

175064

A copy of this document, which comprises an exempt listing document relating to Filofax Group plc ("the Company") prepared in accordance with the listing rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration.

The directors of the Company, whose names are set out on page 2 of this document ("the Directors"), accept responsibility for the information contained in this document and the appended documents. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to The London Stock Exchange Limited (the "London Stock Exchange") for the whole of the issued ordinary share capital of the Company, currently dealt on the Unlisted Securities Market, to be admitted to the Official List of the London Stock Exchange (the "Official List"). It is expected that admission to listing will become effective and dealings in the ordinary shares of 5p each of the Company will commence on 1 July 1996.

FILOFAX GROUP plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with number 175064)

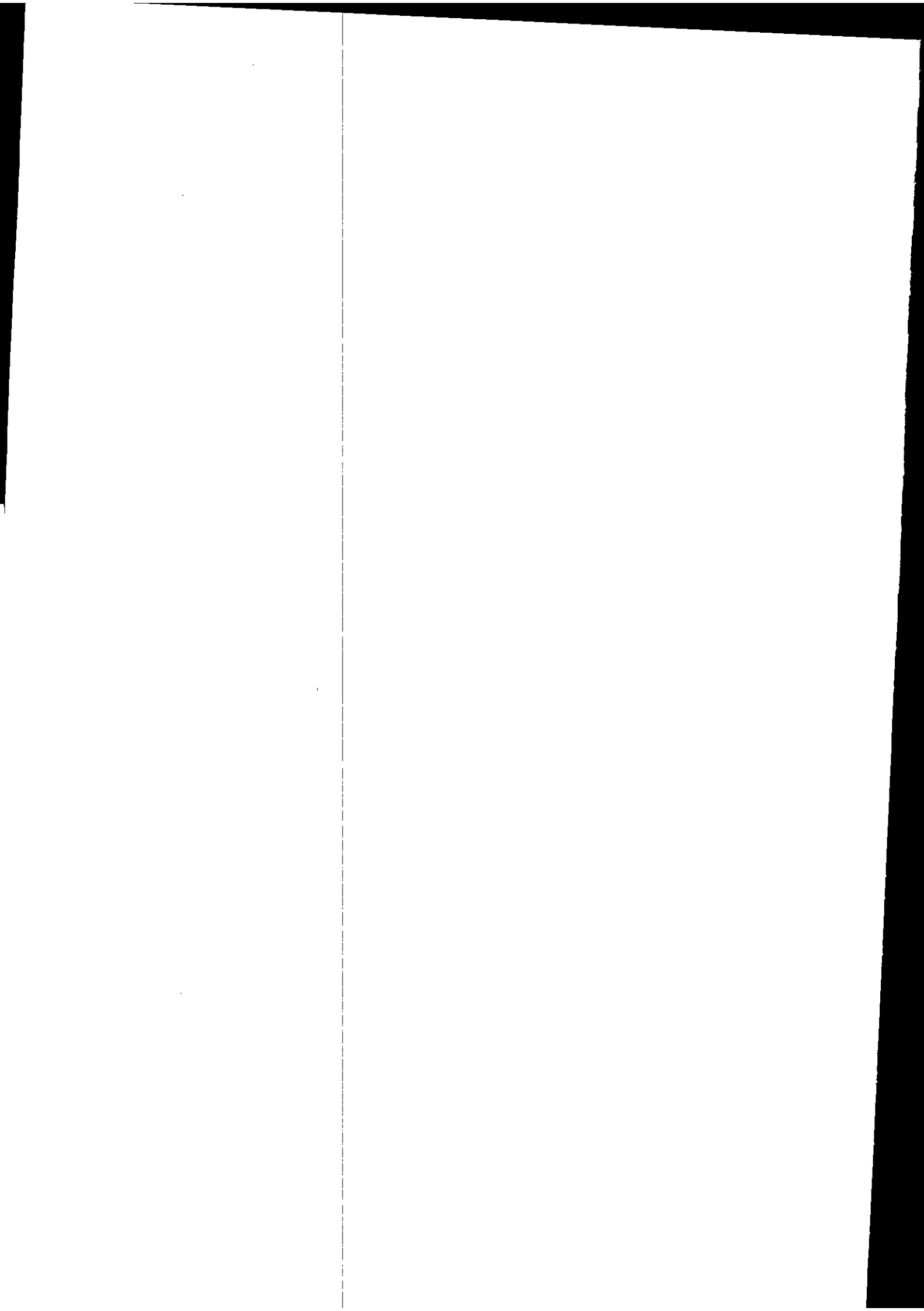
Introduction to the Official List by Hoare Govett Corporate Finance Limited of the whole of the issued ordinary share capital of Filofax Group plc

SHARE CAPITAL

Amount	Authorised Number		Issued and Fully Paid	
			Amount	Number
£2,500,000	50,000,000	ordinary shares of 5p each	£1,506,173.70	30,123,474

Hoare Govett Corporate Finance Limited ("Hoare Govett") is acting as financial adviser to the Company and to no other person in relation to the arrangements proposed in this document and will not be responsible to any other person for providing the projections afforded to customers of Hoare Govett or for advising any other person on the transactions and arrangements proposed in this document.





1. *Directors*

The Directors of the Company are:-

David Collischon, MCIM	(Non-Executive Chairman)
Robin Field, MBA	(Chief Executive)
Christopher Brace, ACA	(Finance Director)
Richard Eteson, BSc	(Sales and Marketing Director)
Richard Koch, MBA	(Non-Executive Director)
Mark Tyndall, MA	(Non-Executive Director)

all of Waverley House, 7/12 Noel Street, London W1V 4NE.

2. *Summary of rights attaching to shares*

The Articles of Association of the Company ("the Articles") contain provisions *inter alia* to the following effect:

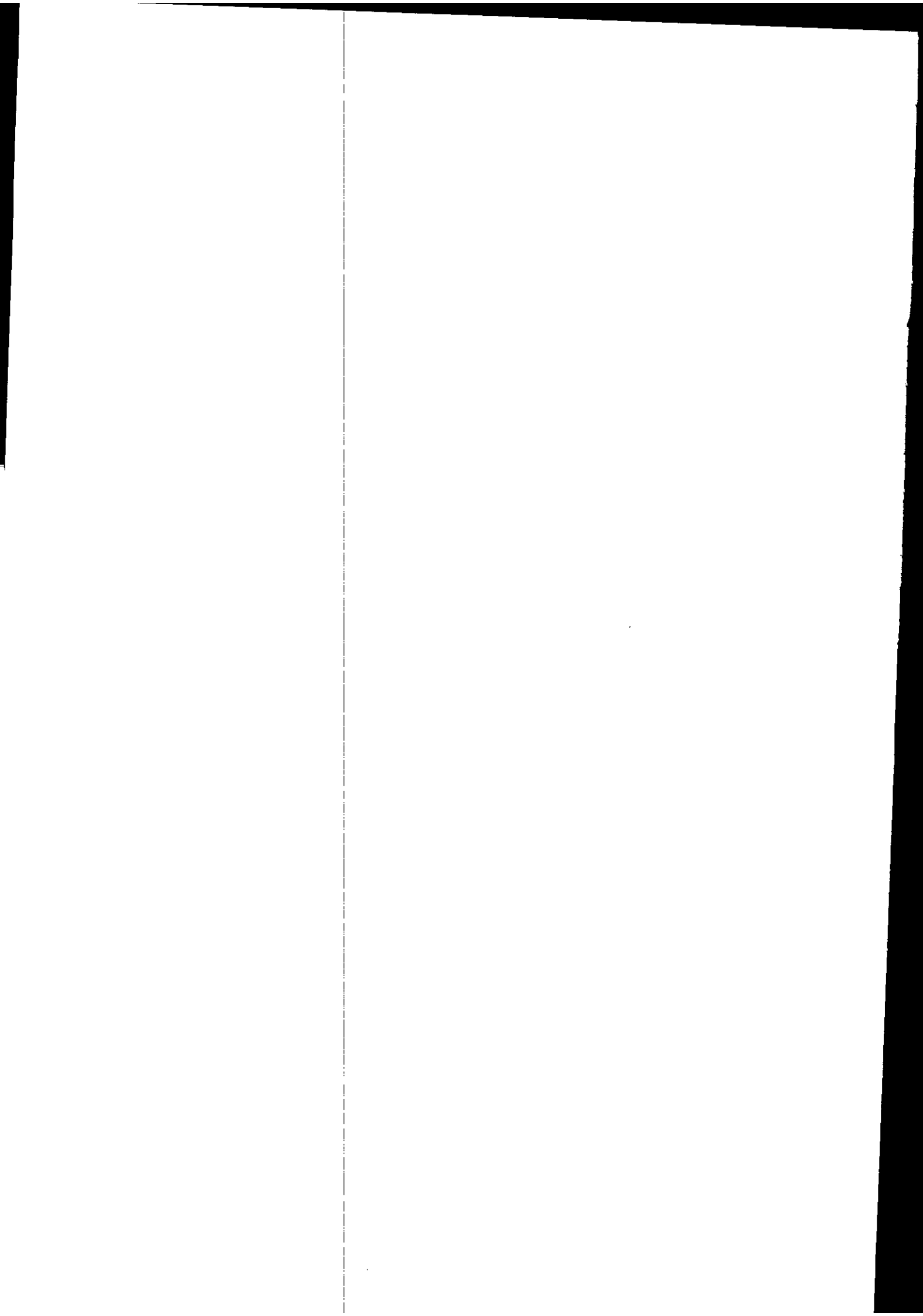
(1) Voting

Subject to any rights or restrictions attached to any shares in the capital of the Company, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative who is not himself a member entitled to vote, shall have one vote and on a poll every member shall have one vote for every share of which he is the holder. No member shall vote at any general meeting or at any separate meeting of the holders of any class of shares, either in person or by representative or proxy, in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid.

Where a member fails to comply within the prescribed period with any notice given by the Directors requiring him to give particulars of any shares that he holds, the Company may give the member a notice stating or to the effect that the member shall not be entitled in respect of the shares held by him, whether or not referred to in the notice, vote at any general meeting either personally and by proxy or if the member's holding is not less than 0.25 per cent. of any class of shares to exercise any other right conferred by membership in relation to any such meeting, or to receive any dividend payable in respect of such shares or rights therein until the notice has been complied with.

(2) Variation of rights and changes in capital

Subject to the provisions of the Companies Act 1985 (as amended) (the "Act"), if at any time the capital of the Company is divided into different classes of shares, the rights attached to any class may be



varied, either while the Company is a going concern or during or in contemplation of a winding up:-

- (a) In such manner (if any) as may be provided by those rights; or
- (b) in the absence of any such provision, with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class,

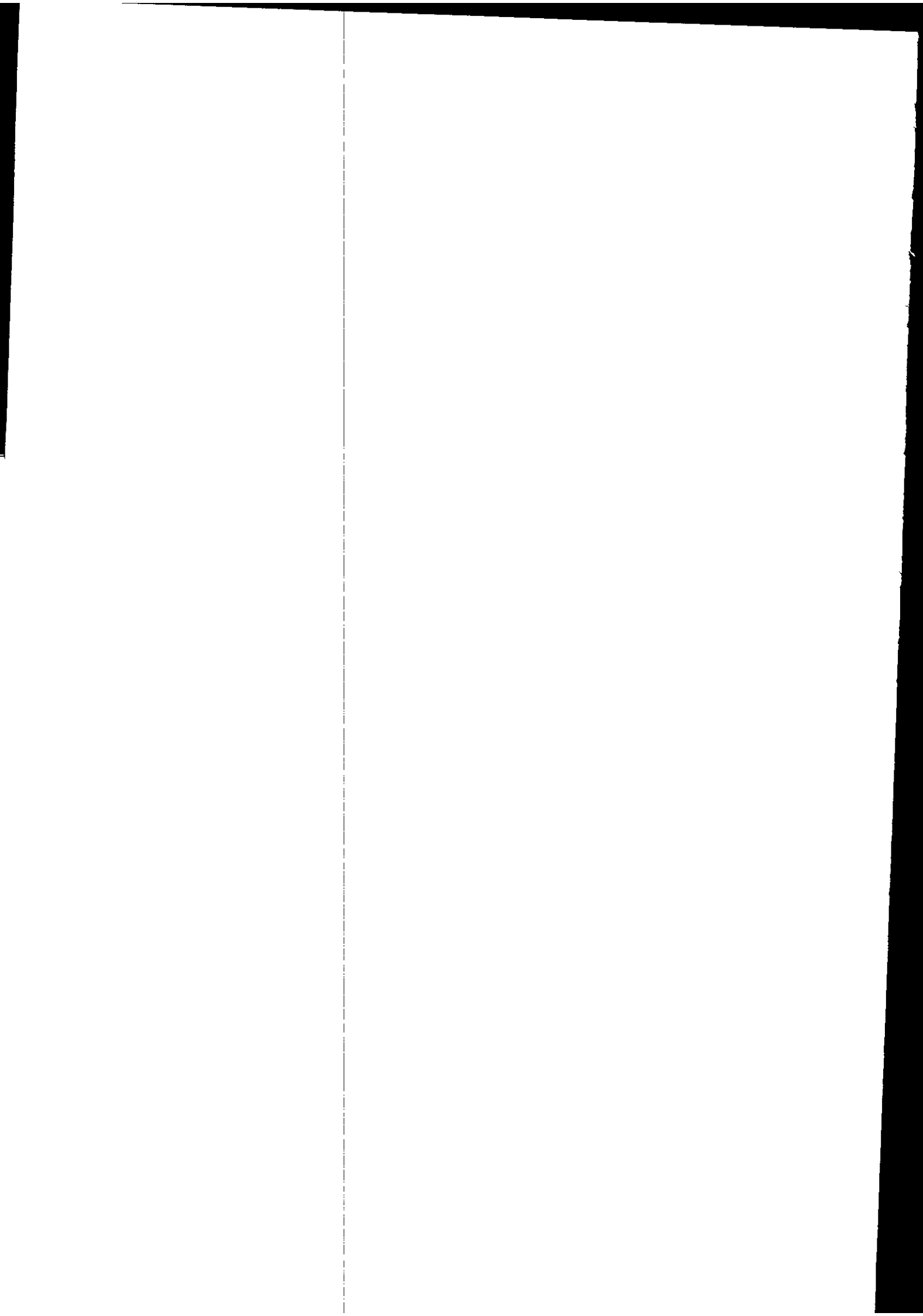
but not otherwise. To every such separate meeting the provisions of the articles relating to general meetings shall apply, except that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons together holding or representing by proxy at least one-third in nominal value of the issued shares of the class in question and at an adjourned meeting shall be one person holding shares of the class in question or his proxy.

Unless otherwise expressly provided by the rights attached to any shares, those rights shall be deemed to be varied by the reduction of the capital paid up on those shares and by the creation or issue of further shares ranking in priority for payment of a dividend or in respect of capital or which confer on the holders voting rights more favourable than those conferred by the first-mentioned shares, but shall not otherwise be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them or subsequent to them.

The Company may by ordinary resolution:-

- (a) increase its share capital by new shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (c) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum;
- (d) determine that, as between the shares resulting from such a sub-division, any of them may have any preference or advantage as compared with the others; and
- (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.

Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the directors may on behalf of those sell to any person (including, subject to the provisions of the Act, the Company) the shares representing the fractions for the best price



reasonably obtainable and distribute the net proceeds of sale in due proportion amongst those members and the directors may authorise some person to execute an instrument of transfer of the shares to or in accordance with the directions of the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in or invalidity of the proceedings in reference to the sale.

Subject to the provisions of the Act the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account, in any way.

Subject to the provisions of the Act the Company may purchase its own shares including redeemable shares, but not unless the purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of convertible shares in the Company.

The Company may by ordinary resolution convert any paid up shares into stock and re-convert any stock into paid up shares of any denomination.

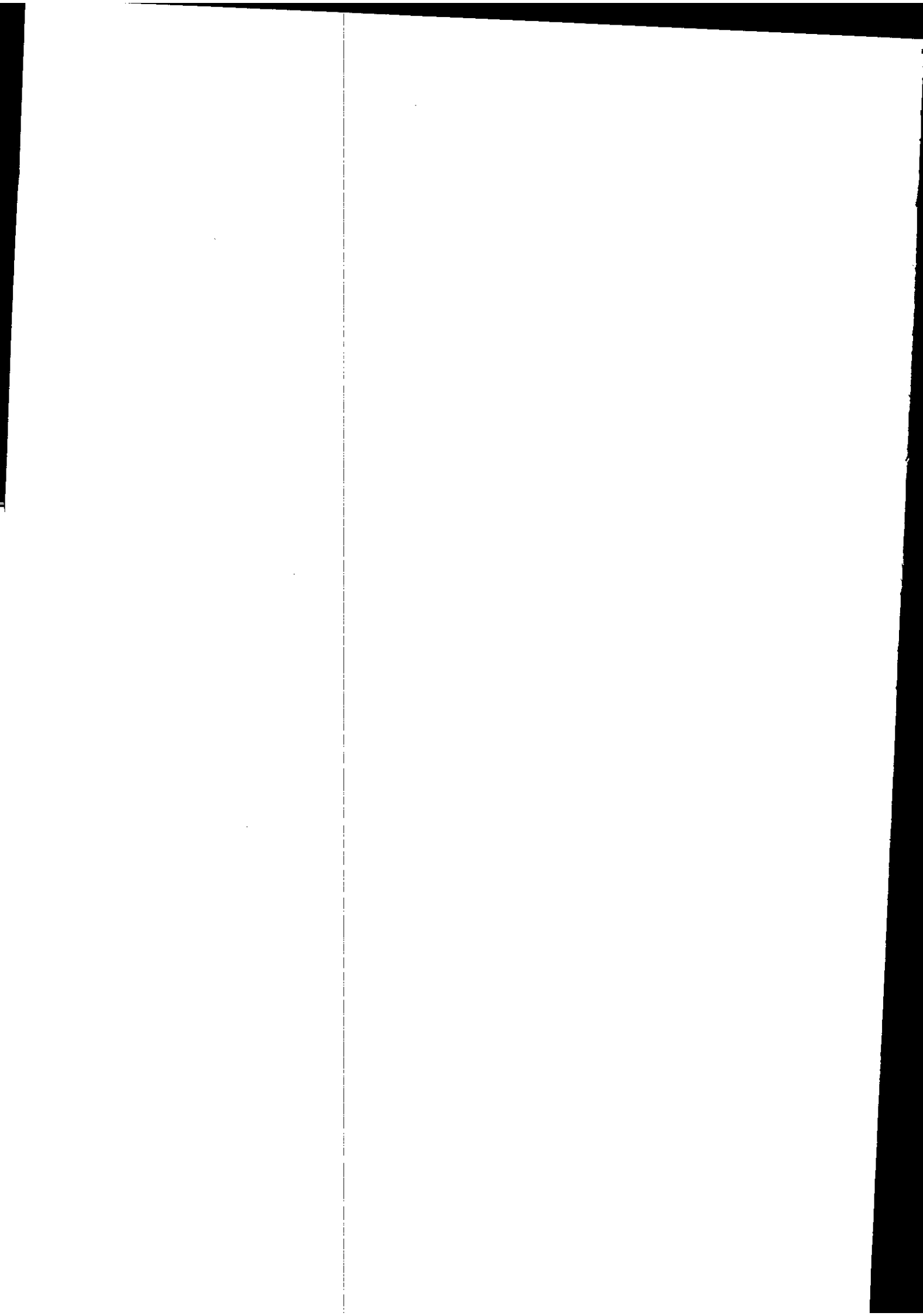
A holder of stock may transfer it or any part of it in the same manner and subject to the same provisions of the articles as would have applied to the shares from which the stock arose if they had not been converted, or as near thereto as circumstances admit, but the directors may fix the minimum amount of stock transferable at an amount not exceeding the nominal amount of any of the shares from which the stock arose.

A holder of stock shall, according to the amount of the stock held by him, have the same right as if he held the shares from which the stock arose provided that no such right (except participation in dividends and in the assets of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that right.

(3) Dividends

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors.

Subject to the provisions of the Act, the directors may pay interim dividends if it appears to them that they are justified by the profits of the Company available for distribution. If the share capital is dividend into different classes, the directors may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying



deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrear. The directors may also pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. If the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

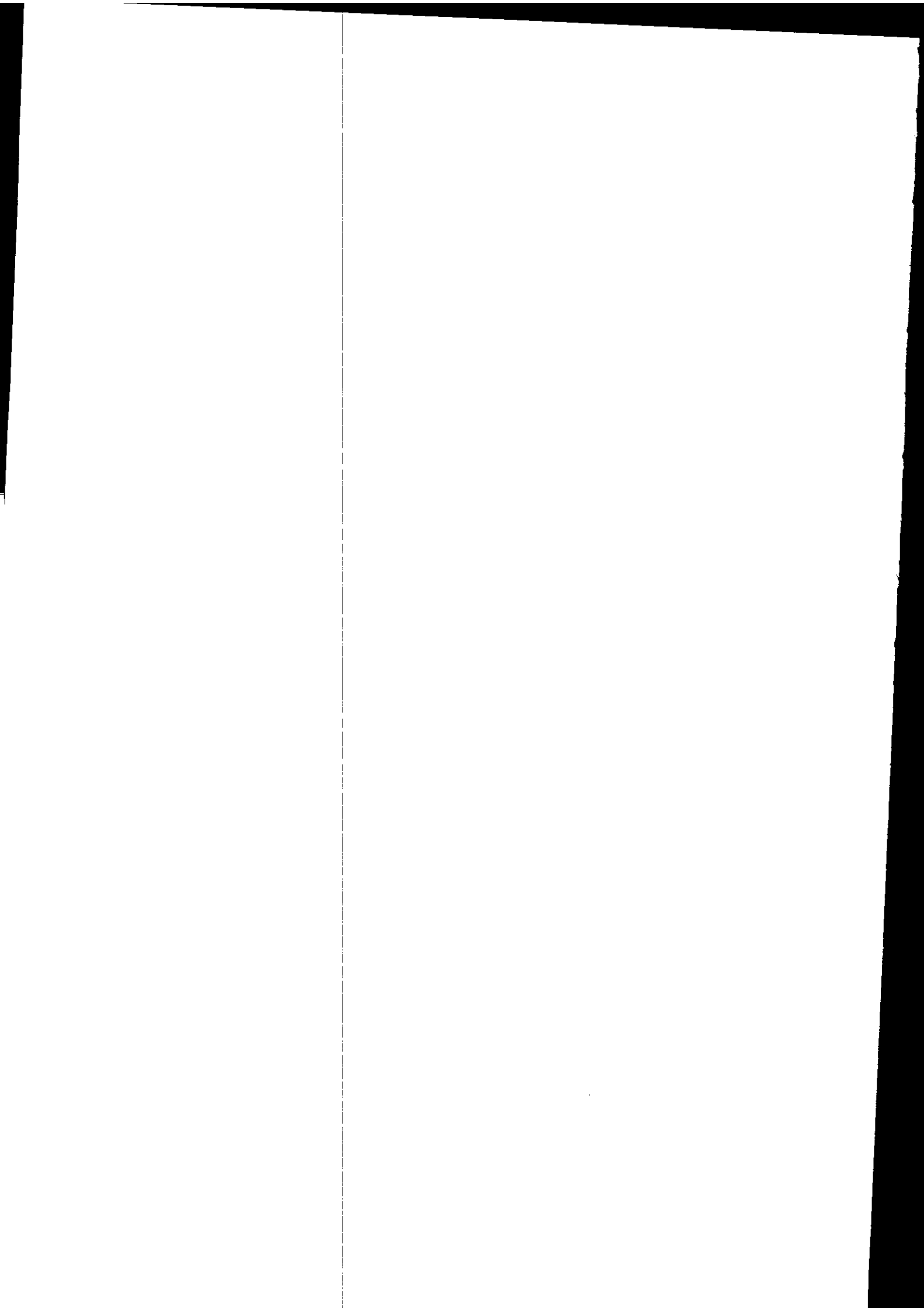
Except as otherwise provided by the articles or the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid up on a share in advance of calls shall be treated for the purpose of this Article as paid up on the share.

A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the directors may settle the same and in particular may issue fractional certificates (or ignore fractions) and fix the value for distribution of any assets, and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members, and may vest any assets in trustees.

