital expenditure plan
- Reporting of legal and accounting developments

Regular executive and Board meetings and ongoing site based operational reviews are held with a view to ensure variances and discrepancies being identified and investigated on a timely basis. The Group also reports to Shareholders half yearly.

CONTROL PROCEDURES

Extensive systems of internal financial control (including information system control) are operated throughout the Group with authority levels established, designed to limit exposure. There is recognition of personal responsibility and accountability by the management team members of the individual operating units. Detailed control checklists are required to be signed both monthly and for other periods as tasks are completed in accordance with the Group's policy manual. Compliance with legislation is closely monitored, including compliance with environmental legislation.

MONITORING AND CORRECTIVE ACTION

An internal audit function has been introduced during the year in order to review, on behalf of the Board (and reporting directly to the Audit Committee) the Group's system of internal financial control.

Review of the control checklists and comprehensive management information is performed on a timely basis. Any significant weaknesses are brought to the attention of the Audit Committee and the Board and corrective action agreed and implemented. The control checklists are reviewed and substantially verified by the internal audit function and also by the external Auditors of the Company as part of their annual statutory audit. The Auditors report to the Audit Committee.

GOING CONCERN

The Directors consider that, after making appropriate enquiries and at the time of approving these financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors therefore continue to adopt the going concern basis in preparing these financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates which are reasonable and prudent
- State whether applicable accounting standards have been followed
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors confirm that these financial statements comply with the above requirements.

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

AUDITORS' REPORT TO API GROUP plc

ON CORPORATE GOVERNANCE MATTERS

IN ADDITION to our audit of the accounts we have reviewed the Directors' statement on pages 23 to 25 on the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board and assessed whether the Directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control, of its corporate governance procedures nor on the ability of the Group to continue in operational existence.

OPINION

With respect to the Directors' statement on internal financial control on pages 23 to 24 and going concern on page 25 in our opinion the Directors have provided the going concern disclosures required by paragraph 4.6 of the Code and have explained the extent of their compliance with the disclosures on internal financial control required by paragraph 4.5 of the Code (as supplemented by the related guidance for Directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 23 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young

ERNST & YOUNG Chartered Accountants Manchester 20 December 1996

AUDITORS' REPORT

TO THE MEMBERS OF API GROUP plc

WE HAVE AUDITED the accounts on pages 28 to 52 which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings and on the basis of the accounting policies set out on pages 39 to 40. We have also examined the amounts disclosed relating to the emoluments, share options and Long Term Incentive Scheme interests of the Directors which form part of the Report to the Shareholders by the Remuneration Committee on pages 28 to 32.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described above, the Company's Directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group'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 accounts 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 accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 28 September 1996 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

ERNST & YOUNG Chartered Accountants, Registered Auditor   Manchester   20 December 1996

Remuneration Committee Report

to Shareholders

The Report of the Study Group chaired by Sir Richard Greenbury on Directors' Remuneration contains recommendations and a Code of Best Practice on the setting, monitoring and disclosure of the remuneration of Directors of listed companies.

Under the London Stock Exchange Listing Rules, the Remuneration Committee, on behalf of the Board of the Company, is now required to report to Shareholders on a number of key considerations affecting the Board's policy on Directors' remuneration as well as to provide additional information analysing each element of individual Directors' remuneration packages.

The Remuneration Committee (" the Committee") is pleased to present this first annual report to Shareholders.

The Role of the Committee

The Committee comprises all the non-executive Directors of the Company and is chaired by the Chairman, Mr Moger Woolley. Although not a member of the Committee, on occasions and for matters not related to himself, the Group Chief Executive may be invited to attend meetings and he is consulted by the Committee on proposals relating to the remuneration of the other executive Director and members of the senior management teams of the subsidiary companies.

The Company complies with the recommendations of the Greenbury Committee relating to remuneration committees now incorporated in Section A of the best practice provisions annexed to the Listing Rules of the London Stock Exchange. In formulating remuneration policy the Committee gives full consideration to the best practice provisions set out in Section B.

The remuneration of non-executive Directors other than the Chairman, is reviewed and determined by the Chairman and Group Chief Executive. The remuneration of the Chairman is reviewed and determined by the other non-executive Directors and the Group Chief Executive.

Remuneration Policy

The Committee recognises that, in order to attract and retain a senior management team which will secure maximum Shareholder value, it is necessary to have a competitive pay and benefits structure and it is the Committee's policy to maintain such a structure. To assist with this, the Committee receives regular advice from an independent consultant on the pay and incentive arrangements prevailing in comparably sized industrial companies. The Committee also uses, for guidance, published job matched surveys of similar companies and specific surveys are also commissioned. The remuneration of the executive Directors is determined by reference to that policy and following a review of the performance of each executive Director.

Executive Directors' Emoluments

The components of the remuneration packages for the executive Directors are as follows:

1. A Basic Salary – which is fixed by reference to the advice of the independent consultant and takes into account the market level for jobs with similar responsibilities in an appropriate comparator group. Basic salary is normally reviewed as at 1 October each year and takes account of individual performance during the year.

2. An Annual Bonus – which is paid as a percentage of basic salary under the terms of the Company's Executive Bonus Scheme. The executive Directors' bonus awards are based on the consolidated profit before tax (PBT) of the Company and its subsidiaries as compared with the PBT for the prior year and the annual budget. Under the rules of the scheme, an annual bonus payment of 20% of basic salary is normally paid as a profit-related element, if the Group meets the annual budget, and this may rise to a maximum of 25% of basic salary if other performance objectives are achieved. There will be no payment of the profit-related element if performance is below an agreed level above PBT for the previous year. The Committee retains an overall discretion in determining the amount of the bonus payments taking into account the above

factors. The bonuses paid to executive Directors in 1995/6 in respect of 1994/5's results averaged 25% of salary at 30 September 1995.

3. A LONG TERM INCENTIVE SCHEME (LTIS) – During 1995/6 a LTIS was introduced to motivate and reward the most senior executives of the Company and its subsidiaries for the achievement of longer term objectives leading to enhanced Shareholder value.

The LTIS is operated through an employee benefit trust. The trustee of that trust, acting with the consent of the Committee, is responsible for making awards under the LTIS.

The LTIS is designed to reward the senior executives who, in the Board's opinion, have primary responsibility for improving the performance of the Group, if they succeed in doing so over the three financial years of the Company commencing on 1 October 1995 and ending on 3 October 1998. There are approximately 20 such senior executives including the two executive Directors of the Company, Michael Smith and Dennis Holt.

If certain conditions (relating to the Group's performance over the three year period) are satisfied, a participating executive may, at the end of that period, be awarded (without payment by him) fully paid ordinary shares in the Company. Those conditions are that, throughout the three year period, all Group companies have complied with their respective banking covenants and that, over that period, there has been a significant increase in the Company's earnings per share (as adjusted) in each of the financial years ending 28 September 1996, 27 September 1997 and 3 October 1998 and must be at least 15 per cent compared with the level achieved in the financial year ended 30 September 1995. For the three year period as a whole, earnings per share (as adjusted) must have risen by at least 52 per cent.

