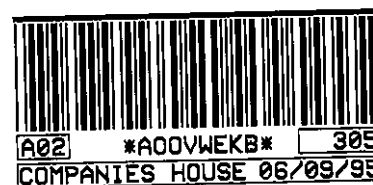
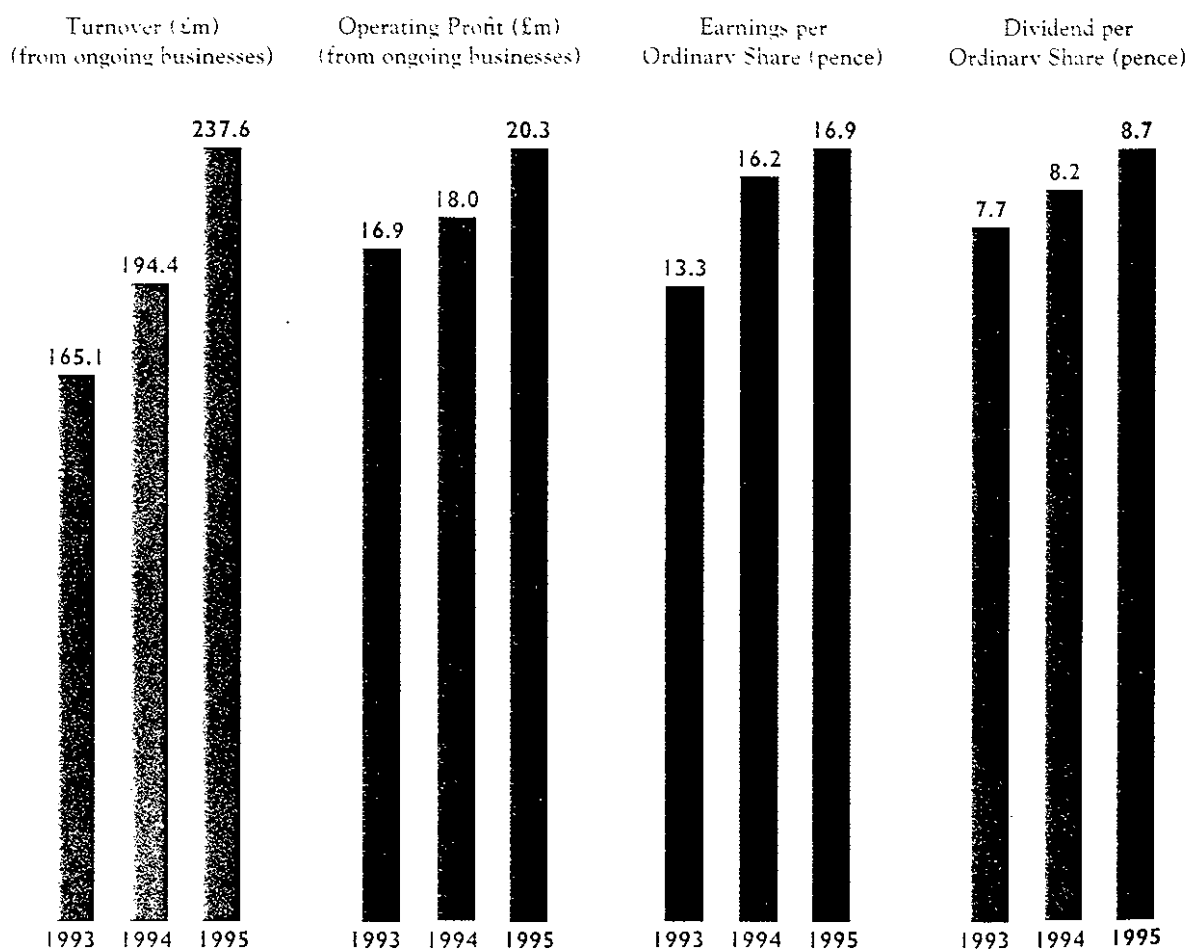


John Waddington PLC

	Year to 1 April 1995 £m	Year to 2 April 1994 £m
Turnover from ongoing businesses	237.6	194.4
Operating profit before exceptional items from ongoing businesses	20.3	18.0
Interest payable	1.3	2.3
Profit before taxation	53.3	8.1
Net profit for the financial year	39.2	3.5
Earnings per ordinary share before exceptional items (pence)	16.90p	16.18p
Dividend per share (pence)	8.70p	8.24p





David Perry, Chairman

The 1995 Year

1995 was a landmark year for Waddingtons. We completed our three year restructuring programme and now move forward as a highly focused packaging and specialist printing group.

We took major steps towards achieving our strategic objective of becoming a leading player in the packaging industry. We now operate in carefully targeted niche markets where we already hold leading positions. We also became a bigger international player, with major operations in the U.S. and Europe as well as our home market in the U.K.

As importantly, we have the funding available which will enable us to accelerate our growth, both organically and by acquisition. We are actively seeking acquisitions to further develop our most successful operations.

Financial Performance

Our businesses generally performed well in 1995. We delivered strong growth in key sectors, and losses in an underperforming operation were halted. These results were achieved against a background of rapid increases in raw material prices in a highly competitive environment.

Sales across the group were higher in the year, increasing by 9.8% to £259.3m (1994 £236.1m). For ongoing businesses growth was more rapid, increasing by 22.2% to £237.6m (1994 £194.4m). Organic sales growth was 12.0%.

We achieved good growth in profit before tax and exceptional items which increased by 20.0% to £22.6m (1994 £18.5m). The Specialist Printing and Pharmaceutical Packaging operations delivered particularly strong performances. In addition, our important Cartons business doubled in size through acquisition.

The substantial improvement in profit attributable to shareholders of £39.2m (1994 £3.5m) reflects improved operating performance as well as a £30.8m profit from the sale of our Games business which we achieved at a top price. 1994 also included the £7.4m provision for costs associated with the anti-trust investigation in the U.S.A.

Our balance sheet was strengthened by the sale of Games, eliminating gearing at the year-end. Cash flow for the year was significantly higher, with a net increase of £37.0m (1994 decrease of £7.0m). This reflects the above sale as well as improvement in the underlying cash flow, which increased by 9.8% to £30.0m (1994 £32.8m).

CHAIRMAN'S STATEMENT

Acquisitions and Disposals

1995 was a year of a great change for Waddingtons. The structure of the group altered significantly with the major acquisition in Europe and the disposal of Games. These have resulted in a streamlined portfolio of businesses with a greater international weighting.

We acquired the Benelux based cartons manufacturer Imca Beheer BV in August 1994. This was financed by a successful 2 for 7 rights issue in July 1994. Imca is a leading player in the European packaging market. This acquisition will enable us to take advantage of the major opportunities in the pan-European market.

The proceeds from the disposal of Games will be used to accelerate our investment and acquisition programme, enhancing earnings growth for our shareholders.

U.S. Investigation

Last year we reported on an anti-trust investigation into two of our Food Services companies in the U.S. On the recommendation of our lawyers we decided to settle the matter. We believe that the provision we made in 1994 to cover the litigation is sufficient to cover all liabilities associated with this action.

Our businesses in the United States have continued to grow, the management is strong and the prospects for the future remain good.

Board of Directors

We announced two additions to the Board in October 1994. Alan Reeve was appointed an executive director with responsibility for a number of packaging operations. Janet Cohen joins the Board as a non-executive director.

I shall become non-executive Chairman following the Annual General Meeting.

Dividends

The Board has recommended a final dividend of 4.9p (1994 4.56p adjusted for the rights issue). The dividend for the year will total 8.7p (1994 8.24p).

The Future

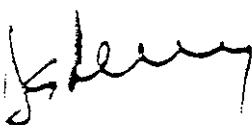
We expect continuing growth in all sectors in 1996. The tighter focus on packaging and specialist printing and a broader international base, coupled with a higher level of cash to invest, will enable us to accelerate our activities in chosen areas.

Raw material costs are likely to continue to increase in some markets, albeit at a slower rate than in 1995. We shall continue to work to minimise the impact of these cost increases on our customers and ourselves.

Operationally we start the new financial year from a much stronger position than ever before. We operate in sectors which offer above average returns. We hold leading positions and have critical mass in our niche markets.

Financially we are also in a much stronger position, particularly to fund new growth. We have been investing at a faster rate to enhance our market positions and improve productivity. We now have a substantially increased asset base. All of these improve our future prospects.

We have created a strong foundation on which to build and I would like to thank our people and our customers for the part they have played.

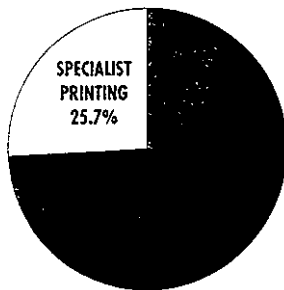


DAVID PERRY
Chairman



Martin Buckley, Chief Executive

Turnover by Business
(% of Total Businesses)



Turnover by Geographical Market
(% of Total Businesses)



Three years ago we formalised a strategy to specialise in a limited number of markets, products and technologies. We were also determined to develop in only those markets where we could gain sufficient share to have critical mass. This would enable us to influence the direction of those markets and thereby control our own destiny.

Organically we have had particular success in Food Services in the U.S.A. and rigid plastic packaging for the pharmaceutical industry in the U.K.

In European packaging we have taken a quantum step by the purchase of Imca, the number one carton maker in The Netherlands. Successful in its own right it more importantly allows us to maximise on the opportunities arising from the emerging pan-European carton market – especially for food. This is an area of specialisation for us in the U.K. as well as in The Netherlands.

Our original plan also called for the disposal of our Games company. With global competitors gradually dominating the European market we identified the likelihood of long term profit decline. The company continued its success of recent years and delivered excellent results during the year, assisting us to negotiate a top sale price. Given the underlying quality of the company we continue to believe that it will have its best chance for success with its new owners.

We are now concentrated on fewer markets and offer particular expertise to each of them. We have also been careful to pick niches with good growth potential as you will see in the sector analysis.

This focus means we offer more specialised knowledge in manufacturing and the usage of raw materials. More concentrated capital expenditure has greater impact and produces higher returns as well as lowering costs.

These attributes have helped us minimise the impact of soaring raw material costs on our customers and ourselves. Such large and frequent increases are bound to have an effect in the short term but I remain convinced that our businesses are well placed to overcome these difficulties. In fact, by seeking to minimise the effect of the increases we have built closer working relationships with customers and suppliers -- again a benefit for the future.

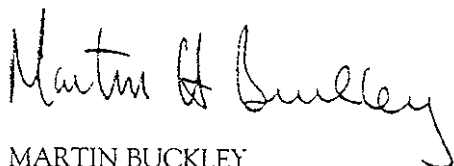
Adjusting to reflect the sale of Games, the analysis of turnover remains virtually unchanged on the previous year with Packaging accounting for 74.3% of turnover and Specialist Printing 25.7%. However, in profit terms the Packaging share at 73.7% is down from the previous year's 79.7%. The good performance in Specialist Printing is reflected in it producing 26.3% of operating profit, increased from 20.3 % last year.