Any dividend or other money payable in respect of a share may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the Company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other money payable in respect of the share.

No dividend or other money payable in respect of a share shall bear interest against the Company, unless otherwise provided by the rights attached to the share.

Any dividend which has remained unclaimed for twelve years from the date when it became due for payment shall, if the directors so resolve, be forfeited and cease to remain owing by the Company.

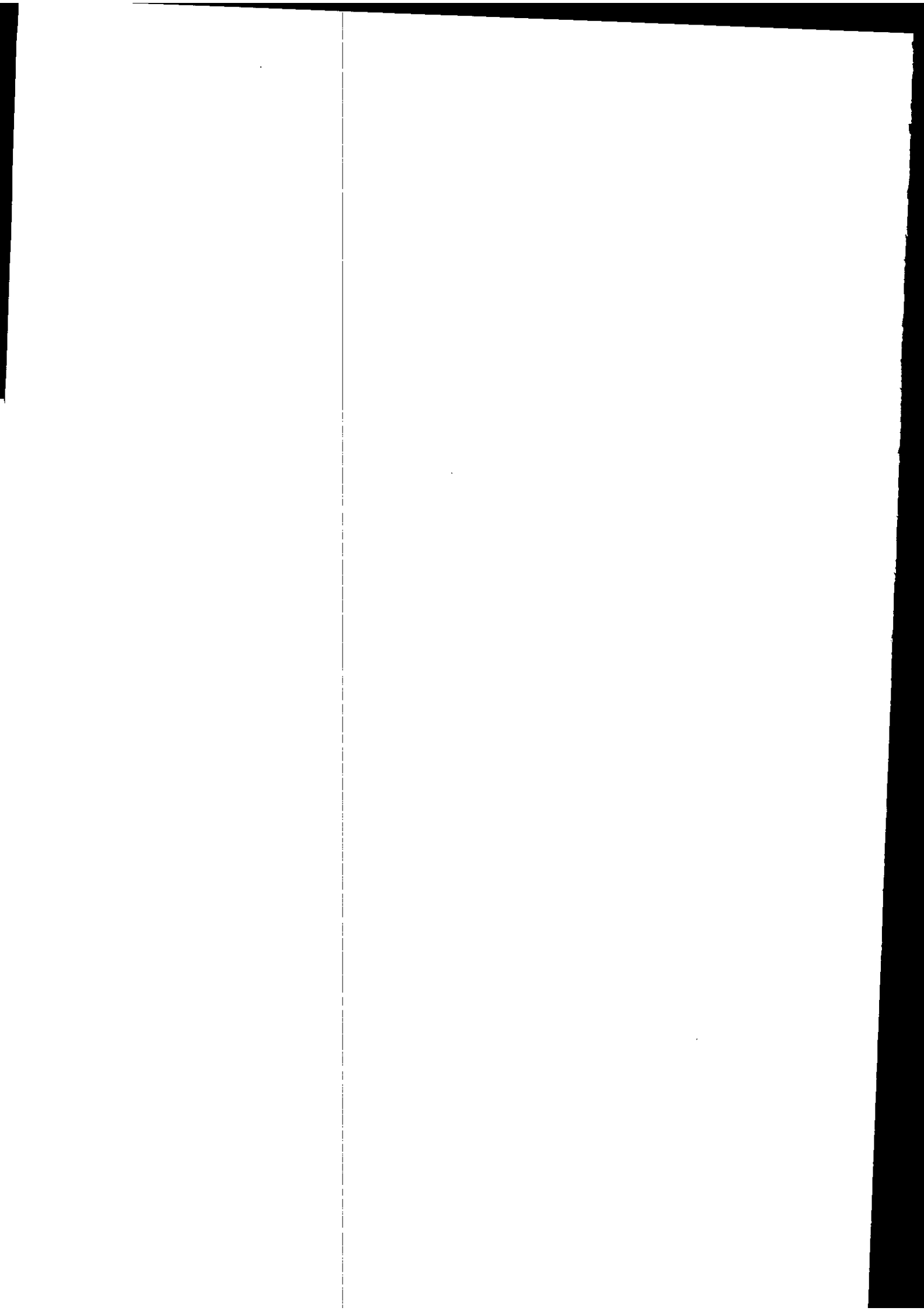


(4) Distribution of assets on a winding up

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator with the like sanction shall determine but no member shall be compelled to accept any shares assets upon which there is a liability.

(5) Transferability

- a) The instrument of transfer of a share may be in any usual form or in any other form which the directors approve and shall be executed by or on behalf of the transferor and, where the share is not fully paid, by or on behalf of the transferee.
- b) The directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid. They may also refuse to register a transfer of a share unless the instrument of transfer:-
 - (i) is lodged, duly stamped, at the registered office of the Company or at such other place as the directors may appoint and (except in the case of a transfer by a stock exchange nominee where a certificate has not been issued in respect of the share) is accompanied by the certificate for the share to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.
 - (ii) is in respect of only one class of share; and
 - (iii) is in favour of not more than four transferees.
- c) If the directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.
- d) The registration of transfers of shares or of any class of shares may be suspended at such times and for such period (not exceeding thirty days in any year) as the directors may determine.
- e) No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.



f) The Company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall (except in the case of fraud) be returned to the person lodging it when notice of the refusal is given.

g) Nothing in the articles shall preclude the directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

(6) Directors' Interests

Subject to the provisions of the Act, and provided that he had disclosed to the directors the nature and extent of any material interest of his, a director notwithstanding his office:

a) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is interested;

b) may be a director or other officer of, or employed by, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested; and

c) shall not be accountable to the Company for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate

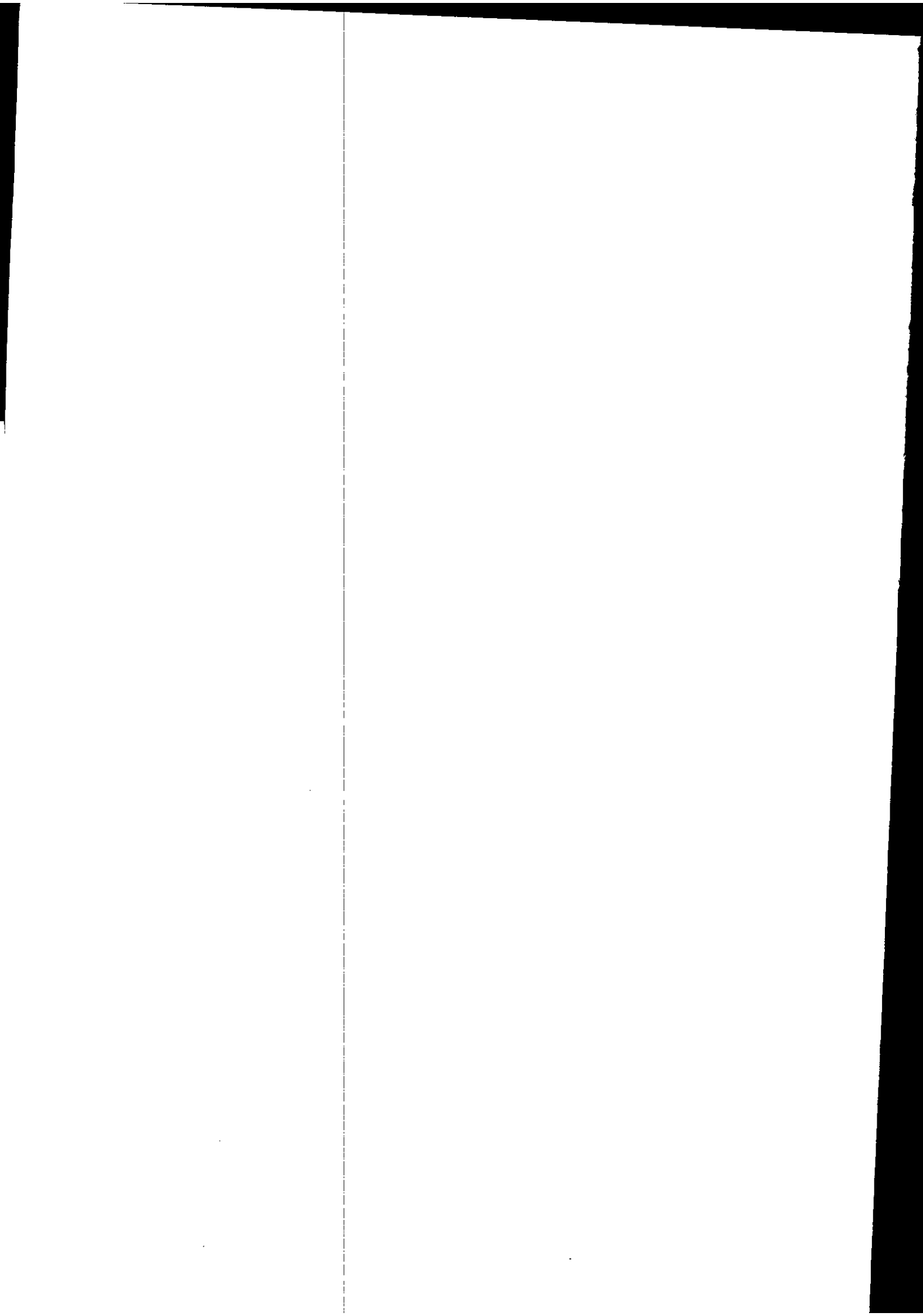
and no such transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.

(7) Borrowings

The directors shall restrict the borrowings of the Company and exercise all powers of control exercisable by the Company in relation to its subsidiaries so as to secure (as regards subsidiaries so far as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final repayment) outstanding of all money borrowed by the Group shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two and one half times the aggregate of:

a) the amount paid up on the share capital of the Company; and

b) the total of distributable and undistributable reserves of the Group, including any share premium account, capital redemption reserve and credit balance on the profit and loss account, but excluding sums set aside for taxation and amounts attributable to outside



shareholders in subsidiaries of the Company and deducting any debit balance on the profit and loss account, and

all as shown in the then latest audited consolidated balance sheet and profit and loss account of the Group adjusted, as may be necessary, in respect of any variation in the paid up share capital or share premium account of the Company and to reflect any change in the companies comprising the Group since the date of that balance sheet.

- c) an adjustment to add back cumulative goodwill arising on acquisitions that has been written off directly to reserves, the adjustment being calculated as if goodwill were being amortised over 20 years, instead of being written off directly to reserves.

3. *Significant changes*

There has been no significant change in the financial or trading position of the Company together with its subsidiaries since 31 March 1996, the date to which the latest consolidated audited accounts of the Company and its subsidiaries were prepared.

4. *Documents for inspection*

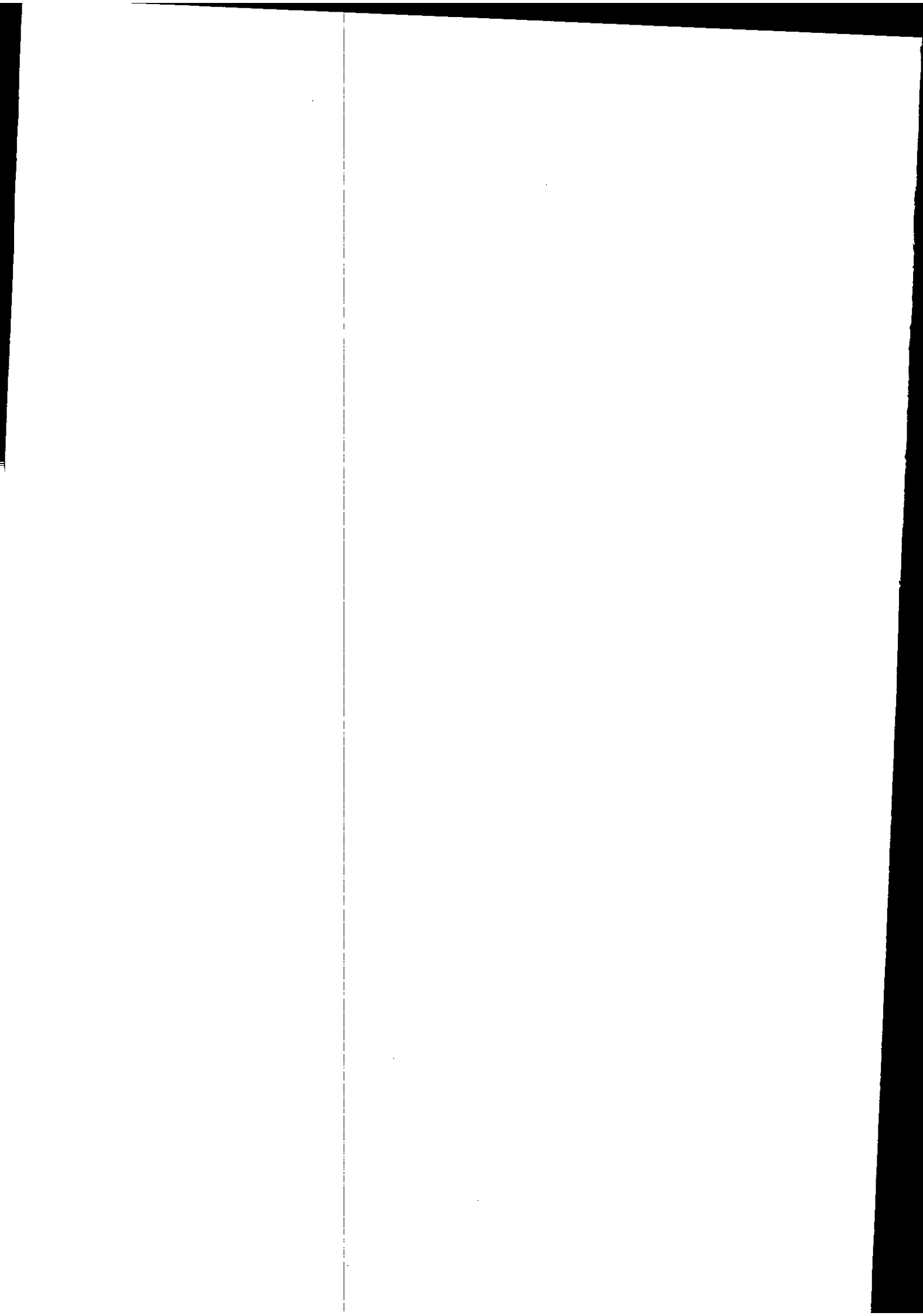
Copies of the following documents will be available for inspection at Filofax Group plc, Waverley House, 7/12 Noel Street, London W1V 4NE, and at the offices of Hoare Govett, 4 Broadgate, London, EC2M 7LE, during normal business hours from 26 June 1996 on any weekday (Saturdays, Sundays and public holidays excepted) up to and including 10 July 1996.

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the consolidated audited accounts of the Company and its subsidiaries for each of the two financial years ended 31 March 1996; and
- (iii) a copy of the exempt listing document dated 26 June 1996.

5. *Appendices*

Copies of the latest three years report and accounts of the Company are attached as appendices to this document.

26 June 1996 ✓



Annual Report

1995/96

Filofax Group plc

Filefax is a group of consumer supply businesses offering specialised products under strong brand names in over forty countries worldwide.

The majority of sales are made outside the UK. The Group has wholly owned sales subsidiaries in the UK, USA, Germany, France, Sweden, Denmark and Hong Kong.

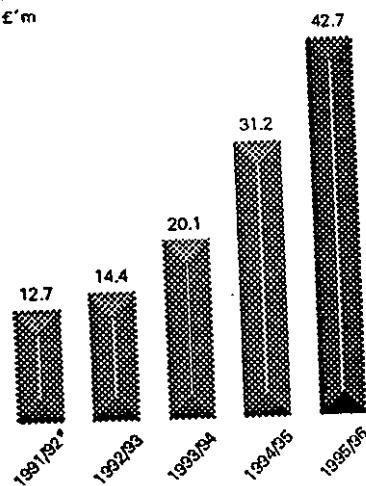
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FINANCIAL HIGHLIGHTS

	1995/6 £m	1994/5 £m	Change
Turnover	42.7	31.2	+37%
Operating profit	6.7	5.0	+34%
Profit before taxation	6.6	4.9	+33%
Profit attributable to shareholders	4.6	3.4	+33%
Earnings per share (pence)	16.0p	13.5p	+19%
Dividends per share (pence)	3.35p	2.625p	+28%

TURNOVER

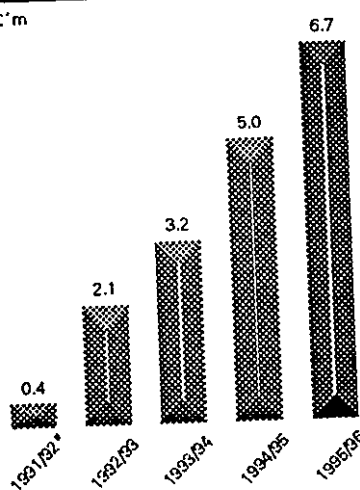
£'m



* (15 months)

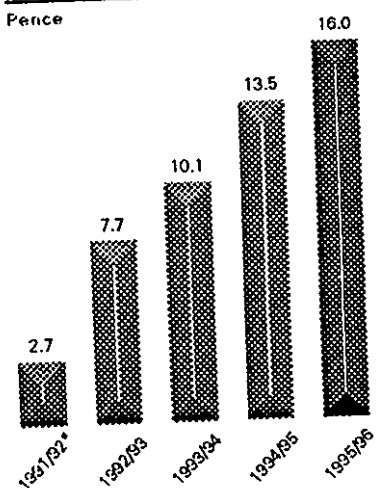
OPERATING PROFIT

£'m



EARNINGS PER SHARE

Pence



This year I am proud to announce that Filofax Group will apply for a full listing on the London Stock Exchange. This achievement represents another significant milestone in the Group's 75 year history. Robin Field Chief Executive

SEVENTY FIVE YEARS OF HISTORY

1921	Norman and Hill Ltd Incorporated
1930	Registration of trademark, Filofax
1987	Entered USM as Filofax plc
1988	First complementary acquisition, Yard-O-Led Pencil Company Ltd
1996	Filofax Group plc applies for entry to the official list of the London Stock Exchange

RESULTS

The year to 31 March 1996 saw continued strong progress both in our continuing businesses and in our acquisition strategy. Total turnover rose 37% to £42.7m (£31.2m) and total operating profits rose 34% to £6.7m (£5.0m). Profit before tax rose to £6.6m (£4.9m). Earnings per share have risen by 19% to 16p.

Excluding the acquisition of Topps of England Ltd in July 1995, sales from continuing operations rose by 20% and operating profit by 18%. Gross margin in the continuing operations strengthened from 56.1% to 57.4%.

Cash generation remained a feature, despite the increase in stock and debtors as a result of the Topps acquisition, and we finished the year with net cash balances of £4.1m.

DIVIDEND

Our continuing strong cash generation and confidence in the future have enabled the Board to recommend an increase in the final dividend to 2.0p per share (1.575p) thus lifting the total annual dividend by 28% to 3.35p per share (2.625p). This brings our compound annual growth in dividend per share over the last four years to 61% p.a.

UK

The UK market remains buoyant, with sales of new filled and empty organisers continuing to dominate those of refills. Given our commanding share of the market our future sales growth in the UK will be largely driven

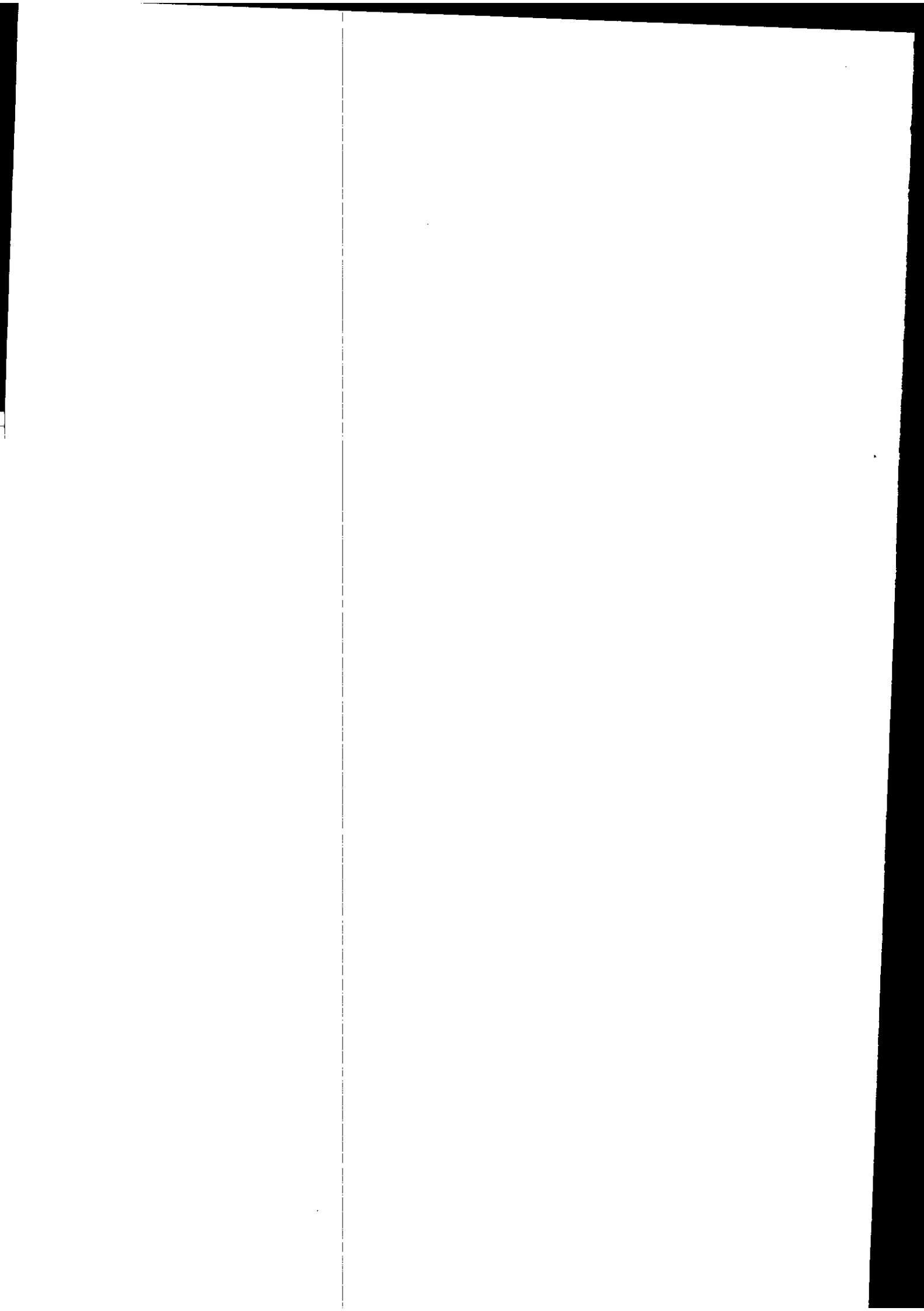
by overall market growth (currently around 10%) and by our success in stimulating the market with new product introductions.

The acquisition in July of Topps of England Ltd, our only significant British competitor and owner of Microfile, the nearest brand to Filofax in the European market, has been our most important corporate advance since 1990. The short term financial impact, while earnings enhancing, has been slightly to lower our overall operating margins, but the market implications are radical.

Topps greatly strengthens our strategic position in the UK. By controlling the strong secondary Microfile brand and supplying a key portion of the retailer own-brand market we are able to lift the perceived value of the Filofax brand and ensure proper differentiation between all three segments.

In order to maintain sales and brand differentiation we are maintaining Topps and Filofax UK as separate entities, each with its own sales force. The two brands are viewed as distinct by major retailers. Our clear strategic imperative is now to emphasise the differentiation in consumer perception.

In addition to the marketing opportunities opened by this acquisition we are already seeing significant production advantages. Topps' origins lie in the small leather goods industry and it manufactures some 90% of its own organiser



requirements in its highly efficient Sussex factory.

In 1990 we determined to compete with Topps by importing from the Far East as a result of the high labour cost on a UK made organiser. Since then Topps has reduced the total labour content of a typical organiser to below 30% and can now compete on cost with Chinese production. As a result of this improvement our acquisition of Topps has allowed us to bring certain production back to the UK into what is now our own plant with consequent improvements in inventory management, manufacturing control and in perceived value.