The number of fully paid ordinary shares in the Company which may be awarded to a participant if the conditions are met will be determined by reference to the average of the participant's annual rate of basic salary currently in force as at 1 October in each of the years 1996 and 1997. An executive Director will be eligible for an award of ordinary shares having a market value, at the time of the award in 1998, equal to 60 per cent of his average basic salary and other participants will be eligible for awards of shares to the value of 30 per cent of their average basic salary.

Awards will be made following the announcement of the Group's results for the year ending 3 October 1998. If an award is made, the participant will receive half the shares immediately but will, in normal circumstances, only receive the other half of the shares if he continues to be employed until 2 October 1999.

4. SHARE OPTIONS – Under the Company's executive share option schemes, executive Directors and senior executives may be granted options to subscribe for ordinary shares in the Company after a period of three years or five years from the date of grant. The exercise of options granted before 8 February 1993 is not conditional upon the achievement of any performance criteria, but options granted subsequent to 8 February 1993 are conditional upon the achievement of certain performance criteria. Under the rules of the schemes as adopted by Shareholders in 1993 there were three classes of options. "Class 1 Options" can normally only be exercised if, in any period of three consecutive financial years commencing no earlier than the beginning of the financial year in which the option is granted, the earnings per share of the Company have increased by a percentage being no less than the percentage increase in the Retail Price Index during such three financial years (as determined by the Auditors of the Company). "Class 2 Options" were options to be granted at an option price less than market value at the date of grant. No Class 2 Options have been granted and following the Finance Act 1996 the schemes were amended on 19 July 1996 to delete the power to grant Class 2 Options. "Class 3 Options" can normally only be exercised if, in any period of five consecutive financial years commencing no earlier than the beginning of the financial year in which the option is granted, the increase in the earnings per share of the Company has been such as to place the Company in the top quartile of the FTSE 100 companies by reference to increase in earnings per share during such five financial years (as determined by the Auditors of the Company). No Class 3 Options have yet been granted and all options granted since 8 February 1993 are Class 1 Options. Details of options granted to Directors during the year, if any, are given later in this report.

5. PENSIONS AND LIFE ASSURANCE – executive Directors participate in a contributory final salary pension scheme which is Inland Revenue approved. The scheme provides, at normal retirement age and subject to length of service, a pension of up to two thirds of pensionable salary at retirement subject to a minimum of 20 years service with the Group and subject to Inland Revenue limits and other statutory rules. Pension entitlement is calculated by reference to basic salary only (subject to the earnings cap for pension purposes) and neither annual bonuses nor benefits in kind are pensionable. Service as a non-executive Director is not pensionable. Life assurance cover is provided based on four times the capped salary except in the case of the Group Chief Executive who, under the terms of his service agreement, is entitled to life assurance cover of four times his full basic salary.

In addition to basic salary, a supplementary payment is made to executive Directors based on 24% of the difference between the earnings cap and the basic salary in order to allow the executive Directors to make their own additional pension provision.

Because of the funding position of the pension scheme, the Company's contributions made during the year ended 28 September 1996 were nil (1994/5: nil). In accordance with the recommendations of the Greenbury Study Group the Institute of Actuaries and the Faculty of Actuaries have published a report, setting out their recommendations on the disclosure of Directors' pensions. The London Stock Exchange has issued a consultative document which proposes certain amendments to the Listing Rules; the results of the consultation are awaited. Pending the introduction of amendments to the Listing Rules, the pension figures included in the emoluments tables overleaf represent the amount which the Company would have contributed to the scheme (at the overall rate for contributions to the scheme), were the Company not enjoying a contribution holiday.

6. OTHER BENEFITS – available to the executive Directors are private health care insurance and a company car, which are benefits commonly available to executive Directors of similar companies.

SERVICE CONTRACTS

EXECUTIVE DIRECTORS

Michael Smith and Dennis Holt serve under contracts which are terminable by the Company giving, in the case of Michael Smith, not less that thirty six months' notice and, in the case of Dennis Holt, twenty four months' notice. Both service contracts were entered into several years before the Greenbury Code of Best Practice was published and, in the light of the progress of the Company since their appointment, the Committee believes that it would not be appropriate at this time to seek to reduce the degree of security which the contracts confer on the executive Directors. The Committee, therefore, considers these notice periods to be reasonable in the circumstances and in the interest of the Company and its executive Directors, having regard to prevailing market conditions and current practice.

NON-EXECUTIVE DIRECTORS

The non-executive Directors, other than the Chairman, do not have service contracts, but were appointed under letters of engagement. Mr John Adey was re-appointed for a term of two years and Mr John Sheldrick was appointed for a term of three years, both expiring on 9 February 1998. Mr Sheldrick's appointment may be extended by agreement with the Board. Mr Adey will retire from the Board at the conclusion of the Annual General Meeting in February 1997.

Mr Moger Woolley serves the Company as a non-executive Director and Chairman under the terms of a service contract which may be terminated by the Company or Mr Woolley giving not less than twelve months' notice at any time. In the event of a takeover offer for the Company becoming or being declared unconditional as to acceptances, the contract provides that the notice required to terminate the contract by the Company shall be increased to twenty four months' notice.

The remuneration for the Chairman and the other non-executive Directors consists of annual fees for their services both as members of the Board and of the committees on which they serve.

Emoluments

In the year to 28 September 1996 the Group Chief Executive was the highest paid Director and his emoluments, including benefits in kind and pension augmentation costs were as follows:

	1996 £'000	1995 £'000
Emoluments	238	200
Performance-related bonus (accrued)	47	39
Remuneration as shown below	285	239

Remuneration provided for and received by each Director during the year to 28 September 1996 was as follows:

	Salary £'000	Taxable Benefits £'000	Payment Above Pension Cap £'000	Performance-Related Annual Bonus £'000	Pension** £'000	Total £'000	Total (Prior Yr) £'000
Executive							
M J Smith	188	10	26	47	20*	291	239
D J Holt	89	12	2	22	6	131	113
Non-executive							
J M Woolley	50	—	—	—	—	50	50
J F Adey	15	—	—	—	—	15	15
J N Sheldrick	15	—	—	—	—	15	10

*Pension and life assurance payments totalling £13,532 have been made in respect of M J Smith, being the cost of providing an improvement in pension benefits over the standard scheme and the cost of providing life assurance cover over the earnings cap.

**The Group currently enjoys a pension holiday in respect of employers contributions. Based on actuarial advice, the funding rate would otherwise be 7.5%. Applying this rate to the relevant capped salaries, the pension contributions for M J Smith and D J Holt for the year to 28 September 1996 would have been £6,037 each (1995: £5,827) and these notional pension contributions are included in the above tables.

Where appropriate, prior year figures in the above tables have been restated to include notional pension contributions.

As the information above is more detailed than that required by the Companies Act 1985 (the Act), Directors' emoluments in £5,000 bands, as otherwise required by the Act, are not shown.

