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JOHN WADDINGTON PLC

Waddington is a leading specialist manufacturer of packaging and printing products. We are an international company, with operations in the United Kingdom, United States and Continental Europe.

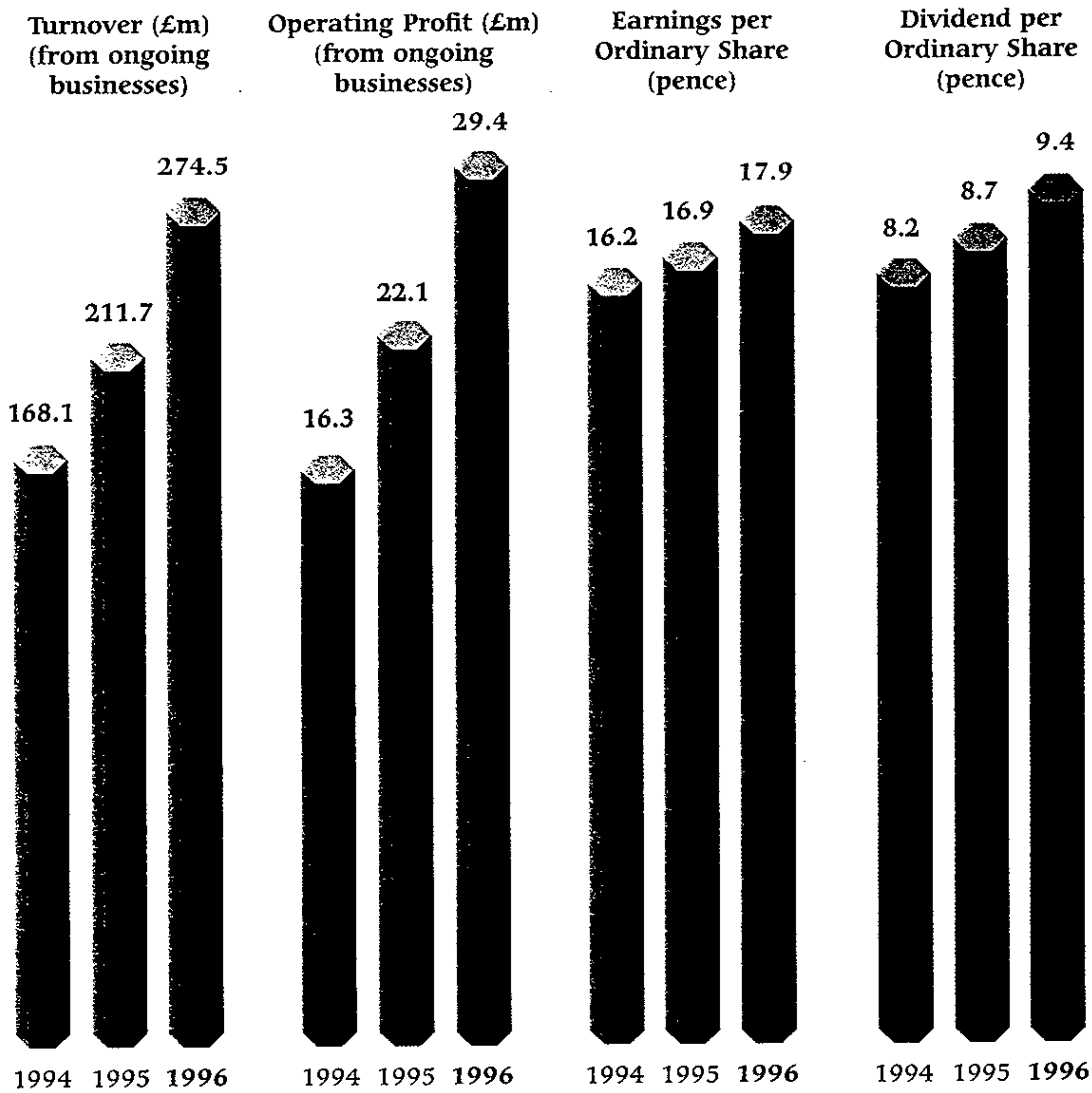
We succeed through our strong focus on niche markets, where we can achieve above average returns from a position of competitive strength. Our robust investment programme provides a solid base for the excellent growth opportunities in our selected markets.

Contents

Financial Highlights

JOHN WADDINGTON PLC

	Year to 30 March 1996 £m	Year to 1 April 1995 £m
Turnover from ongoing businesses	274.5	211.7
Operating profit before exceptional items from ongoing businesses	29.4	22.1
Interest payable	1.3	1.3
Profit before taxation	11.9	53.3
Net profit for the financial year	7.8	39.2
Earnings per ordinary share before exceptional items (pence)	17.89p	16.90p
Dividend per ordinary share (pence)	9.40p	8.70p

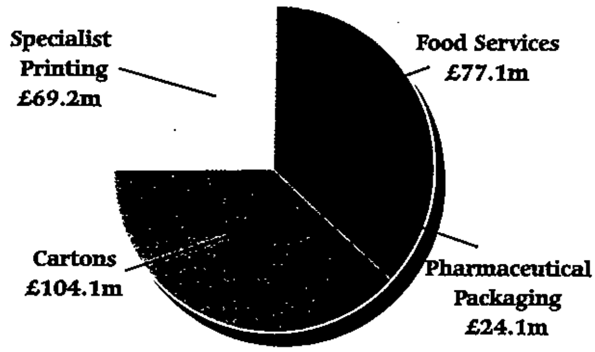


The Company in Brief

Waddington is a leading specialist manufacturer of packaging and printing products. We are a niche operator, focusing on four carefully selected areas of business. We are a major player in each of our niche markets. All these markets offer good growth prospects.

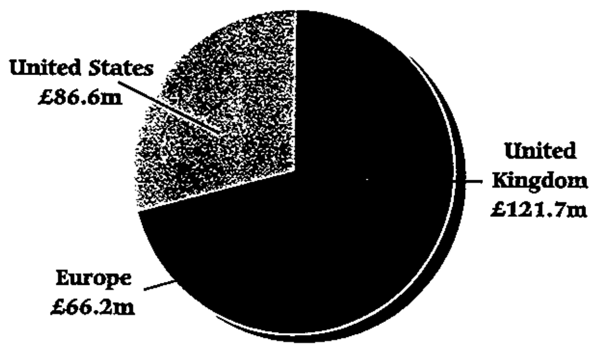
Waddington has the competitive positioning and the technology to exploit these opportunities to the full.

Turnover by Class of Business
(ongoing businesses)



Waddington is a truly international company. We have substantial operations in the UK, the US and Continental Europe. The UK accounts for 53.5% of operating profit, but the importance of the US, with 32.5%, and Continental Europe, with 14.0% of profits, is increasing. We have actively developed our activites outside the UK in the last two years, with major acquisitions in both Continental Europe and the US.

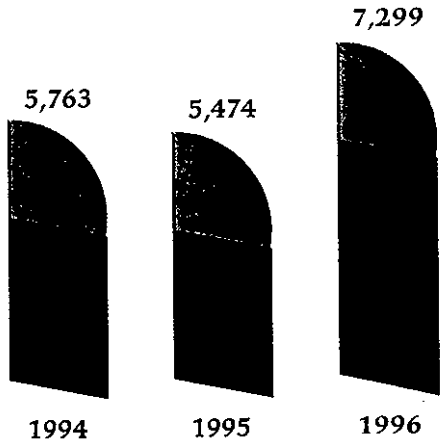
Turnover by Geographical Location
(ongoing businesses)



Food Services

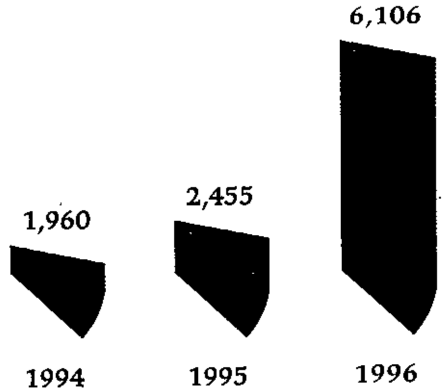
Waddington is a leading manufacturer of top quality disposable tableware. This is an attractive niche in the plastic packaging industry, offering a substantial market with good growth prospects. We manufacture from five sites. The business is entirely US based, with our wide range of products being sold nationally.

Operating profit from ongoing businesses (£000)



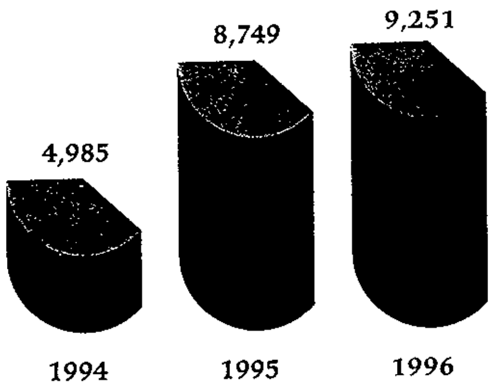
Pharmaceutical Packaging

Waddington has a highly successful plastic packaging operation manufacturing closures and containers for the pharmaceutical and healthcare industries. These are particularly attractive markets with strong growth potential. We operate from two factories, which are based in the UK and in the US.



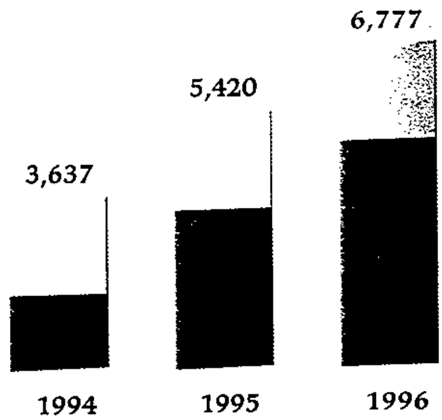
Cartons

Waddington is one of the top 10 carton manufacturers in Europe. We supply printed folding cartons mainly to major international companies, and specialise in the food and drink sector. We have two main factories, based in the UK and in the Benelux, supplying the new pan-European market. Both sites take advantage of leading edge technology.



Specialist Printing

Waddington is a leading player in selected niche markets in the specialist printing industry. Our successful operation focuses on the high growth direct marketing sector. We are also leaders in confidential printing, primarily for major financial institutions. Most of the business is UK based but we also have operations in the Benelux.



Report to Shareholders

David Perry
Chairman

Martin Buckley
Chief Executive

A successful year

1996 was a good year for Waddington. We were able to demonstrate the success of our strategy to deliver profit growth by focusing on a limited number of niche packaging and specialist printing markets, each of which offers attractive growth prospects. This success is evident in the strong growth in Group operating profit from ongoing businesses, where we reported profits up by 33.2%. We also demonstrated that we are able to generate healthy organic growth, reporting a 22.6% increase in profits from existing businesses. The benefit of continued investment in our selected niches in recent years is clearly reflected in the results for the year.