We do not anticipate manufacturing more than 25% of our total Group requirements in house but already we are selling Topps made Filofax branded products. The resultant opportunities for additional overhead recovery and the maximisation of production efficiencies within the Topps factory are obvious.

Yard-O-Led

I drew attention last year to the increasing importance of the Yard-O-Led writing instrument brand in our portfolio and this has continued. As a result of its commonality of distribution with our other brands Yard-O-Led is able to reach a much larger retail audience than its relatively small size would otherwise permit. In October 1995 Yard-O-Led launched its first limited edition, a hand chased sterling silver fountain pen with a dragon motif aimed specifically at the Far Eastern market, retailing at £500 and over.

This not only generated additional revenue in itself but drew attention to the brand name and to the rest of the range. Total sales were up 36% and over 77% of this is now generated outside the UK.

Drakes

Our Drakes brand of office stationery in the UK continued to be an excellent profit contributor despite the previous year's erosion of turnover at the lower

end. Total UK sales have stabilised at £1.8m and I anticipate that the improvement in product costs achieved by the buying team over the last two years will enable us to improve sales in the year ahead. Here again, shared distribution with the rest of the Group's brands contributes to the strength of both.

Henry Ling

The Henry Ling greeting cards business had a useful year of transition with radical changes to its design approach, sales team and cost structure to gain maximum benefit from Group membership.

While remaining within its defined fine art niche Lings has launched a number of distinct new lines and rejuvenated its range, withdrawing and liquidating a significant number of tired, slow moving lines. The reduction in physical stock that this has permitted, together with a shift from in-house handling and finishing to the purchase of wrapped finished stock only, has enabled the operation to consolidate onto a single site. This move has only been completed since the year end but will permit useful cost savings and a vast improvement in efficiency in the years ahead.

We look forward to significant improvement in market position and financial performance in the year ahead.

CONTINENTAL EUROPE

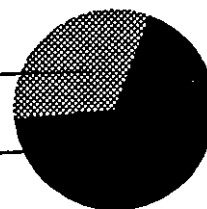
The Continent of Europe remains a major engine of growth for us. Our four Continental subsidiaries again increased their aggregate sales by over 40% and total sales from both subsidiaries and third party distributors on the Continent rose 36%.

Since September 1992, when we established our first Continental subsidiary in Paris, our French sales had risen very rapidly year on year. This continued until late 1995 with an increasing commitment to French language papers and a significant increase in our French sales force and infrastructure stimulating what was in

UK CONSUMER PROFILE

Previous Filofax user	32%
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First time Filofax user	68%
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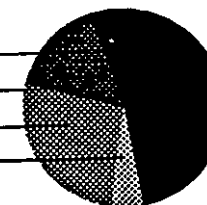


Under 21	16%
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21-35	52%
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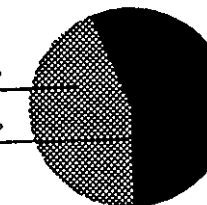
36-50	27%
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Over 50	5%
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Male	44%
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Female	56%
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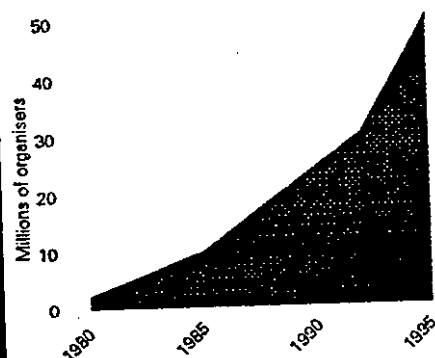


Source: Consumer Survey Nov-Dec 1995

The worldwide market for ring binder organisers continues to grow rapidly.

RING BINDER ORGANISERS

World Retail Volume



Source: Management estimates

any case a fast growing market.

Towards the end of the year, however, economic uncertainty and the consequent industrial disturbances in France, which culminated in the shutdown of public transport in Paris in November and December, began to impact our revenues. Our French sales, like those of most high end consumer supply businesses, are concentrated in Paris and especially concentrated in the last two months of the year when Christmas gift buying increases the natural seasonality of a calendar product.

The disruption to Paris trading and its associated effects on retailer and consumer confidence were a severe set back to us but we remain fully committed to the French market and anticipate significant future growth. Overall retail sales of stationery per capita in France are over twice those in the UK but organiser sales are well below British levels.

As well as continuing to invest in our own subsidiary for sales of the Filofax and Yard-O-Led brands into the traditional high street and department store sector, we are investing in the launch of the Microfile brand into the hypermarket sector through a third party distributor.

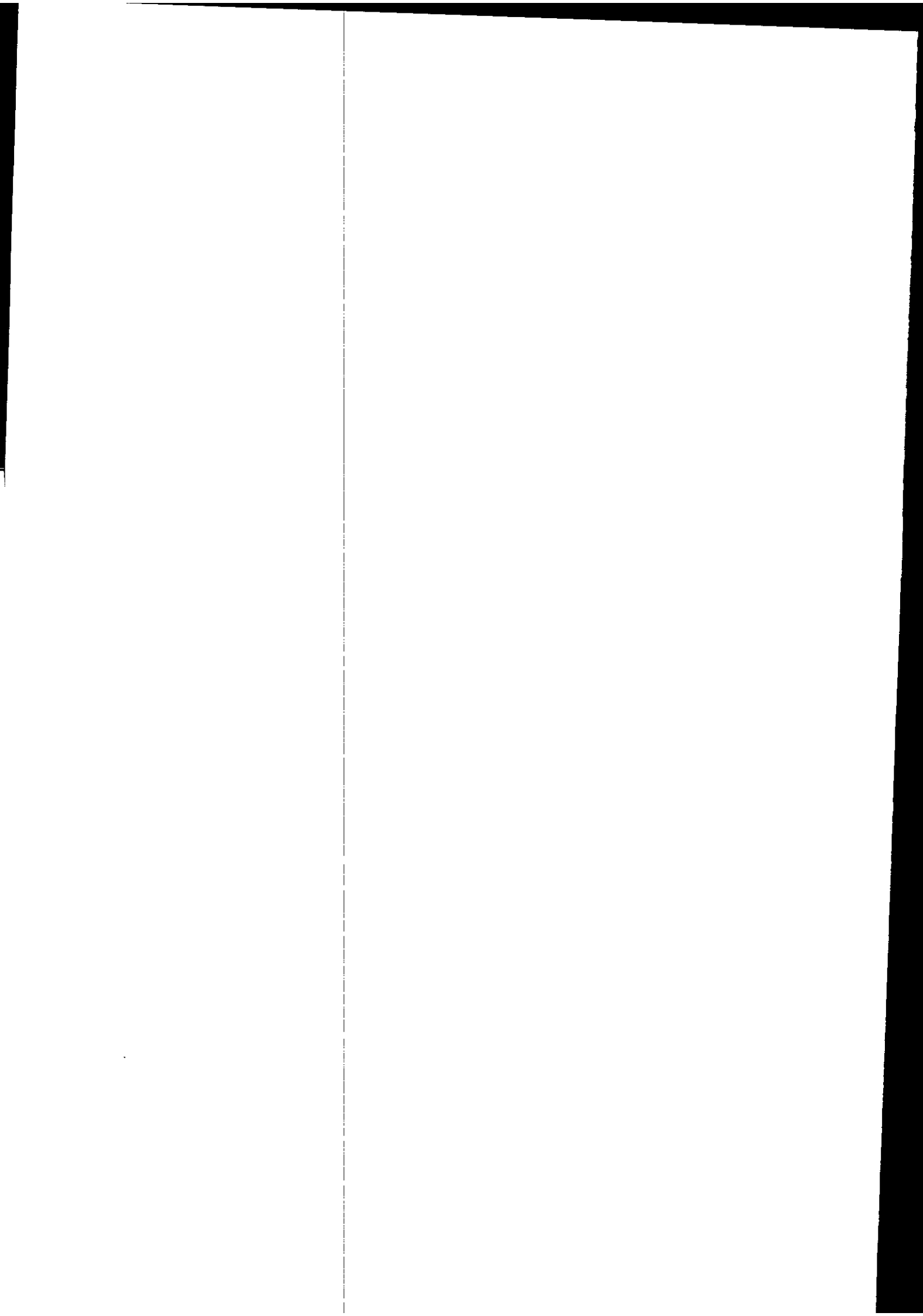
Our German subsidiary again achieved good growth and we have increased our employed sales force and have invested in our own small satellite warehouse near Frankfurt.

Since 1993 we have been running France and Germany together under the direction of a single local team of General Manager and Finance Manager but both subsidiaries have now grown beyond the size where this is practicable. We are delighted therefore to have recruited a strong local manager for the German business who starts with us on 1 July.

As in France our Filofax and Yard-O-Led sales are through the traditional stationery channels but we also see an opportunity for organisers through the modern and lower end sectors which in Germany include most department stores. We have therefore withdrawn the Microfile brand from its former distributor and have employed a very small separate team within our existing infrastructure to sell Microfile through a commission agent network.

Our Swedish subsidiary had another excellent year and has also played a major role in introducing Filofax into Finland where the brand is now well established in the Helsinki area. We are looking for further Finnish penetration in the year ahead.

Within Sweden itself we have withdrawn Filofax from the lower end of the market whose rapid expansion was threatening to prejudice the prestige of the brand at the top end. Since the end of the financial year Microfile has been launched in the lower end and will enable us to compete on cost in the mass market without adverse effect on the image of the Filofax brand.



In the small Danish market both our market leader brand, Systemplan, and the more recently introduced Filofax brand continued to grow with no cannibalisation between the two. Lings cards were also introduced to the Danish market and have won top end retailer acceptance. All Mercato organiser sales have now been included under the Filofax and Systemplan brands and all other Mercato products licensed to a third party printer.

Outside our own subsidiaries Continental European turnover growth through third party distributors rose to 19% with strong performances from Norway, Switzerland and Greece. Our Italian distributor had a less buoyant year as a result of internal administrative issues, but continued to grow nevertheless. Important inroads were made in Eastern Europe where sales growth in Russia again exceeded 50%.

REST OF WORLD

Whilst we continue to treat the USA with caution, faith in our new management team has enabled a significant increase in our fully expensed investment in merchandising units within our retail customers' premises. We have structured display programmes with several of the larger department store groups which ensure an increase in display space through into 1998.

In order to service this new space and to control the presentation and positioning of our brands we have moved from third party commission agents to the employment of our own sales force. Our total American field force of twelve has been a considerable investment. This, and the other local investments of the last year has enabled us to move total US sales ahead by 22%.

Sales to the remainder of the world via third party distributors have continued to grow. We have continued to focus on capitalising on our remarkably high brand awareness in Japan and, while we still have much to do, a good increase in sales was achieved in the

year and closer co-operation with the local distributor appears to be bearing fruit.

The Group's performance in the rest of the Far East region continued to justify our investment with particularly good results for Yard-O-Led with its limited edition.

We continued to invest in developing the South American, South African and other emerging markets and, while these have not yet brought us any worthwhile return, we are confident that our painstaking efforts to find the correct channels of entry and only to introduce our brands with appropriate positioning will be justified.

THE FUTURE

The worldwide market for ring binder organisers continues to grow rapidly. It is remarkable that it is in the Nordic markets, where acceptance of electronic innovations has been most rapid, that our own penetration is highest and our growth continues to be most buoyant.

Our financial structure remains extremely sound and our cash flow strongly positive enabling us to take advantage of further acquisitions where these will complement and strengthen the inherent growth in our base business.

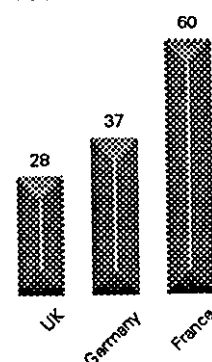
Against this background, and from a larger and more stable base, we look to the coming year with confidence.

Robin Field
Chief Executive

14 June 1996

RETAIL STATIONERY MARKET PER CAPITA

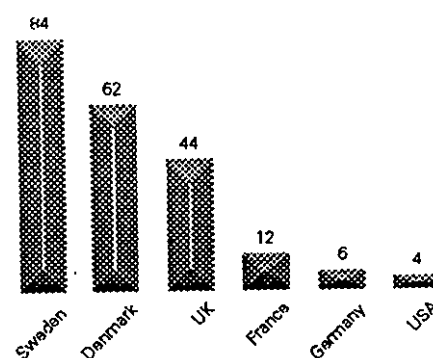
Pounds



Source: Euromonitor 1995

GROUP ORGANISER BRANDS: SALES PER CAPITA

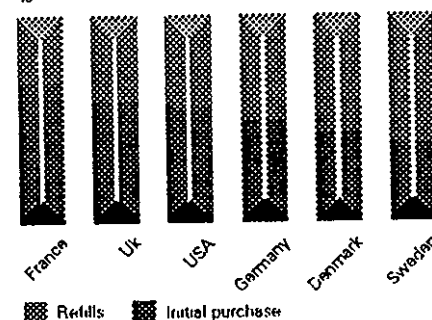
Pence



Source: Management accounts

GROUP ORGANISER BRANDS: REFILLS VERSUS INITIAL PURCHASE

%



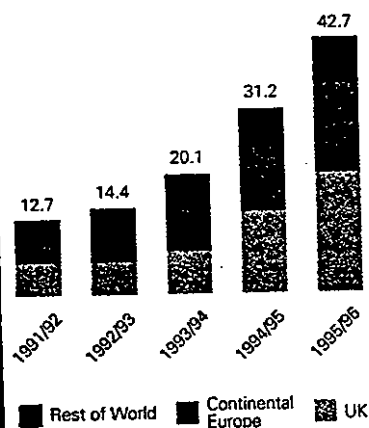
Source: Management estimates

Filofax Group plc has continually increased worldwide sales through investment in subsidiaries, development of distributors and anticipation of consumer demand.

We pride ourselves on the international spread of our sales and have consistently increased the proportion of sales under our direct control.

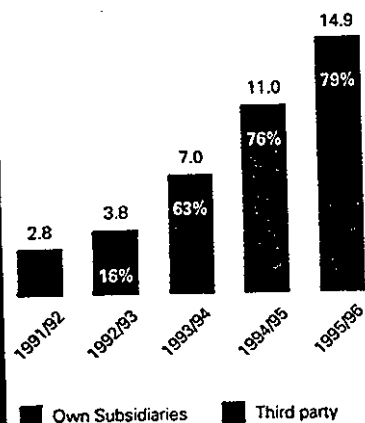
GROUP SALES

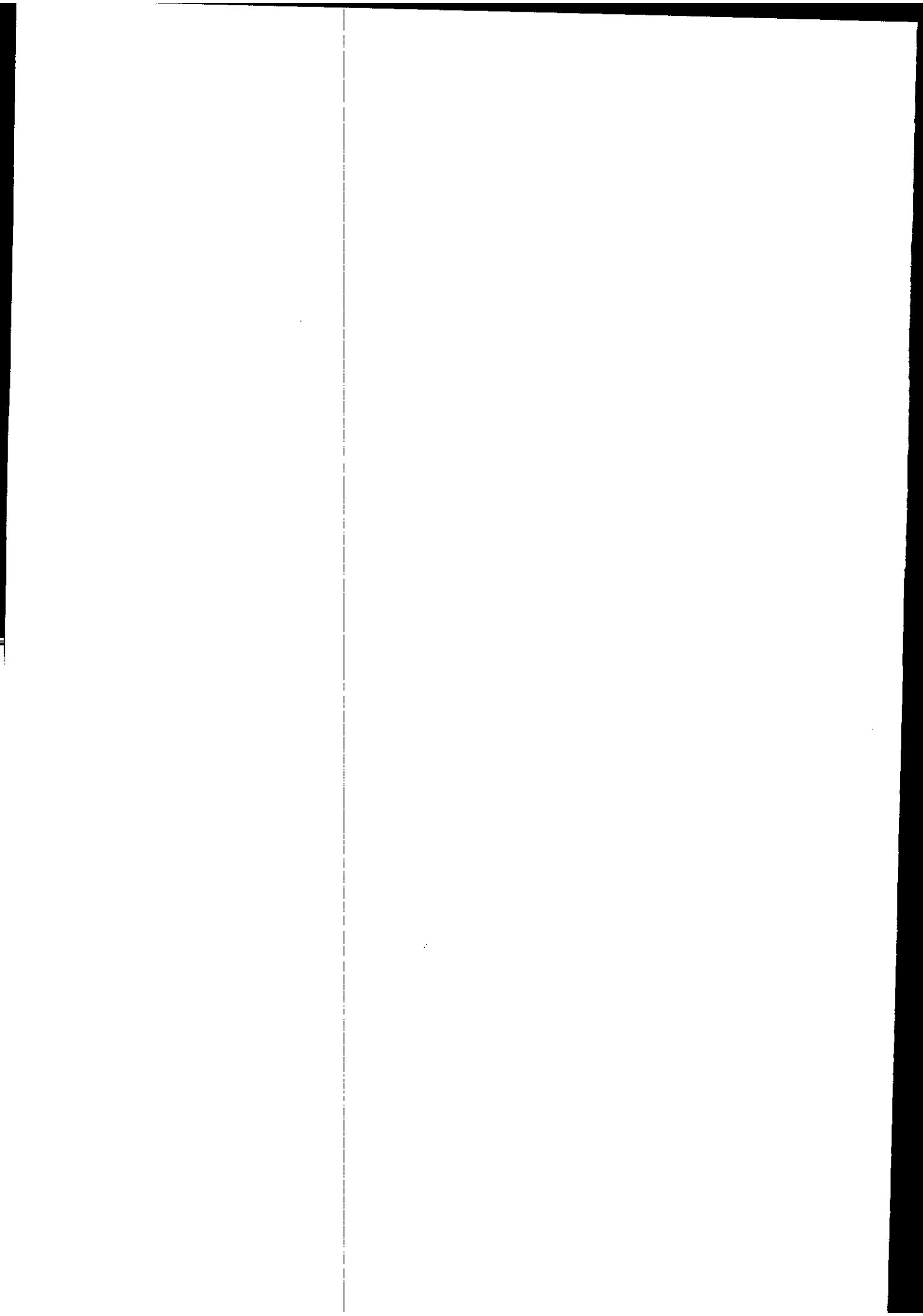
£'m



CONTINENTAL EUROPEAN SALES

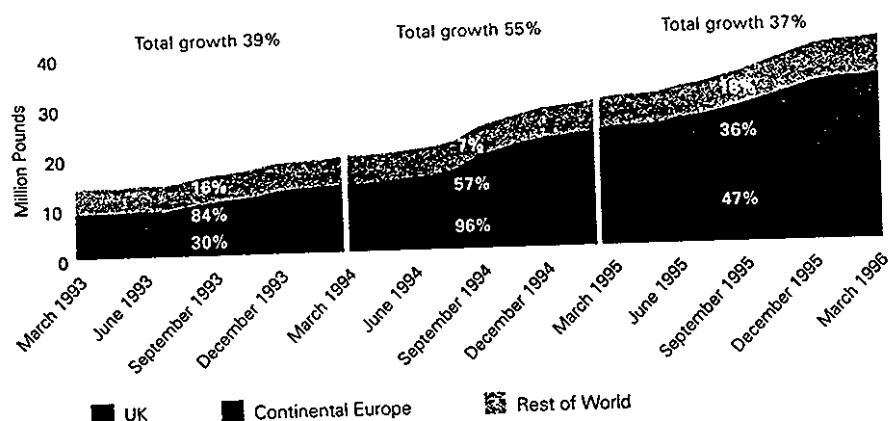
£'m





MOVING ANNUAL TURNOVER


March 1993 - March 1996





BRAND RETAIL SALES PER CAPITA - GEOGRAPHICAL ANALYSIS

Strong permanent distribution is our most valuable asset. Acquisition is a powerful means of extending distribution. We take over our own distribution wherever this is economically viable. We now maintain salaried sales forces in the six largest countries we serve. In a further twenty nine countries we have strictly controlled exclusive distributors. In seven countries we are testing new distributors before granting

exclusivity. We maintain regular customer relations with over 10,000 retailers in over forty countries worldwide. We install our own permanent merchandising units in retailers' premises, expensing them in the year of installation. We have increased the proportion of sales under our own direct control from 69% in 1992/93 to 89% in 1995/96.

Over £100 per 1000 

Over £50 per 1000 

Under £50 per 1000 

Cash management remains a high priority for the Group ensuring long term investment and sustained dividend growth.

OPERATING RESULTS

Group turnover for the year increased by £11.5m, or 37%, to £42.7m. The acquisition of Topps of England Limited ("Topps") at the end of July 1995 contributed £5.4m to this increase, the growth from existing businesses being £6.1m or 20%.

Operating profits increased by £1.7m, or 34%, to £6.7m with Topps contributing £0.8m in the period since acquisition. Operating margin from existing businesses declined fractionally to 15.9% and the margin achieved by Topps since acquisition of 14.8% fractionally reduced the overall Group margin to 15.8%.

PROFIT BEFORE TAXATION

Profit before taxation of £6.6m is stated after a net interest charge of £182,000 (1995: £103,000). The increased interest charge reflects a higher seasonal borrowing requirement resulting from expansion of the business and the cost of non-sterling borrowings taken out for the purposes of hedging foreign currency denominated assets.

TAXATION

The effective rate of tax for the year has been maintained at 30%, despite the larger proportion of profits earned in the UK following the acquisition of Topps. This was due to the geographical spread of the Group's businesses and the careful management of its tax affairs. The principal influence on the future effective tax rate, excluding unforeseen rate increases, will continue to be the geographical mix of taxable profits between different tax jurisdictions.

The Group had no material deferred tax liabilities at 31 March 1996.

EARNINGS PER SHARE

Earnings attributable to shareholders for the year were £4.6m, 33% higher than the previous year. Earnings per share increased by 19% to 16.0p reflecting the higher average number of shares in issue.

DIVIDEND

The Board has proposed a final dividend of 2.0p per share which, when added to the interim dividend of 1.35p per share paid in March, gives a dividend for the year of 3.35p per share, an increase of 28% on the previous year. Consequently dividend cover is reduced to 4.8 (1995: 5.1). After charging the dividend for the year, retained earnings of £3.5m have been transferred to reserves.