DIRECTORS' INTERESTS

SHARE OPTIONS (CLASS 1)	DATE OF GRANT	NO. OF SHARES	EXERCISE PRICE	EXERCISABLE FROM	MARKET PRICE	DATE EXERCISED	EXPIRY DATE
M J Smith	25/12/92	56,000	211p	26/12/95			25/12/2002
	*23/06/95	40,000	454p	24/06/98			23/06/2005
		96,000					
GRANTED DURING YEAR	*03/01/96	60,000	553p	04/01/99			03/01/2006
EXERCISED DURING YEAR		56,000			600p	08/02/96	
CLOSING OPTIONS*		100,000					
D J Holt	13/07/92	24,800	183p	14/07/95			13/07/2002
	25/12/92	24,000	211p	26/12/95			25/12/2002
	*23/06/95	20,000	454p	24/06/98			23/06/2005
		68,800					
GRANTED DURING YEAR	*03/01/96	25,000	553p	04/01/99			03/01/2006
EXERCISED DURING YEAR		48,800			600p	08/02/96	
CLOSING OPTIONS*		45,000					

No options lapsed during the year. The mid-market price of the Company's shares at 30 September 1996 (28 September being a Saturday) was 685 pence and the range during 1995/96 was 504 pence to 685 pence. The mid-market price at the date of exercise of options by the executive Directors was 603p.

In addition to the share options set out above, the interests of the Directors and their immediate families in the shares of the Company, according to the register required to be kept pursuant to Section 325(1) of the Act, were as shown below:

	28.9.96	30.9.95
J M Woolley	40,000	40,000
M J Smith	27,000	25,000
D J Holt	21,000	18,000
J F Adey	55,713	52,500
J N Sheldrick	12,857	—

From 28 September 1996 to 20 December 1996 there have been no changes in the above interests.

All the above interests were beneficial at the above dates.

Save as mentioned above, no Director had any interest in any share capital of the Company or of any subsidiary undertaking or in any debenture of any group company.

Group Profit & Loss Account

For the Year ended 28 September 1996

	Note	12 Months to 28 September 1996 £'000	12 Months to 30 September 1995 £'000
Turnover			
Continuing operations		123,620	104,014
Acquisitions		4,337	—
Total Turnover	2	127,957	104,014
Cost of Sales	3	(96,512)	(77,628)
Gross Profit		31,445	26,386
Distribution costs	3	(4,983)	(3,739)
Selling and administrative expenses	3	(15,486)	(14,203)
Operating Profit			
Continuing operations		10,185	8,444
Acquisitions		791	—
Total Operating Profit		10,976	8,444
Net finance costs	5	(128)	(90)
Profit before taxation		10,848	8,354
Taxation	7	(3,249)	(2,464)
Profit for the financial year		7,599	5,890
Preference dividends	8	(21)	(21)
Profit attributable to ordinary shareholders		7,578	5,869
Ordinary dividends	8	(2,807)	(2,148)
Balance transferred to reserves	19	4,771	3,721
Earnings per ordinary 25p share	9	31.44p	27.11p

Group Balance Sheet

at 28 September 1996

	Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Tangible Fixed Assets	10		38,519		28,393
Current Assets					
Stocks	12	12,190		9,281	
Debtors	13	37,001		28,815	
Cash at bank and in hand		10,842		5,888	
		60,033		43,984	
Creditors – Amounts Falling Due Within One Year					
Creditors	14	(31,923)		(28,345)	
Short term borrowings	16	(45)		—	
Current taxation		(3,657)		(2,227)	
Dividends		(1,832)		(1,278)	
		(37,457)		(31,850)	
Net Current Assets			22,576		12,134
Total Assets less Current Liabilities			61,095		40,527
Creditors – Amounts Falling Due After More Than One Year					
Loans	16	—		(8,474)	
Other creditors	15	(1,370)		(917)	
			(1,370)		(9,391)
Provisions for Liabilities and Charges	17		(344)		(470)
Deferred Credit – Government Grants			(314)		(221)
Total Net Assets			59,067		30,445
Share Capital and Reserves					
Called up share capital	18		7,574		5,936
Share premium account	19	21,645		4,722	
Other reserves	19	2,189		1,871	
Profit and loss account	19	27,659		17,916	
			51,493		24,509
Non-Equity Shareholders' Funds		549		549	
Equity Shareholders' Funds		58,518		29,896	
			59,067		30,445

M J Smith — Group Chief Executive
D J Holt — Group Finance Director

20 December 1996

Company Balance Sheet

At 28 September 1996

	Note	1996 £'000	1996 £'000	1995 £'000	1995 £'000
Fixed Assets					
Tangible fixed assets	10		6,572		6,705
Subsidiary undertakings	11		40,319		19,909
			46,891		26,614
Current Assets					
Debtors	13	756		533	
Amounts due from subsidiary undertakings		8,799		8,438	
Cash at bank and in hand		8,253		774	
		17,808		9,745	
Creditors – Amounts Falling Due Within One Year					
Creditors	14	(2,437)		(612)	
Amounts due to subsidiary undertakings		(1,073)		(1,535)	
Short term borrowings	16	—		(1,476)	
Current taxation		(595)		(430)	
Dividends		(1,832)		(1,278)	
		(5,937)		(5,331)	
Net Current Assets			11,871		4,414
Total Assets less Current Liabilities			58,762		31,028
Creditors – Amounts Falling Due After More Than One Year					
Creditors			(67)		—
Loans	16		—		(8,474)
Provisions for Liabilities and Charges	17		(344)		(470)
Total Net Assets			58,351		22,084
Share Capital and Reserves					
Called up share capital	18		7,574		5,936
Share premium account	19	21,645		4,722	
Other reserves	19	23,554		4,368	
Profit and loss account	19	5,578		7,058	
			50,777		16,148
Non-Equity Shareholders' Funds		549		549	
Equity Shareholders' Funds		57,802		21,535	
Shareholders' Funds			58,351		22,084

M J Smith — Group Chief Executive
D J Holt — Group Finance Director

20 December 1996

CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 SEPTEMBER 1996

	1996 £'000	1996 £'000	1995 £'000	1995 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (note A)		8,926		5,955
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	112		115	
Interest paid	(240)		(88)	
Dividends paid	(2,274)		(2,040)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(2,402)		(2,013)
TAXATION				
Corporation tax paid (including advance corporation tax)		(2,520)		(2,666)
INVESTMENT ACTIVITIES				
Acquisition of businesses (note D)	(1,728)		(3,364)	
Payments to acquire tangible fixed assets	(7,071)		(7,318)	
Receipts from sales of tangible fixed assets	444		94	
NET OUTFLOW FROM INVESTMENT ACTIVITIES		(8,355)		(10,588)
NET OUTFLOW BEFORE FINANCING		(4,351)		(9,312)
FINANCING				
Issue of shares (notes 18 and 19)	17,747		364	
(Repayment of)/Increase in medium term loans (note C)	(8,474)		6,487	
Capital element of finance lease payments (note C)	(44)		—	
NET INFLOW FROM FINANCING		9,229		6,851
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (note B)		4,878		(2,461)

NOTES TO THE CASH FLOW STATEMENT

A. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £'000	1995 £'000
Operating profit	10,976	8,444
Depreciation less government grants	3,407	2,337
(Profit)/Loss on replacement of tangible fixed assets	(102)	5
(Increase) in stocks	(1,270)	(1,647)
(Increase) in debtors	(5,406)	(7,088)
Increase in creditors	1,564	4,169
(Decrease) in provisions	(243)	(265)
NET CASH INFLOW	8,926	5,955

NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

B. ANALYSIS OF INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

	1996 £'000	1995 £'000	CHANGE IN YEAR £'000
Cash at bank and in hand	10,842	5,888	4,954
Short term borrowings	(45)	—	(45)
	10,797	5,888	4,909