Challenging market conditions

Waddington's strong performance was achieved despite the difficult market conditions which resulted from a year of turbulence in raw material prices. The effect of these fluctuations was magnified by the resultant intensified levels of competition within the packaging industry in particular. The accelerating pressure for rationalisation of both buyers and suppliers also played a role in destabilising markets. Nonetheless we were pleased with the demonstrable resilience shown by our core operations in these volatile conditions. They reflected the Group's strategy of working with suppliers and customers to improve product quality and service standards at lower cost. In a low inflation economy this policy is the most likely to increase market share and profits.

Strong financial performance

Strong performances were achieved throughout the Group in 1996. We achieved a healthy increase in sales, with turnover from ongoing businesses increasing by 29.6% to £274.5m (1995 £211.7m). Operating profit growth was excellent at 33.2%, increasing to £29.4m (1995 £22.1m). We are particularly pleased to report strong underlying organic growth (which excludes acquisitions and divestments), with sales increasing by 24.0% and operating profit by 22.6%.

'...strong performances were achieved throughout the Group in 1996...'

It is difficult to highlight the performance of specific areas of business in a year when all sectors performed well, given their particular market conditions. However, Specialist Printing and Pharmaceutical Packaging stand out, both reporting record increases in profitability.

Specialist Printing achieved growth in operating profit of 25.0% to £6.8m (1995 £5.4m), and was the Group's largest profit contributor in terms of organic growth. The Pharmaceutical Packaging sector again achieved excellent organic growth of 52% to £3.8m (1995 £2.5m). Both of these sectors have continued to deliver strong performances year on year.

Major strategic acquisitions and disposals

Operating profit for ongoing businesses was enhanced by the changes made to the Group structure in 1996. We achieved our strategic objective of significantly extending the importance of the successful Phamaceutical Packaging operation through the acquisition of IP Container, located in New Jersey. This was financed by the funds raised from the sale of Waddingtons Games last year. The acquisition has strengthened our position in this attractive sector. The new business is already outperforming our expectations and has the potential for outstanding profit performance.

We were also pleased to announce the sale of Plastona, a manufacturer of plastic packaging for the food and drink sector. This sale will benefit future results by eliminating the losses which have been depressing Group profits in recent years. These amounted to £2.4m (1995 £1.7m loss) in the current year. The business offered relatively poor prospects, whilst requiring a significant level of investment.

A tightly focused business portfolio

Following the acquisition and divestment activity this year, Waddington's activities are now focused on four core areas of business. These are Food Services, Pharmaceutical Packaging, Cartons and Specialist Printing. As a result we have revised the way we present information regarding Group trading. The simplified structure of the Group reflects our desire to focus on a limited number of business areas which offer growth opportunities and where we hold particular competitive strengths.

Report to Shareholders (continued)

Accelerated investment programme

We accelerated our investment programme in 1996. Investment in fixed assets increased by 61% to £30.3m (1995 £18.8m). All sectors have benefited from increases in capacity and are positioned to take advantage of market improvements. In most cases the investments were made to take advantage of growing demand for our products. These increases reflect our strengthening position in expanding markets and in particular in niche sectors where we have a good reputation as creative, consistent and reliable suppliers. The increased capacity and broader product range provide the benefit of additional sales revenues. In addition, the improved technology inherent in new equipment provides lower costs of production by increasing output speeds and reducing material consumption.

Board appointments

We are pleased to report the appointment of two new directors to the Board, as announced in January 1996. Michael Evans was appointed an executive director with responsibility for the US based Food Services business. Michael Mitchell was appointed an executive director with responsibility for the UK based Specialist Printing business.

Dividend for the year

The Board has recommended an increased final dividend of 5.4p (1995 4.9p), making a total dividend for the year of 9.4p (1995 8.7p). This is an improvement of 8.0% on last year.

The future

Waddington now has a portfolio of tightly focused niche businesses, each offering growth potential. Our strategy is to remain focused on these selected sectors, and to grow the business portfolio both organically and by acquisition.

We expect growth in all areas of business in 1997. Our niche markets offer numerous opportunities to enhance earnings, and we also expect to increase our market share from an increasingly strong competitive base. Waddington will benefit from greater stability in many markets as a result of the return of raw material prices to more normal levels.

The additional capacity installed across the Group will allow us to exploit the opportunities we have identified. We will continue to take active steps to become low cost operators. There is still considerable scope to improve margins from the already healthy levels achieved in 1996.

We plan to continue our customer led investment programme and expect to invest a further £30m in 1997. Organic growth opportunities for Specialist Printing and Pharmaceutical Packaging in particular will benefit from this programme. We will also continue to search out acquisition opportunities which can enhance our position in our selected sectors.

We are pleased with the improved performance shown in these results. Of course they reflect the efforts of many people over a period much longer than 12 months in restructuring the company into a modern high quality group of operations. Because the work has been thorough we believe the new base will support sustained growth over the long term. Those many employees involved in creating the change are excited by the opportunities for a well equipped company in growing markets and we thank them for their efforts, leadership and commitment to creating our future. Our thanks also go to our customers and suppliers for the part they have played in the process.

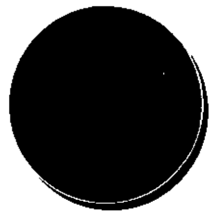
To reflect the beginning of this new era we are modernising the company name to simply 'Waddington PLC' and including it in the logos of each subsidiary. We intend that this should enhance the independence of each subsidiary in its own market place with added confidence from the Group's stature and greater financial strength.

DAVID PERRY
Chairman

MARTIN BUCKLEY
Chief Executive

Food Services

Percentage of turnover from ongoing businesses



Financial highlights

£m	1996	1995
Sales	77.1	65.4
Operating profit	7.3	5.5

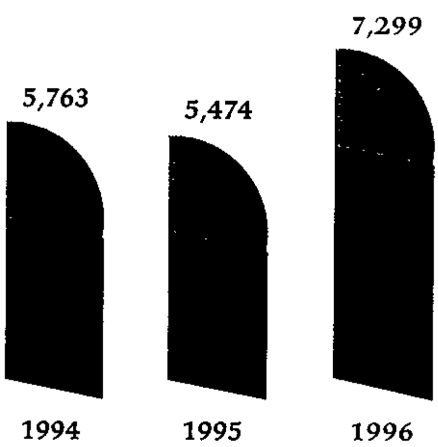
Key facts

- manufacturer of disposable plastic tableware
- specialises in the quality end of a substantial, attractive market
- positioned as a top 10 company
- operates in the US

Performance in 1996

- strong profit growth delivered despite challenging market conditions
- recent acquisition completed to broaden product range
- well positioned for profit growth

Operating profit from ongoing businesses (£000)



Food Services

The business

Waddington is a leading manufacturer of plastic disposable tableware in attractive sectors of the US market. In recent years we have been successful in growing this business organically and by acquisition. Food Services now accounts for 28% of sales for the Group in terms of ongoing businesses, and for 25% of operating profit.

We have five specialist manufacturing sites strategically located to supply the main conurbations, a central design function and a national sales force. Most of our products are positioned at the top end of the market, which offers the best growth potential and the highest margins. We manufacture all kinds of disposable plastic tableware for domestic and commercial use. These products are made from environmentally friendly plastics using injection moulding or thermoforming technologies, whichever produces the best product at the lowest cost.

Our customers are household name food outlets, restaurants, caterers, supermarkets, hotels and warehouse clubs. As well as dealing direct we extend market penetration by the use of strong broker and distributor networks spanning the nation.

Performance this year

We are pleased to report that the Food Services operation achieved healthy results in 1996 despite the significant disruption to its markets following two years of volatility in raw material prices.

We achieved growth in sales of 17.9% to £77.1m (1995 £65.4m). Operating profit was particularly pleasing, with growth of 33.3% to £7.3m (1995 £5.5m). The sector benefited from more stable markets towards the end of the year as the decline in resin prices levelled out. Results reflected the marketplace resilience of our up-market products, a business area which we have been actively developing in recent years. Despite exceptional market pressures we achieved very creditable margins, up from 8.4% to 9.5%.

Sales volumes increased by 7.5% in the year, reflecting success in increasing market share as well as the benefits of a broader product range. We decided to delay the introduction of certain of the new products which we had developed until the final quarter, so that we could focus the buyers' attention on the attributes of the new designs rather than on issues of price. The benefit of these new products should flow through in the coming year.

We acquired Cups Illustrated of Dallas, Texas, at the year end in order to increase further our focus on up-market products. The company's expertise is in the manufacture of printed stadium cups, popular at sporting events, in theme parks and in product marketing promotions.

The way forward

We have demonstrated our ability to achieve profit growth during a period of substantial volatility in raw material prices. We are now in an excellent position to move forward in a more stable environment. The market has exciting growth potential. We intend to exploit this primarily through organic growth, but will also continue to seek out further acquisition opportunities in order to accelerate this growth.

There are clear opportunities for Waddington. We can take advantage of the very large US Food Services market which is currently valued at over $2 billion. We are focusing on carefully selected niches which offer the highest growth potential. Demand is increasing, driven by the trend in the US for meals to be eaten or prepared outside the home, and at the same time sales opportunities for up-market products are becoming increasingly evident.

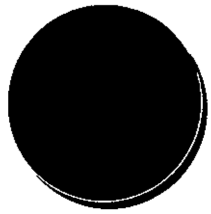
Waddington's future profits will benefit from the ongoing development of a wider range of added value products. We have already demonstrated the success of this strategy. We are also increasing our emphasis on retail sales, where margins are inherently higher.

We have installed additional capacity during the year at most of our plants. This allows us greater flexibility in manufacturing and will result in improved productivity and efficiency. As importantly, it will enable us to react very quickly to the demands of a fast-moving and increasingly sophisticated market.

We have reorganised the Food Services operation this year, rebranding the business as WNA - Waddington North America. Management has been restructured to reflect five manufacturing sites under one logistical control and a national sales force. This structure eliminates overlap on sales and creates a single powerful market image. It also means that manufacturing, warehousing and shipping costs are minimised and all-important customer service is optimised.

Pharmaceutical Packaging

Percentage of turnover from ongoing businesses



Financial highlights

£m	1996	1995
Sales	**24.1**	12.5
Operating profit	**6.1**	2.5

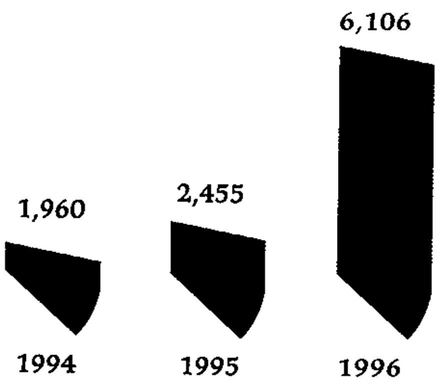
Key facts

- manufacturer of child-resistant and tamper-evident closures
- manufacturer of plastic containers and bottles
- high growth markets
- leading market position in selected niches
- operates in the UK and US

Performance in 1996

- outstanding profit growth achieved
- sector more than doubled in size
- major acquisition in US offering new markets and new technology
- exceptional prospects for future profit growth

Operating profit from ongoing businesses (£000)



Pharmaceutical Packaging

The business

Waddington is a market leader in the supply of rigid plastic tamper-evident and child-resistant closures and containers for the pharmaceutical and healthcare industries. We have doubled the size of this attractive sector of the Group this year, through the acquisition of a complementary US company. As a result, Pharmaceutical Packaging is now significantly more important in Group terms, contributing 21% of operating profit from ongoing businesses.