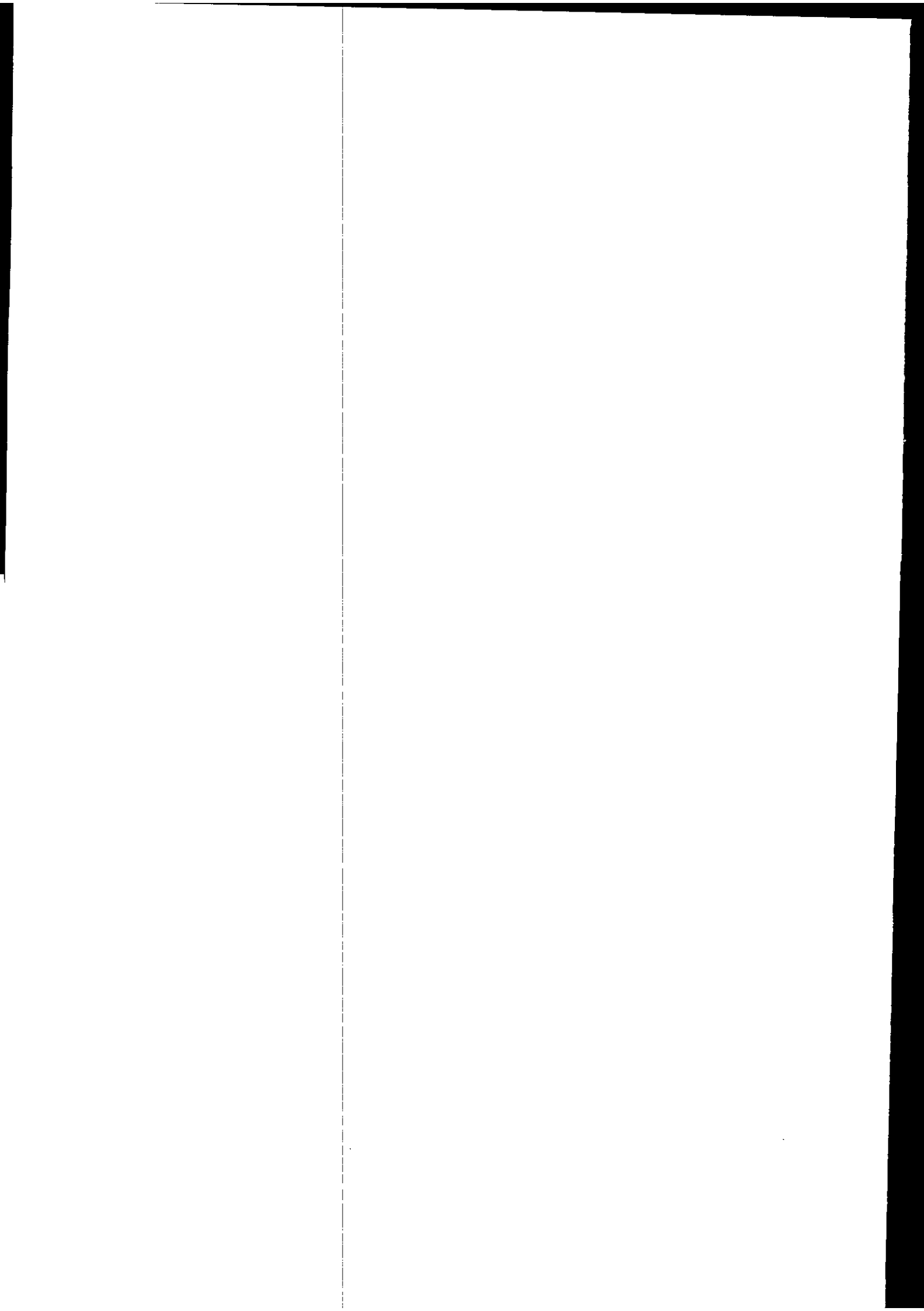
ACQUISITION

The acquisition of Topps for a total consideration of £6.6m was financed by the issue of 2,942,623 ordinary shares. At the date of acquisition Topps had £0.5m of term debt and an overdraft of £0.6m. The total goodwill written off in respect of the acquisition was £5.4m.

CASH FLOW

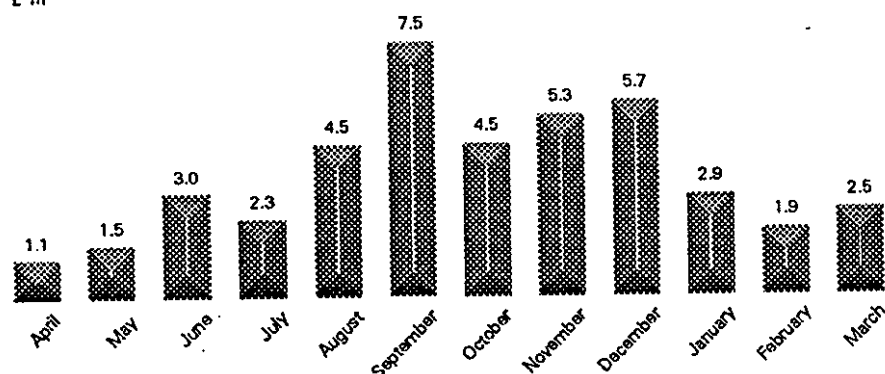
During the year the Group generated net cash inflows from operating activities of £5.2m, slightly higher than in 1994/5. An increase in working capital following four years of restraint reflects the expansion of the business over that period and resulted in net cash generation from operating activities £1.5m lower than operating profits. Higher dividend payments, the repayment of loans and overdrafts assumed on the acquisition of Henry Ling and Topps together with increased payments of corporation tax, resulted in only a £0.6m increase in cash and cash equivalents for the year.

The majority of the Group's businesses are seasonal in nature leading to a large fluctuation in the net cash balance during the year. Working capital requirements tend to increase substantially during the first half of the financial year, financed by a bank overdraft facility. The majority of Group sales are made in the period August to December leading to strong



1995/96 GROUP SALES

£'m



cash inflows in the second half, and particularly during the final quarter, of the financial year. A direct consequence of this seasonality is the net interest charge in the profit and loss account despite the fact that the Group was cash positive at both the beginning and the end of the financial year.

CURRENCY HEDGING

The Group aims to minimise the risk associated with foreign currency fluctuations by using a combination of foreign currency deposits and overdrafts and forward contracts. Significant foreign currency denominated assets and liabilities in the accounts of UK Group companies are matched with interest bearing bank deposits and overdrafts to eliminate exchange risk. In addition, during the year, forward contracts were taken out to match against the earnings of certain overseas subsidiaries to maintain the sterling value of those earnings. As our overseas businesses grow and intra-Group trading arrangements become more complex increasing emphasis is likely to be devoted to this area. Export sales from the UK to third parties continue to be invoiced in sterling thereby eliminating exchange risk in respect of these transactions.

SHAREHOLDERS' FUNDS

The Group has substantial assets which, under current accounting policies and conventions, are not recognised in the consolidated balance sheet. No value is attributed to the Group's portfolio of brands, including those that have been acquired, and goodwill arising on acquisition is written off immediately.

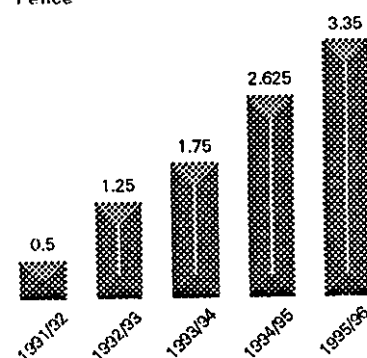
Shareholders' funds increased by £5.1m during the year. Retained profits for the year of £3.5m have been augmented by net assets of £1.2m from the acquisition of Topps, exchange gains of £0.2m arising on retranslation of the net assets and results of overseas subsidiaries and £0.2 million from the issue of shares.

C.S. Brace

Group Finance Director

DIVIDENDS PER SHARE

Pence



SUMMARY CASH FLOW STATEMENT

Year to 31 March 1996	£m
Operating cash inflow	5.2
Dividends paid to shareholders	(0.9)
Taxation paid	(1.6)
Capital expenditure	(0.7)
Loans repaid	(0.7)
Overdraft assumed on acquisition	(0.6)
Other (net)	(0.1)
Increase in cash & cash equivalents	0.6

Directors' Report

The Directors have pleasure in submitting their Report together with the audited accounts of the Group for the year ended 31 March 1996. The Annual Review on page 2 forms part of this report.

PRINCIPAL ACTIVITIES

The Group's principal activity has continued to be that of suppliers of consumer products. A review of the Group's operations for the year and of its future prospects is set out in the Annual Review on page 2.

RESULTS AND DIVIDENDS

The results for the year ended 31 March 1996 are set out in the Consolidated Profit and Loss Account on page 18.

The Directors recommend the payment of a final dividend of 2.0p per ordinary share (1995: 1.575p) payable on 1 November 1996.

DIRECTORS

The Directors of the Company at 31 March 1996, each of whom served for the whole year, are shown on page 12.

The Directors of the Company at 31 March 1996 have notified the Company that they were interested in the ordinary shares of the Company at that date as set out below. There have been no changes in the interests of the Directors between the end of the year and 14 June 1996, the date of this Report.

	Beneficial		Non-Beneficial	
	1996	1995	1996	1995
R.D. Collischon	695,000	695,000	1,070,192	1,070,192
C.S. Brace	94,103	94,103	—	—
R.D. Eteson	128,000	19,000	—	—
R.A. Field	1,027,446 *	744,684 *	—	—
R.J. Koch	2,024,857 *	2,774,857 *	25,000	25,000
M.R.J. Tyndall	5,000	5,000	—	—

* Includes a holding of 717,000 (1995: 717,000) shares held by Strategy Ventures Plc, a company controlled by R.A. Field and R.J. Koch.

Details of the Directors' interests in the Company's share option schemes are given in the Remuneration Committee Report on page 13.

R.D. Eteson and R.J. Koch retire from the Board by rotation and, being eligible, offer themselves for re-election.

CONTRACTS

There were no contracts of significance in which a Director is or was materially interested either during or at the end of the year.

SUBSTANTIAL SHAREHOLDINGS

At 11 June 1996, the Company had been notified of the following interests in its ordinary share capital in addition to Directors' holdings:

	Holding	%
Scottish Amicable	3,154,115	10.5%
Capital Group Companies Inc	2,142,450	7.1%
Standard Life	1,832,998	6.1%
Ivory & Sime Enterprise Capital PLC	1,000,000	3.3%

Ivory & Sime Enterprise Capital PLC is managed by Ivory and Sime Plc. M.R.J. Tyndall is a director of Ivory and Sime Investment Management PLC, a subsidiary of Ivory & Sime Plc.

Directors' Report

continued

ANNUAL GENERAL MEETING

At the Annual General Meeting on 25 July 1996, shareholders will be asked to approve four items of special business in addition to the ordinary business. These resolutions concern the renewal of the Company's authorities to purchase its own shares and to disapply pre-emption rights, the approval of two new Executive Share Option Schemes and an increase in the maximum aggregate fees payable to the Directors.

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution to re-appoint Binder Hamlyn as auditors and to authorise the Directors to determine their remuneration will be put to the members at the Annual General Meeting.

CREST

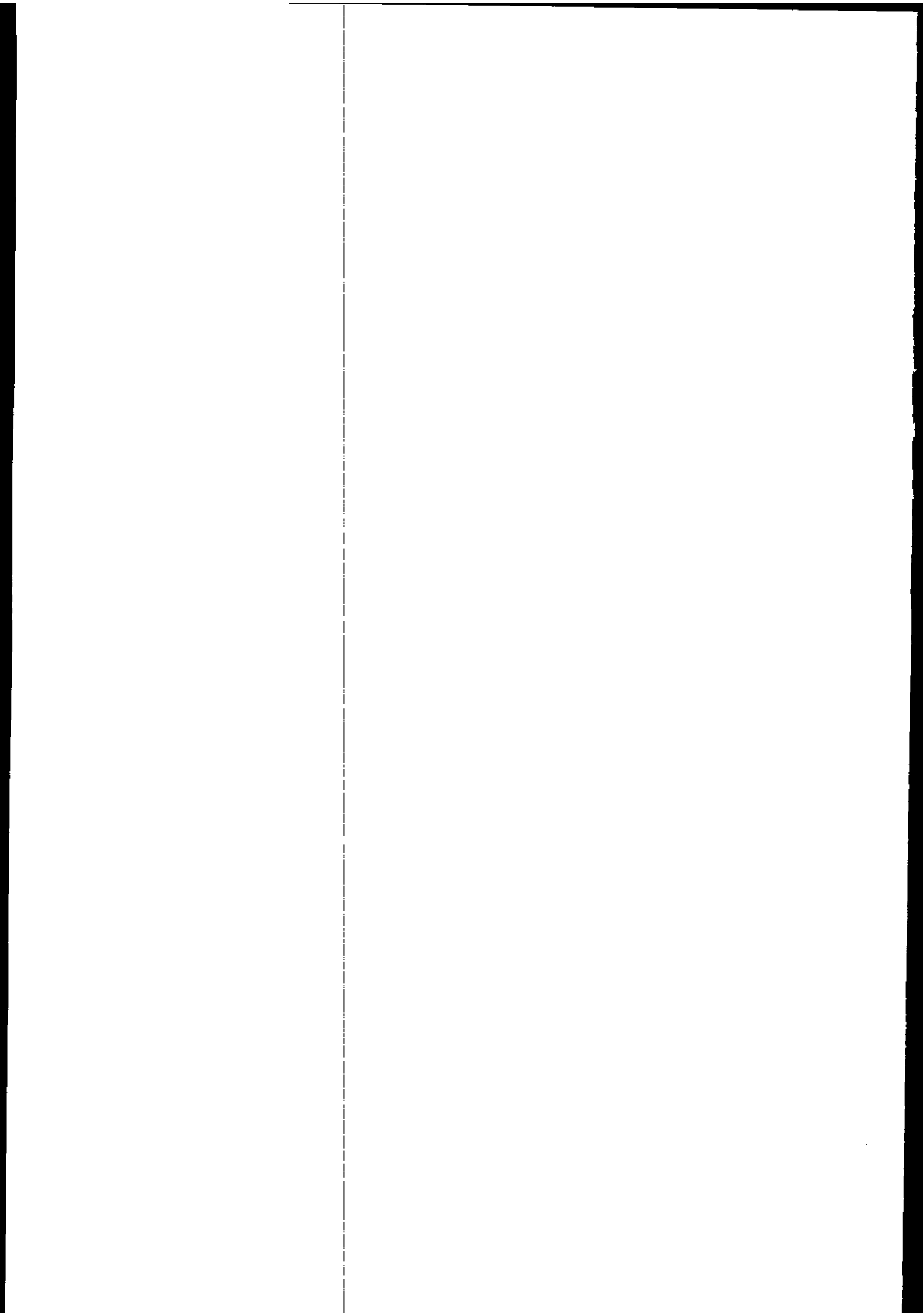
CREST is the new system which will allow shareholders to hold and transfer their shares in uncertificated electronic form rather than the current paper-based system. The CREST system will gradually replace the current Talisman settlement system between July 1996 and April 1997. Shareholders will not be obliged to convert their current share certificates into electronic entries in CREST but, with the closure of the Talisman system, shareholders may find that settlement in physical form will become slower and more expensive.

In view of the above, your Board has decided that the ordinary shares of the Company should participate in the CREST settlement system. In accordance with the Uncertificated Securities Regulations 1995 ("the Regulations"), the only action that is required in this respect is a resolution of the Board. Accordingly, a resolution of the Board was passed on 13 June 1996 resolving that title to the ordinary shares of 5p each in the capital of the Company, in issue or to be issued, may be transferred by means of a "relevant system".

The effect of the resolution is to disapply those provisions of the Company's Articles of Association that are inconsistent with the holding and transfer of its shares in CREST and any provision of the Regulations.

Under the system administered by CRESTCo, the Company's shares are scheduled to begin trading in uncertificated form early in 1997.

By Order of the Board.
C.S. Brace
Secretary
14 June 1996



Board of Directors

DIRECTORS

David Collisdon MCIM (Chairman)*
Non-Executive Chairman of the Group and
Chairman of the Chelmsford Diocesan
Board of Finance.

Robin Fidd MBA (Chief Executive)
A non-executive director of Sunleigh plc and
Strategy Ventures Plc, was a strategy
consultant for five years and was previously
with Jardine Matheson & Co.

**Christopher Brace ACA (Finance and Company
Secretary)**
He previously held senior finance positions
with Carlton Communications Plc
and Hillsdown Holdings Plc.

Richard Eteson BSc (Sales and Marketing)
He previously held senior sales and
marketing positions with Wilkinson Sword
Ltd and Bowater-Scott Ltd.

Richard Koch MBA*
A director of the Roxboro Group PLC,
Advent Venture Capital Trust Plc, Strategy
Ventures Plc, Chairman of Management
Services International Limited and a partner
in Odyssey.

Mark Tyndall MA*
A director of Ivory & Sime Investment
Management PLC.

**Non-Executive Director*



Top to bottom:
Robin Field,
Christopher Brace,
Richard Eteson.

Remuneration Committee Report

For the year ended 31 March 1996

COMPLIANCE

The constitution and operation of the Company's Remuneration Committee is in compliance with the principles which are now incorporated in Section A of the provisions derived from the code of best practice ("the Code") issued by the Study Group on Directors' Remuneration, as amended by the Stock Exchange Listing Rules. The Remuneration Committee also confirms that full consideration has been given to the best practice provisions set out in Section B, annexed to the Listing Rules, in determining the remuneration packages for executive Directors for 1995/96. The Auditors' Report on the accounts set out on page 34 confirms that the scope of the report covers the disclosures contained in this report that are specified for audit by the London Stock Exchange.

COMPOSITION AND TERMS OF REFERENCE

The Remuneration Committee is responsible for advising the Board on the terms and conditions of employment, including remuneration, of the Company's executive Directors. It is also responsible for advising the Board on the granting of share options under the Company's Executive Share Option Scheme. The Committee's members are R.D. Collischoon and M.R.J. Tyndall, both non-executive Directors of the Company.

EXECUTIVE REMUNERATION POLICY

In arriving at its recommendations for executive remuneration, the Committee is conscious of the necessity of attracting, retaining and motivating individuals of the calibre required to manage the business of the Group.

The current remuneration packages for executive Directors comprise basic salary, benefits-in-kind, pensions, performance related payments and the longer-term rewards offered by share options.

Basic Salary

Basic salary reflects job responsibilities and is set by reference to individual performance and comparable market rates.

Performance Related Payments

The Company's executive Directors participate in schemes which enable them to earn performance related bonuses as part of their remuneration package. All executive Directors are eligible to receive a bonus based upon the percentage increase in earnings per share. In addition, the Chief Executive can earn a bonus based upon the achievement of budgeted pre-tax profits. In both cases no minimum levels of bonus are guaranteed and no payments are made where targets are not achieved.

Benefits-In-Kind

The principal benefits-in-kind are the use of a fully expensed motor vehicle and payment of private medical insurance for each executive Director and his immediate family.

Pensions

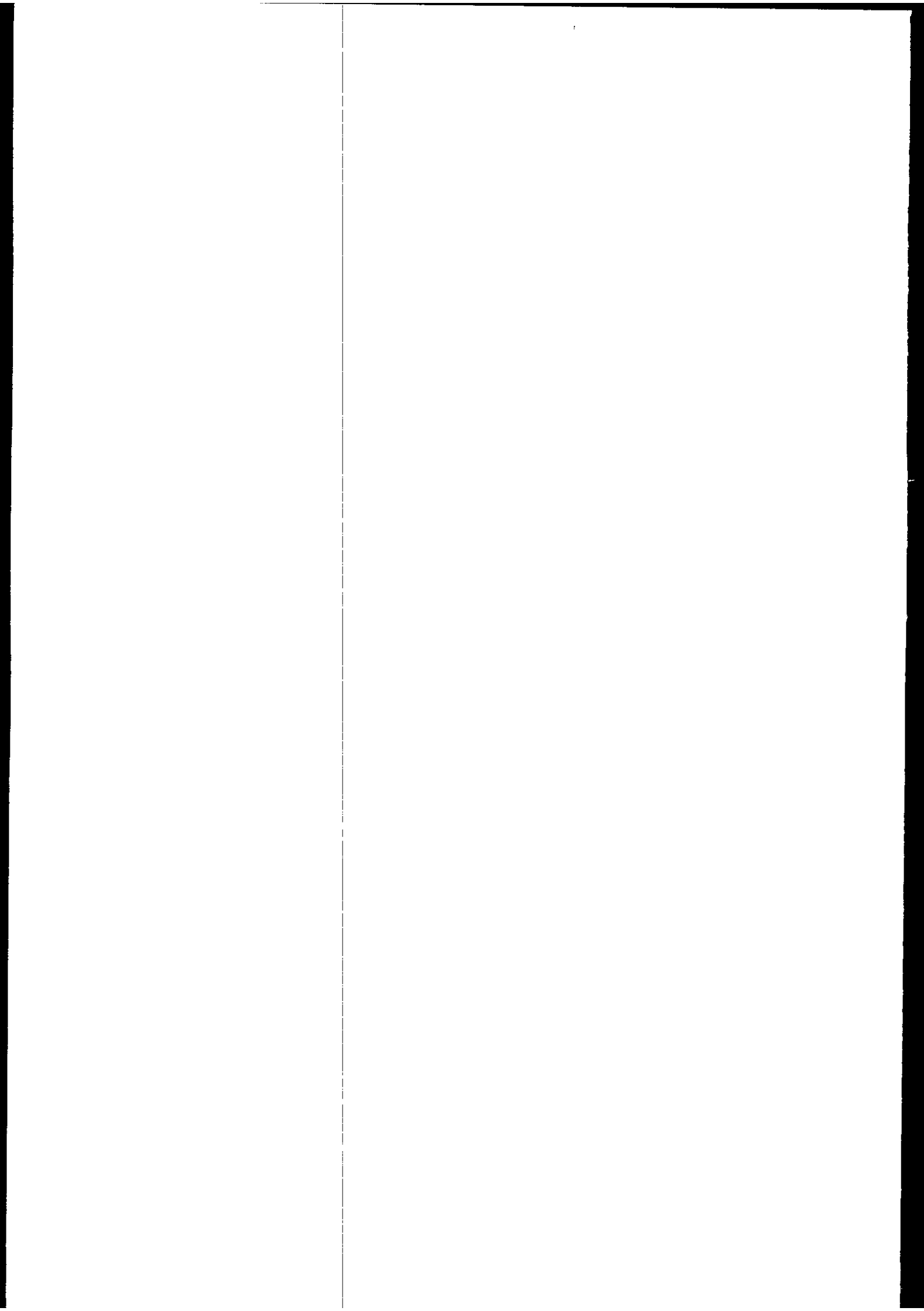
The Group operates a tax approved funded defined benefit scheme for all employees of Filofax Limited, the principal UK trading company. The executive Directors are members of this pension scheme. The Company currently makes a contribution of 10.4% of salary to the scheme and employees contribute 5% of salary, the funding rate being determined by a triennial actuarial valuation. Actual pension benefits earned will depend upon final salary and length of service.

When Directors' salaries exceed the government determined upper earnings limit for pension purposes, the Group operates an additional defined benefit scheme.

Share Options

The Group currently operates an approved share option scheme for senior executives, and an employee sharesave scheme open to all employees. Options granted under the Executive Share Option Scheme are ratified by the Remuneration Committee and are awarded on the basis of individual performance. These options are exercisable between three and ten years from the date of grant and are seen as a key mechanism for the motivation and retention of high calibre executives.

Following the recent legislative changes in the tax treatment of approved share option schemes the Board has recommended the adoption of an additional non-approved share option scheme. The Board believes the scheme will act as a valuable incentive for those executive directors and staff upon whose efforts the Company largely depends to ensure its continuing success. The adoption of this recommendation is subject to the approval of the Company's shareholders at the forthcoming Annual General Meeting.



Remuneration Committee Report

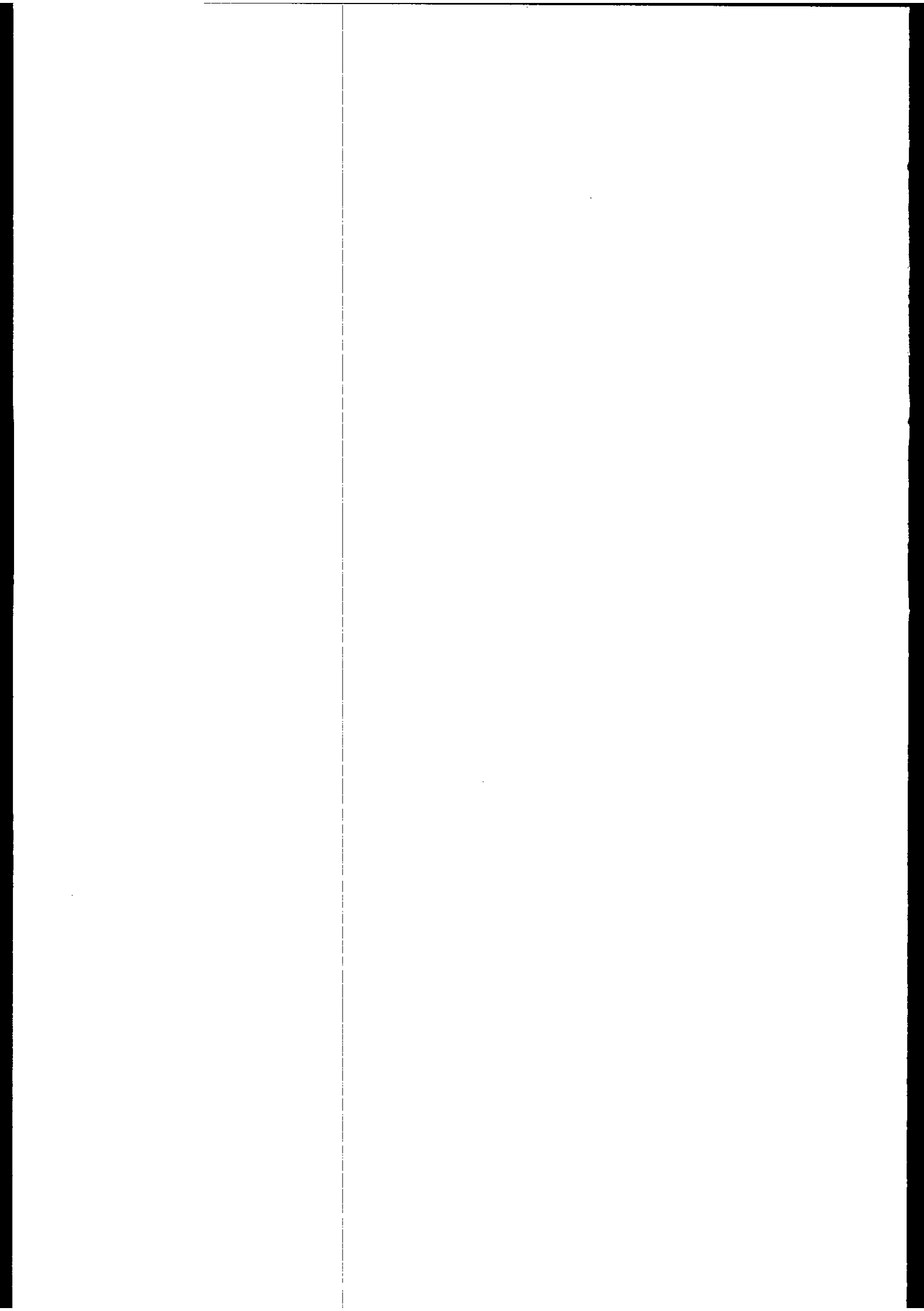
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NON-EXECUTIVE REMUNERATION POLICY

Non-executive Directors are paid fees in respect of their services. These fees are determined by the Board as a whole. The Chairman receives private medical insurance, but there are no other benefits in kind for non-executive Directors. Non-executive remuneration is not performance related and is not pensionable.