	1995 £'000	1994 £'000	CHANGE IN YEAR £'000
Cash at bank and in hand	5,888	8,462	(2,574)
Short term borrowings	—	(119)	119
	5,888	(2,455)	8,343

	1996 £'000	1995 £'000
Balance at start of year	5,888	8,343
Increase/(decrease) in cash and cash equivalents before adjustment for the effect of foreign exchange rates	4,878	(2,461)
Effect of foreign exchange rates	31	6
Change in year	4,909	(2,455)
Balance at end of year	10,797	5,888

C. ANALYSIS OF CHANGES IN GROUP LOAN/LEASE FINANCING DURING THE YEAR

	1996 £'000	1995 £'000
Balance at start of year	8,474	1,981
Net cash (outflow)/inflow from financing	(8,474)	6,487
Hire purchase obligations of subsidiaries acquired during the year	647	—
Inception of finance lease contracts	43	—
Capital element of hire purchase/finance lease payments	(44)	—
Effect of foreign exchange rates	—	6
Balance at end of year	646	8,474

D. ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF SUBSIDIARY UNDERTAKINGS AND BUSINESSES (NOTE 23)

1996	LEAROYD £'000	GOLD IMPRESSIONS £'000	DATALABEL £'000	TOTAL £'000
Cash consideration paid	310	131	1,925	2,366
Cash at bank and in hand acquired	(638)	—	—	(638)
Net outflow in respect of acquisitions	(328)	131	1,925	1,728

1995	J & J MAKIN CONVERTING £'000	API COATINGS £'000	GOLD IMPRESSIONS £'000	DATALABEL £'000	TOTAL £'000
Cash consideration paid	1,118	1,311	126	1,023	3,578
Cash at bank and in hand acquired	—	—	—	(214)	(214)
Net outflow in respect of acquisitions	1,118	1,311	126	809	3,364

Other Statements

Statement of Total Recognised Gains and Losses

	1996 £'000	1995 £'000
Profit for the financial year	7,599	5,890
Unrealised surplus on revaluation of properties	318	—
Currency transaction differences on foreign currency net investments	151	60
Total gains and losses recognised since last annual report and accounts	8,068	5,950

Reconciliation of Movements in Shareholders' Funds

	1996 £'000	1995 £'000
Profit for the financial year	7,599	5,890
New shares issued	1,638	46
Premium on shares issued (net of associated issue costs) – taken to share premium account	16,923	318
Premium on shares issued – taken to merger reserve	19,186	—
Goodwill written off to merger reserve on acquisition of Learoyd	(14,365)	—
Goodwill written off to profit and loss reserve	—	(3,555)
Prior period goodwill offset against merger reserve	(4,821)	—
Prior period goodwill written back to profit and loss reserve	4,821	—
Revaluation surplus	318	—
Dividends	(2,828)	(2,169)
Currency translation difference on foreign currency net investments	151	60
Net addition to Shareholders' funds	28,622	590
Opening Shareholders' funds	30,445	29,855
Closing Shareholders' funds	59,067	30,445

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following are the more important policies adopted by the Group.

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention except for the inclusion of certain assets which are at valuation and have been prepared in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The accounting dates of all companies in the Group are coterminous, and results for the year ended on the accounting date are included in the Group results in full except where subsidiary undertakings are acquired or sold during the year when results are included from or to the date of acquisition or sale. No transfer to share premium account is made on account of premiums on shares issued in consideration for the acquisition of companies which fulfil the conditions of Section131 of the Companies Act 1985 in respect of merger relief.

TURNOVER

Turnover represents amounts invoiced to third parties excluding value added tax.

FIXED ASSETS

Cost includes gross interest on capital invested in major construction projects.

DEPRECIATION

Freehold and long leasehold land is not depreciated. The cost or valuation of other fixed assets is written off in equal annual instalments over the expected useful lives as follows:

Freehold and long leasehold properties	– 14 to 50 years
Short leasehold properties	– over period of lease
Plant	– 5 to 20 years
Vehicles	– 4 years
Furniture and equipment	– 5 to 10 years

GOVERNMENT GRANTS

Government grants, being investment and development grants and energy conservation grants, received and receivable, are credited to the government grants account and are released to the profit and loss account over the estimated lives of the assets concerned.

RESEARCH AND DEVELOPMENT

Expenditure in respect of pure and applied research is charged in the profit and loss account in the year in which it is incurred.

STOCK AND WORK IN PROGRESS

Stocks are stated at the lower of cost and estimated net realisable value. Cost is determined on a first in first out basis. Cost of work in progress and finished goods comprises the cost of raw materials, direct labour and overheads attributable to the production of stock. Net realisable value comprises the estimated selling value less selling costs.

DEFERRED TAXATION

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that the liability will crystallise. Deferred taxation is not provided in respect of the effects of remitting overseas earnings to the United Kingdom.

PENSIONS

NON-CONTRIBUTORY PENSION SCHEMES:

Admission to the Group's non-contributory schemes has ceased, the principal ones ceasing admission on 31 March 1974. The provision for future payments under the schemes is shown in the balance sheet at their net present value as estimated by the Group's actuary. The profit and loss account is charged with the change in the estimated net present value over the financial year, together with interest on the provision at the commencement of the year.

PENSION AND LIFE ASSURANCE FUNDS:

Pension costs are recognised on a systematic basis so that the cost of providing retirement benefits to members are evenly matched, so far as possible, to the service lives of the members concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension funds is allocated over the average remaining service lives of the current members.

1. ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date and trading items at the average rate for the period. Exchange differences arising on consolidation on the translation of foreign manufacturing subsidiary undertakings' accounts and of related foreign currency loans are dealt with in retained profit. All other exchange gains and losses are dealt with through the profit and loss account.

GOODWILL

Goodwill arising on consolidation is written off against reserves as it arises.

LEASES

The costs of operating leases are charged to the profit and loss account in equal annual instalments over the periods of the leases.

Fixed assets held under finance lease arrangements are capitalised and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

2. SEGMENTAL ANALYSIS

ANALYSIS OF TURNOVER BY DESTINATION

	1996 £'000	1995 £'000
United Kingdom	77,828	58,655
France	6,787	6,281
Germany	4,725	3,927
Scandinavia	5,105	4,921
Other European countries	11,252	10,537
Asia, Africa and Australasia	6,683	6,496
Americas	15,577	13,197
	127,957	104,014

ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS BY ORIGIN

	Turnover		Total Operating Profit		Net Operating Assets	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
United Kingdom	104,987	83,265	10,293	7,794	45,120	28,543
Continental Europe	3,795	4,378	(249)	131	1,064	1,400
Asia and Australasia	1,403	948	39	118	1,074	851
Americas	17,772	15,423	2,497	2,150	7,957	6,997
	127,957	104,014	12,580	10,193	55,215	37,791
Group company costs	—	—	(1,604)	(1,749)	—	—
Non operating assets	—	—	—	—	3,852	(7,346)
	127,957	104,014	10,976	8,444	59,067	30,445

Turnover originating in the United Kingdom includes £27,326,000 of sales to overseas destinations (1995: £24,769,000).