The U.S. remains a key market for the development of plastic packaging. During the year we further integrated Carthage Cup, acquired in May 1993, into our Food Services operation and introduced additional products to extend our strong market position. The U.S. provides 27.5% of turnover from ongoing businesses, and 26.9% of operating profits.

The purchase of Imca has more than doubled our European presence, previously limited to Business Forms in the Benelux countries.

In Business Forms progress has been good and we hope to use our strong representation in this field as a base for further European growth. Europe accounts for 17.9% of turnover from ongoing businesses, up from 9.9% in 1994, and 19.8% of profit, compared to 5.8% in 1994.

With a slimmed down, more efficient and better equipped group, tightly focused on attractive niche markets, we are well placed for growth.

A handwritten signature in dark ink, reading "Martin H. Buckley". The signature is fluid and cursive, with the first name "Martin" and last name "Buckley" clearly legible. The middle initial "H." is smaller and less distinct.

MARTIN BUCKLEY

Chief Executive



A selection of products from our U.S. manufacturing operations.

PLASTIC

PACKAGING

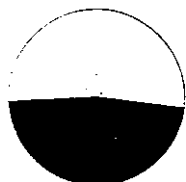
Major Products

- *disposable tableware in the United States*
- *containers for yellow fats, ready meals and dairy products*
- *tamper evident/child resistant closures and containers for the pharmaceutical industry*

Financial Highlights

£m	1995	1994
Sales	112.2	101.9
Operating profit	7.6	10.3

Percentage of turnover
from ongoing businesses



Key Points

- *continuing success as a top ten player in the U.S. Food Services market*
- *decline in Food and Drink halted*
- *strong profit growth of 20% as a leader in the pharmaceuticals market*

Plastic Packaging is the largest division in the Waddingtons group. Sales represent 47.2% of turnover from ongoing businesses and 37.2% of operating profit in 1995. Our strategy is to develop niche markets to maximise returns.

Food Services

Waddingtons is a top ten player in the plastic disposable tableware market in the U.S. We specialise in added-value products for leading institutional customers, warehouse clubs and retail outlets.

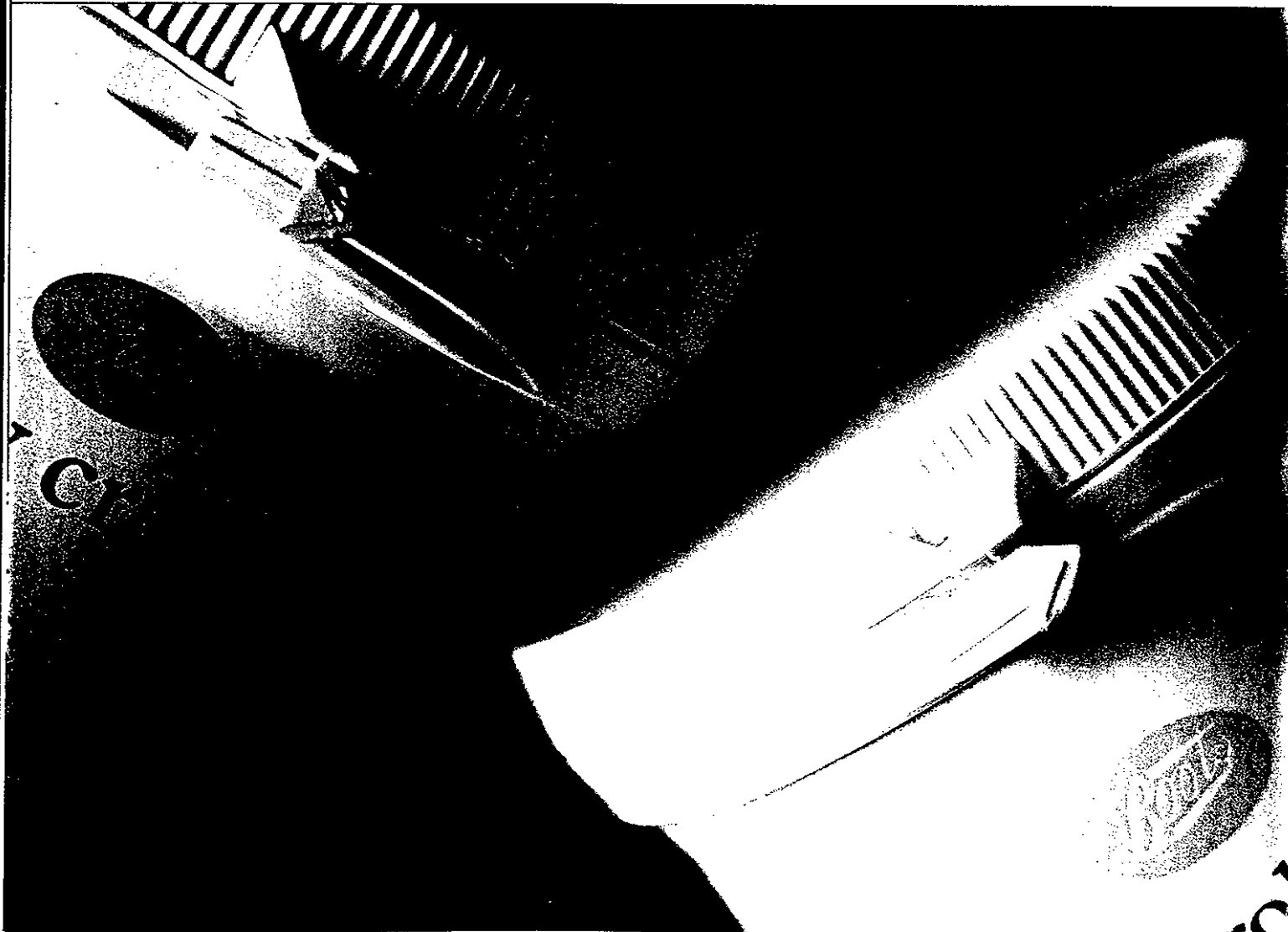
In 1995 we continued to build on our successes of earlier years with growth of 9.3% in operating profit to £5.9m (1994 £5.4m). Sales increased by 14.5% to £52.0m (1994 £45.4m). Despite an increase in raw material costs of nearly 40% we were successful in substantially maintaining our good margins at 11.3% (1994 11.9%).

Volumes again improved and the new products we developed have sold well. We have started to win more business by selling a broader product range to major institutional customers. To build on this we recently acquired a manufacturer of pre-packed cutlery with sales of \$5m. The wider the range the better the opportunities for margin growth and the more we differentiate ourselves from our competitors.

We have also invested in increased capacity and new moulds in the commodity cup business, in order to help generate higher margins.

Food and Drink

The Food and Drink sector was a problem this year. We experienced difficulties in manufacturing new products which were developed as part of the necessary diversification strategy. However, we have stopped the decline and further progress is anticipated in 1996. Sales increased by 4.8% to £47.7m (1994 £45.4m), but the operating loss of £0.7m (1994 £2.9m profit) reflects the earlier problems in the business and some adverse changes in the mix of products sold. In 1995 we concentrated on reducing the cost base. Manpower costs are down and productivity has started to improve. We invested in new equipment to allow us to achieve this and to broaden the product range. We have taken active steps to increase sales; in particular we intend to increase our share of the ready meals sector. We remain a market leader in the supply of tubs for the yellow fats industry.



Jaycare manufactures a range of rigid plastic packaging for major blue chip customers, in this case Boots.

Pharmaceutical Packaging

Pharmaceutical Packaging delivered excellent results in 1995. Operating profit increased by 20.0% to £2.4m (1994 £2.0m) on sales up by 13.6% to £12.5m (1994 £11.0m). High margins were again achieved at 19.2% (1994 18.2%) and we were successful in recovering increased raw material costs of 80%.

We manufacture rigid plastic packaging and closures for the pharmaceutical and healthcare industry. Waddingtons is the market leader in tamper evident, child resistant closures and containers, a market which will grow strongly following the introduction of Patient Packs. This is a Government and industry initiative which will mean that pharmacists will no longer dispense from bulk supplies; instead packs containing a 28 day supply will be used. This will increase the need for smaller containers, especially those having tamper evident/child resistant features.

The Over the Counter market is also expected to grow significantly, following Government and industry initiatives to increase the range of products sold off the shelf. We increased our sales by 40% in this sector in 1995.

We expect our Pharmaceutical Packaging to be a growing element of the group's activities.

SAFeway
LANCASHIRE
HOT POT

New

Tender pieces of lamb with carrots, onions and swede in a rich gravy topped with sliced potatoes



SUITABLE FOR HOME FREEZING
 WEIGHT 510ge
 USE BY
 STORE REFRIGERATED BELOW 8°C

SAFeway
COLOUR PRINT FILM
200
 24 EXPOSURES
 EXTRA HIGH RESOLUTION

SAFeway
COLOUR PRINT FILM
200
 24 EXPOSURES

BELIN

MEVITIES
Chocolate y avellanas

Sachar
TWILIGHT
 Smooth Dark Chocolate with a Delicious Mint Filling

Haust
Pasteitjes

Findus
Lean Cuisine
 CURRY

DIXCEL
 100% 2 PLY WHITE
MANSIZE
TISSUE

High quality consumer packaging from our European carton operations.