The pharmaceutical and healthcare markets offer high growth potential and we hold strong positions in our selected niches. Our successful child-resistant and tamper-evident closures are long established and well accepted. We manufacture in the UK and US, using injection moulding and injection blow moulding techniques. The new US site utilises unique production techniques which are leading edge. Products are made from high density polyethylene and polystyrene. We have an extensive distribution network in the UK, Continental Europe and the US.

Performance this year

Pharmaceutical Packaging once again delivered an excellent set of results, continuing the sector's record of out-performance. Sales increased by 92% to £24.1m (1995 £12.5m). Operating profit was particularly pleasing, up 149% to £6.1m (1995 £2.5m). Margins have improved from an excellent 19.6% to an even better 25.3%.

Organic growth was equally impressive. Sales were up 17%. Organic profit growth was excellent, increasing by 52% to £3.8m (1995 £2.5m).

Demand continued to be high in the UK and we retained our strong market position in our selected niches. We estimate that we now have about 80% of the tamper-evident and child-resistant rigid plastic market.

Sales volumes increased by around 6% and the sales mix improved. Manufacturing activity levels were 11% higher than last year as inventory was built to enable the company to offer even higher levels of customer service and meet forecast demand increases. The unit cost of production was reduced as manufacturing efficiencies were optimised.

We were also pleased with the performance of our new acquisition, IP Container, where performance exceeded our expectations. Demand was very strong and there are a number of substantial contracts which we expect to gain.

We acquired IP Container in July 1995. This gives us access to one of the world's most important markets as well as broadening our product range. There are also opportunities for technology transfer with our successful UK business.

We invested in both the UK and the US. Further market penetration has justified substantial capital investment in new products, new processes and cost reduction projects which will be undertaken in the coming year.

The way forward

The pharmaceutical and healthcare industries offer excellent opportunities for plastic packaging.

Strong growth is forecast, reflecting a population which is growing in size, growing older, growing richer and growing more determined to stay well longer.

Our particular sector is helped by government plans to reduce healthcare costs by increasing the number of over-the-counter drugs, and this will increase the demand for point of sale packaging. In addition, an increasing number of healthcare products in the US are sold via mail order with the consequent move from glass to plastic containers working to our advantage. The attractive growth rates reflect the importance of packaging in product differentiation for pharmaceutical and healthcare companies.

Waddington has specific growth opportunities in the UK and the US. In the US we are already taking advantage of the unique modular mould technology which we offer. This has particular benefits for customers in terms of ease of new product development, lower costs and speed to market. For the first time this service is being actively promoted to a wider market. The response to date has been outstanding and we expect demand to increase significantly.

Additional profit enhancement opportunities are open to us from bringing work in-house that is currently sub-contracted. The volume of work sub-contracted is significant, so there is real profit potential in this change in strategy. Similarly, we are also transferring the UK's market leading skills and designs in closures to the US operation. Closures are currently being bought in, so again we have a further profit enhancing opportunity.

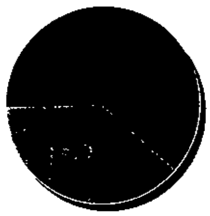
We will be increasing capacity in the US as well as installing new equipment to handle the sub-contracted work and the manufacture of closures in-house. This necessitates a move to larger premises. We expect to start transferring production in September 1996, with completion early in 1997. Whilst this investment will increase costs in the year to March 1997, the potential for medium term earnings enhancement is significant.

In the UK we plan to increase our market share in bottles and rigid containers, marketing these to our existing customer base. We are making substantial investment over the next two years in injection blow moulding equipment. We are also actively improving our European distribution network. This will result in increased export orders, which currently stand at 20% of UK manufactured sales.

We intend to transfer the US modular mould technology to the UK in late 1997, focusing our resources first on developing our position in the US. However, in the medium term the opportunities for this technology are substantial given the smaller batch quantities required by European customers.

Cartons

Percentage of turnover from ongoing businesses



Financial highlights

£m	1996	1995
Sales	**104.1**	78.7
Operating profit	9.3	8.7

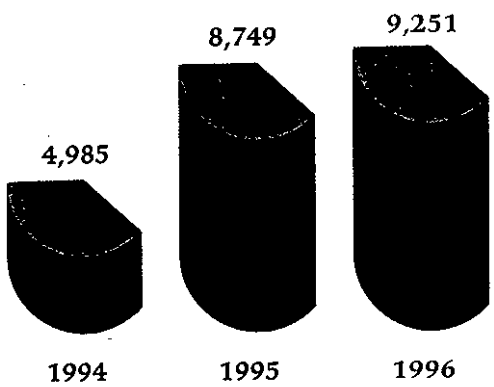
Key facts

- manufacturer of folding cartons for the food industry
- leader in frozen and chilled food sector
- positioned as a top 10 European player
- operates in the UK and Benelux

Performance in 1996

- performed creditably in the difficult market conditions arising from high raw material costs
- new capacity installed to take advantage of growth opportunities
- well positioned for attractive pan-European contracts

Operating profit from ongoing businesses (£000)



Cartons

The business

Waddington is a leading manufacturer of folding cartons. We are a top 10 player in the European market. The importance of this business has significantly increased since 1995 through the strategic acquisition of Imca, a leading European carton maker, acquired to complement our substantial UK based carton operation. The Cartons sector now accounts for 38% of Group turnover from ongoing businesses, and for 31% of operating profit.

Waddington specialises in cartons for the food industry, which accounts for over half of the market for folding cartons in Europe. In the UK we have 25% of the frozen and chilled food sector. In Holland we are market leaders in dry foods, such as cereals and biscuits. Our customers are major international food manufacturers and the suppliers of own label products to leading retailers. We operate primarily in the UK and the Benelux countries via state-of-the-art factories.

Performance this year

The Cartons business performed well in the difficult market conditions prevalent in 1996. Board prices in the UK and Continental Europe rose steeply. This not only affected margins, but also increased competition as suppliers fought to retain volumes. During this challenging period we were successful in retaining our market position.

Turnover for the sector increased by 32.2% to £104.1m (1995 £78.7m) and operating profit grew by 5.7% to £9.3m (1995 £8.7m).

The increase in sales reflects the inclusion of a full year's contribution from Imca. Organic growth in sales was 13% and was largely due to increased selling prices. We were ultimately successful in passing on raw material price increases, although a time lag was evident. Sales volumes were constant during the period.

Operating profit reflects increases in raw material costs. Profits were also affected by the increase in fixed costs which resulted from the installation of additional capacity at both factories. We took the decision to proceed with the new capacity despite weak market conditions because this allows us to respond to market changes as carton users rationalise their supply base to minimise total costs. Together with the growing importance of pan-European marketing of branded products, these are the most important changes in the industry in recent years and we have to be in a position to exploit them fully.

We continued to invest in the business, not only in the additional capacity at both plants, but also in machinery and equipment which is intended to make our production process more efficient. This ongoing investment in improved productivity measures will accelerate the achievement of our objective of becoming a low cost operator in the sector. This will give us an important competitive advantage in obtaining new business.

The way forward

We believe that the Cartons sector offers attractive growth opportunities for Waddington. In the short-term we will benefit from the greater stability in raw material prices and from the productivity gains which are already making an impact. We will also benefit from the general market growth. Although the industry is forecast to grow in line with historic rates, we have focused on selected niches which offer better growth rates than the industry average. The expected volume increases will make a material impact on profits as a result of economies of scale.

However, we are confident that Waddington's growth potential is much greater than the general trends suggest. The acquisition of Imca last year moved Waddington from the second division to the premier division of European carton manufacturers. This means that opportunities are now available to us which can only be supplied by a handful of manufacturers.

We have already shown success in increasing our order levels with new contracts won post year end. We have the fire power and the creative skills necessary to attract new business. In addition, we have a particular competitive advantage in the UK, where we are a full service operator. We are starting to introduce this level of service on the Continent, and have already won new business as a result.

Specialist Printing

Percentage of turnover from ongoing businesses

Financial highlights

£m	1996	1995
Sales	69.2	55.1
Operating profit	6.8	5.4

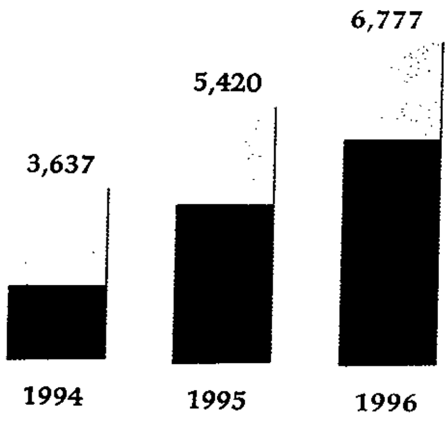
Key facts

- specialises in supplying a full range of services for the direct marketing industry
- high growth market
- leading company in its sector
- operates in the UK and Benelux

Performance in 1996

- strong profit performance
- investment in additional capacity to meet high levels of demand
- excellent prospects for profit growth resulting from market growth and leading market position

Operating profit from ongoing businesses (£000)



Specialist Printing

The business

Waddington is a leading player in the specialist printing industry. This area of business has more than doubled in size in recent years, largely through organic growth. Specialist Printing now accounts for 25% of Group sales from ongoing businesses, and for 23% of operating profit.

We specialise in the direct mail and direct marketing industries, which are both high value and high growth. We offer a full service from design, print, personalisation, folding and mailing to database management. Waddington's service is unique in this respect. Most of our print work is commissioned as part of either a direct mail or direct marketing package. A high proportion of this is confidential printing. Our customers are predominantly major financial institutions, but also government agencies and leading mail order companies. Most of our business is in the UK. We also have small operations in the Benelux countries.

Performance this year

The Specialist Printing sector once again had an excellent year. Sales increased by 25.6% to £69.2m (1995 £55.1m). We achieved growth in operating profit of 25.0% to £6.8m (1995 £5.4m). Nearly all of this growth was organic and the sector was the major contributor to Group organic profit growth.

The direct marketing business dominates our Specialist Printing sector, generating nearly 90% of sector profits. Sales in direct marketing increased by 31%, with growth in operating profit even higher at 49%. Margins remained excellent at 14.1% (1995 12.5%).

1996 was a challenging year because of the very high level of activity. Demand from our financial sector clients, especially building societies, was particularly strong. We were successful in satisfying this large uplift in demand in what is increasingly becoming a time critical, high security environment. We were selective in the business which we accepted, improving mix and margins. Despite record levels of activity we successfully managed a major building extension as well as the installation of a new 16-page web press.

Our print capacity was occupied throughout the year. The new web press was installed in the final quarter to provide much needed extra resource.