ANALYSIS OF TURNOVER, OPERATING PROFIT AND NET ASSETS BY ACTIVITY

	Turnover		Total Operating Profit		Net Operating Assets	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000	1996 £'000	1995 £'000
Foils and laminates	85,591	70,293	7,536	6,522	32,919	24,620
Converted film, paper products and office consumables	42,366	33,721	5,044	3,671	18,864	7,935
	127,957	104,014	12,580	10,193	51,783	32,555
Group company costs/assets	—	—	(1,604)	(1,749)	3,432	5,236
Non operating assets	—	—	—	—	3,852	(7,346)
	127,957	104,014	10,976	8,444	59,067	30,445

Net operating assets comprise total assets less current liabilities and exclude dividends, taxation and all assets and liabilities of a financing nature.

3. ANALYSIS OF COST OF SALES AND OPERATING EXPENSES

Continuing operations in 1996 include the following relating to acquisitions: cost of sales £2,835,000, distribution costs £137,000, selling and administrative expenses £574,000.

4. OPERATING PROFIT

OPERATING PROFIT IS STATED AFTER CHARGING

	1996 £'000	1995 £'000
Depreciation – less government grants of £24,000 (1995: £16,000)	3,407	2,335
Hire of plant	98	40
Other operating lease costs	613	595
Research and development costs written off	549	512
Auditors' remuneration – audit services	174	137
– non audit services	44	16

Fees paid to the auditors in respect of the current year acquisitions amounted to £96,000 in total and have been taken to cost of investment.

5. NET FINANCE (COSTS)/INCOME

	1996 £'000	1995 £'000
Interest payable on bank overdrafts and loans repayable within five years	(645)	(382)
Interest receivable	112	115
Interest capitalised (note 11)	405	177
Net interest cost	(128)	(90)

6. EMPLOYMENT COSTS – INCLUDING DIRECTORS

	1996 £'000	1995 £'000
The total group employment costs were:		
Wages and salaries	20,517	16,359
Employers' national insurance and similar costs	2,043	1,623
Pensions (note 17):		
Provided under non-contributory pension schemes	84	188
Contributions provided under pension and life assurance funds	111	180
	22,755	18,350

AVERAGE NUMBER OF PERSONS EMPLOYED:	1996	1995
Foils and laminates	583	488
Converted film, paper products and office consumables	377	296
API Group plc	9	9
	969	793

7. TAXATION

	1996 £'000	1995 £'000
Corporation tax payable at 33% (1995:33%)	2,335	1,629
Overseas taxation	898	866
Prior year adjustments	(56)	(6)
Deferred taxation	72	(25)
	3,249	2,464
The taxation charge has been reduced/(increased) by:		
Accelerated capital allowances	222	410
Decrease in deferred taxation provision	(72)	25
Prior year adjustments	56	6
Other factors	125	(148)
	331	293
A full taxation charge at 33% (1995:33%) on the profit before taxation would be	3,580	2,757

8. DIVIDENDS

PREFERENCE	1996 £'000	1995 £'000
Paid 27 March 1996	11	11
Paid 28 September 1996	10	10
	21	21

ORDINARY	1996 PENCE PER SHARE	1995 PENCE PER SHARE	1996 £'000	1995 £'000
Interim paid 3 July 1996	4.48	4.07	975	870
Proposed final payable 10 February 1997	6.52	5.93	1,832	1,278
	11.00	10.00	2,807	2,148

9. EARNINGS PER SHARE

The basic earnings per share, the fully diluted earnings per share and basic earnings with taxation charge on a nil distribution basis are not materially different. They are calculated by dividing the profit after taxation and after preference dividends by 24,105,644, being the weighted average number of shares in issue during the year (1995 divisor 21,427,637). The weighted average number of shares used to calculate earnings per share has been adjusted to reflect the bonus element of the placing made in May 1996 (the 1995 comparative earnings per share figure has also been adjusted accordingly).

10. TANGIBLE FIXED ASSETS

GROUP	FREEHOLD LAND £'000	FREEHOLD BUILDINGS £'000	LEASEHOLD LAND & BUILDINGS LONG £'000	LEASEHOLD LAND & BUILDINGS SHORT £'000	PLANT & EQUIPMENT £'000	ASSETS UNDER CONSTRUCTION £'000	TOTAL £'000
COST OR VALUATION							
At 1 October 1995	3,561	7,959	1,548	—	35,032	5,129	53,229
Acquisition of businesses	35	116	1,158	75	8,308	—	9,692
Additions	105	626	26	147	4,797	1,370	7,071
Surplus on revaluation	(989)	942	365	—	—	—	318
Transfer of accumulated depreciation	—	(3,716)	(715)	—	—	—	(4,431)
Foreign exchange movement	22	31	—	—	136	—	189
Disposals	—	(376)	—	—	(531)	—	(907)
Transfers	—	—	—	—	6,499	(6,499)	—
AT 28 SEPTEMBER 1996	2,734	5,582	2,382	222	54,241	—	65,161
Being:							
Cost	—	—	—	—	54,241	—	54,241
Professional valuation 1996	2,734	5,582	2,382	222	—	—	10,920
	2,734	5,582	2,382	222	54,241	—	65,161
DEPRECIATION							
At 1 October 1995	—	3,604	683	—	20,549	—	24,836
Acquisition of businesses	—	18	158	22	3,052	—	3,250
Provided during period	—	212	43	13	3,163	—	3,431
Transfer of accumulated depreciation	—	(3,716)	(715)	—	—	—	(4,431)
Foreign exchange movement	—	26	—	—	95	—	121
Disposals	—	(126)	—	—	(439)	—	(565)
AT 28 SEPTEMBER 1996	—	18	169	35	26,420	—	26,642
NET BOOK VALUE AT 28 SEPTEMBER 1996	2,734	5,564	2,213	187	27,821	—	38,519

The net book value of the Group's plant and equipment includes £700,000 (1995: nil) in respect of assets held under finance leases and hire purchase contracts.

Interest capitalised included in the net book value of tangible fixed assets is £553,000 (1995: £177,000).

REVALUATION OF LAND AND BUILDINGS

The Group's UK land and buildings were revalued as at 28 September 1996 by Edward Rushton Son & Kenyon, International Surveyors and Valuers on an open market value for existing use basis.

The USA land and buildings were similarly revalued by AF Appraisal Company (professional valuers).

The potential liability for deferred taxation on the revaluation reserve is regarded as remote and therefore not quantified.

If stated under historical cost principles the comparable cost of land and buildings is £8,731,000. The difference between the historical cost depreciation charge and the actual charge, calculated on revalued amounts, is insignificant in terms of the reported profit for the year and net carrying value of land and buildings. The associated net book value is £4,078,000.