DIRECTORS' REMUNERATION - FOR THE YEAR ENDED 31 MARCH 1996

Director	Performance						Total 1995 £'000
	Fees £'000	Salary £'000	Benefits in Kind £'000	Related Payments £'000	Pension Contributions £'000	Total 1996 £'000	
<i>Executive</i>							
R.A. Field	—	121	8	21	13	163	181
C.S. Brace	—	78	9	13	8	108	120
R.D. Eteson	—	75	9	13	8	105	113
<i>Non-Executive</i>							
R.D. Collisdon (Chairman)	10	—	—	—	—	10	13
R.J. Koch	7	—	—	—	—	7	8
M.R.J. Tyndall	7	—	—	—	—	7	8
	24	274	26	47	29	400	443
Total 1995	28	273	25	89	28	443	



Remuneration Committee Report

continued

DIRECTORS' SHARE OPTIONS

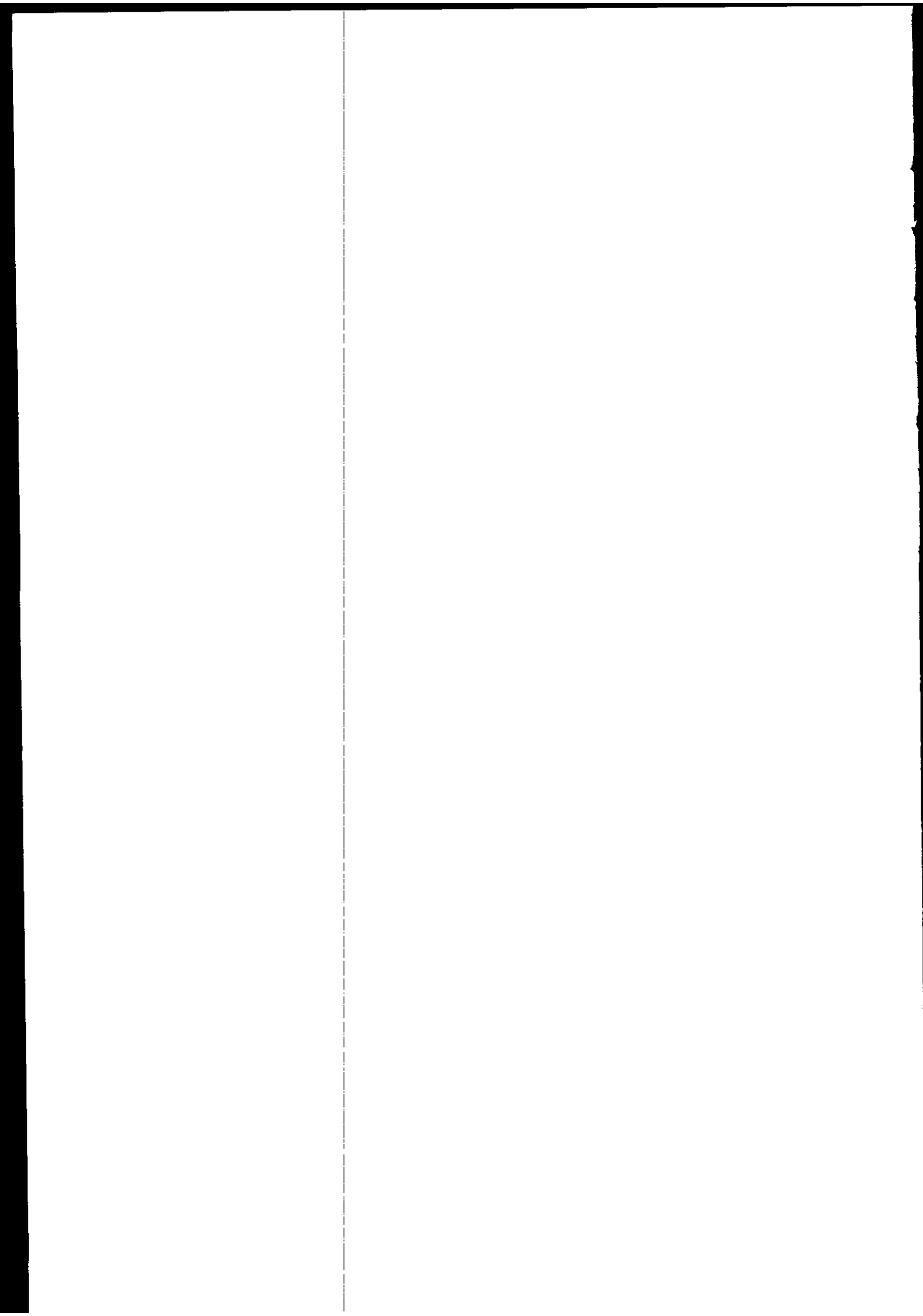
The executive Directors who held office at 31 March 1996 were beneficially interested in options to acquire ordinary shares in the Company as shown in the table below. The options shown have been granted under both the Executive Share Option Scheme and the Employee Sharesave Scheme. The exercise prices shown for the total number of options for each Director, and for all of the Directors in aggregate, are weighted average prices. Options granted under the Executive Share Option Scheme are normally exercisable 3 years after the date of grant and expire 7 years from the first possible exercise date. Options granted under the Employee Sharesave Scheme are normally exercisable 5 years after the date of grant and expire 6 months after the first possible exercise date. No options were granted to Directors during the year.

	Date of Grant	Number of Options			Price	Date from which Exercisable
		1 Apr 95	Exercised	31 Mar 96		
R.A. Field						
Executive	May 1992	297,200	297,200	—	30.0p	May 1993
Executive	May 1992	66,000	66,000	—	30.0p	May 1995
Sharesave	Oct 1992	37,006	—	37,006	30.4p	Oct 1997
Executive	Nov 1992	94,562	94,562	—	63.5p	Nov 1995
Sharesave	Sept 1993	7,632	—	7,632	90.4p	Sept 1998
Executive	July 1994	10,000	—	10,000	193.0p	July 1997
Executive	Dec 1994	44,000	—	44,000	223.0p	Dec 1997
		556,400	457,762	98,638	137.4p	
C.S. Brace						
Executive	May 1992	90,000	—	90,000	30.0p	May 1995
Sharesave	Oct 1992	37,006	—	37,006	30.4p	Oct 1997
Executive	Nov 1992	47,281	—	47,281	63.5p	Nov 1995
Sharesave	Sept 1993	7,632	—	7,632	90.4p	Sept 1998
Executive	July 1994	7,400	—	7,400	193.0p	Jul 1997
Executive	Dec 1994	28,000	—	28,000	223.0p	Dec 1997
		217,319	—	217,319	69.9p	
R.D. Eteson						
Executive	Nov 1990	40,000	40,000	—	30.0p	Nov 1993
Executive	May 1991	56,000	56,000	—	30.0p	May 1994
Sharesave	Oct 1992	37,006	—	37,006	30.4p	Oct 1997
Executive	Nov 1992	47,281	47,281	—	63.5p	Nov 1995
Sharesave	Sept 1993	7,632	—	7,632	90.4p	Sept 1998
Executive	July 1994	7,400	—	7,400	193.0p	July 1997
Executive	Dec 1994	28,000	—	28,000	223.0p	Dec 1997
		223,319	143,281	80,038	118.5p	
Total		997,038	601,043	395,995	96.6p	

All of the options exercised during the year were exercised on 20 November 1995, shares not retained subsequently being sold at prices between 268p and 277p. The highest and lowest mid-market closing prices during the year to 31 March 1996 were 275p and 224p respectively. The closing mid-market price on 29 March 1996 was 232p.

DIRECTORS' CONTRACTS

None of the Directors has a service agreement of over 12 months duration with the Company.



Corporate Governance

The Board of Filofax Group plc recognises the importance of effective corporate governance and has complied throughout the year with both the spirit and the 19 specific points of the Cadbury Code of Best Practice.

As recommended by the Cadbury Committee, and required by the Listing Rules of the London Stock Exchange, Binder Hamlyn, the Company's auditors, have considered the Directors' Statement of Compliance in relation to those points of the Code which can be objectively verified. Their report to the Company is set out on page 35.

The adoption of an appropriate Board structure and of appropriate methods of operation, which are summarised below, are key factors in ensuring proper standards of corporate governance.

1. The Board

The Board currently comprises three non-executive and three executive Directors and is responsible to shareholders for the proper management of the Group and, as explained below, for the preparation of accounts. Apart from their Directors' fees and shareholdings as disclosed in the accounts and the Directors' Report, the non-executive Directors are independent.

Key areas of the Group's affairs which are dealt with by the Board as a whole include:-

- approval of the accounts;
- review of Group strategies and operating budgets;
- appointment of directors and senior executives;
- approval of major capital projects and asset disposals; and
- approval of treasury and risk management policies.

The Board is chaired by R.D. Collischon and is scheduled to meet at least 4 times a year with additional meetings called as required.

A number of issues are dealt with through non-executive committees of the Board. Reports of these committee meetings are presented to the Board.

The Directors are authorised, at the Group's expense, to obtain independent professional advice they consider necessary in furtherance of their duties.

a) Audit Committee

This Committee consists of all the non-executive Directors. Its duties include the review of standards of internal financial control throughout the Group, the review of the interim and full year accounts and approval of the Group's accounting policies. The Audit Committee also considers the appointment and fees of the external auditors and reviews the nature and scope of the audit prior to its commencement.

The Committee meets at least twice a year when the Group Finance Director and the external auditors are invited to attend as required.

b) Remuneration Committee

This Committee consists of two non-executive Directors. Its responsibilities are described in the Remuneration Committee Report on page 13.

2. Internal Financial Control

The Board of Directors has overall responsibility for the Group's system of internal financial control. Such a system can provide only reasonable and not absolute assurance against material misstatement or loss. Control is exercised through an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures.

Corporate Governance

continued

The following are the main features of the internal financial control framework:

- Comprehensive annual budgets are prepared by local management for all subsidiaries. The budgeting process encompasses a review of the principal business and financial risks facing each business unit. Budgets are reviewed by the Group's executive Directors in conjunction with local management.
- All Group companies prepare monthly management accounts in accordance with UK accounting principles. Monthly results, balance sheets and cash flows are reported against budget and prior year and explanations sought for variances. From these accounts, consolidated management accounts are prepared for review by the Group's executive Directors.
- Group executive Directors regularly visit subsidiaries to discuss business issues and risks, financial results and future prospects with local management.
- Centrally defined authority levels exist for significant transactions.
- Central control and monitoring of the key functional areas of treasury, procurement, marketing and product development.

On behalf of the Board, the Audit Committee has reviewed the effectiveness of the system of internal financial control for the year to 31 March 1996. This was conducted by the review of internal control questionnaires completed by all significant trading subsidiaries and by consideration of the procedures in existence for central control and monitoring of subsidiaries.

3. Going Concern

Having reviewed the Group's liquid resources and borrowing facilities and its cash flow forecasts for the coming year the Directors believe that the Group has adequate resources to continue as a going concern for the foreseeable future. For this reason, the accounts on pages 18 to 33 have been prepared on the going concern basis.

4. Statement Of Directors' Responsibilities In Relation To The Accounts

The Directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing these accounts the Directors are required to:

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

The Directors are responsible for maintaining 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.

Consolidated Profit and Loss Account

For the year ended 31 March 1996

		1996	1995
	Note	£'000	£'000
Turnover			
Continuing operations		37,315	31,220
Acquisition		5,396	—
Total turnover	1	42,711	31,220
Cost of sales		19,033	13,711
Gross profit		23,678	17,509
Administrative expenses		16,933	12,485
Operating profit			
Continuing operations		5,944	5,024
Acquisition		801	—
Total operating profit	2	6,745	5,024
Interest payable (net)	6	(182)	(103)
Profit on ordinary activities before taxation	3	6,563	4,921
Taxation	7	1,969	1,476
Profit on ordinary activities after taxation		4,594	3,445
Dividends	8	1,057	724
Retained profit for the year	19	3,537	2,721
Earnings per share	9	16.0p	13.5p

Statement of Total Recognised Gains and Losses

For the year ended 31 March 1996

		1996	1995
	Note	£'000	£'000
Profit on ordinary activities after taxation		4,594	3,445
Exchange differences arising on consolidation	19	200	(245)
Total recognised gains and losses for the year	20	4,794	3,200

Consolidated Balance Sheet

As at 31 March 1996

		1996	1995
	Note	£'000	£'000
Tangible fixed assets	10	2,673	1,165
Stock	12	7,196	5,072
Debtors	13	5,359	3,451
Cash at bank and in hand		4,379	3,678
Total current assets		16,934	12,201
Creditors: amounts falling due within one year	14	9,858	9,057
Net current assets		7,076	3,144
Total assets less current liabilities		9,749	4,309
Creditors: amounts falling due after more than one year	15	358	—
Net assets		9,391	4,309
Capital and Reserves			
Called up share capital	17	1,506	1,323
Share premium account	18	186	69
Other reserves	18	1,045	—
Profit and loss account	19	6,654	2,917
Equity shareholders' funds	20	9,391	4,309

Approved by the Board of Directors on 14 June 1996

R.A. Field

C.S. Brace

Company Balance Sheet

As at 31 March 1996

		1996	1995
	Note	£'000	£'000
Fixed asset investments	11	18,096	11,407
Debtors	13	1,370	2,128
Creditors: amounts falling due within one year	14	891	596
Net current assets		479	1,532
Net assets		18,575	12,939
Capital and Reserves			
Called up share capital	17	1,506	1,323
Share premium account	18	186	69
Other reserves	18	13,019	10,525
Profit and loss account	19	3,864	1,022
Equity shareholders' funds		18,575	12,939

Approved by the Board of Directors on 14 June 1996

R.A. Field

C.S. Brace

Consolidated Cash Flow Statement

For the year ended 31 March 1996

		1996	1995
	Note	£'000	£'000
Net cash inflow from operating activities	25	5,226	5,106
Returns on investments and servicing of finance			
Interest received		433	89
Interest paid		(572)	(192)
Interest element of finance lease repayments		(23)	—
Dividends paid		(871)	(543)
Net cash outflow from returns on investments and servicing of finance		(1,033)	(646)
Taxation			
Taxation paid		(1,630)	(908)
Investing activities			
Purchase of tangible fixed assets		(738)	(789)
Sale of tangible fixed assets		26	79
Payments for subsidiary undertaking acquired during the year (net of cash and cash equivalents acquired)	21	(648)	(486)
Payment of deferred consideration in respect of prior year acquisitions		—	(943)
Net cash outflow from investing activities		(1,360)	(2,139)
Net cash inflow before financing		1,203	1,413
Financing			
Issue of ordinary shares (net of issue costs)		153	28
Capital element of finance lease repayments		(91)	—
Repayment of loans		(707)	(175)
Net cash outflow from financing	26	(645)	(147)
Increase in cash and cash equivalents	27	558	1,266

Accounting Policies

For the year ended 31 March 1996

ACCOUNTING CONVENTION

The accounts have been prepared using the historical cost convention and comply with all applicable UK accounting standards.

BASIS OF CONSOLIDATION

The Group accounts consolidate the assets and liabilities and the results of the Company and its subsidiary undertakings. All the businesses purchased during the year have been accounted for using the acquisition method of accounting. Trading results relating to the periods before the undertakings became subsidiary undertakings are excluded from the consolidated profit and loss account. Transactions and balances between subsidiary undertakings have been eliminated; profit on sales to subsidiary undertakings is eliminated on consolidation until products are sold to customers outside the Group.

TURNOVER

Turnover shown in the consolidated profit and loss account represents goods invoiced during the year to external customers excluding value added tax and other sales taxes.

DEPRECIATION

Depreciation is calculated by reference to the cost of fixed assets using a straight line basis at rates considered appropriate having regard to the expected useful lives of the assets. The annual rates of depreciation in use are:

Freehold property	2½%
Short leasehold buildings	Over period of lease
Plant and Machinery	15%
Fixtures and equipment	15%-33⅓%
Motor vehicles	25%

STOCKS

Stocks are valued at the lower of cost and net realisable value.

DEFERRED TAXATION

Provision is made for taxation which is deferred as a result of timing differences arising principally between depreciation and capital allowances to the extent that the liabilities are likely to crystallise at the rate applicable at the time of reversal.

LEASING COMMITMENTS

Rentals paid under operating leases are charged to income on a straight line basis over the terms of the lease.

Assets acquired under finance leases and hire purchase contracts are capitalised and depreciated over their useful lives. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease.

PENSIONS

The cost of providing pension benefits is charged to the consolidated profit and loss account on a systematic and rational basis over the period during which benefit is derived from employees' services. Any difference between this charge and the contributions paid to pension schemes is included as an asset or liability in the consolidated balance sheet.

GOODWILL

Goodwill acquired is written off directly to reserves in the year of acquisition.

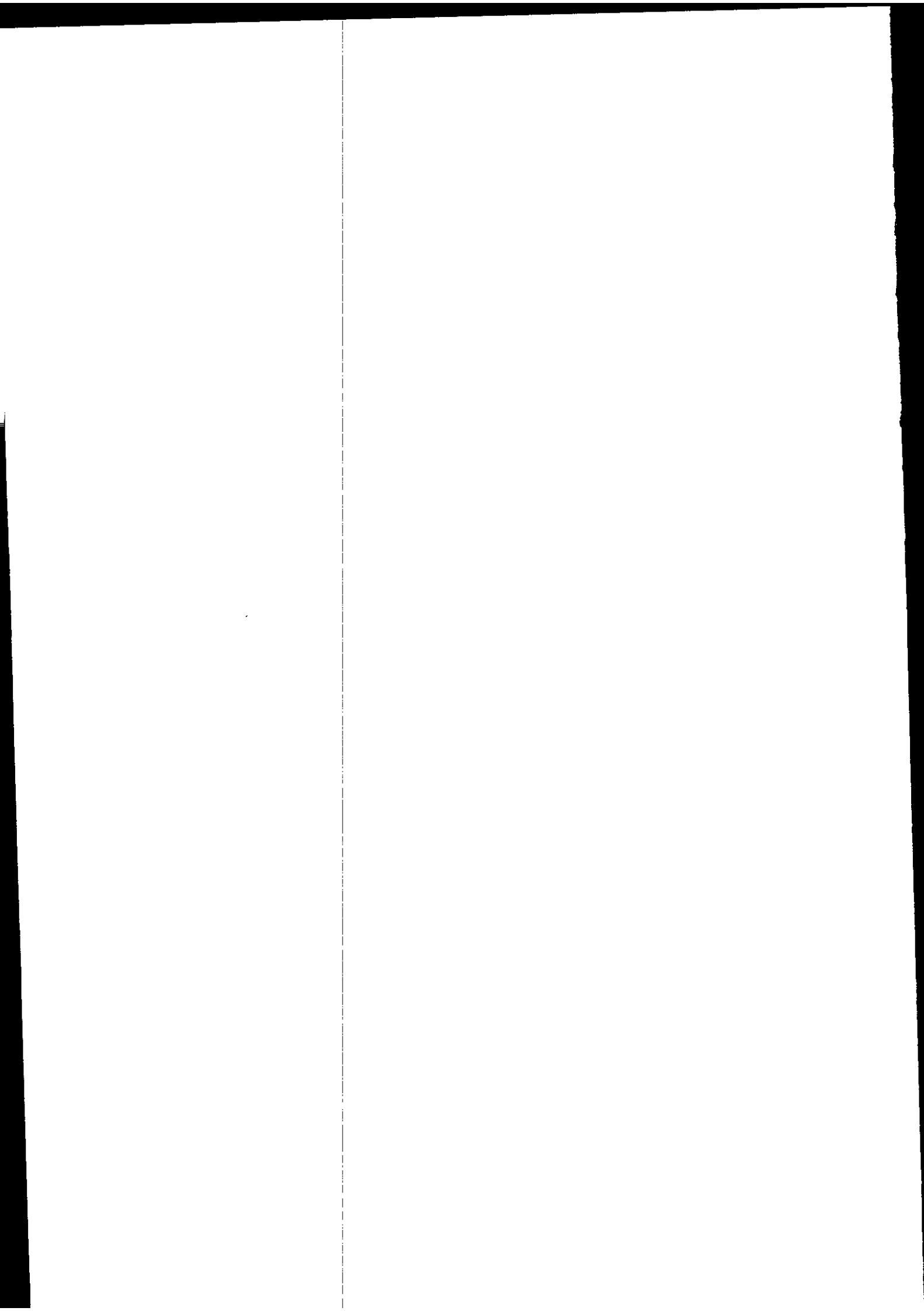
FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at rates ruling at the date of the transaction. Exchange differences arising in the accounts of individual companies are taken to the profit and loss account.

The accounts of subsidiary undertakings are translated into sterling on consolidation on the following basis:

- (i) Profit and loss account items at the average rate of exchange during the period or, where forward contracts have been taken out to hedge the results of overseas subsidiary undertakings, at contracted rates.
- (ii) Assets and liabilities at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on the translation of the opening net investment and the results for the year are recorded as movements on reserves.



Notes to the Accounts

For the year ended 31 March 1996

1. SEGMENTAL ANALYSIS

The Group operates in a single business segment. All turnover relates to the sale of consumer products.

	1996 £'000	1995 £'000
An analysis of turnover by location of customer is as follows:		
United Kingdom	20,067	13,694
Continental Europe	14,911	10,954
Rest of World	7,733	6,572
	42,711	31,220

	1996 £'000	1995 £'000
An analysis of turnover by location of subsidiary undertaking is as follows:		
United Kingdom	29,410	22,057
Continental Europe	11,904	8,372
Rest of World	10,425	8,868
	51,739	39,297
Less: Intra-Group sales	(9,028)	(8,077)
External turnover	42,711	31,220

Intra-Group sales comprise United Kingdom £4,270,000 (1995: £4,091,000), Continental Europe £95,000 (1995: £Nil) and Rest of World £4,663,000 (1995: £3,986,000).

The Directors consider that the disclosure of segmental analyses of profit before taxation and net assets would be seriously prejudicial to the interests of the Group.

2. ANALYSIS OF OPERATING PROFITS

	Continuing operations £'000	Acqui- sition £'000	Total 1996 £'000	Total 1995 £'000
Turnover	37,315	5,396	42,711	31,220
Cost of sales	15,886	3,147	19,033	13,711
Gross profit	21,429	2,249	23,678	17,509
Administrative expenses	15,485	1,448	16,933	12,485
Operating profit	5,944	801	6,745	5,024
Operating margin	15.9%	14.8%	15.8%	16.1%

Details of the acquisition during the year are given in Note 21.