Additional capacity was also installed in 1995 in the direct mail department, which enjoyed a 25% growth in production activity.

The purchase in July 1995 of the Belgian direct mail company Prom'Imprim provided a small contribution, in line with expectations. This business will provide us with a bridgehead into Europe in the medium term, facilitating the opportunity to sell the services of our successful UK operation.

The small business forms operations in the Benelux had a difficult year as a consequence of the doubling in cost of raw material prices over an eighteen month period. These prices have now returned to more normal levels, genuine demand has steadied at a higher level and trading conditions are improving quickly.

The way forward

The specialisation of our printing operation in the attractive direct marketing industry has proved a major success. This industry is now worth over £1 billion, and forecast growth rates are exciting.

At the same time Waddington holds a pre-eminent market position. We are currently the only company able to provide both extensive direct mail services and large scale printing capacity under one roof, giving us a significant competitive advantage. We are strong in terms of expertise, in terms of product range, and in terms of print fire power. We intend to increase the gap between our competitors and ourselves from this leading edge position.

Our customer base will grow and product mix improve in the future. Financial institutions will remain an important part of the business. With consolidation in the banking sector competition is expected to intensify, and direct marketing is likely to be used as a key marketing tool. Our long standing relationships with these institutions, combined with our excellent reputation, mean we remain well positioned to benefit from these developments.

Additional growth will be achieved by broadening our customer base. Other areas of direct marketing are currently developing rapidly. In particular the retail industry is starting to use sophisticated direct marketing as a competitive tool. The insurance industry also offers good growth opportunities. Our expertise and facilities give us the potential to develop in these largely untapped sectors.

In addition, we expect profits to be enhanced through the ongoing development of the product range. With developing technology and equipment, the range of services as well as products is increasing quickly. We are at the forefront of these changes and are working hard to ensure that we retain our advantage.

The increase in capacity at the end of the year will allow us to take on additional business. We are also continuing to invest to achieve productivity improvements which will be reflected in lower costs.

The combination of know-how and leading production facilities, allied with strong and accelerating market growth, places Waddington in an excellent position to deliver sustainable profit growth.

Financial Review

Geoffrey Gibson
Finance Director

Group financial statements

It is difficult to compare Waddington's performance in 1995 and 1996, because of the substantial changes to the Group's structure in both years.

Results for this year include a full year's contribution from Imca, which was acquired in August 1994, and a nine month contribution from IP Container, which was acquired in July 1995. The results for Plastona, which we sold recently, are included up until the date of its sale. In the corresponding period last year there was a seven month contribution from Imca as well as an eight month contribution from Waddingtons Games. There is no contribution from Waddingtons Games in 1996, following the sale of that business.

Because of the impact of this acquisition and divestment activity on the Profit and Loss Account in particular, the analysis of sector performance in the Report to Shareholders focuses on ongoing businesses before exceptional items in order to provide an accurate reflection of underlying trading. Profits from ongoing businesses exclude the results of Plastona and The House of Questa, which were sold in March 1996 and May 1996 respectively.

It is also noted that we have changed the way in which we present our sector information in order to reflect more accurately the refined structure of the Group. Comparatives for last year have been restated accordingly.

Exchange rates with the US remained neutral over the year. On average the pound has been weaker compared to the currencies of those European countries in which we operate, and our European profits have benefited from a small exchange translation gain.

Profit and loss account

Overall, Group performance continued to improve. Sales increased by 15.2% to £298.6m (1995 £259.3m). Profit before tax and exceptional items was £25.6m which compares favourably to £22.6m last year.

This year's exceptional items relate to the £12.5m loss on sale of Plastona together with a £1.3m loss on sale of The House of Questa, which includes £1.1m of goodwill previously written off. Last year's exceptional gain related to the profit arising from the sale of Waddingtons Games.

We started the year cash positive until the acquisition of IP Container and Prom'Imprim in July 1995. From that date our borrowings and interest expense slowly increased such that our interest cost for the year was very similar to that of last year.

The overall tax charge is distorted by the impact of exceptional items. Nonetheless, the profit mix and a favourable tax structure in the US enabled us to maintain our effective corporation tax rate for ongoing businesses before exceptional items at 27.2%, a level similar to last year. We expect a slow upward trend in the effective tax rate over the years ahead.

Earnings per share excluding exceptional items increased by 5.85% to 17.89p and the dividend for the year remains almost twice covered.

Balance sheet

The balance sheet remains healthy.

In July 1995 we acquired IP Container, a pharmaceutical packaging company based in New Jersey. The purchase consideration was $34.8m, plus assumed net debt of $4m.

In July 1995 we acquired Prom'Imprim, a direct mail business based in Brussels, for BF 80m.

In March 1996 we sold Plastona, a manufacturer of plastic packaging, for a total consideration of £7.4m.

Effective 30 March 1996 we acquired Cups Illustrated, based in Dallas, Texas, for our Food Services operation. The initial consideration was $4.6m; with an additional consideration of up to a maximum of $3.7m payable if the profits of the business exceed certain specified targets.

In May 1996 we sold The House of Questa, a specialist printing business supplying stamps, for £2.4m.

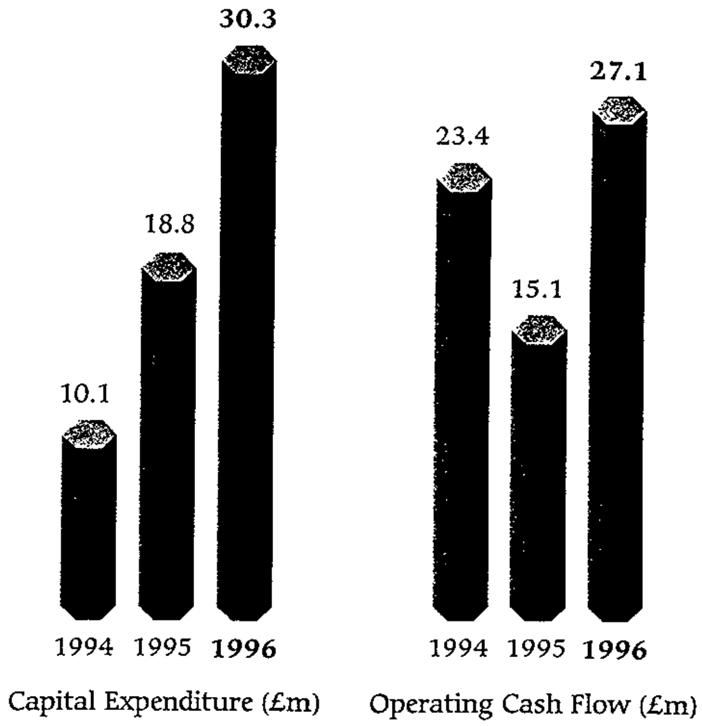
The total amount spent on the purchase of businesses during the year amounted to £31m. Towards the end of the year we received £6.7m cash proceeds from the sale of Plastona.

Capital investment for the year amounted to £30.3m (1995 £18.8m). This investment was spread across the Group. We plan to spend a similar amount in 1997, to take advantage of a number of organic growth opportunities available to us. The higher depreciation charge of £14.7m compares to £12.1m last year.

Net debt at the year end amounted to £28.7m compared to net cash of £10.9m last year. Gearing now stands at 33.5%.

Shareholders' funds were lower at the year end at £85.6m (1995 £111.4m). Underlying trading has been strong but shareholders' funds were affected by goodwill of £26.2m written off on acquisitions during the year, together with the £12.5m loss arising on the sale of Plastona.

Financial Review (continued)



Cash flow

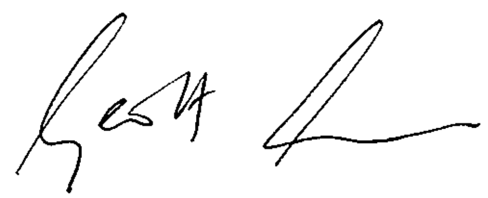
Operating cash flow was much improved as a result of the stronger performance of the Group. There was, however, a net cash outflow of £37.8m, which mainly reflects the net purchase and sale of businesses during the year.

Working capital increased in order to finance organic growth. This reflects the underlying growth in sales of 30%.

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 where 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 (Non-Executive Chairman)

Michael D. Abrahams CBE (Non-Executive)

Martin H. Buckley FCA (Chief Executive)

Janet Cohen MA (Non-Executive)

Michael G. Evans

Geoffrey Gibson FCA (Finance Director)

Michael Mitchell

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

Registrars

Independent Registrars Group

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 *Age 58*
Joined the Board in 1981 and became Chairman in 1993.
Chairman of Anglian Group PLC and a non-executive director of Dewhirst Group plc and National & Provincial Building Society.
Member of the Remuneration Committee.

Martin Buckley *Age 50*
Appointed to the Board in 1987 and became Chief Executive in 1992. Also a non-executive director of St. James's University Hospital NHS Trust.

Michael Abrahams *Age 58*
Joined the Board as a non-executive director in 1984. Chairman of the Audit Committee and serves on the Remuneration Committee. Also Chairman of Cavaghan & Gray Group PLC, Deputy Chairman of Prudential Corporation plc and a non-executive director of Drummond Group PLC.

Janet Cohen *Age 55*
Appointed to the Board as a non-executive director in 1994.
Member of the Audit and Remuneration Committees. 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.

Michael Evans *Age 41*
Appointed to the Board in January 1996. Responsible for the Group's US Food Services activities, having previously been President of Hopple Plastics Inc. Joined the Group in 1978.

Geoffrey Gibson *Age 46*
Joined Waddington from Price Waterhouse in 1985 and appointed to the Board as Finance Director in 1987.

Michael Mitchell *Age 55*
Appointed to the Board in January 1996. Responsible for the UK based Specialist Printing businesses. Joined Chorley & Pickersgill in 1962.

Alan Reeve *Age 58*
Appointed to the Board in 1994. Responsible for the Group's Carton activities, having previously been Managing Director of Waddingtons Cartons Limited. Joined the Group in 1986.

David Sykes *Age 61*
Joined the Board as a non-executive director in 1990. Chairman of the Remuneration Committee and a member of the Audit Committee. Also a non-executive director of Readicut International PLC.

Directors' Report

The directors present their annual report together with the accounts of the company for the financial year ended 30 March 1996. The principal activities of the Group are described on pages 62 and 63. A review of the performance in the year, of the position at the year end and of future developments is given in the Report to Shareholders and in the Financial Review.

Results and dividends

The results for the year and the transfer to retained profits are shown on page 38. The directors are proposing a final dividend of 5.4p per ordinary share payable on 9 August 1996 which, together with the interim dividend of 4.0p per ordinary share already paid, makes a total of 9.4p per ordinary share, which represents an increase of 8.0% compared to the dividend of 8.7p for last year.

Directors

The present directors of the company are shown on page 28.

Mr M G Evans and Mr M Mitchell were appointed directors on 5 January 1996; both retire in accordance with Article 114 and offer themselves for re-election.