COMPANY	FREEHOLD LAND £'000	FREEHOLD BUILDINGS £'000	LONG LEASEHOLD LAND & BUILDINGS £'000	PLANT & EQUIPMENT £'000	TOTAL £'000
COST OR VALUATION					
At 1 October 1995	1,589	4,358	1,100	311	7,358
Additions	—	—	—	90	90
Disposals	—	—	—	(61)	(61)
AT 28 SEPTEMBER 1996	1,589	4,358	1,100	340	7,387
DEPRECIATION					
At 1 October 1995	—	404	124	125	653
Provided during period	—	101	32	69	202
Disposals	—	—	—	(40)	(40)
AT 28 SEPTEMBER 1996	—	505	156	154	815
NET BOOK VALUE AT 28 SEPTEMBER 1996	1,589	3,853	944	186	6,572

11. SUBSIDIARY UNDERTAKINGS

	1996 £'000	1995 £'000
Investment at cost 28 September 1996	34,852	12,442
Amount due from subsidiary undertakings – non-trading balances	8,626	10,626
	43,478	23,068
Provisions 28 September 1996	(3,159)	(3,159)
NET BOOK VALUE 28 SEPTEMBER 1996	40,319	19,909

The movement on investments at cost of £22,410,000 reflects the acquisition of subsidiary undertakings. All the principal subsidiary undertakings are wholly owned by the Company except Dri-Print Foils, Inc. which is wholly owned by a subsidiary undertaking of the Company. All the companies are incorporated and operate principally in the United Kingdom except for Dri-Print Foils, Inc. and Learoyd Packaging (USA) Inc. which are incorporated and operate principally in the United States of America.

Undertakings acquired in 1996 are wholly owned by the Company.

The Company's principal subsidiary undertakings are listed on page 52.

The change in amounts due from subsidiary undertakings reflect movements in loan accounts in the current year.

12. STOCKS

	1996 £'000	1995 £'000
Raw materials	6,205	4,310
Finished goods and work in progress	5,985	4,971
	12,190	9,281

The estimated replacement cost of stock does not exceed the balance sheet value by a material amount.

13. DEBTORS

	GROUP		COMPANY	
	1996 £'000	1995 £'000	1996 £'000	1995 £'000
UNDER ONE YEAR				
Trade debtors	34,013	26,779	—	—
Prepayments	941	518	72	134
Other debtors	1,280	907	226	79
VAT	196	106	—	—
	36,430	28,310	298	213
OVER ONE YEAR				
Deferred taxation	113	185	—	—
Advance corporation tax recoverable	458	320	458	320
	37,001	28,815	756	533

13. Debtors (continued)

Deferred Taxation

The major components of the provision for deferred taxation and the amounts not provided for are as follows:

	Group Provided 1996 £'000	Group Provided 1995 £'000	Company 1996 £'000	Company 1995 £'000
Accelerated capital allowances	—	—	—	—
Future pension payments	113	185	—	—
Tax losses	—	—	—	—
Other timing differences	—	—	—	—
	113	185	—	—

	Group Not Provided 1996 £'000	Group Not Provided 1995 £'000	Company Not Provided 1996 £'000	Company Not Provided 1995 £'000
Accelerated capital allowances	(3,257)	(3,035)	610	583
Future pension payments	—	—	—	(155)
Tax losses	185	148	—	—
Other timing differences	368	(32)	(160)	(41)
	(2,704)	(2,919)	450	387

14. Creditors – Amounts Falling Due within One Year

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Trade creditors	22,770	19,989	—	—
Bills of exchange	18	102	—	—
Accruals	3,645	4,274	382	426
Net obligations under finance leases and hire purchase contracts	143	—	—	—
Other creditors	3,079	2,757	2,033	152
National insurance and income tax	682	421	22	18
VAT	1,586	802	—	16
	31,923	28,345	2,437	612

Other creditors includes £2,000,000 deferred consideration payable in respect of the acquisition of Learoyd Group Ltd and Learoyd Packaging (USA) Inc.

15. Creditors – Amounts Falling Due after more than One Year

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Net obligations under finance leases and hire purchase contracts	503	—	—	—
Other creditors	867	917	—	—
Total	1,370	917	—	—

The finance lease/hire purchase contracts expire within five years of the balance sheet date.

16. BORROWINGS

SHORT TERM BORROWINGS	GROUP 1996 £'000	GROUP 1995 £'000	COMPANY 1996 £'000	COMPANY 1995 £'000
Bank overdrafts	45	—	—	1,476
LOANS – FALLING DUE AFTER MORE THAN ONE YEAR				
Due between 2 to 5 years	—	8,474	—	8,474

17. PROVISIONS FOR LIABILITIES AND CHARGES

	GROUP 1996 £'000	GROUP 1995 £'000	COMPANY 1996 £'000	COMPANY 1995 £'000
Pension scheme provision	344	470	344	470

PENSION SCHEME PROVISIONS

The total pension cost for the Group for 1996 was £195,000 (1995: £368,000). The Group made payments to a number of schemes during the year including £42,000 charged to the accounts in respect of Learoyd Group Ltd and API Coatings Ltd.

Pension scheme assets are managed by independent professional investment managers. The contributions to the schemes are assessed in accordance with independent actuarial advice and it is the Group's policy that none of the assets of the funds are invested directly or indirectly in any Group company.

The principal pension schemes operate in the UK and North America and further disclosures in respect of these schemes are set out below:

PRINCIPAL PENSION SCHEMES

The Group operates a funded pension scheme for the Company and its UK subsidiaries, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested in a number of UK and overseas equities, unit trusts and other securities. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over members' working lives with the Group. The contributions charged are determined by a qualified actuary. The assets and liabilities of the Group's UK pension scheme were reviewed as at 30 March 1996 using a Projected Unit Costing method. A formal actuarial valuation of the API Fund as at 30 March 1996 is currently being undertaken. The assumptions which have the most significant effect on the results of the review are those relating to the rate of return on investments, the rate of growth of dividends and the rate of increase in salaries and pensions. It was assumed that investment returns will be 9% per annum, dividends will grow on average by 4.5% per annum, salary increases will average 6.5% per annum and that present and future pensions will increase at the rate of 4% per annum.

The actuarial review as at 30 March 1996 showed that the market value of the assets of the API Group plc Pension and Life Fund was £33,077,000 and that the actuarial value of those assets represented 124% of the benefits which had accrued to members on an ongoing basis. The surplus revealed by the review and the provision in the balance sheet are being amortised over 15 years in equal instalments. After taking account of interest credits on the balance of unamortised surplus and interest charges on the pensions provision, the pensions charge taken for 1996 is £4,000 (1995:£nil) with a further £9,700 charged for specific purposes (1995: £9,400). Tenza Limited have, however, made contributions to the scheme totalling £103,000 in accordance with the advice of the Actuaries. These payments (net of the charge to the accounts of £4,000) have reduced the balance sheet provision to £61,000 (1995: £160,000).

The Group still pays pensions under three unfunded, non-contributory pension schemes, membership of which is now closed. A provision of £283,000 stood at 28 September 1996 (1995:£310,000) for the present value of future payments under these schemes and the charge to the accounts in the year ended 28 September 1996 was £28,000 (1995: £34,000). The amount amortised from the provision for the year was £27,000 (1995: £29,000).

Dri-Print Foils, Inc. has three funded pension schemes. In the context of the Group, none of these funds has a material deficiency or surplus of assets and there is believed by the Directors to be no material difference between the funding rate as recommended by actuaries and charged in the accounts and the charge which would have been required under the provisions of SSAP24. The charge to the accounts in respect of these pensions schemes is £111,000 (1995: £154,000).