PAPER & BOARD

PACKAGING

Major Products

- *folding cartons for the food sector, primarily for frozen and chilled food, cereals and chocolate confectionery*
- *wet applied labels for the food industry*

Financial Highlights

£m	1995	1994
Sales	64.3	43.9
Operating profit	7.4	4.0

Percentage of turnover
from ongoing businesses



Key Points

- *profits virtually doubled as a result of the European acquisition*
- *pan-European presence established*
- *focus on the highest growth sectors in the cartons industry*

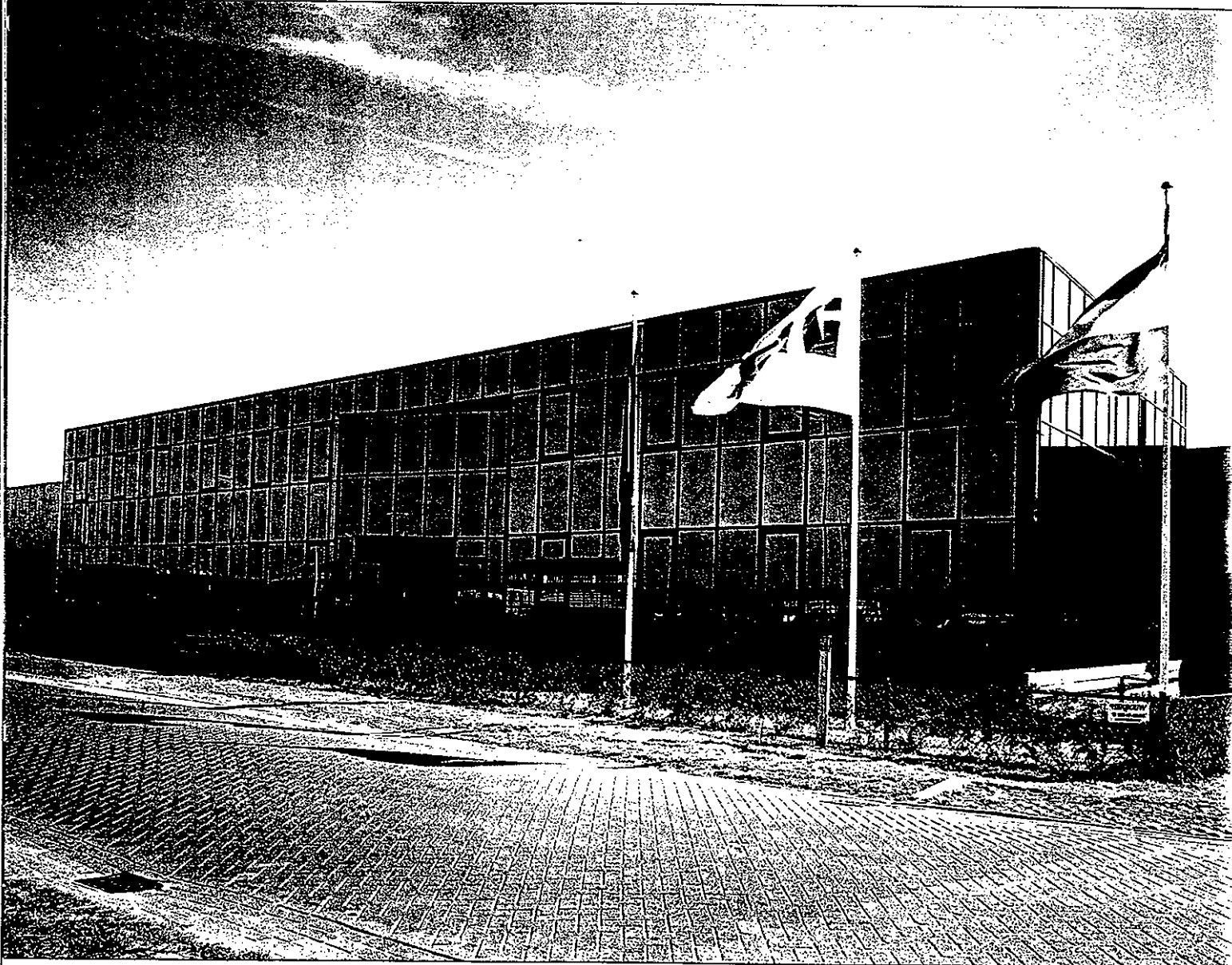
We took a major step forward in our Cartons operation, the key business in the Paper & Board sector, through the acquisition of the Benelux based cartons manufacturer Imca. This sector now contributes 27.1% of turnover from ongoing businesses (1994 22.6%), and 36.5% of operating profit (1994 22.7%). We are now tenth largest supplier in Europe, as well as number five in the U.K. and number one in The Netherlands.

Profits in this sector nearly doubled in the year. While 1995 results were affected by a delay in recovering increases in raw material costs in the second half, margins remained strong at 11.5%. We were successful in winning new business as well as retaining our existing customers. Volumes were a little lower in the second half in the U.K., because some customers sold less in the competitive retail market.

The acquisition of Imca has given us access to the pan-European market. Our customers are the leading food suppliers across Europe, and are just starting to crystallise their plans for pan-European supply from packaging manufacturers. The timing of our acquisition was excellent. It enables us to respond effectively to these exciting developments.

It is no coincidence that we operate in two of the highest growth sectors in the cartons industry, frozen foods and chilled foods. Our strategy is always to focus on key sectors, and to establish a leading position within them.

The manufacturing issues are as important as the market ones. We now have critical mass and two of the most modern factories in Europe. We have multi-site facilities and the capacity to bid for the highest volume orders. Extra capacity was installed in the U.K. in February 1995, to ensure that we can satisfy the very largest of the leading food companies.



The modern Imca manufacturing facility at Hoogerheide, The Netherlands.

SPECIALIST

PRINTING

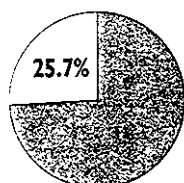
Major Products

- *direct mail and direct marketing products*
- *confidential printing for financial institutions*
- *postage stamps*
- *business forms in the Benelux countries*

Financial Highlights

£m	1995	1994
Sales	61.1	48.5
Operating profit	5.4	3.7

Percentage of turnover
from ongoing businesses



Key Points

- *excellent profit growth in direct marketing, up 60.0%*
- *a leader in the high growth direct mail market*
- *strong profit growth of 27.3% in business forms*

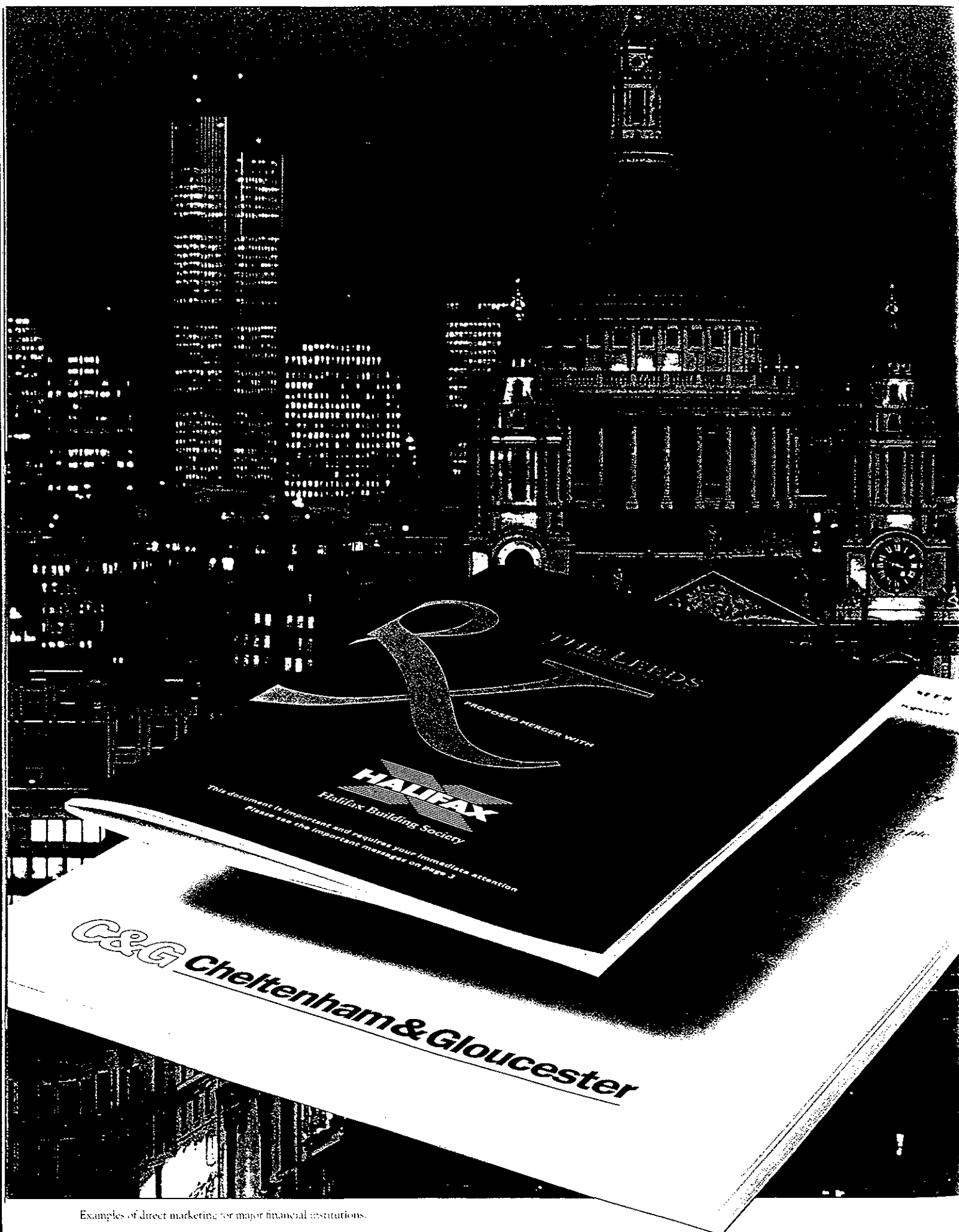
Specialist Printing had an excellent year. We hold strong positions in growth markets and there are good opportunities for increasing profits. Sales improved by 25.8% to £61.1m (1994 £48.5m), and operating profit delivered particularly strong growth of 46.5% to £5.4m (1994 £3.7m).

Direct Marketing

Direct marketing was Waddingtons' greatest success in 1995. Last year we highlighted the exciting prospects we saw for this business. This year they were realised. Sales increased by 30.3% to £38.3m (1994 £29.3m) and even faster growth was achieved in operating profit, which increased by 60.0% to £4.0m (1994 £2.5m). Margins also showed considerable improvement, at 10.4% (1994 8.5%).

In 1995 we were successful in increasing our market share in direct mail and other direct marketing products, such as leaflets and games cards. We introduced continental shifts to cope with increased activity and we will be installing a new production line with the very latest technology in late Autumn 1995 in order to take advantage of the growing demand.

Industry experts predict that direct marketing is one of the growth sectors of the future and Waddingtons is already a market leader. We expect to benefit from the industry growth, particularly in direct mail. Our main market is the major financial institutions and we were particularly busy on work for the Building Societies involved in merger and acquisition activity. We expect continued growth from the financial services sector in total as customers



Examples of direct marketing for major financial institutions.

increasingly recognise the cost effectiveness of direct mail in communicating with their own market place.

Business Forms

The Business Forms operation also had a very good year. We achieved higher levels of sales, with growth of 18.8% to £22.8m (1994 £19.2m). Profit performance was even better, up 27.3% to £1.4m (1994 £1.1m).

We operate in the Benelux countries. We were successful in gaining market share during the year, and now hold the number one position in The Netherlands. We offer a wide range of products, producing different lines in The Netherlands, Belgium and Luxembourg. This enables us to cross sell between regions, generating higher levels of business.

Our strong marketing and modern cost effective machinery also differentiate us from much of the competition and will lead to greater success.



Geoffrey Gibson, Finance Director

Profit and Loss Account

The analysis of divisional performance in the Chief Executive's Review of Operations focuses on ongoing businesses before exceptional items, where operating profit increased by 13% to £20.3m. Profit from ongoing businesses excludes the results of Waddingtons Games which was sold in November 1994.

The successful acquisition of Imca Beheer BV in August 1994 enhanced profits by £2.6m over the seven month period of our ownership.