The directors due to retire under Article 108 are Mr M D Abrahams and Mr G Gibson and they, being eligible, offers themselves for re-election.

The service contracts of Messrs Buckley, Evans, Gibson, Mitchell and Reeve may be terminated by not less than two years' notice in writing given by the company. Mr. Perry has agreed to continue as Chairman until December 1997. 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 Waddington shares and options are given on pages 49 and 50.

Acquisitions and disposals

On 30 June 1995 Prom'Imprim was acquired for a consideration of BF 80,000,000.

On 12 July 1995 IP Container of New Jersey Inc was acquired for $34,800,000 plus the repayment of debt of $4,000,000.

On 22 March 1996 Plastona Limited was sold to Royal Packaging Industries Van Leer BV for a consideration of £7,418,000.

On 30 March 1996 the acquisition of Cups Illustrated Inc. was completed for an initial consideration of $4,636,000. Additional consideration may be payable under the terms of an earn-out covering the period to March 1998.

Acquisitions and disposals (continued)

On 10 May 1996 The House of Questa Limited was sold to MDC Corporation for a consideration of £1,400,000 in cash and £1,000,000 in loan notes payable over the three years to May 1999.

Research and development

Expenditure on research and development in the year was £1,171,000 (1995 £1,571,000).

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 £5 million 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.

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 £38,067 (1995 £25,440) for charitable purposes and made no political contributions.

Substantial shareholdings

As at 5 June 1996 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	21,810,652	20.88
Investment management clients of the Mercury Asset Management Group	10,315,925	9.88
Britannic Assurance PLC	8,504,999	8.14
Funds managed or advised by M&G Investment Management	8,213,763	7.86
Funds managed by AMP Asset Management plc	6,582,258	6.30
Funds managed and advised by Hermes Administration Services Limited	5,292,497	5.07
Morgan Grenfell Asset Management Group	3,712,474	3.55

Directors' Report (continued)

Substantial shareholdings (continued)

Part of the holding of Hermes Administration Services 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 company and the Group have 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.

Payments to suppliers

It is the Group's policy to settle the terms of payment with suppliers when agreeing each transaction or series of transactions, to ensure that suppliers are made aware of these terms, and to abide by them.

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"). Throughout the year to 30 March 1996 Waddington has complied with, and remains in compliance with, the requirements of the Code.

The Board consists of nine directors, four 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 Michael Abrahams, Janet Cohen and David Sykes 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 is composed of the four non-executive directors and is chaired by David Sykes. The Report of the Remuneration Committee is incorporated in Note 3 to the Accounts, on pages 46 to 50.

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.

Internal financial control

The directors are responsible for the Group's system of internal financial control which is designed to safeguard the Group's assets and maintain proper accounting records which provide reliable financial information.

Internal financial control (continued)

The key elements of the system of internal financial control are:

Budgeting and Strategic Planning - All subsidiaries prepare strategic plans annually which include projections for the following two years, and detailed budgets for the forthcoming year. These plans and budgets are considered by the executive directors and then consolidated for review by the Board as a whole. Performance against budget is monitored by the Board on a monthly basis. Reports are consolidated and rolling forecasts are updated monthly for review by the Board.

Organisational Controls - There are clearly defined lines of responsibility and delegation of authority to divisional and subsidiary management. Common accounting systems and controls are in place throughout the Group, which are documented and monitored. Certificated monthly reports from local management are required confirming compliance with systems laid down. Additional annual certification is also required.

Internal Audit - There is a rolling programme of internal audit reviews of subsidiary companies which are documented and reported. In addition selective reviews are carried out each year by Group personnel in conjunction with the external auditors. During the year the Group has implemented a self-assessment package, which facilitates the measurement and appraisal of the principal financial controls across the Group. The results are reviewed by internal and external auditors.

Investment Appraisal - Formal procedures are set out for Board appraisal and authorisation of major capital expenditure and acquisitions and divestments.

The Board has reviewed the effectiveness of the system of internal financial control through the monitoring process outlined above. It should be recognised that such a system can provide reasonable but not absolute assurance against material misstatement or loss.

Annual General Meeting

Notice of the Annual General Meeting to be held on 26 July 1996 is contained in the document addressed to shareholders dated 3 July 1996 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 M.K.Y
Secretary

5 June 1996

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:

- Design and development of new products and processes;
- Selection of raw materials and suppliers thereof;
- 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.

The Group has continued to follow closely the steps being taken by the UK Government to implement the European Packaging and Packaging Waste Directive. Through our membership of V-WRAG, Incpen and the British Printing Industries Federation, amongst other bodies, we have expressed our views on various aspects of the proposed legislation and we now await the draft legislation which is to be published shortly.

We are committed to accepting fully our responsibilities under this legislation and will continue to take an active role in ensuring that the goals of the Packaging Directive are achieved in a cost-effective and practical manner.

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 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 38 to 60 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 43.

Respective responsibilities of directors and auditors

As described on page 35, 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 30 March 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.

Price Waterhouse

Price Waterhouse

Chartered Accountants

and Registered Auditors

9 Bond Court

Leeds LS1 2SN

5 June 1996

Report of 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 32 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 system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion

In our opinion your statements on going concern and on internal financial control on pages 32 and 33 have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and are 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 32 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Price Waterhouse

Price Waterhouse

Chartered Accountants

5 June 1996

Consolidated Profit and Loss Account

for the financial year ended 30 March 1996

	Notes	Before Exceptionals 1996 £000	Exceptionals 1996 £000	Total 1996 £000	1995 £000
Turnover	1				
Continuing operations		286,642	-	286,642	238,479
Acquisitions		11,973	-	11,973	-
		298,615	-	298,615	238,479
Discontinued operation		-	-	-	20,793
		298,615	-	298,615	259,272
Costs and overheads	2	271,675	-	271,675	235,374
Operating profit	1				
Continuing operations		24,604	-	24,604	20,343
Acquisitions		2,336	-	2,336	-
		26,940	-	26,940	20,343
Discontinued operation		-	-	-	3,555
		26,940	-	26,940	23,898
Profit on sale of discontinued operation	4	-	-	-	30,754
Loss on operations sold	4	-	(13,761)	(13,761)	(3,396)
Release of provision for loss on operations sold		-	-	-	3,396
Profit before interest		26,940	(13,761)	13,179	54,652
Interest payable	5	1,315	-	1,315	1,342
Profit before taxation		25,625	(13,761)	11,864	53,310
Taxation	6	6,960	(2,888)	4,072	14,090
Profit attributable to shareholders		18,665	(10,873)	7,792	39,220
Preference dividends	7	28	-	28	28
Ordinary dividends	7	9,813	-	9,813	9,025
(Deficit)profit retained		8,824	(10,873)	(2,049)	30,167
Earnings per ordinary share	8			7.45p	40.28p
Earnings per ordinary share excluding exceptional items	8			17.89p	16.90p
Dividend per ordinary share				9.40p	8.70p

Statement of retained profits

	1996	1995
Profit and loss account at 2 April 1995	70,160	39,555
(Deficit)profit retained	(2,049)	30,167
Exchange adjustments	507	438
Goodwill written back on disposals	1,061	-
Profit and loss account at 30 March 1996	69,679	70,160

Group Balance Sheet

at 30 March 1996

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible assets	9	109,182	101,292
Current assets			
Stocks	11	38,175	37,034
Debtors	12	58,155	46,651
Cash at bank and in hand	13	22,051	46,464
		118,381	130,149
Creditors (due within one year)			
Borrowings	14	32,366	22,758
Other creditors	15	77,228	65,269
		109,594	88,027
Net current assets		8,787	42,122
Total assets less current liabilities		117,969	143,414
Creditors (due after one year)			
Borrowings	14	18,363	12,830
Provisions for liabilities and charges			
Provisions	16	1,238	4,027
Deferred taxation	6	12,748	15,135
		13,986	19,162
Net assets	1	85,620	111,422
Capital and reserves including non-equity interests			
Called up share capital	17	26,704	26,555
Share premium account	18	758	39,385
Other non-distributable reserve	18	(11,521)	(24,678)
Profit and loss account		69,679	70,160
		85,620	111,422

M H Buckley
G Gibson
Directors

Approved by the Board on 5 June 1996

Group Cash Flow Statement

for the financial year ended 30 March 1996

	Notes	1996 £000	1996 £000	1995 £000	1995 £000
Net inflow from operating activities	20		27,119		15,075
Returns on investments and servicing of finance					
Interest received		1,398		701	
Interest paid		(2,571)		(2,308)	
Dividends paid		(9,290)		(7,748)	
Net outflow from returns on investments and servicing of finance			(10,463)		(9,355)
Taxation					
UK corporation tax paid		(2,232)		(2,699)	
Overseas tax paid		(2,269)		(3,998)	
Tax paid			(4,501)		(6,697)
Investing activities					
Purchase of tangible assets		(29,184)		(16,129)	
Purchase of businesses (net of cash acquired)	21	(31,060)		(40,511)	
Sale of tangible assets		2,160		1,348	
Disposal of businesses (net of cash disposed of)	22	6,681		51,095	
Net outflow from investing activities			(51,403)		(4,197)
Net outflow before financing			(39,248)		(5,174)
Financing	23				
Issue of ordinary shares		(907)		(43,133)	
New loans		(32,942)		(11,761)	
Repayment of loans		19,604		12,703	
Net inflow from financing			(14,245)		(42,191)
(Decrease) increase in cash and cash equivalents	24		(25,003)		37,017
			(39,248)		(5,174)

Statement of Total Recognised Gains

for the financial year ended 30 March 1996

	1996 £000	1995 £000
Profit attributable to shareholders	7,792	39,220
Currency translation differences	507	438
Goodwill written back on disposals	1,061	–
	9,360	39,658

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 30 March 1996

	1996 £000	1995 £000
Profit attributable to shareholders	7,792	39,220
Dividends	9,841	9,053
	(2,049)	30,167
New share capital issued, net of expenses	907	43,133
Goodwill written off	(26,228)	(27,749)
Goodwill written back on disposals	1,061	–
Currency translation differences	507	438
	(25,802)	45,989
Shareholders' funds at start of year	111,422	65,433
Shareholders' funds at end of year	85,620	111,422
Equity interests	85,019	110,821
Non-equity interests	601	601
	85,620	111,422

Company Balance Sheet

at 30 March 1996

	Notes	1996 £000	1995 £000
Fixed assets			
Tangible assets	9	13,519	24,038
Investments	10	46,899	54,161
		60,418	78,199
Current assets			
Stocks	11	7,983	12,046
Debtors	12	15,619	18,678
Cash at bank and in hand	13	14,357	40,147
		37,959	70,871
Creditors (due within one year)			
Borrowings	14	12,684	17,631
Other creditors	15	27,217	30,723
		39,901	48,354
Net current (liabilities)assets		(1,942)	22,517
Total assets less current liabilities		58,476	100,716
Creditors (due after one year)			
Borrowings	14	14,490	11,234
Provisions for liabilities and charges			
Deferred taxation	6	7,852	10,158
Net assets		36,134	79,324
Capital and reserves including non-equity interests			
Called up share capital	17	26,704	26,555
Share premium account	18	758	39,385
Other non-distributable reserve	18	(11,521)	(24,678)
Profit and loss account	19	20,193	38,062
		36,134	79,324

M H Buckley
G Gibson
Directors

Approved by the Board on 5 June 1996

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

1. Segment information

As indicated in the Report to Shareholders the class of business segments have been changed to reflect more accurately the current structure of the Group. The comparative figures have been restated accordingly.