Notes to the Accounts

continued

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1996 £'000	1995 £'000
Is stated after charging/(crediting) the following:		
Rentals under operating leases		
– Land and buildings	689	381
– Other assets	445	301
Foreign exchange losses/(gains)	107	(31)
Auditors' remuneration for audit services	85	72
Auditors' remuneration for non-audit services*	41	30
Depreciation		
– Owned assets	598	345
– Assets held under finance leases	60	—

*Included in the costs of acquisitions are fees to the auditors for non-audit services of £30,000 (1995: £30,000).

4. DIRECTORS' EMOLUMENTS

	1996 £'000	1995 £'000
Fees	24	28
Executive remuneration – performance related	47	89
Executive remuneration – other	300	298
Pension contributions	29	28
	400	443

More information concerning Directors' emoluments and interests in options to acquire ordinary shares in the Company is shown in the Remuneration Committee Report on page 13.

5. EMPLOYMENT COSTS

	1996 £'000	1995 £'000
Wages and salaries	7,020	4,176
Social security costs	1,020	659
Other pension costs	159	105
	8,199	4,940

	1996 Number	1995 Number
The average number of employees during the year was:		
Production and warehousing	132	35
Office, sales and management	244	186
	376	221

Notes to the Accounts

continued

6. NET INTEREST PAYABLE

	1996 £'000	1995 £'000
Bank loans and overdrafts	595	173
Finance lease interest	23	—
Other	—	19
	618	192
Interest receivable	(436)	(89)
	182	103

7. TAXATION

	1996 £'000	1995 £'000
UK corporation tax	1,810	1,107
Overseas taxation	337	498
Net taxation adjustments of prior years	(178)	(129)
	1,969	1,476

8. DIVIDENDS

	1996 £'000	1995 £'000
Interim dividend 1.35p (1995: 1.05p) per share net	407	307
Final dividend 2.0p (1995: 1.575p) per share net	603	417
Under provision of 1994/95 final dividend	47	—
	1,057	724

The final dividend for the 1994/95 financial year was provided for on the basis of the number of shares in issue at 31 March 1995. Subsequent to the approval of the 1994/95 accounts the Group issued shares in respect of the acquisition of Topps of England Limited and its subsidiary undertakings. This issue took place prior to the record date for the 1994/95 final dividend and the shares issued therefore ranked for that dividend. The under provision of £47,000 has been treated as an appropriation of profits in the current year.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation of £4,594,000 (1995: £3,445,000) divided by the weighted average number of shares in issue during the period of 28,695,485 (1995: 25,538,714). Fully diluted earnings per share is not materially different to basic earnings per share in either year.

Notes to the Accounts

continued

10. TANGIBLE FIXED ASSETS - GROUP

	Freehold Property £'000	Short Leasehold Property £'000	Fixtures and Equipment £'000	Motor Vehicles £'000	Plant and Machinery £'000	Total £'000
Cost						
At 1 April 1995	—	291	1,923	148	—	2,362
Exchange adjustments	—	—	58	9	—	67
Acquisition of subsidiary undertaking	928	5	437	334	819	2,523
Additions	8	5	612	61	64	750
Disposals	—	—	(66)	(88)	(9)	(163)
At 31 March 1996	936	301	2,964	464	874	5,539
Depreciation						
At 1 April 1995	—	171	995	31	—	1,197
Exchange adjustments	—	—	19	3	—	22
Acquisition of subsidiary undertaking	132	1	359	149	486	1,127
Charge for the year	10	56	443	83	66	658
Disposals	—	—	(75)	(54)	(9)	(138)
At 31 March 1996	142	228	1,741	212	543	2,866
Net book value						
At 31 March 1996	794	73	1,223	252	331	2,673
At 31 March 1995	—	120	928	117	—	1,165

The net book value above includes £319,169 (1995: £Nil) in respect of assets held under finance leases and hire purchase contracts.

Notes to the Accounts

continued

11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares £'000	Loans £'000	Total £'000
Cost and net book value			
At 1 April 1995	9,157	2,250	11,407
Addition - Topps of England Limited	6,689	—	6,689
At 31 March 1996	15,846	2,250	18,096

The following are the principal subsidiary undertakings of the Company as at 31 March 1996 all of which are wholly owned and included in the consolidation.

Name	Principal Activity	County of Incorporation and Operation
Filofax A/S*	Supplier of stationery products	Denmark
Filofax Sweden AB*	Supplier of stationery products	Sweden
Filofax GmbH*	Supplier of stationery products	Germany
Filofax Hong Kong Limited*	Supplier of stationery products	Hong Kong
Filofax Inc	Supplier of stationery products	USA
Filofax Limited	Supplier of stationery products	England
Filofax SARL*	Supplier of stationery products	France
Drakes Office Systems Limited	Supplier of stationery products	England
Henry Ling & Son (London) Limited	Publisher of greetings cards	England
Lefax Publishing Limited*	Supplier of stationery products	England
Yard-O-Led Pencil Company Limited	Manufacturer of writing instruments	England
Topps of England Limited	Manufacturer and supplier of stationery products	England

*Investment held by a subsidiary undertaking.

12. STOCKS

	1996 £'000	1995 £'000
Raw materials	365	—
Work in progress	576	—
Finished goods and goods for resale	6,255	5,072
	7,196	5,072

13. DEBTORS

	1996		1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	4,832	—	2,869	—
Amounts due from subsidiary undertakings	—	1,220	—	2,024
Other debtors	31	—	89	—
Prepayments and accrued income	332	—	324	—
Taxation recoverable	164	150	169	104
	5,359	1,370	3,451	2,128

Notes to the Accounts

continued

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996		1995	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdraft	43	—	—	—
Term loan (Note 15)	30	—	42.5	—
Trade creditors	3,270	—	3,237	—
Corporation tax payable	2,472	—	1,897	—
Advance corporation tax payable	252	252	179	179
Other taxes and social security	671	—	383	—
Other creditors	78	—	93	—
Accruals	2,295	36	2,426	—
Finance lease obligations	144	—	—	—
Proposed dividend	603	603	417	417
	9,858	891	9,057	596

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

	1996 £'000	1995 £'000
Term loan due within two to five years	120	—
Term loan due in more than five years	98	—
Finance lease obligations	140	—
	358	—

The term loan is secured by a fixed charge on the freehold properties and by a floating charge on the other assets of Topps of England Limited and its subsidiary undertakings. The term loan is repayable in instalments and bears interest at a fixed rate of 11.225% per annum.

16. OBLIGATIONS UNDER FINANCE LEASE AGREEMENTS

	1996 £'000	1995 £'000
Amounts falling due:		
Within one year	153	—
Within two to five years	168	—
	321	—
Less: Finance charges relating to future periods	(37)	—
	284	—
The total obligation is included in:		
Creditors: amounts falling due within one year (Note 14)	144	—
Creditors: amounts falling due after more than one year (Note 15)	140	—
	284	—

Notes to the Accounts

continued

17. SHARE CAPITAL

	Authorised		Issued and Fully Paid Up	
	Number	£'000	Number	£'000
Ordinary Shares of 5p				
At 1 April 1995	50,000,000	2,500	26,465,972	1,323
Nominal value of shares issued:				
In respect of acquisition (Note 21)	—	—	2,942,623	147
Under share option schemes	—	—	714,879	36
At 31 March 1996	50,000,000	2,500	30,123,474	1,506

Share Options

There were outstanding at 31 March 1996 options granted to Directors and employees within the Group to subscribe for 561,327 ordinary shares under the Employee Sharesave Scheme at prices ranging from 23.2p to 205.6p. The weighted average exercise price is 103.4p. These options are normally capable of being exercised over varying periods up to June 2001.

There were outstanding at 31 March 1996 options granted to Directors and employees within the Group to subscribe for 387,981 ordinary shares under the Executive Share Option Scheme at prices ranging from 30p to 234p. The weighted average exercise price is 131.8p. These options are normally capable of being exercised over varying periods up to July 2005.

Details of Directors' interests in the Company's share options are given in the Remuneration Committee Report on page 13.

18. SHARE PREMIUM ACCOUNT AND OTHER RESERVES

	Share premium account		Other reserves	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April 1995	69	69	—	10,525
Premium on shares issued during the year:				
In respect of acquisition (Note 21)	—	—	6,453	6,453
Under share option schemes	213	213	—	—
Goodwill on acquisitions written off	—	—	(5,408)	—
Share issue costs	(96)	(96)	—	—
Transfer to profit and loss account reserves	—	—	—	(3,959)
At 31 March 1996	186	186	1,045	13,019

As required by section 131 of the Companies Act 1985, the premium arising on ordinary shares of the Company issued in respect of the acquisition of Topps of England Limited has been credited to other reserves against which the goodwill arising on the acquisition has been written off. The cumulative amount of goodwill written off to reserves at 31 March 1996 amounts to £19,333,000 (1995: £13,925,000).

Other reserves at 1 April 1995 included a special reserve of £3,959,402 which arose from the cancellation of the share premium account in 1993 with High Court approval. This special reserve has now been transferred to profit and loss account reserves as, in the opinion of the Directors, all the creditors of the Company at the date the special reserve was created have been met thereby fulfilling the criteria set by the High Court for the reserves to become distributable.

Notes to the Accounts

continued

19. PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 1995	2,917	1,022
Profit/(loss) for the year	3,537	(1,117)
Exchange differences arising on consolidation of overseas subsidiary undertakings	200	—
Transfer from other reserves	—	3,959
At 31 March 1996	6,654	3,864

As permitted by section 230 of the Companies Act 1985, the Company has not presented its profit and loss account. The loss for the financial year dealt with in the accounts of the Company amounts to £60,000 (1995: £8,000).

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £'000	1995 £'000
At beginning of year	4,309	2,123
Total recognised gains and losses for the year	4,794	3,200
Dividends	(1,057)	(724)
Goodwill on acquisitions written off	(5,408)	(5,455)
Issue of shares	6,753	5,165
At end of year	9,391	4,309

21. ACQUISITION

On 28 July 1995 the Group acquired the whole of the issued share capital of Topps of England Limited ("Topps") for an aggregate consideration of £6,600,000. This acquisition was funded by the issue of 2,942,623 ordinary shares.

The following table provides an analysis of the assets and liabilities acquired and the related acquisition adjustments in respect of this acquisition:

	Book Value £'000	Fair Value Adjustments £'000	Fair Value £'000
Fixed assets	1,432	(36)	1,396
Stock	1,711	(155)	1,556
Cash	(559)	—	(559)
Debtors and prepayments	1,216	—	1,216
Creditors and accruals	(1,774)	(24)	(1,798)
Loans	(530)	—	(530)
	1,496	(215)	1,281
Acquisition expenses			(89)
Goodwill written off			5,408
Consideration – discharged by issue of ordinary shares			6,600

The fair value adjustments relate primarily to the restatement of acquired assets and liabilities to their realisable value at the time of the acquisition. These restatements have been made in accordance with Group accounting policies.

Notes to the Accounts

continued

21. ACQUISITIONS (continued)

The net cash outflow in respect of the acquisition of Topps was £648,000 (including £(559,000) of cash and cash equivalents acquired).

The acquisition of Topps contributed £1,727,000 to the Group's net operating cash flows, payments of £238,000 in respect of taxation, utilised £141,000 in respect of investing activities and payments of £361,000 in respect of financing activities.

The following disclosures in respect of the pre-acquisition performance of Topps have been given in accordance with the requirements of Financial Reporting Standard No. 6, "Acquisitions and Mergers". In all cases the figures disclosed have been determined in accordance with the pre-acquisition accounting policies of Topps. In the year to 31 March 1995, the consolidated profit after taxation of Topps and its subsidiary undertakings was £498,813. In the period immediately following Topps' last financial year and preceding the date of acquisition by the Company, from 1 April 1995 to 28 July 1995, consolidated turnover was £1,883,700. The operating loss during that period was £101,000, the loss before taxation was £153,000 and, after the estimated taxation credit, the loss was £99,000. There were no minority interests or other recognised gains and losses other than the profit or loss in either period.

22. PENSION COMMITMENTS

The Group operates several pension schemes for the benefit of employees in their retirement. The pension charge for the year may be analysed by type of scheme as follows:

	1996 £'000	1995 £'000
Defined benefit schemes	77	56
Defined contribution schemes	82	49
	159	105

The principal scheme, the Filofax Limited Staff Pension Plan, is a funded defined benefit scheme which provides benefits based upon final pensionable earnings. The assets of the Plan are held separately from those of Group undertakings and are invested in a managed fund administered by Confederation Life Insurance Company. Under the terms of the Trust Deed, the Plan is administered by the Trustees who delegate routine tasks to external administrators.

Employer's contributions to the Plan are charged to the profit and loss account so as to spread the cost of providing pensions over the employees' working lives. The contributions are determined by qualified actuaries on the basis of triennial valuations using the aggregate cost method. The most recent valuation, as at 1 April 1996, showed that the market value of the Plan assets was £979,785 and that the actuarial value of those assets represented 153% of the benefits that had accrued to members, after allowing for future increases in pensionable earnings.

The assumptions which have most significance for the actuarial valuation are those relating to the expected rate of return on investments and the expected rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that pensions payments would increase at 3% per annum.

The Company currently contributes to the Plan at the rate of 10.4% of pensionable salaries inclusive of death in service benefit premiums. Employees currently contribute to the Plan at a rate of 5% of pensionable salaries.

Notes to the Accounts

continued

23. OPERATING LEASE COMMITMENTS

The Group has annual commitments in respect of operating leases as follows:

	1996		1995	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
Expiring:				
Within one year	103	209	141	65
Within two to five years	322	251	339	278
Over five years	390	—	165	—
	815	460	645	343

24. OTHER COMMITMENTS

Guarantees

The Company has guaranteed rentals payable by Filofax Inc amounting to £33,000 (1995: £29,000) per annum until 30 September 1999.

Contingent Liabilities

With the exception of the guarantees referred to above, the Group has no material unprovided contingent liabilities.

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

	1996 £'000	1995 £'000
Operating profit	6,745	5,024
Depreciation	658	345
Increase in stocks	(464)	(935)
Increase in debtors	(597)	(114)
(Decrease)/increase in creditors	(1,116)	786
Net cash inflow from operating activities	5,226	5,106

Notes to the Accounts

continued

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital (including premium) £'000	Loans £'000	Finance Leases £'000	Total £'000
At beginning of year	1,392	425	—	1,817
Loans of subsidiary undertaking acquired	—	530	—	530
Capital element of finance lease obligations of subsidiary undertaking acquired	—	—	375	375
Cash flows from financing	153	(707)	(91)	(645)
Shares issued in respect of acquisition	147	—	—	147
At end of year	1,692	248	284	2,224

27. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996 £'000	1995 £'000
At beginning of year	3,678	2,406
Net cash inflow	558	1,266
Exchange movements	100	6
At end of year	4,336	3,678

Cash and cash equivalents comprise cash at bank and in hand of £4,379,000 (1995: £3,678,000) and bank overdrafts of £43,000 (1995: £Nil).

Auditors' Report

To the members of Filofax Group plc

We have audited the accounts on pages 18 to 33 which have been prepared on the basis of the accounting policies set out on page 22. We have also examined the amounts disclosed relating to emoluments and share option interests of the Directors which form part of the report to shareholders by the Remuneration Committee on pages 13 to 15.

Respective Responsibilities of Directors and Auditors As described on page 17, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of Opinion We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examinations, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1996 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn
Chartered Accountants
Registered Auditors
20 Old Bailey
London EC4M 7BH

14 June 1996

Auditors' Report on Corporate Governance Matters

To Filofax Group plc

In addition to our audit of the accounts we have reviewed the Directors' statements on pages 16 and 17 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, which is not 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 either the Group's system of internal financial control or its corporate governance procedures, nor on the ability of the Group to continue in operational existence.

Opinion With respect to the Directors' statements on internal financial control and on going concern on page 17, in our opinion the Directors have provided the disclosures required by paragraph 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain Directors and officers of the Company, and examination of relevant documents, the Directors' statement on page 16 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Binder Hamlyn,
Chartered Accountants
20 Old Bailey
London EC4M 7BH

14 June 1996

Advisers

Secretary and Registered Office
Christopher Brace ACA,
Waverley House,
7/12 Noel Street,
London W1V 4NE

Registered in England
Number 175064

Stockbrokers
Hoare Govett,
4 Broadgate,
London EC2M 7LE

Registrars and Transfer Office
Independent Registrars Group Limited,
Balfour House, 390-398 High Road,
Ilford, Essex IG1 1NQ

Bankers
Bank of Scotland
The Mound,
Edinburgh EH1 1YZ

Auditors
Binder Hamlyn,
20 Old Bailey,
London EC4M 7BH

Financial Calendar

25 July 1996

1 October 1996

1 November 1996

November 1996

March 1997

June 1997

Annual General Meeting

Record date for 1995/96 final ordinary dividend

Payment date for 1995/96 final ordinary dividend

Announcement of 1996/97 interim results

Payment of 1996/97 interim dividend

Announcement of 1996/97 full year results

94-95

Filofax Group plc

FILOFAX

STYLOFAX

DRAKES

ANNUAL REPORT

LING'S CARDS

YARD-O-LED

MERC

SYSTEMPLAN

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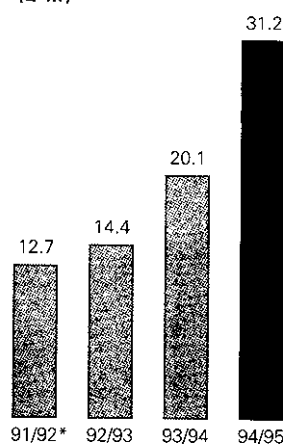
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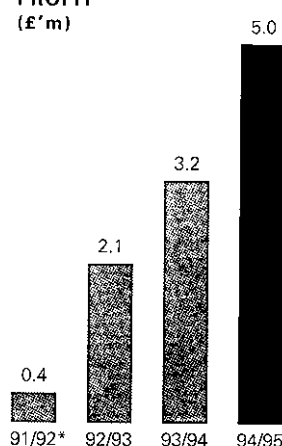
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Filofax Group plc

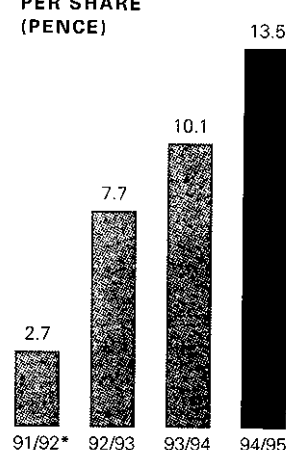
TURNOVER
(£'m)



**OPERATING
PROFIT**
(£'m)



**EARNINGS
PER SHARE**
(PENCE)



*(15 months)

Filofax is a group of consumer supply businesses offering specialised products under strong brand names in over forty countries worldwide.

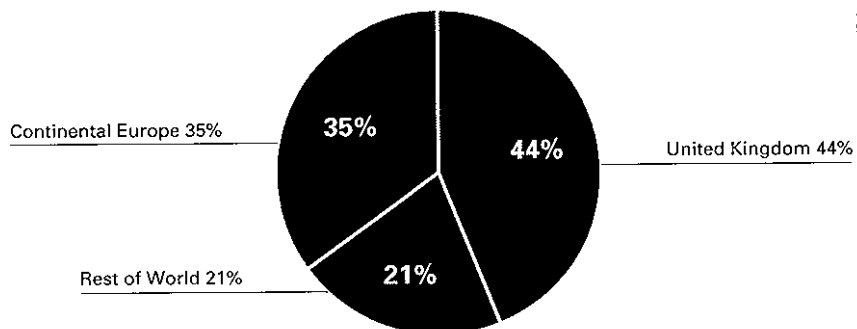
The majority of sales are made outside the United Kingdom. The Group has wholly owned sales subsidiaries in UK, USA, Germany, France, Sweden, Denmark and Hong Kong.

Worldwide Sales 1995

Since 1991 Filofax Group plc has continually increased worldwide sales. The map below illustrates the geographic spread of the Group's subsidiaries, exclusive distributors and other customers.



We pride ourselves on the international spread of our sales and were honoured to receive The Queen's Award for Export Achievement 1995.

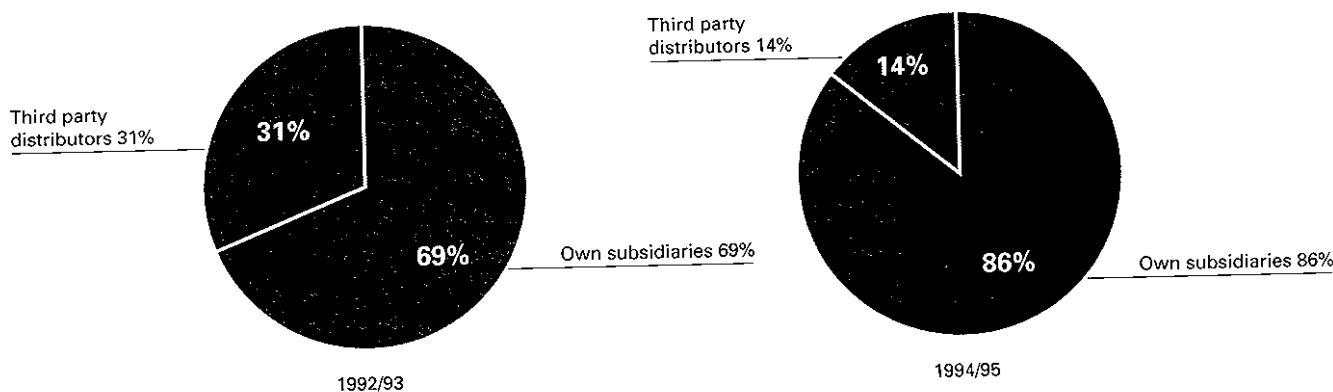


Developing Distribution

Strong permanent distribution is our most valuable asset:

- ✕ Acquisition is a powerful means of extending distribution.
- ✕ We take over our own distribution wherever this is economically viable.
- ✕ We now maintain salaried sales forces in the six largest countries we serve.
- ✕ In a further twenty five countries we have strictly controlled exclusive distributors.
- ✕ In nine countries we are testing new distributors before granting exclusivity.
- ✕ We maintain regular customer relations with over 10,000 retailers in over forty countries worldwide.
- ✕ We install our own permanent merchandising units in retailers' premises, expensing them in the year of installation.
- ✕ We have increased the proportion of sales under our own direct control from 69% in 1992/93 to 86% in 1994/95.

Filofax Group plc Distribution



Building Brands

Filofax Group currently unites eight strong brands:



The world's best recognised name in personal organisers.



Stylish organisers for those seeking differentiation.

Systemplan

Time management organisers with a business orientation.



Lower priced organisers for mass market channels.

MERCATO

Diaries and calendars.



RING BACK BOOKS

Carbonless message pads, self adhesive pads, telephone accessories.

YARD-O-LED
England

Handmade gold and sterling-silver writing instruments.

LINGS

Greetings cards, gift wrap and accessories.

Annual Review

RESULTS

I am pleased to announce another successful year in which strong organic growth was complemented by the continuation of our acquisition strategy.

Turnover and operating profit have both advanced by 55% to £31.2m (1994: £20.1m) and £5.0m (£3.2m) respectively. Pre-tax profits have gained 51% to £4.9m (£3.3m). Earnings per share have risen by 34% to 13.5p (10.1p).

Sales from our continuing operations rose by 30% to £26.2m and profits by 31% to £4.2m. Operating margins in these businesses strengthened slightly to 16.2% (16.1%).

Once again operating cash generation at £5.1m (£4.6m) slightly exceeded operating profit, leaving us with £3.3m (£2.4m) of net cash at the year end.

DIVIDEND

Confidence in the business and in prospects for the future enable us to recommend a final dividend of 1.575p (1.0p) to lift the total annual payout by 50% to 2.625p (1.75p).

UK

Within the UK we now have two distinct business units, the Filofax, Yard-O-Led and Drakes business based in London, and the recently acquired Ling's cards business based in Kent. Each is managed autonomously in accordance with our philosophy of keeping business units small, focused and strongly motivated.