Exchange rates had a minor adverse impact on our U.S. profits which was reflected in an exchange rate translation loss of £200,000 for the Plastic Packaging sector.

Profit before tax was £53.3m for the year after including an exceptional profit of £30.8m from the sale of the Games business. This compares very favourably with the profit before tax of £8.1m last year.

Following the receipt of the cash proceeds arising from the sale of the Games business the group has been cash positive and as a result net interest paid during the year has fallen to £1.3m compared to the higher level of £2.3m in 1994.

Our effective corporation tax rate based on profits from ongoing businesses and before exceptional items lowered to 27.0% (1994 28.5%). As in previous years the effective rate differs from the statutory rate of 33% in the U.K. largely because of the impact of overseas tax rates. We do expect an upward trend in the tax rate over the years ahead.

Earnings per share excluding exceptional items, adjusted for the effects of the rights issue in July 1994, increased by 4.4% to 16.90p and on this basis the dividend for the year is almost twice covered.

Balance Sheet

The balance sheet is strong.

Over the year capital investment amounting to £18.8m (1994 £10.1m) was incurred across all business areas. We anticipate investing a further £26m for capital items in 1996, most of which is customer led. The depreciation charge increased to £12.1m compared to £11.7m last year.

We completed a successful 2 for 7 rights issue in August 1994 and the monies raised, net of expenses, amounting to £42.5m were used to fund the acquisition of Imca.

Towards the end of 1994 we received £50m cash proceeds from the sale of our Games business. After deducting the costs of disposal, a profit on sale of £30.8m was achieved. We have provided £8m of deferred tax in respect of held over capital gains.

Net cash at the year end amounted to £10.9m compared to net borrowings of £28.9m last year.

Shareholders' funds were substantially higher at the year end at £111.4m (1994 £65.4m). Profit attributable to shareholders benefited from the profit on sale of the Games business less related deferred taxation. Shareholders' funds were also enhanced by the rights issue and reduced by the goodwill written off on acquisitions during the year.

Cash Flow

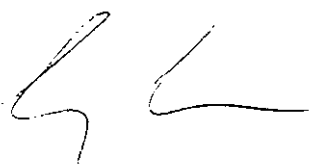
The group generated a net cash inflow of £37m which mainly resulted from the sale of the Games business, but also because of a stronger underlying operational cash flow.

There was an increase in working capital used largely because of an increase of £10.5m in debtors in the Games business, from the beginning of the year until the date of disposal. In addition stocks increased because of higher raw material prices and increased stock levels to protect against ongoing cost increases.

Treasury and Financial Management

The provision of financial resources and the control of foreign currency exposure is managed centrally by a small head office team in accordance with overall policies established by the Board.

Funds on deposit are held by major international banks and building societies. The group covers its trading risks by entering into foreign exchange contracts when appropriate and in addition has a policy of hedging its overseas investments with borrowings in local currencies.



GEOFFREY GIBSON
Finance Director

CORPORATE DIRECTORY

Directors

David G. Perry (Chairman)
Michael D. Abrahams CBE (Non-Executive)
Martin H. Buckley FCA (Chief Executive)
Janet Cohen MA (Non-Executive)
Geoffrey Gibson FCA (Finance Director)
Alan B. Reeve BSc
David F. L. Sykes BA (Non-Executive)

Secretary

Martin K. Young LLB, CA

Registered Office

Wakefield Road
Leeds LS10 1DU
Telephone 0113-277-0202
Registration No. 173691

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Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Solicitors

Eversheds
Cloth Hall Court
Infirmary Street
Leeds LS1 2JB

Auditors

Price Waterhouse
9 Bond Court
Leeds LS1 2SN

Merchant Bankers

Schroders
120 Cheapside
London EC2V 6DS

Stockbrokers

Cazenove & Co
12 Tokenhouse Yard
London EC2R 7AN

Principal Bankers

National Westminster Bank PLC
Midland Bank plc

BOARD OF DIRECTORS



David Perry
Chairman.

Aged 57. Joined the Board in 1981 and became Chairman in 1993. He is a non-executive director of Whitecroft PLC, Dewhirst Group plc and National & Provincial Building Society. Mr Perry serves on the Remuneration Committee.



Michael Abrahams

Aged 57. Joined the Board as a non-executive director in 1984. He is Chairman of the Audit Committee and serves on the Remuneration Committee. Mr Abrahams is also Chairman of Dalepak Foods PLC and Deputy Chairman of Prudential Corporation plc, and is a non-executive director of Drummond Group PLC.



Martin Buckley
Chief Executive.

Aged 49. Became a director in 1987. He has been Chief Executive since 1992 and is also a non-executive director of St. James's University Hospital NHS Trust.



Janet Cohen

Aged 54. Appointed to the Board as a non-executive director in October 1994. Mrs Cohen serves on the Audit and Remuneration Committees. She is also a governor of the BBC and a non-executive director of Charterhouse Bank Limited, BPP Holdings plc, Sheffield Development Corporation and Yorkshire Building Society.



Geoffrey Gibson
Finance Director.

Aged 45. Joined Waddingtons from Price Waterhouse in 1985. He was appointed to the Board as Finance Director in 1987.



David Sykes

Aged 61. Joined the Board as a non-executive director in 1990. He is Chairman of the Remuneration Committee and serves on the Audit Committee. Mr Sykes is also a non-executive director of Readicut International PLC.



Alan Reeve

Aged 57. Appointed to the Board in October 1994. He is responsible for the group's Board Packaging activities, having previously been Managing Director of Waddingtons Cartons Ltd. Mr Reeve joined the group in 1986.

ENVIRONMENTAL STATEMENT

It is the group's policy to seek continually to minimise any negative environmental impact from the pursuit of its various business interests whilst continuing to produce high quality products to its customers' needs, specification and satisfaction.

The group recognises that all activities have some environmental impact. In view of this the benefits of our products must be weighed against any environmental impact as a result of their manufacture, use, sale and ultimate disposal.

Environmental impact is therefore considered throughout the organisation in relation to:

- 1 - Design and development of new products and processes;
- 2 - Selection of raw materials and suppliers thereof;
- 3 - Internal production methods, with particular emphasis on
 - reducing wastage
 - reducing energy usage
 - reducing the use of scarce resources, including raw materials
 - minimising and controlling the use of hazardous substances
 - controlling emissions to air, drainage and land fill
 - optimising packaging of raw material and finished products.

It is the group's policy to comply with all statutory environmental requirements and to aim to improve upon the standards set by local regulatory authorities.

It is the group's policy to foster an informed and responsible approach to all environmental concerns and it encourages the involvement of employees, customers and suppliers. Regulatory authorities are consulted and informed at all appropriate times.

DIRECTORS' REPORT

The directors present their annual report together with the accounts of the company for the financial year ended 1 April 1995. The principal activities of the group are described on page 48. A review of the performance in the year, of the position at the year end and of future developments is given in the Chief Executive's Review of Operations and in the Financial Review.

Results and dividends

The results for the year and the transfer to retained profits are shown on page 26. The directors are proposing a final dividend of 4.9p per ordinary share payable on 11 August 1995 which, together with the interim dividend of 3.8p per ordinary share already paid, makes a total of 8.7p per ordinary share, which represents an increase of 5.6% compared to the adjusted dividend of 8.24p for last year.

Directors

The present directors of the company are shown on page 18.

Mrs J Cohen and Mr A B Reeve were appointed directors on 10 October 1994; both retire in accordance with Article 114 and offer themselves for re-election.

The directors due to retire under Article 108 are Mr M H Buckley and Mr D G Perry and they, being eligible, offer themselves for re-election.

The service contracts of Messrs Perry, Buckley, Gibson and Reeve may be terminated by not less than three years' notice in writing given by the company. Mr Abrahams, Mrs Cohen and Mr Sykes do not have a service contract with the company. None of the directors had an interest in any contract (other than service contracts) with the company or with any subsidiary company during the year.

During the year the company purchased and maintained Directors' and Officers' Liability Insurance as permitted by the Companies Act 1985.

A list of directors and details of their interests in Waddingtons shares and options are given on pages 34 and 35.

Acquisitions and disposals

On 5 May 1994 Alexander Pettigrew was sold for a consideration of £1,350,000 and on 18 May 1994 Label Converters Limited was sold for a consideration of £350,000, payable over the five years to 1999.

On 31 August 1994 the acquisition of Imca Beheer BV, a Dutch folding carton manufacturer, was completed. The consideration was £44.9m.

On 15 November 1994 50% of the issued share capital of PFB Creative Marketing Solutions Limited was acquired for a consideration of £317,000.

On 30 November 1994 Waddingtons Games was sold to Hasbro Inc for a consideration of £50m, payable on completion.

On 31 March 1995 certain assets of Nice-Pak Products Inc were acquired for a consideration of \$2,517,000.

Research and development

Expenditure on research and development in the year was £1,571,000 (1994 £2,209,000).

Tangible assets

Details of the movements in tangible assets are given in note 9 to the accounts.

Based upon professional advice received, the directors consider that the open market value for existing use of the group's land and buildings is approximately £5m in excess of the amount included in the consolidated balance sheet.

Share capital

Movements in the authorised, allotted and fully paid share capital are set out in note 17 to the accounts. In August 1994 a 2 for 7 rights issue was successfully completed, the proceeds being used to fund the acquisition of Imca Beheer BV

Share option schemes

Further options were granted during the year under the share option schemes. Details of the options outstanding at the year end are given in note 17 to the accounts.

Employees

The company gives full and fair consideration to applications for employment by disabled persons having regard to their particular aptitudes and abilities. Every effort is made to continue the employment of employees who have become disabled during their employment with the company. Depending on their skills and abilities disabled employees have the same career prospects and opportunities for promotion as other employees.

The company continues its practice of keeping all its employees informed on matters affecting them.

Charitable and political contributions

During the year the group contributed £25,440 (1994 £20,730) for charitable purposes and made no political contributions.

Substantial shareholdings

As at 21 June 1995 the company had been informed of interests of 3% or more of the company's issued ordinary shares as follows:

	Number of ordinary shares	%
Funds managed and advised by PDFM Ltd	20,585,525	19.82
Investment management clients of the Mercury Asset Management Group	8,855,925	8.53
Britannic Assurance PLC	8,504,999	8.19
Funds managed or advised by M&G Investment Management	8,253,763	7.95
Funds managed by AMP Asset Management plc	6,573,352	6.33
Funds managed by Threadneedle Investment Managers Ltd	5,665,714	5.46
British Telecom Pension Scheme	3,510,680	3.38
Norwich Union Group	3,386,653	3.26

Part of the holding of the British Telecom Pension Scheme is managed by the Mercury Asset Management Group and is therefore also included in the number of shares attributed to that group above.