Operations sold comprise Plastona Limited and The House of Questa Limited. Waddingtons Games was the discontinued operation.

	Turnover		Operating profit		Assets employed	
	1996	1995	1996	1995	1996	1995
	£000	£000	£000	£000	£000	£000
By class of business:						
Food Services	77,103	65,394	7,299	5,474	38,545	28,307
Pharmaceutical Packaging	24,090	12,523	6,106	2,455	9,365	7,430
Cartons	104,130	78,749	9,251	8,749	65,471	50,567
Specialist Printing	69,145	55,068	6,777	5,420	24,657	18,690
Ongoing businesses	274,468	211,734	29,433	22,098	138,038	104,994
Operations sold	24,147	26,745	(2,493)	(1,755)	2,582	21,824
Continuing operations	298,615	238,479	26,940	20,343	140,620	126,818
Discontinued operation	–	20,793	–	3,555	–	–
	298,615	259,272	26,940	23,898	140,620	126,818
By location of customer:						
United Kingdom	146,574	144,190				
Europe	62,259	44,592				
USA	87,499	65,811				
Rest of world	2,283	4,679				
	298,615	259,272				
By origin:						
United Kingdom	145,827	130,439	13,248	10,831	69,327	75,187
Europe	66,202	42,646	4,134	4,038	31,550	23,324
USA	86,586	65,394	9,558	5,474	39,743	28,307
Continuing operations	298,615	238,479	26,940	20,343	140,620	126,818
Discontinued operation	–	20,793	–	3,555	–	–
	298,615	259,272	26,940	23,898	140,620	126,818

Assets employed reconcile to the Group balance sheet as follows:

	1996	1995
Assets employed	140,620	126,818
Finance debt less cash at bank and in hand	(28,678)	10,876
Current and deferred taxation	(20,684)	(21,185)
Dividends	(5,638)	(5,087)
Net assets	85,620	111,422

Notes to the Accounts

	1996 £000	1995 £000
2. Costs and overheads		
Change in stocks of finished goods and work in progress	(3,401)	(3,605)
Own work capitalised	(50)	(195)
Other operating income	(306)	(1,161)
Raw materials and consumables	134,387	108,738
Other external and operating charges	56,089	52,979
Staff costs (Note 3)	70,277	66,488
Depreciation	14,679	12,130
	271,675	235,374

	1996 £000	1995 £000
Other external and operating charges include:		
Auditors' remuneration	303	260
Auditors' remuneration for non-audit services	21	208
Hire of plant and equipment	684	796
Profit on sale of tangible assets	(706)	(451)
Research and development	1,171	1,571

3. Employees and directors

	1996 £000	1995 £000
Staff costs:		
Wages and salaries	61,289	58,012
Social security costs	6,967	6,367
Other pension costs (Note 26)	2,021	2,109
	70,277	66,488

The average number of persons employed by the Group during the year was:	Number of employees	
United Kingdom	1,809	2,079
Rest of world	1,500	1,263
	3,309	3,342

The emoluments of the directors of the company included above were as follows:	£000	£000
Fees	60	40
Basic salaries	551	496
Performance-related payments	118	80
Other benefits	43	32
Pension contributions	33	33
	805	681

Notes to the Accounts

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

REPORT OF THE REMUNERATION COMMITTEE

Composition

The members of the Committee are David Sykes (Chairman of the Committee), Michael Abrahams, Janet Cohen and David Perry, all of whom are non-executive directors of the company.

Terms of reference

The terms of reference of the Committee require and empower it to determine the company's policy for executive remuneration and the entire individual remuneration package for the executive directors and, as appropriate, other senior executives.

Policy

The policy of the Committee is to ensure that the Group is managed in the interests of shareholders

- by providing competitive remuneration for the executive directors and senior management, to attract, retain and motivate individuals of the calibre required
- by rewarding success measured against demanding performance targets.

Remuneration comprises basic salary, performance related bonuses, pension arrangements, participation in share schemes and benefits in kind.

When setting the remuneration of executive directors, the Committee gives full consideration to the Code of Best Practice recommended by the Greenbury Committee and the Best Practice Provisions set out in Section B annexed to the Listing Rules of the London Stock Exchange and takes into account market rates, using comparisons with companies of a similar type, size and complexity. Such comparisons can only give helpful guidance as it is not easy to find comparator companies of the same size and with identical business activities. During the current year advice was sought from specialist remuneration consultants.

Service contracts

The executive directors have service contracts with the company and are entitled to a notice period of two years, subject to retirement at the age of sixty. That notice period was formerly three years but was voluntarily reduced, without compensation, in July 1995. The Committee believes that two year rolling contracts for such senior positions are reasonable given the nature of the markets in which the company operates and prevailing market practice.

The contracts of the executive directors provide for a predetermined sum to be paid by way of damages (broadly twice the annual remuneration which would have been payable during the contractual notice period, less a suitable discount) if the contracts are terminated following a successful bid for the company.

Salaries

The level of basic salary is established by reference to the competitive marketplace, and details are set out below. Reviews are carried out annually on 1 July or when a change in responsibilities occurs. There was a substantial reduction in David Perry's salary following his decision to become non-executive and he ceased to have any entitlement to performance bonuses.

Benefits in kind

The main elements, which are consistent with industry norms, are the provision of a fully expensed motor car and medical insurance. Benefits are valued for the purposes of remuneration at the cash cost to the company or at the amount assessed to income tax on the director.

Notes to the Accounts

3. Employees and directors (continued)

Report of the Remuneration Committee (continued)

Performance bonuses

The company operates an annual performance bonus scheme for executive directors and senior executives. For those directors with management responsibilities encompassing the entire Group, the level of bonus is primarily related to growth in normalised earnings and is limited to a maximum of 50% of basic salary. For those directors with divisional responsibilities the bonus is calculated by reference to the performance of those divisions against pre-determined targets, with a maximum of 50% of basic salary.

Pensions

Executive directors are members of the John Waddington Group Pension Scheme, a defined benefit scheme, which provides for directors a pension of two-thirds of final pensionable salary on retirement at age sixty after twenty years' service, and proportionately less for service under twenty years. Only basic salary is pensionable.

Share options

Executive directors are eligible to participate in a savings-related share option scheme, which is available to all UK employees and permits savings up to a maximum of £250 per month, on the same terms as all other eligible staff. These terms include the grant of options at a discount of up to 20% below the market price at the time of grant.

The Inland Revenue approved John Waddington Executive Share Option Scheme 1985, which was available to all executive directors and other senior executives, expired in May 1995. The last options were granted in December 1994 at full prevailing market price without discount. The Rules of that Scheme initially set no performance criteria, but for all options granted after July 1988 exercise is conditional upon growth in adjusted earnings per share over any three consecutive financial years following grant exceeding the level of growth in the Retail Prices Index over the same period.

The John Waddington PLC 1995 Inland Revenue Approved Executive Share Option Scheme replaced the 1985 Scheme. Exercise under this Scheme is conditional upon adjusted earnings per share growth over any three consecutive financial years, commencing on or after the beginning of the financial year in which the date of grant falls, exceeding the level of growth in the Retail Prices Index over the same period, plus 6%. The Committee intends to extend participation in the 1995 Scheme to a larger number of senior executives than hitherto.

Following the Budget in November 1995 the value of options which may be granted subject to favourable tax treatment under the 1995 Scheme is restricted to £30,000. The Committee feels that this ceiling on the value of share options for senior executives is inappropriate and has decided to seek shareholders' approval for the introduction of the John Waddington Executive Share Option Scheme 1996. Under this Scheme options would be granted to executive directors and senior executives to a value exceeding £30,000. These would again be subject to the performance criterion that adjusted earnings per share growth over any three consecutive financial years, commencing on or after the beginning of the financial year in which the date of grant falls, must exceed growth in the Retail Prices Index for the same three year period, plus 6%. This Scheme, if approved by shareholders, would not be subject to Inland Revenue approval. Your attention is drawn to the Circular to Shareholders enclosed with these Accounts explaining the business to be transacted at this year's Annual General Meeting.

The John Waddington PLC Incentive Stock Option Plan for United States Executives expired in May 1995. The rules of that Plan largely reflected the rules of the Executive Share Option Scheme 1985 outlined above, but the Plan was structured to provide beneficial treatment for options under United States tax law. Michael Evans is the only executive director who holds options under this Plan.

Notes to the Accounts

3. Employees and directors (continued)

Report of the Remuneration Committee (continued)

Share options (continued)

The Executive Share Option Scheme 1996 outlined above also includes the facility for options to be gran to executives in other European countries and in the United States under the same conditions for exercise would apply to executive directors and senior executives in the United Kingdom.

Performance Related Restricted Share Plan ("the RSP")

As explained in the circular to shareholders outlining the business to be transacted at the 1995 Ann General Meeting, the RSP was introduced in August 1995 and is designed to encourage participants to fo their attention on the longer term growth in shareholder value by providing them with a defer performance related award in ordinary shares. It is open only to executive directors with overall Gro responsibilities and with a minimum of three years to serve before normal retirement.

An award under this plan is the option to acquire, at nominal cost, a maximum fixed number of ordina shares in the company with a market value equal to 150% of the participant's basic salary at the time of t award. Each award is subject to a performance target, the attainment of which will determine whether, a to what extent, the award may be exercised. The principal conditions for exercise are:

1. the option may only be exercised after the third anniversary of grant, but before the seventh;
2. the director must have remained in the company's employment during that first three year period;
3. the option becomes exercisable over 25% of the number of shares under option if there has been increase in normalised earnings per share of the company during the three financial years beginni with the year in which the option is granted equal to the percentage increase in RPI during that thr year period plus 30%; for each 1% increase in normalised earnings per share in excess of this threshc the option becomes exercisable over a further 2½% of the number of shares subject to the option; th the option would only become exercisable in full if the percentage increase in earnings during that thr year period exceeded the percentage rise in RPI during that period plus 60%.

A participant who leaves the company before the first date on which exercise might normally take place w forfeit his award save in certain exceptional circumstances. Under the RSP an executive director will granted an option only once every three years.

Under the terms of the RSP, the trustees of a trust established in Jersey were put in funds by the company enable them to purchase in the market 210,450 ordinary shares in the company. On 31 August 1995 Mart Buckley was granted an option to acquire 123,834 shares and Geoffrey Gibson 86,616 shares. In each ca the award had a market value at the time of grant equal to 150% of the basic salary of the director concerne

Invested Bonus Restricted Share Plan ("the IBP")

As explained in the circular to shareholders outlining the business to be transacted at the 1995 Annu General Meeting the IBP was also introduced in August 1995 and the first awards under the plan will be ma in June 1996. The IBP is designed to reward the success of senior executives in the Group and to encoura their loyalty and commitment to the Group. The IBP is not available to any executive director who participating in the RSP.