Within the Filofax UK business, sales of filled and empty binders again exceeded those of refills, demonstrating that there is a healthy amount of renewal and that the UK market is far from saturated. This was illustrated by a survey of over 3,000 customers carried out in major British retailers from November to January which revealed that 74% of Filofax binders were bought by or for first time users.

From the same survey we learn that 64% of Filofax purchasers or intended recipients were under the age of 35 and 16% were under 20. These young users will ensure a growing market for replacement diaries and papers for many years to come.

Yard-O-Led had an excellent year both in the UK and overseas. Total sales increased, albeit from a small base, by over 40% and all the indications appear positive for continued strong growth. There is a dearth of strongly differentiated product at the top end of the writing instrument market and Yard-O-Led is winning recognition for its distinctive form and high quality.

I am pleased to announce another successful year in which earnings per share have risen by 34%

In its first full year Drakes sales have been satisfactory and we have had even more success than we had projected in lowering product costs. Although there has been some erosion at the bottom end of the market, and the establishment of our patented sticky product at the top end will take time, the brand remains an excellent profit contributor. Cross selling opportunities have continued to benefit both the Filofax and the Drakes brands.

In the greetings card market the potential for share gain is considerable

We entered the greeting card business with the acquisition of Henry Ling for £5.4m at the end of July and hence benefited from the company's four strongest months of sales in the run up to Christmas. The £5.0m turnover for the eight months of our ownership is, therefore, disproportionately high and the 15.7% operating margin shown cannot yet be sustained over a full year.

Lings has met all our expectations. The company had been showing some signs of weariness in product, customer relations and administration before acquisition but is now being reinvigorated under new leadership. The core was sound and the staff extremely loyal. In the year ahead we shall be looking for sustainable margin improvement from a combination of improved sales mix and lower costs.

The greetings card market is vigorous and offers us huge potential. Lings, despite being a well recognised brand and established in all the major channels, has a market share of less than one percent. The potential for share gain is therefore considerable.

CONTINENTAL EUROPE

In our four largest Continental markets, Germany, France, Sweden and Denmark, we service retailers with our own subsidiary companies. If we simply look at the annual turnover growth in these businesses (including the periods prior to acquisition) they have together advanced by over 40%. Perhaps most remarkable has been the 30% growth in Sweden and Denmark where sales per capita were already among the highest in the world.

Our Danish subsidiary successfully introduced the Filofax brand without any adverse effect on the growth of its existing Systemplan brand. Since the year end it has also introduced Lings cards and a range of Drakes office products. Mercato, acquired at the end of January, is highly seasonal and therefore made no contribution in the year. In the year ahead Mercato will be significant in providing both new products and extra channels of distribution.

Swedish sales had another excellent year. As one would expect from our most highly penetrated market, the value of our sales of refills has long exceeded that of new binders and has now reached 59% of the total. Following the expiry of the Finnish state monopoly on diary supply our Swedish team will be free to attack this market in the year ahead.

France and Germany, being less mature markets, are offering even higher rates of growth. In both we have further expanded our sales teams and increased our points of distribution. In both markets the challenge is to ensure that our organiser brands are sold as a system, with full paper displays all year round. This approach requires investment in fixtures in the short term but the long term benefits can be seen clearly in Scandinavia.

In the smaller Continental markets we sell through third party exclusive distributors. Sales through the five largest of these grew by 17%. Of special note our new Italian distributor has ably demonstrated that there is no essential difference in the Southern European appetite for organisers if properly marketed.

REST OF WORLD

Sales in the USA have again edged ahead. Trading has remained tough both in the wholesale market and in our own flagship showrooms. Since 1990 we had been attempting to manage the US directly out of London but in January this year we appointed a very experienced President who has since made significant changes. We cannot expect immediate results but the effect on both staff and customer morale is already positive.

The Japanese retail scene remains depressed but our success in the rest of the Pacific Rim suggests that we should be able to improve our performance even without any general recovery in consumer demand.

THE FUTURE

All evidence points to further opportunities for growth in organisers in all the markets in which we operate with particularly encouraging prospects on the Continent of Europe. In addition to this I believe that we are demonstrating with our acquisitions in writing instruments, office supplies and, most recently, greetings cards that we can manage other, related businesses to the benefit of both. We are actively looking for further acquisitions while keeping a firm hand on what we already have.

Robin Field
Chief Executive

15 June 1995

ANNUAL REVIEW

We are actively looking for further acquisitions while keeping a firm hand on what we already have

Results in Hong Kong and the rest of the region have been excellent. Our Australian distributor has not only pushed ahead the sale of the Filofax and Lefax brands but also successfully pioneered for us a new low price brand, Stylofax.

We have made considerable advances over the past five years but much still remains to be done. We have made successful inroads in Eastern Europe but have, I believe, much further to go; we have invested in exploratory initiatives in Latin America and Southern Africa but not yet reaped any return; the Indian sub-continent with its increasingly affluent English speaking middle classes and all of mainland China still offer significant long term potential.

Financial Review

ACQUISITIONS

The Group made two acquisitions during the year.

The acquisition of Henry Ling & Son (London) Limited in July 1994 for a total consideration of £5.4 million was financed principally by the placement of shares at a price of £1.86. The company had no net debt at the date it was acquired. Total goodwill written off in respect of this acquisition was £4.8 million.

In January 1995 the Group acquired the ongoing trade of a Danish company, Mercato Kalendarforlag A/S, for a consideration of £526,000 plus expenses. Due to the relative size of this acquisition, and its timing in terms of the Group's seasonal borrowing requirements, payment was made in cash.

CASHFLOW

For the fourth year in succession, by keeping growth in working capital to a minimum, the net cash inflow from operating activities has exceeded operating profit. Cash management has a high priority within the Group although during the year the large growth in the volume of business has led to a slight increase in working capital. The majority of the Group's businesses are seasonal in nature leading to large fluctuations in the net cash balance during the year. Working capital requirements tend to increase substantially during the first half of the financial year, financed by a bank overdraft facility. The

majority of Group sales are made in the period August to December leading to strong cash inflows in the second half, and particularly in the final quarter, of the financial year. A direct consequence of this seasonality is the net interest charge in the accounts despite the fact that the Group is cash positive at the beginning and end of the financial year.

HEDGING

The Group aims to minimise the risk associated with foreign currency fluctuations by using a combination of currency overdrafts and forward contracts. As our overseas businesses grow, and intra-Group trading arrangements become more complex, greater emphasis will need to be placed on this area. Export sales from the UK to third party distributors are invoiced in sterling, thereby eliminating exchange risk.

OPERATING MARGIN

The Group operating margin has remained stable at 16.1%. Excluding the effect of current year acquisitions, operating margin has improved slightly to 16.2% principally as a consequence of a full year contribution from the Drakes business acquired in December 1993. Businesses acquired during the current year returned an operating margin of 15.7%. The contribution of Mercato was negligible as the majority of sales arise in August to October.

TAXATION

The geographical spread of the Group's businesses and careful management of its tax affairs has allowed a 30% effective tax rate to be achieved for another year. The major influence on the future effective tax rate, excluding unforeseen rate increases, is likely to be the geographical mix of taxable profits between different tax jurisdictions.

The Group has no material deferred tax liabilities.

SHAREHOLDERS' FUNDS

The Group has substantial assets which, under current accounting policies and conventions, are not included in the consolidated balance sheet. No value is attributed to the Group's portfolio of brands and goodwill arising on acquisition is written off immediately.

Shareholders' funds increased by £2.2m during the year principally due to retained profits of £2.7m. Shares issued in respect of the acquisition of Henry Ling & Son added £5.2m to shareholders' funds this being offset by total goodwill written off during the year of £5.5m.

DIVIDEND

The proposed 50% dividend increase to 2.625p per share reduces the number of times the dividend is covered to 5.1 (1994: 5.8).

FINANCIAL CONTROLS

The Group operates a well developed system of reporting by subsidiaries. Management accounts are prepared by subsidiaries in accordance with UK accounting principles on a monthly basis and are reviewed centrally. Results and financial position are compared against annual budgets and subsequent forecasts.

GOING CONCERN

The following statement has been included in line with the Cadbury Code of Best Practice.

The Directors, having made appropriate enquiries, have a reasonable expectation that Filofax Group plc has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts on pages 16 to 31.

C.S. Brace
Finance Director

FINANCIAL REVIEW

Report of the Directors

The Directors have pleasure in submitting their Report together with the audited accounts of the Group for the year ended 31 March 1995. The Annual Review on page 5 forms part of this report.

PRINCIPAL ACTIVITIES

The Group's principal activity is the supply of consumer products.

A review of the Group's operations for the year and of its future prospects is set out in the Annual Review on page 5.

RESULTS AND DIVIDENDS

The results for the year ended 31 March 1995 are set out in the Consolidated Profit and Loss Account on page 16. The Directors recommend the payment of a final dividend of 1.575p per ordinary share (1994: 1.0p) payable on 1 November 1995 leaving retained profits of £2,721,000 (1994: £1,873,000) to be transferred to reserves.

DIRECTORS

The Directors of the Company at 31 March 1995, each of whom served on the Board for the whole year, are shown on page 12. The Directors of the Company at 31 March 1995 have notified the Company that they were interested in the ordinary shares of the Company at that date as set out below. There have been no changes in the interests of the Directors between the end of the year and 15 June 1995, the date of this Report.

	Beneficial		Non-Beneficial	
	1995	1994	1995	1994
R.D. Collischon	695,000	715,008	1,070,192	1,070,192
C.S. Brace	94,103	94,103	—	—
R.D. Eteson	19,000	19,000	—	—
R.A. Field	744,684*	726,684*	—	—
R.J. Koch	2,774,857*	2,646,755*	25,000	—
M.R.J. Tyndall	5,000	5,000	—	—

* Includes a holding of 717,000 (1994: 712,500) shares held by Strategy Ventures Plc a company controlled by R.A. Field and R.J. Koch.

Details of the Directors' interests in the Company's share option schemes are given in Note 4 to the accounts.

None of the Directors has a service agreement of over 12 months duration with the Company.

C.S. Brace and R.A. Field retire from the Board by rotation and, being eligible, offer themselves for re-election.

CONTRACTS

There were no contracts of significance in which a Director is or was materially interested either during or at the end of the year.

DIRECTORS' INSURANCE

The Company maintains insurance policies on behalf of all the Directors of the Company against liability arising from negligence, breach of duty and trust in relation to the Company and its subsidiary undertakings.

Report of the Directors

SUBSTANTIAL SHAREHOLDINGS

At 7 June 1995, the Company had been notified of the following interests in its ordinary share capital in addition to Directors' holdings:

	Holding	%
Scottish Amicable	2,735,000	10.3
Ivory & Sime Enterprise Capital PLC	1,500,000	5.7
Legal & General Investment Management	848,600	3.2

Ivory & Sime Enterprise Capital PLC is managed by Ivory and Sime Investment Management Plc, of which M.R.J. Tyndall is a director.

FIXED ASSETS

The movement in fixed assets during the year is shown in Note 10 to the accounts.

SHARE CAPITAL

Details of changes in share capital during the year are given in Note 15 to the accounts.

CLOSE COMPANY STATUS

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

ANNUAL GENERAL MEETING

At the Annual General Meeting on 26 July 1995, resolutions will be proposed as special business concerning the renewal of the Company's authorities to purchase its own shares and to disapply pre-emption rights.

AUDITORS

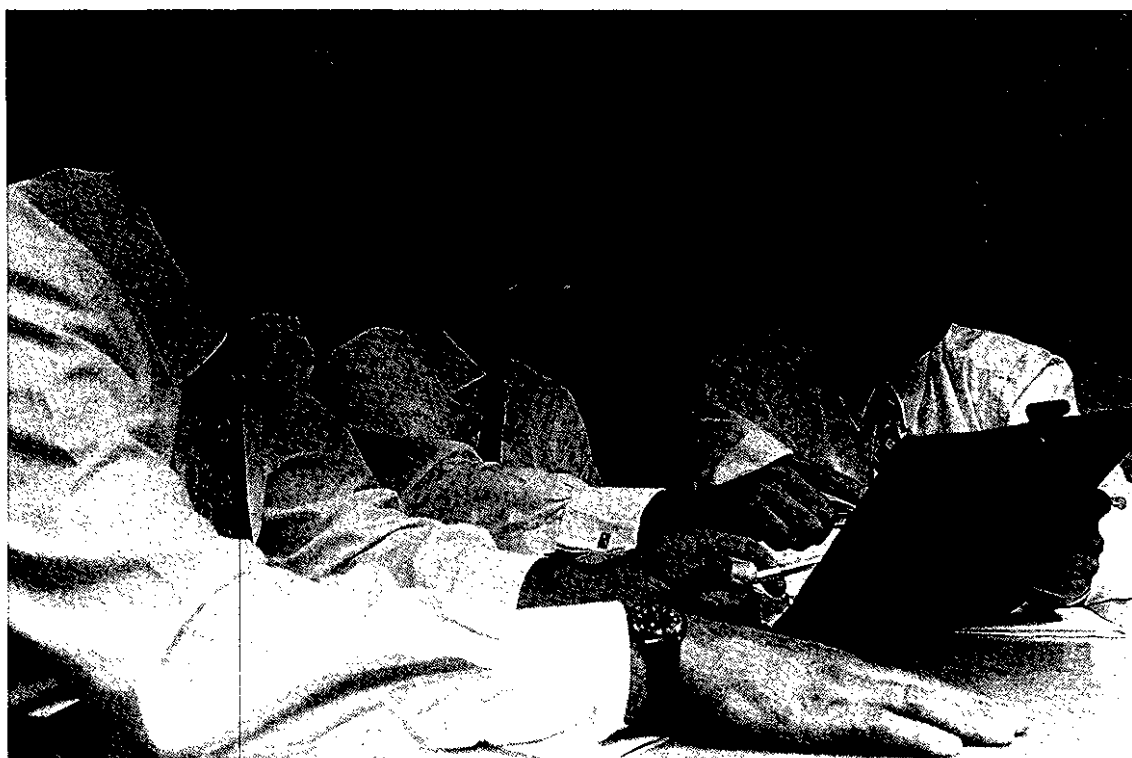
On 1 October 1994 our auditors, BDO Binder Hamlyn, joined the Arthur Andersen worldwide organisation and now practise in the name Binder Hamlyn. They have signed their audit report in their new name. In accordance with section 385 of the Companies Act 1985, a resolution to reappoint Binder Hamlyn as auditors and to authorise the Directors to agree their remuneration will be put to the members at the Annual General Meeting.

By Order of the Board.

C.S. Brace
Secretary

15 June 1995

Board of Directors



DIRECTORS

David Collischon MCIM (Chairman)*

Non-Executive Chairman of the Group and Chairman of the Chelmsford Diocesan Board of Finance.

Robin Field MBA (Chief Executive)

A non-executive director of Sunleigh plc and Strategy Ventures Plc, was a strategy consultant for five years and was previously with Jardine Matheson & Co.

Christopher Brace ACA (Finance and Company Secretary)

He previously held senior finance positions with Carlton Communications Plc and Hilldown Holdings Plc.

Richard Eteson BSc (Sales and Marketing)

He previously held senior sales and marketing positions with Wilkinson Sword Ltd and Bowater-Scott Ltd.

Richard Koch MBA*

A director of Strategy Ventures Plc and a partner in Odyssey.

Mark Tyndall MA*

A director of Ivory & Sime Investment Management Plc, which manages Ivory and Sime Enterprise Capital PLC, a substantial shareholder in the Company.

**Non-Executive*

Left to right:
Richard Eteson,
Robin Field,
Christopher Brace.

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Directors' Statement of Responsibilities

In relation to the Accounts

The Directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing these accounts the Directors are required to:

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

The Directors are responsible for maintaining 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 Filofax Group plc

We have audited the accounts on pages 16 to 31 which have been prepared on the basis of the accounting policies set out on page 20.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examinations, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1995 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn
Chartered Accountants
Registered Auditors
20 Old Bailey
London EC4M 7BH

15 June 1995

Corporate Governance

The Board of Filofax Group plc recognises the importance of effective corporate governance and has complied throughout the year with both the spirit and the specific points of the Cadbury Code of Best Practice with the exception of the provision relating to the reporting by directors on internal control. This provision, on which guidance has only recently been issued, will first apply to the Company in respect of its financial year ending 31 March 1996.

Binder Hamlyn, the Company's auditors, have confirmed, in a separate letter to the Board, that the statement set out above appropriately reflects the Company's compliance with those paragraphs of the Code which the London Stock Exchange has specified for their review.

The adoption of an appropriate board structure and of appropriate methods of operation, which are summarised below, are key factors in ensuring proper standards of corporate governance.

THE BOARD

The Board currently comprises three non-executive and three executive Directors and is responsible to shareholders for the proper management of the Group and, as explained on page 14, for the preparation of accounts. Apart from their Directors' fees and shareholdings as disclosed in the Report of the Directors, the non-executive Directors are independent.

Key areas of the Group's affairs which are dealt with by the Board as a whole include:-

- approval of the accounts;
- review of group strategies and operating budgets;
- appointment of directors and senior executives;
- approval of major capital projects and asset disposals; and
- approval of treasury and risk management policies.

The Board is chaired by R.D. Collischon and is scheduled to meet at least 4 times a year with additional meetings called as required.

The Directors are authorised, at the Group's expense, to obtain any independent professional advice they consider necessary in furtherance of their duties.

A number of issues are dealt with through non-executive committees of the board. Reports of these committee meetings are given to the full Board.

AUDIT COMMITTEE

This Committee consists of all the non-executive Directors. Its duties include the review of standards of financial control throughout the Group, the review of the interim and full year accounts and the approval of the Group's accounting policies. The Audit Committee also considers the appointment and fees of the external auditors and reviews the nature and scope of the audit prior to its commencement.

The Committee meets at least twice a year when the Group Finance Director and the external auditors are invited to attend as required.

REMUNERATION COMMITTEE

This Committee consists of two non-executive Directors. Its responsibilities are to ensure that the total remuneration of the executive Directors and their service contracts are appropriate for their responsibilities and performance.

Consolidated Profit and Loss Account

For the year ended 31 March 1995

		1995	1994
		£'000	£'000
	Note		
Turnover		26,174	20,093
Continuing operations		5,046	—
Acquisitions		31,220	20,093
	1	13,711	9,132
Cost of sales		17,509	10,961
Gross profit		12,485	7,719
Administrative expenses			
Operating profit		4,232	3,242
Continuing operations		792	—
Acquisitions			
	2	5,024	3,242
Interest receivable and similar income		89	82
Interest payable and similar charges	6	(192)	(60)
Profit on ordinary activities before taxation	3	4,921	3,264
Taxation	7	1,476	979
Profit on ordinary activities after taxation		3,445	2,285
Dividends	8	724	412
Retained profit for the year	17	2,721	1,873
Earnings per share	9	13.5p	10.1p

Statement of Total Recognised Gains and Losses

For the year ended 31 March 1995

		1995	1994
		£'000	£'000
	Note		
Profit on ordinary activities after taxation		3,445	2,285
Exchange differences arising on consolidation		(245)	24
Total recognised gains and losses for the year	18	3,200	2,309

Consolidated Balance Sheet

As at 31 March 1995

		1995	1994
	Note	£'000	£'000
Tangible fixed assets	10	1,165	615
Stock	12	5,072	2,662
Debtors	13	3,451	2,489
Cash at bank and in hand		3,678	2,406
Total current assets		12,201	7,557
Creditors: amounts falling due within one year	14	9,057	6,049
Net current assets		3,144	1,508
Net assets		4,309	2,123
Capital and Reserves			
Called up share capital	15	1,323	1,180
Share premium account	16	69	44
Profit and loss account	17	2,917	899
Shareholders' funds	18	4,309	2,123

Approved by the Board of Directors on 15 June 1995

R.A. Field

C.S. Brace

Company Balance Sheet

As at 31 March 1995

		1995	1994
	Note	£'000	£'000
Fixed asset investments	11	11,407	6,013
Debtors	13	2,128	3,339
Creditors: amounts falling due within one year	14	596	846
Net current assets		1,532	2,493
Net assets		12,939	8,506
Capital and Reserves			
Called up share capital	15	1,323	1,180
Share premium account	16	69	44
Other reserves	16	10,525	5,528
Profit and loss account	17	1,022	1,754
Shareholders' funds		12,939	8,506

Approved by the Board of Directors on 15 June 1995

R.A. Field

C.S. Brace

Consolidated Cash Flow Statement

For the year ended 31 March 1995

		1995	1994
	Note	£'000	£'000
Net cash inflow from operating activities	23	5,106	4,613
Returns on investments and servicing of finance			
Interest received		89	82
Interest paid		(192)	(60)
Dividends paid		(543)	(456)
Net cash outflow from returns on investments and servicing of finance		(646)	(434)
Taxation			
Taxation paid		(908)	(283)
Investing activities			
Purchase of tangible fixed assets		(789)	(591)
Sale of tangible fixed assets		79	610
Payments for businesses acquired during the year (net of cash and cash equivalents acquired)	19	(486)	(4,879)
Payment of deferred consideration in respect of prior year acquisitions		(943)	—
Net cash outflow from investing activities		(2,139)	(4,860)
Net cash inflow/(outflow) before financing		1,413	(964)
Financing			
Issue of ordinary shares		28	56
Repayment of loan		(175)	—
Net cash (outflow)/inflow from financing	24	(147)	56
Increase/(decrease) in cash and cash equivalents	25	1,266	(908)

Accounting Policies

For the year ended 31 March 1995

ACCOUNTING CONVENTION

The accounts have been prepared using the historical cost convention and comply with all applicable UK accounting standards.

BASIS OF CONSOLIDATION

The Group accounts consolidate the assets and liabilities and the results of the Company and its subsidiary undertakings. All the businesses purchased during the year have been accounted for using the acquisition method of accounting. Trading results relating to the periods before the undertakings became subsidiary undertakings are excluded from the consolidated profit and loss account. Transactions and balances between subsidiary undertakings have been eliminated; no profit is recognised on sales to subsidiary undertakings until products are sold to customers outside the Group.

TURNOVER

Turnover shown in the consolidated profit and loss account represents goods invoiced during the year to external customers excluding value added tax and other sales taxes.

DEPRECIATION

Depreciation is calculated by reference to the cost of fixed assets using a straight line basis at rates considered appropriate having regard to the expected useful lives of the assets. The annual rates of depreciation in use are:

Short leasehold buildings	Over period of lease
Plant and equipment	20%-33%
Motor vehicles	25%

STOCKS

Stocks are valued at the lower of cost and net realisable value.

DEFERRED TAXATION

Provision is made for taxation which is deferred as a result of timing differences arising principally between depreciation and capital allowances to the extent that the liabilities are likely to crystallise at the rate applicable at the time of reversal.

LEASING COMMITMENTS

Rentals paid under operating leases are charged to income on a straight line basis over the terms of the lease.

PENSIONS

The cost of providing pension benefits is charged to the consolidated profit and loss account on a systematic and rational basis over the period during which benefit is derived from employees' services. Any difference between this charge and the contributions paid to pension schemes is included as an asset or liability in the consolidated balance sheet.

GOODWILL

Goodwill acquired is written off directly to reserves in the year of acquisition.

FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the date of the transaction.

Exchange differences arising in the accounts of individual companies are taken to the profit and loss account.

The accounts of subsidiary undertakings are translated into sterling on consolidation on the following basis:

- (i) Profit and loss account items at the average rate of exchange during the year.
- (ii) Assets and liabilities at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on the translation of the opening net investment and the results for the year are recorded as movements on reserves.

Notes to the Accounts

For the year ended 31 March 1995

1. SEGMENTAL ANALYSIS

The Group operates in a single business segment. Turnover relates to the sale of consumer products.

	1995 £'000	1994 £'000
An analysis of turnover by location of customer is as follows:		
United Kingdom	13,694	6,999
Continental Europe	10,954	6,963
Rest of World	6,572	6,131
	31,220	20,093
	1995 £'000	1994 £'000
An analysis of turnover by location of subsidiary undertaking is as follows:		
United Kingdom	22,057	13,808
Continental Europe	8,372	4,360
Rest of World	8,868	5,184
	39,297	23,352
	(8,077)	(3,259)
Less: Intra-Group sales		
	31,220	20,093
External turnover		

Intra-Group sales comprise sales from the United Kingdom £4,091,000 (1994: £2,786,000), Continental Europe £Nil (1994: £Nil) and Rest of World £3,986,000 (1994: £473,000).