As far as the directors are aware, no other shareholder holds 3% or more of the company's issued ordinary shares.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate governance

The company supports the report on the Financial Aspects of Corporate Governance published in December 1992 and the Code of Best Practice ("the Code"). Following the appointment in October 1994 of a third non-executive director Waddingtons has complied with, and remains in compliance with, the requirements of the Code in operation during the year. The Board consists of seven directors, three of whom are non-executives. It meets at least ten times a year to review appropriate strategic, operational and financial matters, and otherwise as required. It supervises the executive management team and a schedule of items reserved for the full Board's approval is in place. The directors are entitled to obtain independent professional advice where relevant.

The Audit Committee is composed of the three non-executive directors and is chaired by Michael Abrahams. It meets at least twice a year to review the company's accounting policies and financial and other reporting procedures, with the external and internal auditors and the Finance Director in attendance when appropriate.

The Remuneration Committee, which is composed of the non-executive directors and David Perry and is chaired by David Sykes, ensures that salaries, bonuses and share option awards fully satisfy performance and other criteria. It supervises the company's share option schemes and seeks to ensure that the company offers a competitive package of rewards to attract, retain and motivate its key executives.

In addition to the above, the selection and appointment of Board members is conducted by a Nominations Committee, brought together on an ad hoc basis and working with the benefit of the advice of external research consultants.

Annual General Meeting

Notice of the Annual General Meeting to be held on 27 July 1995 is contained in the document addressed to shareholders dated 4 July 1995 and enclosed with this Report.

Close company status

In the opinion of the directors the company is not a close company within the meaning of the Income and Corporation Taxes Act 1988.

Auditors

A resolution to re-appoint the auditors, Price Waterhouse, will be proposed at the Annual General Meeting.

By order of the board

M K Young

Secretary



21 June 1995

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF JOHN WADDINGTON PLC

We have audited the financial statements on pages 26 to 46 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, and the accounting policies set out on page 31.

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 1 April 1995 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.

Price Waterhouse
Price Waterhouse
Chartered Accountants
and Registered Auditors
9 Bond Court
Leeds LS1 2SN

21 June 1995

REPORT BY THE AUDITORS TO THE DIRECTORS OF JOHN WADDINGTON PLC ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the financial statements we have reviewed your statement on page 23 concerning 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 non-compliance with those paragraphs of the Code, if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to the Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the group's corporate governance procedures nor on the ability of the group to continue in operational existence.

Opinion

In our opinion your statement on going concern on page 22 has provided the disclosure required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and is not inconsistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on enquiry of certain directors and officers of the group and examination of relevant documents, your statement on page 23 appropriately reflects the group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse
Chartered Accountants

21 June 1995

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the financial year ended 1 April 1995

	Notes	1995 £000	Before Exceptionals 1994 £000	Exceptionals 1994 £000	Total 1994 £000
Turnover	1				
Continuing operations		218,581	210,141	—	210,141
Acquisitions		19,898	—	—	—
		<u>238,479</u>	<u>210,141</u>	<u>—</u>	<u>210,141</u>
Discontinued operations		20,793	25,915	—	25,915
		<u>259,272</u>	<u>236,056</u>	<u>—</u>	<u>236,056</u>
Costs and overheads	2	235,374	215,008	7,400	222,408
		<u>235,374</u>	<u>215,008</u>	<u>7,400</u>	<u>222,408</u>
Operating profit	1				
Continuing operations		17,247	16,723	(7,400)	9,323
Release of provision for loss on operations sold		445	874	—	874
Acquisitions		2,651	—	—	—
		<u>20,343</u>	<u>17,597</u>	<u>(7,400)</u>	<u>10,197</u>
Discontinued operations		3,555	3,451	—	3,451
		<u>23,898</u>	<u>21,048</u>	<u>(7,400)</u>	<u>13,648</u>
Profit on sale of discontinued operations	4	30,754	—	—	—
Provision for loss on sale of operations		—	—	(3,841)	(3,841)
Loss on operations sold		(3,396)	—	(8,126)	(8,126)
Release of provision for loss on operations sold		3,396	—	8,126	8,126
Profit on disposal of property following relocation		—	—	512	512
		<u>54,652</u>	<u>21,048</u>	<u>(10,729)</u>	<u>10,319</u>
Profit before interest					
Interest payable	5	1,342	2,252	—	2,252
		<u>53,310</u>	<u>18,796</u>	<u>(10,729)</u>	<u>8,067</u>
Profit before taxation					
Taxation	6	14,090	5,355	(800)	4,555
		<u>39,220</u>	<u>13,441</u>	<u>(9,929)</u>	<u>3,512</u>
Profit attributable to shareholders					
Preference dividends	7	28	28	—	28
Ordinary dividends	7	9,025	6,837	—	6,837
		<u>30,167</u>	<u>6,576</u>	<u>(9,929)</u>	<u>(3,353)</u>
Profit (deficit) retained					
		<u>30,167</u>	<u>6,576</u>	<u>(9,929)</u>	<u>(3,353)</u>
Earnings per ordinary share	8	40.28p			4.20p
Earnings per ordinary share excluding exceptional items	8	16.90p			16.18p
Dividend per ordinary share		8.70p			8.24p
		<u>8.70p</u>			<u>8.24p</u>
Statement of retained profits					
Profit and loss account at 3 April 1994		39,555			40,515
Profit (deficit) retained		30,167			(3,353)
Exchange adjustments		438			430
Goodwill written back on disposals		—			1,963
		<u>70,160</u>			<u>39,555</u>
Profit and loss account at 1 April 1995		<u>70,160</u>			<u>39,555</u>

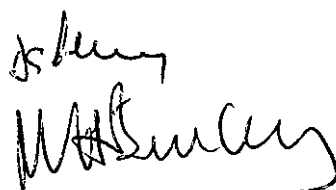
The comparative earnings per ordinary share and dividend per ordinary share have been restated in respect of the 1994 rights issue.

GROUP BALANCE SHEET

at 1 April 1995

	Notes	1995 £000	1994 £000
Fixed assets			
Tangible assets	9	101,292	81,699
Current assets			
Stocks	11	37,034	29,656
Debtors	12	46,651	44,757
Cash at bank and in hand	13	46,464	7,771
		<u>130,149</u>	<u>82,184</u>
Creditors (due within one year)			
Borrowings	14	22,758	21,834
Other creditors	15	65,269	49,279
		<u>88,027</u>	<u>71,113</u>
Net current assets		<u>42,122</u>	<u>11,071</u>
Total assets less current liabilities		<u>143,414</u>	<u>92,770</u>
Creditors (due after one year)			
Borrowings	14	12,830	14,800
Provisions for liabilities and charges			
Provisions	16	4,027	8,580
Deferred taxation	6	15,135	3,957
		<u>19,162</u>	<u>12,537</u>
Net assets	1	<u>111,422</u>	<u>65,433</u>
Capital and reserves including non-equity interests			
Called up share capital	17	26,555	20,716
Share premium account	18	39,385	2,091
Capital reserve	18	-	3,071
Other non-distributable reserve	18	(24,678)	-
Profit and loss account		70,160	39,555
		<u>111,422</u>	<u>65,433</u>

D G Perry
M H Buckley
Directors



Approved by the board on 21 June 1995

GROUP CASH FLOW STATEMENT

for the financial year ended 1 April 1995

	Notes	1995		1994	
		£000	£000	£000	£000
Net inflow from operating activities	20		15,075		23,379
Returns on investments and servicing of finance					
Interest received		701		1,066	
Interest paid		(2,308)		(3,444)	
Dividends paid		(7,748)		(6,536)	
Net outflow from returns on investments and servicing of finance			(9,355)		(8,914)
Taxation					
UK Corporation tax paid		(2,699)		(934)	
Overseas tax paid		(3,998)		(1,935)	
Tax paid			(6,697)		(2,869)
Investing activities					
Purchase of tangible assets		(16,129)		(10,068)	
Purchase of businesses					
(net of cash acquired)	21	(40,511)		(8,013)	
Sale of tangible assets		1,348		4,527	
Disposal of businesses					
(net of cash disposed of)	22	51,095		(388)	
Net outflow from investing activities			(4,197)		(13,942)
Net outflow before financing			(5,174)		(2,346)
Financing	23				
Issue of ordinary shares		(43,133)		(320)	
New loans		(11,761)		(11,173)	
Repayment of loans		12,703		16,180	
Net (inflow) outflow from financing			(42,191)		4,687
Increase (decrease) in cash and cash equivalents	24		37,017		(7,033)
			(5,174)		(2,346)

STATEMENT OF TOTAL RECOGNISED GAINS

for the financial year ended 1 April 1995

	1995 £000	1994 £000
Profit attributable to shareholders	39,220	3,512
Currency translation differences	438	430
Goodwill written back on disposals	—	2,074
	<u>39,658</u>	<u>6,016</u>

There is no material difference between the results as disclosed in the profit and loss account and the results on the historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

for the financial year ended 1 April 1995

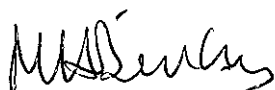
	1995 £000	1994 £000
Profit attributable to shareholders	39,220	3,512
Dividends	9,053	6,865
	<u>30,167</u>	<u>(3,353)</u>
New share capital issued, net of expenses	43,133	320
Goodwill written off	(27,749)	(3,217)
Goodwill written back on disposals	—	2,074
Currency translation differences	438	430
	<u>45,989</u>	<u>(3,746)</u>
Shareholders' funds at start of year	65,433	69,179
Shareholders' funds at end of year	<u>111,422</u>	<u>65,433</u>
Equity interests	110,821	64,832
Non-equity interests	601	601
	<u>111,422</u>	<u>65,433</u>

COMPANY BALANCE SHEET

at 1 April 1995

	Notes	1995 £000	1994 £000
Fixed assets			
Tangible assets	9	24,038	20,542
Investments	10	54,161	37,964
		<u>78,199</u>	<u>58,506</u>
Current assets			
Stocks	11	12,046	14,011
Debtors	12	18,678	24,038
Cash at bank and in hand	13	40,147	1,771
		<u>70,871</u>	<u>39,820</u>
Creditors (due within one year)			
Borrowings	14	17,631	14,574
Other creditors	15	30,723	26,857
		<u>48,354</u>	<u>41,431</u>
Net current assets (liabilities)		<u>22,517</u>	<u>(1,611)</u>
Total assets less current liabilities		<u>100,716</u>	<u>56,895</u>
Creditors (due after one year)			
Borrowings	14	11,234	11,909
Provisions for liabilities and charges			
Provisions	16	—	1,767
Deferred taxation	6	10,158	2,150
		<u>10,158</u>	<u>3,917</u>
Net assets		<u>79,324</u>	<u>41,069</u>
Capital and reserves including non-equity interests			
Called up share capital	17	26,555	20,716
Share premium account	18	39,385	2,091
Capital reserve	18	—	3,071
Other non-distributable reserve	18	(24,678)	—
Profit and loss account	19	38,062	15,191
		<u>79,324</u>	<u>41,069</u>

D G Perry
M H Buckley
Directors

Approved by the board on 21 June 1995

NOTES TO THE ACCOUNTS

Accounting policies

General

The group accounts are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain assets and consolidate the accounts of the holding company and subsidiaries on the basis of audited accounts made up to the Saturday falling within the period from 29 March to 4 April each year. Results of subsidiary undertakings acquired or sold during the year are consolidated from or to the date on which control passes.