Under the terms of the IBP an executive will, subject to having applied one half of his annual performan bonus (after tax) in the purchase of shares in the company ("the retained shares"), be granted an option purchase further shares with an aggregate value at the date of grant of one half of that annual bonus (befo tax). The exercise price under this option will be a nominal amount only. In normal circumstances th option will become exercisable three years after the date of grant only if a) the executive has not disposed the retained shares and b) the executive has remained employed within the Group.

A participant who leaves the Group or disposes of some or all of his retained shares before the thir anniversary of grant will forfeit his award save in certain exceptional circumstances. Exercise may not tak place after the seventh anniversary of the date of grant.

Under the IBP an executive will be offered the chance to participate after the end of each financial year i which he earns a performance bonus.

Notes to the Accounts

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

Report of the Remuneration Committee (continued)

Directors' remuneration	Salary/ Fees £000	Performance-related payments £000	Other benefits £000	1996 Total £000	1995 Total £000
Chairman					
D G Perry	95	–	5	100	183
Executive directors					
M H Buckley	181	45	7	233	213
M G Evans (appointed 5 January 1996)	34	8	12	54	–
G Gibson	127	31	11	169	154
M Mitchell (appointed 5 January 1996)	22	11	2	35	–
A B Reeve	93	23	6	122	58
Non-executive directors					
M D Abrahams	20	–	–	20	15
J Cohen	17	–	–	17	7
D F L Sykes	22	–	–	22	18
	611	118	43	772	648

Directors' interests

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

	At 30 March 1996			At 1 April 1995		
	Ordinary Shares	4.2% Preference Shares	Share Options	Ordinary Shares	4.2% Preference Shares	Share Options
M D Abrahams	–	500	–	–	500	–
M H Buckley	208,383	–	432,180	69,031	–	489,395
J Cohen	–	–	–	–	–	–
M G Evans	5,441	–	125,000	5,441	–	125,000
G Gibson	6,932	–	341,813	6,932	–	341,813
M Mitchell	108,930	–	101,554	108,930	–	101,554
D G Perry	51,586	500	184,173	35,646	500	347,113
A B Reeve	15,487	–	171,087	971	–	187,649
D F L Sykes	42,836	–	–	42,836	–	–

Notes

1. The comparative figures for M G Evans and M Mitchell are stated as at 5 January 1996, their date of appointment to the Board.
2. Since the end of the financial year M H Buckley has acquired a further 8,140 shares; his beneficial holding on 5 June 1996 was 216,523 ordinary shares and 432,180 options.
3. The directors and their families had no interest in the shares of any other company within the Group.

Notes to the Accounts

3. Employees and directors (continued)

Share options

The prices at which options under the Executive Share Option Schemes 1985 and 1995, the Stock Option Plan for US Executives and the Savings-Related Share Option Scheme have been granted to directors are set out below. The table discloses weighted average option exercise prices both above and below the mid-market price of an ordinary share in John Waddington PLC on 30 March 1996, namely 233p.

Share options at 30 March 1996

	Number	Exercise price above 233p Weighted average price (p)	Number	Exercise price below 233p Weighted average price (p)	Options granted during the year or from date of appointment whichever is later Number	Price (p)
M H Buckley	97,500	235	334,680	197	97,500	235
M G Evans	–	–	125,000	185	2,037	222
G Gibson	–	–	341,813	185	25,000	224
M Mitchell	–	–	101,554	177	–	–
D G Perry	–	–	184,173	189	–	–
A B Reeve	35,000	235	136,087	198	35,000	235

Notes

1. Exercises of share options during the year were as follows:
   - M H Buckley – 156,752 options at 149p; mid-market price on date of exercise: 234p
   - D G Perry – 162,940 options at 149p; mid-market price on date of exercise: 221p
   - A B Reeve – 30,937 options at 176p; mid-market price on date of exercise: 234p
   - – 20,625 options at 149p; mid-market price on date of exercise: 234p
2. There were no lapses of share options during the year.
3. Directors' outstanding share options are exercisable between 1996 and 2005.
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 30 March 1996 was 188p to 235p.

4. Exceptional items

	1996 £000	1995 £000
Profit on sale of Waddingtons Games	–	30,754
Loss on sale of Plastona Ltd	(12,500)	–
Provision for loss on sale of The House of Questa Ltd	(1,261)	–
	(13,761)	30,754

Notes to the Accounts

	1996 £000	1995 £000
5. Interest payable		
Interest payable on:		
Bank loans	2,440	1,831
Bank overdrafts	76	135
Other	158	225
Interest receivable on:		
Short term deposits and bank balances	(1,267)	(849)
	1,407	1,342
Interest capitalised	(92)	-
	1,315	1,342
6. Taxation		
Based on profits for the year:		
UK corporation tax at 33%	3,829	3,895
Overseas taxation	2,645	2,347
Deferred taxation	(2,297)	7,988
	4,177	14,230
Adjustments in respect of prior years	(105)	(140)
	4,072	14,090

The tax charge has been reduced by £800,000 in respect of overseas trading and by £250,000 in respect of timing differences for which no deferred taxation has been provided. UK corporation tax and deferred tax include credits of £730,000 and £2,158,000 respectively in respect of the disposal of Plastona Ltd.

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

	Amount provided		Potential	
	1996 £000	1995 £000	1996 £000	1995 £000
Group				
Accelerated capital allowances	3,709	6,839	8,005	10,892
Other timing differences	1,039	296	20	(718)
Held over capital gains	8,000	8,000	8,000	8,000
	12,748	15,135	16,025	18,174

The movement in the amount provided reflects a credit to the profit and loss account of £2,297,000 and a net decrease in respect of the acquisition and disposal of businesses of £90,000.

	Amount provided		Potential	
	1996 £000	1995 £000	1996 £000	1995 £000
Company				
Accelerated capital allowances	354	2,078	354	2,157
Other timing differences	(502)	80	(502)	80
Held over capital gains	8,000	8,000	8,000	8,000
	7,852	10,158	7,852	10,237

Notes to the Accounts

	1996 £000	1995 £000
7. Dividends		
Ordinary		
Interim of 4.0p per share (1995 3.8p)	4,175	3,938
Proposed final of 5.4p per share (1995 4.9p)	5,638	5,087
	9,813	9,025
Preference	28	28
	9,841	9,053

8. Earnings per share

Earnings per share are calculated as follows:

	1996	1995
Profit after taxation	7,792	39,220
Preference dividends	28	28
	7,764	39,192
Earnings per share	7.45p	40.28p

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:

	1996	1995
Profit after taxation	7,792	39,220
Preference dividends	28	28
	7,764	39,192
Exceptional items	13,761	(30,754)
Taxation on exceptional items	(2,888)	8,000
	18,637	16,438
Earnings per share excluding exceptional items	17.89p	16.90p

Both calculations of earnings per share are based on the average number of ordinary shares in issue during the year ranking for dividend of 104,179,998 (1995 97,293,551)

Notes to the Accounts

9. Tangible assets
£000

Group	Freehold property	Short leasehold property	Plant and vehicles	Other equipment	Total
Cost or valuation					
2 April 1995	42,457	1,779	121,887	20,351	186,474
Exchange adjustments	514	79	1,169	293	2,055
Businesses acquired	907	–	6,825	879	8,611
Business disposed of	–	–	(24,171)	(778)	(24,949)
Additions	3,740	347	23,544	2,632	30,263
Disposals	(1,435)	–	(2,615)	(223)	(4,273)
30 March 1996	46,183	2,205	126,639	23,154	198,181
Being: Cost	43,253	2,205	126,639	23,154	195,251
Valuation 1980	2,930	–	–	–	2,930
Aggregate depreciation					
2 April 1995	6,510	366	63,822	14,484	85,182
Exchange adjustments	48	48	944	224	1,264
Businesses acquired	295	–	3,584	478	4,357
Business disposed of	–	–	(13,324)	(340)	(13,664)
Disposals	(479)	–	(2,119)	(221)	(2,819)
Charge for year	898	214	11,780	1,787	14,679
30 March 1996	7,272	628	64,687	16,412	88,999
Net book amounts					
30 March 1996	38,911	1,577	61,952	6,742	109,182
1 April 1995	35,947	1,413	58,065	5,867	101,292
Company					
Cost					
2 April 1995	596	942	45,971	2,084	49,593
Additions	–	326	4,717	341	5,384
Business disposed of	–	–	(24,171)	(778)	(24,949)
Disposals	(596)	–	(370)	(85)	(1,051)
30 March 1996	–	1,268	26,147	1,562	28,977
Aggregate depreciation					
2 April 1995	320	197	23,590	1,448	25,555
Business disposed of	–	–	(13,324)	(340)	(13,664)
Disposals	(330)	–	(304)	(82)	(716)
Charge for year	10	50	4,085	138	4,283
30 March 1996	–	247	14,047	1,164	15,458
Net book amounts					
30 March 1996	–	1,021	12,100	398	13,519
1 April 1995	276	745	22,381	636	24,038

Freehold property includes £1,399,000 (1995 £1,307,000) in respect of interest capitalised.

Notes to the Accounts

9. Tangible assets (continued)

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

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Cost	44,309	40,583	-	550
Aggregate depreciation	6,773	6,509	-	296
Net book amount	37,536	34,074	-	254
Future capital expenditure not provided in the accounts:				
Contracts placed	4,329	8,753	260	2,483
Authorised by the directors but for which contracts not yet placed	5,689	4,611	90	296
	10,018	13,364	350	2,779

10. Investments

Subsidiaries

	Shares £000	Loans £000	Provisions £000	Total £000
2 April 1995	121,713	7,177	(74,729)	54,161
Movement during year	-	18,878	(26,140)	(7,262)
30 March 1996	121,713	26,055	(100,869)	46,899

The principal operating companies of the Group are shown on pages 62 and 63.

During the year the Group made the following acquisitions: on 30 June 1995 Prom'Imprim was acquired for a consideration of BF 80,000,000; on 12 July 1995 IP Container of New Jersey Inc was acquired for $34,800,000 plus repayment of debt of $4,000,000; on 30 March 1996 Cups Illustrated Inc was acquired for $4,636,000.

The book values of the assets and liabilities acquired, to which no fair value adjustments were made, are detailed in Note 21 of these accounts.

11. Stocks

	Group		Company	
	1996 £000	1995 £000	1996 £000	1995 £000
Raw materials	9,972	11,347	2,156	4,202
Work in progress	6,389	4,437	3,178	2,157
Finished goods	21,814	21,250	2,649	5,687
	38,175	37,034	7,983	12,046

Notes to the Accounts

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
12. Debtors				
Trade debtors	47,988	39,713	9,388	12,556
Amounts owed by Group companies	–	–	2,089	3,695
Other debtors	4,515	3,257	1,429	817
Prepayments and accrued income	5,652	3,681	2,713	1,610
	58,155	46,651	15,619	18,678

Other debtors include deferred consideration of £1,422,000 (1995 £1,606,000) receivable after more than one year.