18. SHARE CAPITAL

	AUTHORISED 1996 £'000	AUTHORISED 1995 £'000	ALLOTTED, CALLED UP AND FULLY PAID 1996 £'000	ALLOTTED, CALLED UP AND FULLY PAID 1995 £'000
549,000 3.85% (formerly 5.5%) Cumulative preference shares of £1 each	549	549	549	549
Ordinary shares of 25p each				
At 1 October 1995	7,000	7,000	5,387	5,341
Increase in authorised share capital	2,329	—	—	—
Shares issued – options exercised	—	—	83	46
Shares issued – placing and open offer	—	—	1,555	—
At 28 September 1996 (28,099,994 shares in issue – 1995: 21,549,270)	9,329	7,000	7,025	5,387
TOTAL SHARES	9,878	7,549	7,574	5,936

The holders of non-equity shares have the following rights:

i) to a cumulative preferential dividend at the rate of 3.85% (formerly 5.5%) per annum.

ii) on a return of assets whether in a winding up, reduction of capital or otherwise in priority to all other shares in the capital of the Company, to a return of the nominal amount paid up on each share together with any arrears and accruals of dividend if any. In addition, a premium is also payable calculated as the difference between the average quoted price of each such share on the London Stock Exchange during the period of 6 months preceding a notice of a meeting for the winding up, reduction of capital or otherwise and the nominal amount paid up on each such share.

In the event of a repayment of capital involving the payment of a part only of the amount paid up on each such share the aforementioned premium shall be paid in proportion to the amount of capital repaid.

iii) one vote for every share held whether on a show of hands or on a poll.

During the year options were granted under the Group Executive Share Option Schemes on 355,000 ordinary shares at 553p per share.

Full exercise of the options granted under the Company's share option schemes would result in the issue, not later than January 2006, of a further £164,235 ordinary share capital made up of 355,000 shares at 553p, 10,000 shares at 455p, 182,500 shares at 454p, 35,000 shares at 394p, 14,038 shares at 328p, 10,000 shares at 218p, 30,000 shares at 211p and 20,400 shares at 183p.

19. RESERVES

SHARE PREMIUM ACCOUNT

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
At 1 October 1995	4,722	4,404	4,722	4,404
Premium on shares issued	18,151	318	18,151	318
Share issue costs	(1,228)	—	(1,228)	—
AT 28 SEPTEMBER 1996	21,645	4,722	21,645	4,722
OTHER RESERVES				
REVALUATION RESERVE				
At 1 October 1995	1,871	1,871	6	6
Surplus on property revaluation	318	—	—	—
AT 28 SEPTEMBER 1996	2,189	1,871	6	6
MERGER RESERVE				
At 1 October 1995	4,946	4,946	4,362	4,362
Arising on acquisition of subsidiary undertakings	19,186	—	19,186	—
Elimination of goodwill	(24,132)	(4,946)	—	—
AT 28 SEPTEMBER 1996	—	—	23,548	4,362
	2,189	1,871	23,554	4,368
PROFIT AND LOSS ACCOUNT				
At 1 October 1995	17,916	17,690	7,058	9,272
Goodwill written off	—	(3,555)	—	—
Goodwill written off in prior years taken to merger reserve	4,821	—	—	—
Foreign exchange translation differences	151	60	1	14
Balance from profit and loss account	4,771	3,721	(1,481)	(2,228)
AT 28 SEPTEMBER 1996	27,659	17,916	5,578	7,058
TOTAL RESERVES	51,493	24,509	50,777	16,148

The foreign exchange translation differences are stated after a loss of £9,000 (1995:gain £5,000) in respect of current year exchange differences from foreign currency borrowings financing foreign equity investments. Although the cumulative amount of goodwill written off against reserves cannot be easily ascertained, the amount written off since 1986 inclusive is £25,824,000 (1995: £11,459,000) of which £1,692,000 (1995: £6,513,000) has been written off against the profit and loss reserve.

20. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

A profit of £1,347,000 (1995: Loss £59,000) has been dealt with in the accounts of the parent Company. In accordance with section 230 of the Companies Act 1985 the Company is not required to publish its own profit and loss account.

21. LEASING COMMITMENTS

Leasing commitments under non-cancellable operating leases were as follows:

	Group Land and Buildings Leases 1996 £'000	Group Land and Buildings Leases 1995 £'000	Group Other Operating Leases 1996 £'000	Group Other Operating Leases 1995 £'000
Payable in the following year and relating to leases terminating:				
Within one year	12	—	121	105
Two to five years	293	17	361	285
After five years	480	346	—	106
	785	363	482	496

22. CAPITAL COMMITMENTS

	Group 1996 £'000	Group 1995 £'000	Company 1996 £'000	Company 1995 £'000
Contracted amounts not provided for in these accounts are:	770	1,312	—	—

23. ACQUISITION OF BUSINESSES

In 1994 agreement was reached to purchase all rights relating to the Gold Impressions customer base for a fixed consideration. Of the deferred consideration a further payment of £131,000 (1995: £126,000) was made in the current year. The balance of £927,000 has been carried forward in creditors, of which £799,000 (1995: £917,000) is payable after more than one year.

£1,925,000 of deferred consideration in respect of the acquisition of Data-Label Limited in 1995 was paid in the current year.

ACQUISITION OF LEAROYD GROUP LIMITED AND LEAROYD PACKAGING (USA) INC.

With effect from 24 May 1996 the Group acquired the entire shareholding of Learoyd Group Limited and Learoyd Packaging (USA) Inc, companies engaged in the production and distribution of specialised film and security packaging products. This has been accounted for by the acquisition method. Details of assets acquired and consideration are set out below.

	Book Value £'000	Fair Value Adjustments £'000	Fair Value to the Group £'000
Tangible fixed assets	6,878	(436)	6,442
Working capital:			
Stocks	1,514		1,514
Debtors	2,583		2,583
Cash at bank and in hand	638		638
Creditors	(2,380)		(2,380)
Corporation tax creditor	(635)		(635)
Provisions for liabilities and charges	(117)		(117)
Net assets	8,481	(436)	8,045
Goodwill			14,365
			22,410
Satisfied by:			
Issue of shares			20,000
Cash			310
Deferred consideration			2,000
Deferred costs of acquisition			100
			22,410

The deferred consideration is payable in instalments of £1,000,000 on 23 June 1997 and £1,000,000 on 29 August 1997. The deferred costs of acquisition of £100,000 are payable in three equal annual instalments commencing 7 October 1996.

The fair value adjustment arose due to revaluation of land and buildings on acquisition.

As a result of the acquisition the turnover of the Group increased by £4,337,000 and operating profit by £791,000. The Learoyd companies contributed £1,187,000 to the Group's net operating cash flows and utilised £717,000 in the acquisition of fixed assets.

Set out below is relevant information relating to the performance of the Learoyd companies in periods prior to the acquisition:

	1 May to 23 May 1996 £'000	Year Ended 30 April 1996 £'000
Turnover	1,046	12,556
Operating profit	168	2,351
Profit before tax	167	2,336
Taxation	(46)	(641)
Profit after tax	121	1,695

There are no recognised gains and losses in the periods prior to acquisition other than as disclosed above.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the seventy-fifth Annual General Meeting of the Company will be held at The Howard Hotel, Temple Place, London WC2R 2PR on Thursday 6 February 1997, at 12.30 pm, for the following purposes:

1. To receive and adopt the report of the Directors and the audited accounts for the year ended 28 September 1996.
2. To declare a dividend.
3. To re-elect Mr D J Holt, a Director retiring by rotation.
4. To re-appoint the Auditors.
5. To authorise the Directors to determine the remuneration of the Auditors.