Turnover

Turnover represents amounts invoiced to external customers, excluding value added tax.

Tangible assets

Tangible assets in the accounts of each company within the group are stated at cost to the group, except in the case of certain assets which have been revalued, less aggregate depreciation.

Depreciation

The charge is calculated at rates appropriate to write off the cost or valuation of individual assets from the time they become operational by equal annual instalments over their estimated useful lives which are principally as follows:

Freehold buildings	25 or 50 years
Leasehold property	Period of lease
Plant, equipment and motor vehicles	4 to 10 years

Freehold land is not depreciated.

Goodwill

The amount by which the fair value of the consideration on the acquisition of a business exceeds the fair value of its net assets is written off against reserves. Upon disposal of previously acquired businesses goodwill written off is reinstated in calculating the profit or loss on disposal.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes appropriate overheads and is determined on the 'first in first out' or average cost basis.

Deferred taxation

No provision is made for deferred taxation unless there is a reasonable probability of payment in the foreseeable future.

Rates of exchange

Assets and liabilities expressed in overseas currencies are translated into sterling at the exchange rates ruling at the balance sheet date and trading results at average rates during the year.

Exchange gains or losses of a trading nature are dealt with in the profit and loss account; other gains or losses and translation differences are taken directly to reserves.

Research and development

All such expenditure is written off in the year in which it is incurred.

Capitalisation of interest

Tangible assets include amounts in respect of interest paid on borrowings related to the financing of major projects during their period of construction.

Pension costs

The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from employees' services.

NOTES TO THE ACCOUNTS

I. Segment information

	Turnover		Operating profit		Assets employed	
	1995 £000	1994 £000	1995 £000	1994 £000	1995 £000	1994 £000
By class of business:						
Plastic Packaging	112,198	101,880	7,562	10,270	58,266	54,809
Paper & Board Packaging	64,331	43,966	7,426	4,082	47,152	25,487
Specialist Printing	61,073	48,533	5,355	3,656	21,400	15,097
Ongoing businesses	237,602	194,379	20,343	18,008	126,818	95,393
Operations sold	877	15,762	(445)	(1,285)	-	4,559
Release of provision for loss on operations sold	-	-	445	874	-	-
Continuing operations	238,479	210,141	20,343	17,597	126,818	99,952
Discontinued operations	20,793	25,915	3,555	3,451	-	7,928
	259,272	236,056	23,898	21,048	126,818	107,880
Exceptional item	-	-	-	(7,400)	-	-
	259,272	236,056	23,898	13,648	126,818	107,880
By location of customer:						
United Kingdom	144,190	145,397				
Europe	44,592	28,004				
USA	65,811	58,157				
Rest of world	4,679	4,498				
	259,272	236,056				
By origin:						
United Kingdom	130,439	133,313	10,831	10,781	78,686	60,507
Europe	42,646	19,229	4,038	1,053	19,825	6,658
USA	65,394	57,599	5,474	(1,637)	28,307	32,787
Continuing operations	238,479	210,141	20,343	10,197	126,818	99,952
Discontinued operations	20,793	25,915	3,555	3,451	-	7,928
	259,272	236,056	23,898	13,648	126,818	107,880
Assets employed reconcile to the group balance sheet as follows:						
Assets employed					126,818	107,880
Finance debt less cash at bank and in hand					10,876	(28,863)
Current and deferred taxation					(21,185)	(9,802)
Dividends					(5,087)	(3,782)
Net assets					111,422	65,433

NOTES TO THE ACCOUNTS

	1995 £000	1994 £000
2. Costs and overheads		
Change in stocks of finished goods and work in progress	(3,605)	(2,179)
Own work capitalised	(195)	(273)
Other operating income	(1,161)	(2,260)
Raw materials and consumables	108,738	92,936
Other external and operating charges	53,424	58,156
Staff costs (Note 3)	66,488	65,215
Depreciation	12,130	11,687
Release of provision for loss on operations sold	(445)	(874)
	<u>235,374</u>	<u>222,408</u>
Other external and operating charges include:		
Auditors' remuneration	235	230
Auditors' remuneration for non-audit services	208	93
Hire of plant and equipment	796	1,181
Profit on sale of tangible assets	(451)	(431)
Insurance surplus	-	(542)
Research and development	1,571	2,209
3. Employees and directors		
Staff costs:		
Wages and salaries	58,012	56,431
Social security costs	6,367	6,771
Other pension costs (Note 26)	2,109	2,013
	<u>66,488</u>	<u>65,215</u>
The average number of persons employed by the group during the year was:	Number of employees	
United Kingdom	2,079	2,385
Rest of world	1,263	972
	<u>3,342</u>	<u>3,357</u>
The emoluments of the directors of the company included above were as follows:	£000	£000
Fees	40	31
Basic salaries	496	456
Performance-related payments	80	197
Other benefits	32	20
Pension contributions	33	42
	<u>681</u>	<u>746</u>

3. Employees and directors (continued)**Directors' remuneration**

Directors' remuneration is set by the Remuneration Committee of the Board, comprising the non-executive directors and David Perry, and consists of annual salary, health and car benefits, annual performance-related bonuses and pension contributions. The performance-related bonus is calculated on the basis of growth in underlying earnings per share and is subject to a maximum of 50% of basic salary. The remuneration of the Chairman and other directors, excluding pension contributions, was as follows:

	Salary/ Fees £000	Performance- related payments £000	Other benefits £000	1995 Total £000	1994 Total £000
Chairman					
D. G. Perry (from 30 July 1993)	154	24	5	183	224
V. H. Watson (to 30 July 1993)	—	—	—	—	21
Executive directors					
M. H. Buckley	174	27	12	213	248
G. Gibson	123	19	12	154	180
A. B. Reeve (appointed 10 October 1994)	45	10	3	58	—
Non-executive directors					
M. D. Abrahams	15	—	—	15	16
J. Cohen (appointed 10 October 1994)	7	—	—	7	—
D. F. L. Sykes	18	—	—	18	15
	536	80	32	648	704

Pensions

The pension arrangements for executive directors are based on the intention to provide retirement benefits which will be represented by a fraction, not exceeding two-thirds, of final salary at age 60.

Directors' interests

The interests (all being beneficial) of directors in the company's securities are set out below:

	At 1 April 1995			At 2 April 1994		
	Ordinary Shares	4.2% Preference Shares	Share Options	Ordinary Shares	4.2% Preference Shares	Share Options
M. D. Abrahams	—	500	—	—	500	—
M. H. Buckley	69,031	—	489,395	71,765	—	317,593
J. Cohen	—	—	—	—	—	—
G. Gibson	6,932	—	341,813	3,000	—	219,134
D. G. Perry	35,646	500	347,113	27,725	500	271,593
A. B. Reeve	971	—	187,649	771	—	112,649
D. F. L. Sykes	42,836	—	—	33,318	—	—

Notes

1. The comparative figures for J. Cohen and A. B. Reeve are stated as at 10 October 1994, their date of appointment to the Board.
2. Since the end of the financial year M. H. Buckley has acquired a further 760 shares; his beneficial holding on 21 June 1995 was 69,791 ordinary shares and 489,395 options.
3. The directors and their families had no interest in the shares of any other company within the group.

3. Employees and directors (continued)**Share options**

The current Executive Share Option Scheme 1985 provides for the grant of options, at full market value, which are exercisable between three and ten years from the date of grant.

A new executive share option scheme, the principal features of which appear in the letter to shareholders dated 4 July 1995, will be submitted for approval to the Annual General Meeting on 27 July 1995.

The prices at which options under the Executive Share Option Scheme 1985 and the Savings-Related Share Option Schemes have been granted to directors are set out below. The table discloses weighted average option exercise prices both above and below the price of an ordinary share in John Waddington PLC on 1 April 1995, namely 194p.

Share options at 1 April 1995

	Exercise price above 194p		Exercise price below 194p		Options granted during the year or from date of appointment whichever is later	
	Number	Weighted average price (p)	Number	Weighted average price (p)	Number	Price (p)
M. H. Buckley	182,500	214.52	306,895	161.44	61,875	210.91
					100,000	215.50
G. Gibson	127,156	214.16	214,657	167.86	46,406	210.91
					72,500	215.50
D. G. Perry	70,125	211.34	276,988	159.93	67,032	210.91
A. B. Reeve	75,000	215.50	112,649	171.00	75,000	215.50

Notes

1. The only exercise of share options during the year was by G. Gibson in respect of 3,076 shares at an exercise price of 171.64p. The mid-market price on the date of exercise was 229p.
2. There were no lapses of share options during the year.
3. Directors' outstanding share options are exercisable between 1995 and 2004.
4. Full details of directors' shareholdings and options are contained in the Register of Directors' Interests which is kept by the company and is open to inspection in accordance with the provisions of the Companies Act 1985.
5. The range of market price of shares in John Waddington PLC during the year ended 1 April 1995 was 184p to 245.5p.

4. Exceptional items

	1995 £000	1994 £000
Profit on sale of discontinued operations	30,754	-
Costs of settlement of U.S. anti-trust investigation	-	(7,400)
Provision for loss on operations to be sold	-	(3,841)
Profit on disposal of property following relocation	-	512
	30,754	(10,729)

On 30 November 1994 Waddingtons Games was sold to Hasbro Inc for a consideration of £50,000,000 resulting in a profit of £30,754,000.

NOTES TO THE ACCOUNTS

	1995 £000	1994 £000
5. Interest payable		
Interest payable on:		
Debentures	—	22
Bank loans	1,831	1,911
Bank overdrafts	135	415
Other	225	102
Interest receivable on:		
Short term deposits and bank balances	(849)	(198)
	<u>1,342</u>	<u>2,252</u>
 6. Taxation		
Based on profits for the year:		
UK corporation tax at 33%	3,895	3,539
Overseas taxation	2,347	1,057
Deferred taxation	7,988	539
	<u>14,230</u>	<u>5,135</u>
Adjustments in respect of prior years	(140)	(580)
	<u>14,090</u>	<u>4,555</u>

The tax charge has been reduced by £400,000 in respect of overseas trading and by £700,000 in respect of timing differences for which no deferred taxation has been provided. Deferred taxation includes £8,000,000 in respect of Capital Gains Tax held over on the disposal of Waddingtons Games.

The potential liability at 33% for deferred taxation is as follows:

	Amount provided		Potential	
	1995 £000	1994 £000	1995 £000	1994 £000
Group				
Accelerated capital allowances	6,839	3,896	10,892	6,220
Other timing differences	296	61	(718)	61
Held over capital gains	8,000	—	8,000	—
	<u>15,135</u>	<u>3,957</u>	<u>18,174</u>	<u>6,281</u>

The movement in the amount provided reflects a charge to the profit and loss account of £7,988,000 and a net increase in respect of the acquisition and disposal of subsidiaries of £3,190,000.