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
13. Cash at bank and in hand				
Short term deposits	14,423	40,124	14,341	40,124
Cash and bank balances	7,628	6,340	16	23
	22,051	46,464	14,357	40,147
14. Borrowings				
Secured				
Bank loans in foreign currencies at floating rates on variable fixture terms	1,099	441	–	–
Unsecured				
Bank loans in sterling at floating rates on variable fixture terms	4,480	6,845	4,480	6,720
Bank loans in foreign currencies at floating rates on variable fixture terms	41,610	25,192	12,250	11,348
Bank overdrafts	3,540	3,110	10,444	10,797
	50,729	35,588	27,174	28,865
Repayable				
Over five years	262	332	–	–
Between two and five years	7,918	6,162	5,765	5,403
Between one and two years	10,183	6,336	8,725	5,831
	18,363	12,830	14,490	11,234
Within one year	32,366	22,758	12,684	17,631
	50,729	35,588	27,174	28,865

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

Notes to the Accounts

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
15. Other creditors (due within one year)				
Trade creditors	33,493	27,619	7,101	9,358
Amounts due to Group companies	–	–	1,950	2,686
Other creditors	17,621	12,894	8,782	9,873
Corporation tax	7,936	6,050	247	–
Taxation and social security	4,158	4,113	2,418	2,168
Accruals and deferred income	8,382	9,506	1,081	1,551
Dividends	5,638	5,087	5,638	5,087
	77,228	65,269	27,217	30,723
16. Provisions				
Costs of US anti-trust investigation	1,238	4,027	–	–

Costs of £2,789,000 incurred during the year have been charged against this provision.

17. Called up share capital

	Authorised 1996 £000	Authorised 1995 £000	Allotted and fully paid 1996 £000	Allotted and fully paid 1995 £000
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	37,500	27,000	26,103	25,954
	38,200	27,700	26,704	26,555

On 27 July 1995 an ordinary resolution of the shareholders was passed to increase the authorised share capital of the company from £27,700,000 to £38,200,000 by the creation of 42,000,000 ordinary shares of 25p each.

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
On exercise of options	593,730	149	907

Notes to the Accounts

17. Called up share capital (continued)

Under share option schemes, share options outstanding at 30 March 1996 to subscribe for ordinary shares of 25p each were as follows:

Number	Price per share	Exercisable
88,231	170.2p - 176.0p	1996 - 1998
164,999	176.6p	1996 - 1999
218,624	148.8p	1996 - 2000
108,281	176.0p - 193.0p	1996 - 2001
412,498	176.0p	1996 - 2002
51,562	223.0p	1996 - 2003
622,958	171.6p	1997
98,998	220.6p	1997 - 2003
51,656	217.0p	1997 - 2004
30,000	220.0p	1998 - 1999
674,911	210.9p - 217.0p	1998 - 2004
239,537	220.0p - 234.7p	1998 - 2005

18. Reserves

	Share premium account £000	Other non-distributable reserve £000
2 April 1995	39,385	(24,678)
Transfer to other non-distributable reserve	(39,385)	39,385
Premium arising on exercise of options in year	758	–
Goodwill arising on acquisitions	–	(26,228)
Reinstatement of goodwill previously written off against capital reserve	–	1,061
Goodwill written back to profit and loss account	–	(1,061)
30 March 1996	758	(11,521)

During the year a special resolution of the shareholders was passed and subsequent High Court approval was obtained for the company to cancel the share premium account and thereby create a non-distributable reserve of an equal amount.
The cumulative amount of goodwill charged to Group reserves at 30 March 1996, net of goodwill attributable to subsidiaries subsequently sold, is £99,313,000 (1995 £74,146,000)

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 deficit for the financial year dealt with in the profit and loss account of the holding company is shown below:

	£000
2 April 1995	38,062
Loss for year	(7,269)
Dividends	(9,841)
Exchange losses	(759)
30 March 1996	20,193

Notes to the Accounts

	1996 £000	1995 £000
20. Reconciliation of operating profit to cash inflow from operating activities		
Operating profit	26,940	23,898
Depreciation	14,679	12,130
Profit on sale of tangible assets	(706)	(451)
Increase in stocks	(2,803)	(8,427)
Increase in debtors	(12,014)	(13,200)
Increase in creditors	3,812	3,911
Cash outflow from US anti-trust investigation	(2,789)	(2,786)
Net inflow from operating activities	27,119	15,075

	1996 £000	1995 £000
21. Purchase of businesses		
Net assets acquired:		
Tangible assets	4,254	17,651
Stocks	1,645	4,994
Debtors	3,752	5,426
(Bank overdrafts) cash at bank and in hand	(1,831)	5,291
Creditors	(4,819)	(8,827)
Taxation	-	(5,525)
	3,001	19,010
Goodwill	26,228	27,749
Consideration	29,229	46,759
Satisfied by:		
Cash consideration	29,229	45,802
Deferred consideration	-	957
	29,229	46,759
Net outflow of cash:		
Cash consideration	29,229	45,802
(Bank overdrafts) cash at bank and in hand acquired	1,831	(5,291)
Net outflow of cash in respect of purchase of businesses	31,060	40,511

On 30 June 1995 Prom'Imprim was acquired for a consideration of BF 80,000,000.

On 12 July 1995 IP Container of New Jersey Inc was acquired for $34,800,000 including costs plus repayment of debt of $4,000,000.

On 30 March 1996 Cups Illustrated Inc was acquired for a consideration of $4,636,000 including costs and $600,000 paid on account of deferred consideration. Additional consideration up to a maximum of $3,700,000 is payable if the profits of Cups Illustrated for the two years ending March 1998 exceed certain targets specified in the acquisition agreement. At the present time it is not possible to estimate the extent of the additional consideration, if any, which may be payable. Any further payments will be accounted for as an adjustment to goodwill in future years.

Notes to the Accounts

22. Disposal of businesses

	1996 £000	1995 £000
Net assets disposed of:		
Tangible assets	11,285	3,132
Stocks	4,029	5,901
Debtors	5,945	18,533
Cash at bank and in hand	3	150
Creditors	(1,344)	(3,739)
Bank loans	–	(185)
Taxation	–	(1,976)
Net assets disposed of	19,918	21,816
Goodwill previously written off to reserves	–	2,074
	19,918	23,890
(Loss)profit on disposal	(12,500)	27,358
Proceeds of disposal	7,418	51,248
Satisfied by:		
Cash	6,500	50,898
Deferred consideration	918	350
	7,418	51,248
Net inflow of cash:		
Cash consideration	6,500	50,898
Deferred consideration received	184	162
(Net cash disposed of)bank overdraft	(3)	35
Net inflow of cash in respect of disposal of businesses	6,681	51,095

On 22 March 1996 Plastona Limited was disposed of for a total consideration of £7,418,000.

23. Analysis of changes in financing

	Share capital and premium £000	Bank loans £000
2 April 1995	26,555	32,478
Share capital issued, net of expenses	907	–
New loans	–	32,942
Repayment of loans	–	(19,604)
Effect of foreign exchange rate changes	–	1,373
30 March 1996	27,462	47,189

Notes to the Accounts

24. Analysis of changes in cash and cash equivalents

	£000
2 April 1995	43,354
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(25,003)
Effect of foreign exchange rate changes	160
30 March 1996	18,511

25. Analysis of the balances of cash and cash equivalents

	Cash at bank and in hand £000	Bank overdrafts £000	1996 Total £000	1995 Total £000
2 April 1995	46,464	(3,110)	43,354	6,515
Movement in year	(24,413)	(430)	(24,843)	36,839
30 March 1996	22,051	(3,540)	18,511	43,354

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	26 July 1996
Final Ordinary Dividend	Payable on 9 August 1996
Preference Dividends	Payable on 30 June and 31 December 1996
Interim Results for the half year to 28 September 1996	Announcement expected in November 1996
1996/97 Interim Ordinary Dividend	Payable January 1997
Final Results for the year to 29 March 1997	Announcement expected in June 1997

Five Year Review

£000	1996	1995	1994	1993	1992
Sales	298,615	259,272	236,056	221,556	231,386
Profit before exceptional items and tax	25,625	22,556	18,796	15,051	12,511
Profit before tax	11,864	53,310	8,067	6,051	7,204
Profit after tax	7,792	39,220	3,512	2,574	3,951
Capital expenditure	30,263	18,785	10,068	11,936	15,903
Depreciation	14,679	12,130	11,687	10,814	10,339
Ongoing businesses (at 30 March 1996)					
Sales	274,468	211,734	168,084	138,520	131,979
Operating profit before exceptional items	29,433	22,098	16,345	13,908	12,540
Pence per ordinary share					
Earnings	7.45	40.28	4.20	3.09	4.78
Earnings before exceptional items	17.89	16.90	16.18	13.29	11.25
Dividend	9.40	8.70	8.24	7.66	7.66

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 UK with the exception of (a) WNA Comet East, Inc, WNA Comet West, Inc, WNA Hopple Plastics, Inc, WNA Carthage, Inc, WNA Cups Illustrated, Inc, and IP Jaycare LLC, which are incorporated and operate in the US, (b) Data Documents SA and Prom'Imprim, 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 UK.

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.

* **Arcol Thermoplastics Ltd**
Glasgow

Performance cushion packaging

\# **Cartonmaster (UK) Ltd (75%)**
Middlewich

Short-run folding cartons

Chorley & Pickersgill Ltd
Leeds

Financial security printing, computerised direct mail and direct marketing services, bank and building society passbooks

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

Imca Beheer BV
Hoogerheide, The Netherlands

Folding cartons

IP Jaycare LLC (formerly I P Container of New Jersey Inc)
Patterson, New Jersey, USA

Pharmaceutical and healthcare packaging

Jaycare Ltd
North Shields

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

Johnsen & Jorgensen Ltd
Dartford, Manchester and Glasgow

Wines and spirits, food and industrial packaging

PFB Creative Marketing Solutions Ltd (50%)
Leeds

Creative, design, repro and advertising services

Prom'Imprim
Brussels, Belgium

Direct mail and direct marketing services

*# **Waddingtons Cartons Ltd**
Leeds

Folding cartons, board dairy pots, carton packaging systems

*# **Waddingtons Labels Ltd**
Gateshead

Can and bottle labels

WNA Carthage, Inc
Carthage and Longview, Texas, USA

Disposable plastic cups

WNA Comet East, Inc
Chelmsford, Massachusetts, USA

Disposable food service products, plastic glasses, cups and plates

WNA Comet West, Inc
Los Angeles, California, USA

Disposable plastic cutlery, cups and straws

WNA Cups Illustrated, Inc
Dallas, Texas, USA

Promotional plastic cups

WNA Hopple Plastics, Inc
Florence, Kentucky, USA

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

Zuid-Nederlandse Drukkerij BV
Hertogenbosch, The Netherlands

Security printing, word processor stationery