As special business to consider and, if thought fit, to pass the following resolutions which, in the case of the resolution numbered 6, will be proposed as an ordinary resolution and, in the case of the resolution numbered 7, will be proposed as a special resolution.

RESOLUTIONS

6. That, in accordance with section 80 of the Companies Act 1985, the Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £2,304,345, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution except that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after the expiry of such period and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.
7. That, subject to the passing of the resolution numbered 6 in the notice of this meeting, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) pursuant to the authority given by the said resolution 6 as if section 89(1) of the said Act did not apply to any such allotment provided that this power shall expire at the conclusion of the next Annual General Meeting (or, if sooner, the expiry of fifteen months after the passing of this resolution) except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired and provided that this power shall be limited to the allotment of equity securities:
   a) in connection with a rights issue or similar issue in favour of the holders of ordinary shares on the register of members at such record date or dates as the Directors may determine for the purpose of the issue, but subject to such exclusions or arrangements as the Directors may consider necessary or expedient in respect of fractional entitlements or to deal with problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or otherwise howsoever;
   b) otherwise than pursuant to sub-paragraph a) above, up to an aggregate nominal amount of £351,245, being approximately 5% of the issued ordinary share capital of the Company.

By order of the Board

T K JOHNSTON, LLB Secretary Registered Office: Silk House, Park Green, Macclesfield, Cheshire SK11 7NU 13 January 1997

NOTES

1. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member. A form of proxy is enclosed with this notice for use in connection with the meeting and any adjournment thereof. A form of proxy must reach the registrars of the Company not later than 48 hours before the time of the meeting.
2. The following documents will be available for inspection during normal business hours at the Company's registered office from the date of this notice until the close of the meeting and will, on the day of the meeting, be available for inspection at The Howard Hotel, Temple Place, London WC2R 2PR.
   a) the register of Directors' interests and transactions;
   b) a copy of all contracts of service of the Directors with the Company or any of its subsidiaries; and
   c) a copy of the current Memorandum and Articles of Association of the Company.

Five Year Record

	1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000
Group Profit and Loss Account					
Turnover					
Continuing operations	127,957	104,014	78,164	69,431	57,789
Discontinued operations	—	—	1,393	3,934	4,151
Total Turnover	127,957	104,014	79,557	73,365	61,940
Operating Profit					
Continuing operations	10,976	8,444	6,618	4,902	3,481
Discontinued operations	—	—	185	208	230
Total Operating Profit	10,976	8,444	6,803	5,110	3,711
Exceptional items	—	—	203	291	—
Trading Profit	10,976	8,444	7,006	5,401	3,711
Finance (costs)/income	(128)	(90)	9	13	(179)
Exchange gain on repayment of borrowings	—	—	—	—	321
Profit Before Taxation	10,848	8,354	7,015	5,414	3,853
Taxation	(3,249)	(2,464)	(2,350)	(1,814)	(1,118)
Profit After Taxation	7,599	5,890	4,665	3,600	2,735
Preference dividends	(21)	(21)	(21)	(21)	(21)
	7,578	5,869	4,644	3,579	2,714
Ordinary dividends	(2,807)	(2,148)	(1,938)	(1,753)	(1,584)
Transferred to/(from) Reserves	4,771	3,721	2,706	1,826	1,130

	1996 £'000	1995 £'000	1994 £'000	1993 £'000	1992 £'000
Group Balance Sheet					
Net Assets					
Fixed assets	38,519	28,393	20,232	20,519	20,272
Net current assets	22,576	12,134	12,014	11,831	10,495
	61,095	40,527	32,246	32,350	30,767
Creditors over one year	(1,370)	(9,391)	(1,442)	(2,076)	(2,462)
Provisions for liabilities and charges	(344)	(470)	(712)	(645)	(794)
Government grants	(314)	(221)	(237)	(265)	(292)
	59,067	30,445	29,855	29,364	27,219
Capital Employed					
Ordinary capital	7,025	5,387	5,341	5,320	5,281
Reserves	51,493	24,509	23,965	23,495	21,389
Ordinary Shareholders' equity	58,518	29,896	29,306	28,815	26,670
Preference capital	549	549	549	549	549
	59,067	30,445	29,855	29,364	27,219

	1996	1995	1994	1993	1992
Statistics Relating to Ordinary Shareholders					
Earnings per share	31.4p	27.1p	21.8p	16.8p	12.8p
Dividend per ordinary share	11.00p	10.00p	9.08p	8.25p	7.50p
Dividend cover (times)	2.9	2.7	2.4	2.0	1.7
Ordinary Shareholders' equity per share	208.3p	138.7p	137.2p	135.4p	126.3p
Net cash/(borrowings) as a percentage of Shareholders' funds	18.3%	(8.5%)	21.3%	12.3%	3.0%
Average number of employees	969	793	708	704	701
£'000s turnover per employee	132	131	112	104	88

Financial Calendar

ANNUAL GENERAL MEETING
To be held at 12.30pm, 6 February 1997.
The Howard Hotel, Temple Place, London, WC2R 2PR

REPORTS
INTERIM REPORT FOR 6 MONTHS TO 29 MARCH 1997, circulated May 1997.

PRELIMINARY ANNOUNCEMENT FOR YEAR TO 27 SEPTEMBER 1997, issued December 1997.

REPORT AND ACCOUNTS FOR YEAR TO 27 SEPTEMBER 1997, circulated January 1998.

DIVIDENDS ON ORDINARY SHARES
PROPOSED FINAL 1995/6, announced 9 December 1996, payable 10 February 1997.

INTERIM 1996/7, announced May 1997, payable July 1997.

PROPOSED FINAL 1996/97, announced December 1997, payable February 1998.

DIVIDENDS ON PREFERENCE SHARES
Half yearly, 1 April 1997 and 30 September 1997.

CAPITAL GAINS TAX
The market value of an ordinary and preference share on 31 March 1982 was ordinary 60.5p, preference 28.5p.

Principal Companies

DRI-PRINT FOILS, INC.
PO Box 1251 D, 329 New Brunswick Avenue, Rahway,
New Jersey 07065, USA
TELEPHONE: 001 908 382 6800
FAX: 001 908 382 4084

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TELEPHONE: 0171 511 0405
FAX: 0171 511 0658

WHILEY FOILS LIMITED
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West Lothian EH54 5DJ
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FAX: 01506 438262

LEAROYD GROUP LIMITED
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Lancashire BB10 2EJ
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FAX: 01282 430289

LEONARD STACE LIMITED
Gloucester Road, Cheltenham GL51 8NH
TELEPHONE: 01242 514081
FAX: 01242 226422

TENZA LIMITED
Carlton Park Industrial Estate, Saxmundham,
Suffolk IP17 2NL
TELEPHONE: 01728 602811
FAX: 01728 604108

HENRY & LEIGH SLATER LIMITED
Second Avenue, Poynton Industrial Estate, Poynton,
Stockport, Cheshire SK12 1ND
TELEPHONE: 01625 650500
FAX: 01625 650580

LEAROYD PACKAGING (USA) INC.
Suite D, 1080 Cambridge Square, Alpharetta,
Georgia 30201, USA
TELEPHONE: 001 770 664 7420
FAX: 001 770 664 8629