Company

Accelerated capital allowances	2,078	2,066	2,157	2,066
Other timing differences	80	84	80	84
Held over capital gains	8,000	—	8,000	—
	<u>10,158</u>	<u>2,150</u>	<u>10,237</u>	<u>2,150</u>

NOTES TO THE ACCOUNTS

	1995 £000	1994 £000
7. Dividends		
Ordinary		
Interim of 3.8p per share (1994 Adjusted 3.68p)	3,938	3,055
Proposed final of 4.9p per share (1994 Adjusted 4.56p)	5,087	3,782
	<u>9,025</u>	<u>6,837</u>
Preference	28	28
	<u>9,053</u>	<u>6,865</u>
 8. Earnings per share		
Earnings per share are calculated as follows:		
Profit after taxation	39,220	3,512
Preference dividends	28	28
	<u>39,192</u>	<u>3,484</u>
Earnings per share	<u>40.28p</u>	<u>4.20p</u>
 Earnings per share excluding exceptional items are also presented in order to give an indication of the underlying performance of the group and are calculated as follows:		
Profit after taxation	39,220	3,512
Preference dividends	28	28
	<u>39,192</u>	<u>3,484</u>
Exceptional items	(30,754)	10,729
Taxation on exceptional items	8,000	(800)
	<u>16,438</u>	<u>13,413</u>
Earnings per share excluding exceptional items	<u>16.90p</u>	<u>16.18p</u>

Both calculations of earnings per share are based on the average number of ordinary shares in issue during the year ranking for dividend of **97,293,551** (1994 80,363,216). The comparative earnings per ordinary share have been restated in respect of the 1994 rights issue.

9. Tangible assets					
£000					
Group	Freehold property	Short leasehold property	Plant and vehicles	Other equipment	Total
Cost or valuation					
3 April 1994	36,450	1,336	92,084	19,556	149,426
Exchange adjustments	(269)	-	773	(60)	444
Businesses acquired	6,568	-	22,551	1,558	30,677
Businesses disposed of	-	-	(7,148)	(1,173)	(8,321)
Additions	1,022	452	15,833	1,478	18,785
Disposals	(1,314)	(9)	(2,206)	(1,008)	(4,537)
1 April 1995	42,457	1,779	121,887	20,351	186,474
Being: Cost	39,221	1,779	121,887	20,351	183,238
Valuation 1977	306	-	-	-	306
Valuation 1980	2,930	-	-	-	2,930
Aggregate depreciation					
3 April 1994	4,343	261	49,635	13,488	67,727
Exchange adjustments	(8)	-	369	(57)	304
Businesses acquired	1,383	-	10,477	1,166	13,026
Businesses disposed of	-	-	(4,418)	(771)	(5,189)
Disposals	(76)	-	(1,845)	(895)	(2,816)
Charge for year	868	105	9,604	1,553	12,130
1 April 1995	6,510	366	63,822	14,484	85,182
Net book amounts					
1 April 1995	35,947	1,413	58,065	5,867	101,292
2 April 1994	32,107	1,075	42,449	6,068	81,699
Company					
Cost or valuation					
3 April 1994	596	-	41,009	3,012	44,617
Additions	-	-	7,746	328	8,074
Transfer from group companies	-	942	1,592	220	2,754
Businesses disposed of	-	-	(3,845)	(1,039)	(4,884)
Disposals	-	-	(531)	(437)	(968)
1 April 1995	596	942	45,971	2,084	49,593
Being: Cost	290	942	45,971	2,084	49,287
Valuation 1977	306	-	-	-	306
Aggregate depreciation					
3 April 1994	303	-	21,726	2,046	24,075
Transfer from group companies	-	159	1,165	192	1,516
Businesses disposed of	-	-	(2,621)	(588)	(3,209)
Disposals	-	-	(375)	(426)	(801)
Charge for year	17	38	3,695	224	3,974
1 April 1995	320	197	23,590	1,448	25,555
Net book amounts					
1 April 1995	276	745	22,381	636	24,038
2 April 1994	293	-	19,283	966	20,542

Freehold property includes £1,307,000 (1994 £1,307,000) in respect of interest capitalised.

9. Tangible assets (continued)

On the historical cost basis freehold property would have been stated at:

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Cost	40,583	34,731	550	550
Aggregate depreciation	6,509	4,071	296	280
Net book amount	<u>34,074</u>	<u>30,660</u>	<u>254</u>	<u>270</u>
Future capital expenditure not provided in the accounts:				
Contracts placed	8,753	2,662	2,483	949
Authorised by the directors but for which contracts not yet placed	4,611	525	296	25
	<u>13,364</u>	<u>3,187</u>	<u>2,779</u>	<u>974</u>

10. Investments

Subsidiaries	Shares £000	Loans £000	Provisions £000	Total £000
3 April 1994	85,878	(841)	(47,073)	37,964
Movement during year	35,835	8,018	(27,656)	16,197
1 April 1995	<u>121,713</u>	<u>7,177</u>	<u>(74,729)</u>	<u>54,161</u>

The principal operating companies of the group are shown on page 48.

10. Investments (continued)

During the year the group made the following acquisitions: On 31 August 1994 Imca Beheer BV was acquired for a consideration of £44,897,000; on 15 November 1994 50% of the issued share capital of PFB Creative Marketing Solutions Limited was acquired for a consideration of £317,000; on 31 March 1995 certain assets of Nice-Pak Products Inc were acquired for a consideration of \$2,517,000.

The book and fair values of the assets and liabilities acquired are as follows:

	Book value £000	Fair value adjustments £000	Fair value to group £000
Tangible fixed assets	17,651	-	17,651
Stocks	4,994	-	4,994
Debtors	5,426	-	5,426
Cash at bank	5,291	-	5,291
Total assets	33,362	-	33,362
Creditors	(7,637)	(1,190)	(8,827)
Taxation	(5,525)	-	(5,525)
Total liabilities	(13,162)	(1,190)	(14,352)
Net assets	20,200	(1,190)	19,010
Goodwill			27,749
Consideration			46,759

The principal adjustments made in arriving at the fair values of the assets and liabilities acquired reflect the rationalisation and reorganisation costs associated with integrating the acquired businesses into the group.

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
11. Stocks				
Raw materials	11,347	8,461	4,202	4,231
Work in progress	4,437	3,569	2,157	2,314
Finished goods	21,250	17,626	5,687	7,466
	37,034	29,656	12,046	14,011
12. Debtors				
Trade debtors	39,713	37,401	12,556	17,010
Amounts owed by group companies	-	-	3,695	3,827
Other debtors	3,257	3,146	817	949
Prepayments and accrued income	3,681	4,210	1,610	2,252
	46,651	44,757	18,678	24,038

Other debtors include deferred consideration of £1,606,000 (1994 £666,000) receivable after more than one year.

NOTES TO THE ACCOUNTS

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
13. Cash at bank and in hand				
Short term deposits	40,124	1,189	40,124	847
Cash and bank balances	6,340	6,582	23	924
	<u>46,464</u>	<u>7,771</u>	<u>40,147</u>	<u>1,771</u>
14. Borrowings				
Secured				
Bank loans in foreign currencies at floating rates on variable fixture terms	441	579	—	—
Unsecured				
Bank loans in sterling at floating rates on variable fixture terms	6,845	13,733	6,720	13,483
Bank loans in foreign currencies at floating rates on variable fixture terms	25,192	21,066	11,348	10,010
Bank overdrafts	3,110	1,256	10,797	2,990
	<u>35,588</u>	<u>36,634</u>	<u>28,865</u>	<u>26,483</u>
Repayable				
Over five years	332	424	—	—
Between two and five years	6,162	5,371	5,403	4,554
Between one and two years	6,336	9,005	5,831	7,355
	<u>12,830</u>	<u>14,800</u>	<u>11,234</u>	<u>11,909</u>
Within one year	22,758	21,834	17,631	14,574
	<u>35,588</u>	<u>36,634</u>	<u>28,865</u>	<u>26,483</u>

The bank loans in foreign currencies of certain overseas subsidiaries are secured on the current assets of those subsidiaries.

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
15. Other creditors (due within one year)				
Trade creditors	27,619	25,168	9,358	10,336
Amounts due to group companies	—	—	2,686	2,363
Other creditors	12,894	3,876	9,873	2,749
Corporation tax	6,050	5,845	—	3,288
Taxation and social security	4,113	3,845	2,168	2,456
Accruals and deferred income	9,506	6,763	1,551	1,883
Dividends	5,087	3,782	5,087	3,782
	<u>65,269</u>	<u>49,279</u>	<u>30,723</u>	<u>26,857</u>

NOTES TO THE ACCOUNTS

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
16. Provisions				
Costs of U.S. anti-trust investigation	4,027	6,813	-	-
Loss on operations to be sold	-	1,767	-	1,767
	<u>4,027</u>	<u>8,580</u>	<u>-</u>	<u>1,767</u>

The provision for the loss on disposal of Label Converters Limited at 2 April 1994 has been utilised during the year.

Costs of £2,786,000 incurred during the year have been charged against the U.S. anti-trust investigation provision.

	Authorised		Allotted and fully paid	
	1995 £000	1994 £000	1995 £000	1994 £000
17. Called up share capital				
5.6% Cumulative preference shares of £1 each	200	200	200	200
4.2% Cumulative preference shares of £1 each	500	500	401	401
Ordinary shares of 25p each	27,000	27,000	25,954	20,115
	<u>27,700</u>	<u>27,700</u>	<u>26,555</u>	<u>20,716</u>

The preference shares carry no voting rights other than in certain circumstances affecting the rights of the preference shareholders, details of which are set out in the company's Articles of Association. The 5.6% cumulative preference shares rank in priority to the 4.2% cumulative preference shares both as to dividends and on a winding up. Both classes of preference shares rank ahead of the ordinary shares in respect of dividends and on a winding up. Rights on a winding up are limited to repayment of capital and any arrears of dividends.

Shares allotted during the year:	Number	Nominal value £000	Net consideration £000
Rights issue	22,992,810	5,748	42,554
On exercise of options	363,888	91	579

Under share option schemes, share options outstanding at 1 April 1995 to subscribe for ordinary shares of 25p each were as follows:

Number	Price per share	Exercisable
92,473	148.8p - 171.6p	1995
61,874	176.0p	between 1995 and 1996
119,168	170.2p - 176.0p	between 1995 and 1998
164,999	176.6p	between 1995 and 1999
636,284	130.7p - 148.8p	between 1995 and 2000
108,281	176.0p - 193.0p	between 1995 and 2001
412,498	176.0p	between 1995 and 2002
150,560	220.6p - 223.0p	between 1996 and 2003
666,210	171.6p	1997
726,567	210.9p - 217.0p	between 1997 and 2004

NOTES TO THE ACCOUNTS

18. Reserves

	Share premium account £000	Capital reserve £000	Other non- distributable reserve £000
3 April 1994	2,091	3,071	-
Premium arising on exercise of options in year	488	-	-
Premium arising on rights issue	36,806	-	-
Goodwill arising on acquisitions	-	(3,071)	(24,678)
1 April 1995	<u>39,385</u>	<u>-</u>	<u>(24,678)</u>

The cumulative amount of goodwill charged to group reserves at 1 April 1995, net of goodwill attributable to subsidiaries subsequently sold, is **£74,146,000** (1994 £46,397,000)

19. Profit and loss account

John Waddington PLC has not presented its own profit and loss account as permitted by Section 230 of the Companies Act 1985. The amount of the consolidated profit for the financial year dealt with in the profit and loss account of the holding company is shown below:

	£000
3 April 1994	15,191
Profit for year	30,706
Dividends	(9,053)
Exchange gain	1,218
1 April 1995	<u>38,062</u>

20. Reconciliation of operating profit to cash inflow from operating activities

	1995 £000	1994 £000
Operating profit	23,898	21,048
Depreciation	12,130	11,687
Profit on sale of tangible assets	(451)	(973)
Increase in stocks	(8,427)	(2,122)
Increase in debtors	(13,200)	(3,666)
Increase in creditors	3,911	806
Exchange differences	-	148
Cash outflow from exceptional items	(2,786)	(3,549)
Net inflow from operating activities	<u>15,075</u>	<u>23,379</u>

NOTES TO THE ACCOUNTS

	1995 £000	1994 £000
21. Purchase of businesses		
Net assets acquired:		
Tangible assets	17,651	2,368
Stocks	4,994	2,394
Debtors	5,426	1,619
Cash at bank and in hand	5,291	(1,777)
Creditors	(8,827)	(1,462)
Taxation	(5,525)	—
Minority interests	—	(123)
	<u>19,010</u>	<u>3,019</u>
Goodwill	27,749	3,217
	<u>46,759</u>	<u>6,236</u>
Consideration		
Satisfied by:		
Cash consideration	45,802	6,236
Deferred consideration	957	—
	<u>46,759</u>	<u>6,236</u>
Net outflow of cash:		
Cash consideration	45,802	6,236
Cash at bank and in hand acquired	(5,291)	1,777
	<u>40,511</u>	<u>8,013</u>
Net outflow of cash in respect of purchase of businesses		

On 31 August 1994 Imca Beheer BV was acquired for a consideration of £44,897,000. On 15 November 1994 50% of the issued share capital of PFB Creative Marketing Solutions Limited was acquired for a consideration of £317,000. On 31 March 1995 certain assets of Nice-Pak Products Inc were acquired for a consideration of \$2,517,000.

In the period between 1 January 1994 and the date of acquisition Imca Beheer BV made an operating profit of £2,600,000 (year ended 31 December 1993 £4,000,000).

NOTES TO THE ACCOUNTS

	1995 £000	1994 £000
22. Disposal of businesses		
Net assets disposed of:		
Tangible assets	3,132	3,601
Stocks	5,901	3,025
Debtors	18,533	4,022
Cash at bank and in hand	150	1,063
Creditors	(3,739)	(2,269)
Bank loans	(185)	-
Taxation	(1,976)	-
	<hr/> 21,816	<hr/> 9,442
Goodwill previously written off to reserves	2,074	-
	<hr/> 23,890	<hr/> 9,442
Profit (loss) on disposal	27,358	(8,126)
	<hr/> 51,248	<hr/> 1,316
Proceeds of disposal		
Satisfied by:		
Cash	50,898	550
Deferred consideration	350	766
	<hr/> 51,248	<hr/> 1,316
Net inflow (outflow) of cash:		
Cash consideration	50,898	550
Deferred consideration received	162	125
Net bank overdraft (cash) disposed of	35	(1,063)
	<hr/> 51,095	<hr/> (388)

During the year the following businesses were disposed of: Alexander Pettigrew for a consideration of £1,350,000, Label Converters Limited for a consideration of £350,000 and Waddingtons Games for a consideration of £50,000,000.

23. Analysis of changes in financing

	Share capital and premium £000	Bank loans £000
3 April 1994	22,807	35,378
Share capital issued, net of expenses	43,133	-
New loans	-	11,761
Repayment of loans	-	(12,703)
Effect of foreign exchange rate changes	-	(1,958)
	<hr/> 65,940	<hr/> 32,478
1 April 1995		

NOTES TO THE ACCOUNTS

24. Analysis of changes in cash and cash equivalents

	£000
3 April 1994	6,515
Net cash inflow before adjustments for the effect of foreign exchange rate changes	37,017
Effect of foreign exchange rate changes	(178)
1 April 1995	<u>43,354</u>

25. Analysis of the balances of cash and cash equivalents

	Cash at bank and in hand £000	Bank overdrafts £000	1995 Total £000	1994 Total £000
3 April 1994	7,771	(1,256)	6,515	13,497
Movement in year	38,693	(1,854)	36,839	(6,982)
1 April 1995	<u>46,464</u>	<u>(3,110)</u>	<u>43,354</u>	<u>6,515</u>

26. Pension commitments

The group operates pension arrangements for employees in the United Kingdom and overseas. The main pension arrangement is the John Waddington Group Pension Scheme ("the Group Scheme"), which is a defined benefit arrangement for UK employees, with the assets being held in a separate trustee administered fund.

Contributions to the Group Scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method of valuation. The most recent actuarial valuation of the Group Scheme was carried out as at 1 October 1994. The principal assumptions used in this actuarial valuation were that the average long-term investment return would exceed increases in earnings and pensions in payment by 2.5% p.a. and 5.5% p.a. respectively. This valuation showed that the market value of the Group Scheme's assets amounted to £53,297,000 and that the actuarial value of these assets represented 110% of the benefits that had accrued to members after allowing for expected future increases in earnings. Such results will be reflected in the pension cost figures for future financial years by spreading forward the excess value of assets over liabilities over the average remaining membership of current employees.

The pension cost for the current financial year corresponds to the results of the immediately preceding actuarial valuations and equates to the contributions made.

27. Contingent liabilities

The company has given guarantees in respect of the indebtedness of certain group companies.

FINANCIAL CALENDAR

Annual General Meeting	27 July 1995
Final Ordinary Dividend	Payable on 11 August 1995
Preference Dividends	Payable on 30 June and 31 December 1995
Interim Results for the half year to 30 September 1995	Announcement expected in November 1995
1995/96 Interim Ordinary Dividend	Payable January 1996
Final Results for the year to 30 March 1996	Announcement expected in June 1996

FIVE YEAR REVIEW

£000	1995	1994	1993	1992	1991
Sales	259,272	236,056	221,556	231,386	227,602
Profit before exceptional items and tax	22,556	18,796	15,051	12,511	16,027
Profit before tax	53,310	8,067	6,051	7,204	16,027
Profit after tax	39,220	3,512	2,574	3,951	11,733
Ongoing businesses (at 1 April 1995)					
Sales	237,602	194,379	165,134	159,320	146,192
Operating profit before exceptional items	20,343	18,008	16,949	14,588	12,645
Capital expenditure	18,575	9,804	11,630	15,502	24,563
Depreciation	11,945	11,411	10,534	10,043	8,860
Pence per ordinary share					
Earnings	40.28	4.20	3.09	4.78	14.30
Earnings before exceptional items	16.90	16.18	13.29	11.25	14.30
Dividend	8.70	8.24	7.66	7.66	7.66

The comparative earnings per ordinary share and dividend per ordinary share have been restated in respect of the 1994 rights issue.

OPERATIONS OF THE GROUP

The following is a list of the group's major subsidiary operating companies of which John Waddington PLC is either directly, or through subsidiary companies, the owner of the whole, or such lesser percentage as is stated, of the equity share capital.

Direct subsidiaries of John Waddington PLC are marked =

Companies acting as agent of John Waddington PLC are marked *

All subsidiaries are incorporated in England and operate in the U.K. with the exception of (a) Comet Products Inc, California Cutlery Corp, Hopple Plastics Inc and Carthage Cup Company, which are incorporated and operate in the USA, (b) Data Documents SA, incorporated in Belgium, Data Documents BV, Zuid-Nederlandse Drukkerij BV and Imca Beheer BV, incorporated in The Netherlands, and Data Documents SARL, incorporated in Luxembourg, all of which companies operate in Europe and (c) Arcol Thermoplastics Ltd. which is registered in Scotland and operates in the U.K.

The particulars given relate only to those undertakings whose results, in the opinion of the directors, significantly affect the amount of the profit or assets of the group.

PLASTIC PACKAGING

*# Plastona Ltd

Leeds

Soft margarine packaging, dessert containers, cream tubs, DUAL HEAT™ plates and trays

Comet Products Inc

Chelmsford, Massachusetts, USA

Disposable food service products, plastic glasses, cups and plates, dual ovenable trays

California Cutlery Corp

Los Angeles, California, USA

Disposable plastic cutlery, cups and straws

Hopple Plastics Inc

Florence, Kentucky, USA

Thermoformed plastic products for the food, confectionery, toiletries and other industries

Johnsen & Jorgensen Ltd

Dartford, Manchester and Glasgow

Wines and spirits, food and industrial packaging

Jaycare Ltd

North Shields

Healthcare, pharmaceutical and toiletries packaging, containers and closures, including tamper resistant, tamper evident and child resistant features

* Arcol Thermoplastics Ltd

Glasgow

Performance cushion packaging

Carthage Cup Company

Carthage and Longview, Texas, USA

Disposable plastic cups

PAPER AND BOARD PACKAGING

*# Waddingtons Cartons Ltd

Leeds

Folding cartons, board dairy pots, carton packaging systems

Imca Beheer BV

Hoogerheide, The Netherlands

Folding cartons

PAPER AND BOARD PACKAGING (contd.)

*# Waddingtons Labels Ltd

Gateshead

Can and bottle labels

Cartonmaster (UK) Ltd (75%)

Middlewich

Short-run folding cartons

SPECIALIST PRINTING

Chorley & Pickersgill Ltd

Leeds

Financial security printing, direct mail and direct marketing services, building society passbooks, books, brochures, publications, report and accounts

PFB Creative Marketing Solutions Ltd (50%)

Leeds

Creative, design, repro and advertising services

The House of Questa Ltd

London

Postage stamps, financial security printing

Data Documents SA

Brussels, Belgium

Security printing, word processor stationery, continuous stationery, cheques

Data Documents BV

Breda, The Netherlands

Security printing, word processor stationery, continuous stationery, cheques

Data Documents Luxembourg SARL

Luxembourg

Security printing, word processor stationery, continuous stationery, cheques

Zuid-Nederlandse Drukkerij BV

Hertogenbosch, The Netherlands

Security printing, word processor stationery, continuous stationery, cheques