The Directors consider that the disclosure of segmental analyses of profit before taxation and net assets would be seriously prejudicial to the interests of the Group.

2. ANALYSIS OF OPERATING PROFITS

	Continuing operations £'000	Acqui- sitions £'000	Total 1995 £'000	Total 1994 £'000
Turnover	26,174	5,046	31,220	20,093
Cost of sales	11,398	2,313	13,711	9,132
Gross profit	14,776	2,733	17,509	10,961
Administrative expenses	10,544	1,941	12,485	7,719
Operating profit	4,232	792	5,024	3,242
Operating margin	16.2%	15.7%	16.1%	16.1%

Details of acquisitions during the year are given in Note 19.

Notes to the Accounts

continued

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Is after charging/(crediting) the following:	1995 £'000	1994 £'000
Rentals under operating leases		
– Land and buildings	381	231
– Other assets	301	116
Foreign exchange (gains)/losses	(31)	26
Auditors' remuneration for audit services	72	69
Auditors' remuneration for non-audit services	30*	18
Depreciation	345	188

*Included in the costs of acquisitions are fees to the auditors for non-audit services of £30,000 (1994: £48,000).

4. DIRECTORS' EMOLUMENTS

Director	Fees £	Salary £	Benefits in Kind £	Performance Related Payments £	Pension Contri- butions £	Total 1995 £	Total 1994 £
R.A. Field	—	120,000	8,959	38,990	12,480	180,429	157,411
C.S. Bracc	—	77,500	9,632	25,180	8,030	120,342	97,970
R.D. Eteson	—	75,000	5,567	24,360	7,800	112,727	77,935
R.D. Collischon (Chairman)	12,500	—	874	—	—	13,374	14,375
R.J. Koch	7,500	—	—	—	—	7,500	1,875
M.R.J. Tyndall	7,500	—	—	—	—	7,500	1,875
Former Director	—	—	—	—	—	—	115,504
1995	27,500	272,500	25,032	88,530	28,310	441,872	466,945
1994	18,125	305,517	22,993	89,100	31,210	466,945	

Salaries for the year to 31 March 1994 include a payment of £31,212 to a former Director in lieu of notice.

Pension contributions in the year to 31 March 1994 were as follows: R.A. Field £9,100, C.S. Bracc £6,240, R.D. Eteson £6,032 and £9,838 in respect of a former Director. The fees of non-executive Directors are not pensionable.

Performance Related Payments

The Company's executive Directors participate in schemes which enable them to earn performance related bonuses as part of their remuneration package. All executive Directors are eligible to receive a bonus based upon the percentage increase in earnings per share. In addition, the Chief Executive can earn a further bonus based upon the achievement of budgeted pre-tax profits. In both cases no minimum levels of bonus are guaranteed and no payments are made where targets are not achieved.

Notes to the Accounts

continued

4. DIRECTORS' EMOLUMENTS (continued)

Directors' Share Options

The executive Directors' who held office at 31 March 1995 were beneficially interested in options to acquire ordinary shares of the Company as shown in the table below. The options shown have been granted under both the Executive Share Option Scheme and the Employee Sharesave Scheme. The exercise prices shown for the total number of options for each Director, and for all the Directors in aggregate, are weighted average prices. Options granted under the Executive Share Option Scheme are normally exercisable 3 years after the date of grant and expire 7 years from the exercise date. Options granted under the Employee Sharesave Scheme are normally exercisable 5 years after the date of grant and expire 6 months after the exercise date. No options were exercised during the year.

		Number of options				
	Date of Grant	1 April 94	Granted During Year	31 March 95	Exercise Price	Date Exercisable
R.A. Field						
Executive	May 1992	297,200	—	297,200	30.0p	May 1993
Executive	May 1992	66,000	—	66,000	30.0p	May 1995
Sharesave	Oct 1992	37,006	—	37,006	30.4p	Oct 1997
Executive	Nov 1992	94,562	—	94,562	63.5p	Nov 1995
Sharesave	Sept 1993	7,632	—	7,632	90.4p	Sept 1998
Executive	July 1994	—	10,000	10,000	193.0p	July 1997
Executive	Dec 1994	—	44,000	44,000	223.0p	Dec 1997
		502,400	54,000	556,400	54.7p	
C.S. Brace						
Executive	May 1992	90,000	—	90,000	30.0p	May 1995
Sharesave	Oct 1992	37,006	—	37,006	30.4p	Oct 1997
Executive	Nov 1992	47,281	—	47,281	63.5p	Nov 1995
Sharesave	Sept 1993	7,632	—	7,632	90.4p	Sept 1998
Executive	July 1994	—	7,400	7,400	193.0p	July 1997
Executive	Dec 1994	—	28,000	28,000	223.0p	Dec 1997
		181,919	35,400	217,319	69.9p	
R.D. Eteson						
Executive	Nov 1990	40,000	—	40,000	30.0p	Nov 1993
Executive	May 1991	56,000	—	56,000	30.0p	May 1994
Sharesave	Oct 1992	37,006	—	37,006	30.4p	Oct 1997
Executive	Nov 1992	47,281	—	47,281	63.5p	Nov 1995
Sharesave	Sept 1993	7,632	—	7,632	90.4p	Sept 1998
Executive	July 1994	—	7,400	7,400	193.0p	July 1997
Executive	Dec 1994	—	28,000	28,000	223.0p	Dec 1997
		187,919	35,400	223,319	68.8p	
Total		872,238	124,800	997,038	61.2p	

Notes to the Accounts

continued

5. EMPLOYMENT COSTS

	1995 £'000	1994 £'000
Wages and salaries	4,176	2,469
Social security costs	659	399
Other pension costs	105	98
	4,940	2,966

	1995 Number	1994 Number
The average number of employees during the year was:	35	8
Production and warehousing	186	93
Office, sales and management	221	101

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1995 £'000	1994 £'000
Bank loans and overdrafts	173	33
Other	19	27
	192	60

7. TAXATION

	1995 £'000	1994 £'000
UK corporation tax at 33%	1,107	740
Overseas taxation	498	362
Net taxation adjustments of prior years	(129)	(123)
	1,476	979

8. DIVIDENDS

	1995 £'000	1994 £'000
Interim dividend 1.05p (1994: 0.75p) per share net	280	176
Final dividend 1.575p (1994: 1.0p) per share net	417	236
Under provision of 1993/94 final dividend	27	—
	724	412

The final dividend for the 1993/94 financial year was provided for on the basis of the number of shares in issue at 31 March 1994. Subsequent to the approval of the 1993/94 accounts the Group issued shares in respect of the acquisition of Elijo Limited and its subsidiary undertaking, Henry Ling & Son (London) Limited. This issue took place prior to the record date for the 1993/94 final dividend and the shares issued therefore ranked for that dividend. The under provision of £27,000 has been treated as an appropriation of profits in the current year.

Notes to the Accounts

continued

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation of £3,445,000 (1994: £2,285,000) divided by the weighted average number of shares in issue during the period of 25,538,714 (1994: 22,662,665). The difference between fully diluted earnings per share and basic earnings per share is not material in either year.

10. TANGIBLE FIXED ASSETS - GROUP

	Short Leasehold Property £'000	Fixtures and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 April 1994	113	739	98	950
Exchange adjustments	—	(24)	4	(20)
Acquisition of subsidiary undertaking	178	575	4	757
Additions	—	666	123	789
Disposals	—	(33)	(81)	(114)
At 31 March 1995	291	1,923	148	2,362
Depreciation				
At 1 April 1994	39	273	23	335
Exchange adjustments	—	(6)	1	(5)
Acquisition of subsidiary undertaking	90	463	4	557
Charge for the year	42	268	35	345
Disposals	—	(3)	(32)	(35)
At 31 March 1995	171	995	31	1,197
Net book value				
At 31 March 1995	120	928	117	1,165
At 31 March 1994	74	466	75	615

Notes to the Accounts

continued

11. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Shares £'000	Loans £'000	Total £'000
Cost and net book value			
At 1 April 1994			
Additions	3,763	2,250	6,013
	5,394	—	5,394
At 31 March 1995	9,157	2,250	11,407

The following are the principal subsidiary undertakings of the Company as at 31 March 1995 all of which are wholly owned and included in the consolidation. All subsidiary undertakings incorporated in England are registered in England and Wales.

Name	Principal Activity	County of Incorporation and Operation
Filofax A/S*	Supplier of stationery products	Denmark
Filofax AB*	Supplier of stationery products	Sweden
Filofax GmbH*	Supplier of stationery products	Germany
Filofax Hong Kong Limited*	Supplier of stationery products	Hong Kong
Filofax Inc	Supplier of stationery products	USA
Filofax Limited	Supplier of stationery products	England
Filofax SARL*	Supplier of stationery products	France
Drakes Office Systems Limited	Supplier of stationery products	England
Henry Ling & Son (London) Limited	Publisher of greetings cards	England
Lefax Publishing Limited*	Supplier of stationery products	England
Yard-O-Led Pencil Company Limited	Manufacturer of writing instruments	England

*Investment held by a subsidiary undertaking.

12. STOCKS

Stocks comprise finished goods and goods for resale.

13. DEBTORS

	1995		1994	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	2,869	—	1,905	—
Amounts due from subsidiary undertakings	—	2,024	—	3,100
Other debtors	89	—	225	6
Prepayments and accrued income	324	—	126	—
Taxation recoverable	169	104	233	233
	3,451	2,128	2,489	3,339

Notes to the Accounts

continued

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995		1994	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loan	425	—	—	—
Trade creditors	3,237	—	2,075	—
Corporation tax payable	1,897	—	1,307	—
Advance corporation tax payable	179	179	110	110
Other taxes and social security	383	—	168	—
Other creditors	93	—	188	—
Accruals	2,426	—	1,022	—
Amounts payable in respect of acquisitions	—	—	943	500
Proposed dividend	417	417	236	236
	9,057	596	6,049	846

The bank loan is secured on the trade debtors of Henry Ling & Son (London) Limited.

15. SHARE CAPITAL

	Authorised		Issued and Fully Paid Up	
	Number	£'000	Number	£'000
Ordinary Shares of 5p	30,000,000	1,500	23,594,589	1,180
At 1 April 1994	20,000,000	1,000	—	—
Increase in authorised share capital on 28 July 1994	—	—	—	—
Nominal value of shares issued:	—	—	2,806,487	140
In respect of acquisition	—	—	64,896	3
Under share option schemes	—	—	—	—
At 31 March 1995	50,000,000	2,500	26,465,972	1,323

Share Options

There were outstanding at 31 March 1995 options granted to Directors and employees within the Group to subscribe for 555,895 ordinary shares under the Employee Sharesave Scheme at prices ranging from 16.06p to 178.4p. The weighted average exercise price is 66.5p. These options are normally capable of being exercised over varying periods up to August 2000.

There were outstanding at 31 March 1995 options granted to Directors and employees within the Group to subscribe for 996,024 ordinary shares under the Executive Share Option Scheme at prices ranging from 30p to 223p. The weighted average exercise price is 72.4p. These options are normally capable of being exercised over varying periods up to December 2004.

Details of Directors' interests in share options are given in Note 4.

Notes to the Accounts

continued

16. SHARE PREMIUM ACCOUNT AND OTHER RESERVES

	Share premium account		Other reserves	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April 1994				
Premium on shares issued during the year:	44	44	—	5,528
In respect of acquisition (net of issue costs)	—	—	4,997	4,997
Under share option schemes	25	25	—	—
Goodwill on acquisitions written off	—	—	(4,997)	—
At 31 March 1995	69	69	—	10,525

As required by section 131 of the Companies Act 1985, the premium arising on ordinary shares of the Company issued for the acquisition of Elijo Limited, and its wholly owned subsidiary undertaking Henry Ling & Son (London) Limited, has been credited to other reserves against which the goodwill arising on the acquisition has been written off. The cumulative amount of goodwill written off to reserves at 31 March 1995 amounts to £13,925,000 (1994: £8,470,000).

17. PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 1994		
Retained profit/(loss) for the year	899	1,754
Exchange differences arising on consolidation	2,721	(732)
Goodwill on acquisitions written off	(245)	—
	(458)	—
At 31 March 1995	2,917	1,022

As permitted by section 230 of the Companies Act 1985, the Company has not presented its profit and loss account. The loss for the financial year dealt with in the accounts of the Company amounts to £8,000 (1994: £17,000).

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1995 £'000	1994 £'000
At beginning of year		
Total recognised gains and losses for the year	2,123	5,161
Dividends	3,200	2,309
Goodwill on acquisitions written off	(724)	(412)
Issue of ordinary shares	(5,455)	(6,610)
	5,165	1,675
At end of year	4,309	2,123

Notes to the Accounts

continued

19. ACQUISITIONS

During the year the Group made the following acquisitions.

Henry Ling & Son (London) Limited

On 26 July 1994 the Group acquired the whole of the issued share capital of Elijo Limited, the immediate parent undertaking of Henry Ling & Son (London) Limited, for an aggregate consideration of £5,394,000. This acquisition was funded primarily by the issue of 2,806,487 ordinary shares at £1.86 each and by the use of cash.

The following table provides an analysis of the assets and liabilities acquired and the related acquisition adjustments:

	Book Value £'000	Fair Value Adjustments £'000	Fair Value £'000
Tangible fixed assets	227	(27)	200
Stock	2,127	(494)	1,633
Cash	349	—	349
Debtors and prepayments	926	(28)	898
Creditors and accruals	(1,503)	(360)	(1,863)
Loans	(600)	—	(600)
	1,526	(909)	617
Goodwill written off			4,777
Consideration			5,394
Discharged by:			
Ordinary shares issued (net of issue costs)			5,137
Cash			257
			5,394

The net cash inflow in respect of the acquisition was £92,000 (including cash and cash equivalents of £349,000 acquired).

The fair value adjustments relate primarily to the restatement of acquired assets and liabilities to their realisable value at the time of the acquisition to bring them into line with Group accounting policies.

The acquisition of Henry Ling contributed £983,000 to the Group's net cash inflow from operating activities, and a net cash outflow of £175,000 in respect of financing activities. There were no material cashflows in respect of returns on investments and servicing of finance or in respect of investing activities. There were no taxation payments during the period since acquisition in respect of the acquired business.

Mercato Kalendarforlag A/S

On 30 January 1995 the Group acquired the goodwill, customer lists and ongoing trade of the Danish company Mercato Kalendarforlag A/S ("Mercato") for cash consideration of £526,000 plus expenses of £52,000. Total goodwill written off in respect of this acquisition was £678,000. The post acquisition cashflows of Mercato were not material to an appreciation of the consolidated cashflow statement.

The net cash outflow in respect of the acquisition of Mercato was £578,000.

Notes to the Accounts

continued

20. PENSION COMMITMENTS

The Group operates several pension schemes for the benefit of employees in their retirement. The principal scheme, the Filofax Limited Staff Pension Scheme, is a funded defined benefit scheme which provides benefits based upon final pensionable earnings. The assets of the Scheme are held separately from those of Group undertakings and are invested in a managed fund administered by Confederation Life Insurance Company. Under the terms of the Trust Deed, the Scheme is administered by the Trustees who delegate routine tasks to external administrators.

Employer's contributions to the Scheme are charged to the profit and loss account so as to spread the cost of providing pensions over the employees' working lives. The contributions are determined by qualified actuaries on the basis of triennial valuations using the aggregate cost method. The most recent valuation was at 1 April 1993.

The total Group pension charge for the period was £105,000 (1994: £98,000).

The most recent actuarial valuation showed that the market value of the Scheme assets was £599,000 and that the actuarial value of those assets represented 130% of the benefits that had accrued to members, after allowing for future increases in pensionable earnings.

The assumptions which have most significance for the actuarial valuation are those relating to the expected rate of return on investments and the expected rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that pensions payments would increase at 3% per annum.

The Company currently contributes to the Scheme at the rate of 10.4% of pensionable salaries inclusive of death in service benefit premiums. Employees currently contribute to the Scheme at a rate of 5% of pensionable salaries.

21. OPERATING LEASE COMMITMENTS

The Group has annual commitments in respect of operating leases as follows:

	Mar-95		Mar-94	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
Expiring:				
Within one year	141	65	98	22
Within two to five years	339	278	364	104
Over five years	165	—	108	—
	645	343	570	126

22. OTHER COMMITMENTS

Guarantees

The Company has guaranteed rentals payable by a subsidiary undertaking amounting to £29,000 per annum for a period of four years.

There are cross guarantees between Filofax Group plc, Filofax Limited and Yard-O-Led Pencil Company Limited in respect of their overdrafts, which at 31 March 1995 were £Nil.

Contingent Liabilities

With the exception of the guarantees referred to above, the Group has no material contingent liabilities.

Notes to the Accounts

continued

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

	1995 £'000	1994 £'000
Operating profit	5,024	3,242
Depreciation	345	188
(Increase)/decrease in stocks	(935)	492
(Increase)/decrease in debtors	(114)	78
Increase in creditors	786	613
Net cash inflow from operating activities	5,106	4,613

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital (including premium)		Loans	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
At beginning of year	1,224	1,118	—	—
Loan of subsidiary undertaking acquired	—	—	600	—
Cash flows from financing	28	56	(175)	—
Shares issued in respect of acquisition	140	50	—	—
At end of year	1,392	1,224	425	—

25. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1995 £'000	1994 £'000
At beginning of year	2,406	3,314
Increase/(decrease) in cash and cash equivalents during the year	1,266	(908)
Exchange movements	6	—
At end of year	3,678	2,406

Cash and cash equivalents comprise cash at bank and in hand of £3,678,000 (1994: £2,406,000).

Advisers and Financial Calendar

REGISTERED OFFICE

Waverley House,
7/12 Noel Street,
London W1V 4NE

REGISTERED IN ENGLAND

Number 175064

BANKERS

Bank of Scotland
The Mound,
Edinburgh EH1 1YZ

STOCKBROKERS

Hoare Govett,
4 Broadgate,
London EC2M 7LEI

AUDITORS

Binder Hamlyn,
20 Old Bailey,
London EC4M 7BH

REGISTRARS AND TRANSFER OFFICE

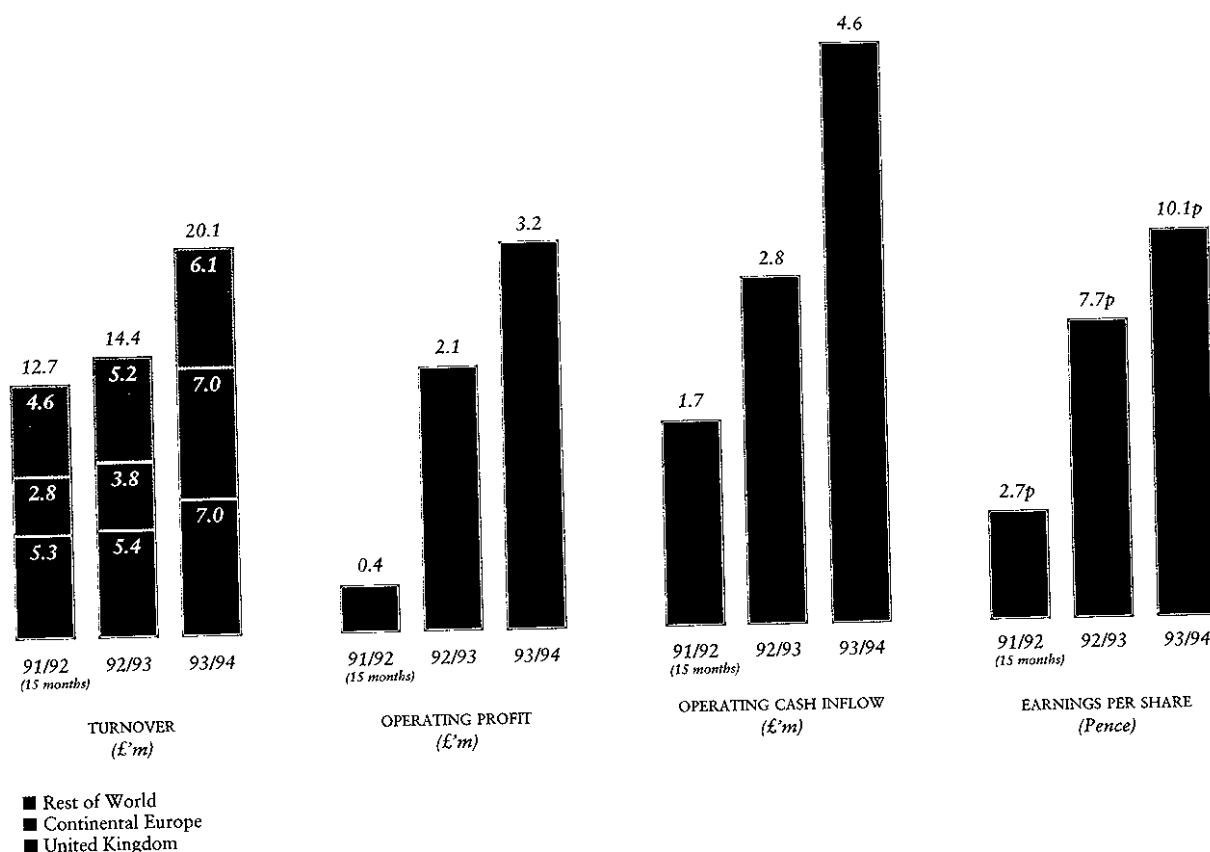
Independent Registrars Group Limited,
Balfour House, 390-398 High Road,
Ilford, Essex IG1 1NQ

Financial Calendar

- X Annual general meeting 26th July 1995
- X Record date for final ordinary dividend 3rd October 1995
- X Payment date for final ordinary dividend 1st November 1995
- X Announcement of interim results Mid November 1995
- X Payment of interim dividend March 1996
- X Announcement of full year results 1995/96 June 1996

Filofax Group plc

Filofax is a group of stationery supply businesses offering specialised products under strong brand names in over thirty countries world-wide. The majority of sales are made outside the United Kingdom. The Group has wholly owned sales subsidiaries in the United Kingdom, USA, Germany, France, Sweden, Denmark and Hong Kong.



Worldwide Sales 1994

Rest of World
30%





United Kingdom
35%

Continental Europe
35%

Annual Review

RESULTS I am pleased to report another year of growth and development at Filofax. In the year to 31st March 1994 pre tax profits have risen by 48% from £2.2m to £3.3m on a 39% increase in sales to £20.1m (1992/93: £14.4m) and an improvement in gross margin from 53.7% to 54.6%. Earnings per share, after an increased tax rate, have moved from 7.7p to 10.1p.

Whilst some of this improvement springs from acquisitions, on which I will comment in detail later, the prime determinant of our growth has been a strong like for like performance. Turnover in our continuing operations rose by 23% to £17.7m (£14.4m) and operating profit by 23% to £2.6m (£2.1m).

Operating cash generation has proved, once again, to be a key characteristic. Following the investment of £4.9m of internally generated cash into acquisitions, we finished the year with £2.4m of net cash on the balance sheet.

DIVIDEND The Directors recommend an increase in the final dividend to 1.0p per ordinary share to lift the annual dividend from 1.25p to 1.75p.

UNITED KINGDOM The UK, where our total turnover has risen by more than 30%, remains our operating base and our largest single national market. Like for like sales in the UK grew by over 20%, a strong performance for products that are so well established in a market of which we already held over fifty percent. While it would be pleasing to believe that this was as a result of market share gain alone, the truth is even more encouraging. It appears that our competitors also enjoyed good years and that the total UK ring binder organiser market grew strongly. Given the repeat purchase nature of our business this growth gives us considerable confidence for increased sales of inserts in the years ahead.

While taking advantage of opportunities elsewhere, both geographically and in product terms, we continue to invest in the UK business and, indeed, the Drakes acquisition has allowed us, since the end of the year, to increase our UK sales force, thus improving the prospects for the year ahead.

The Drakes business has performed well since acquisition on 23rd December 1993 and has boosted our total UK sales increase to over 30%. All UK activities have been completely integrated and progress is being made towards expanding and strengthening the licensing of the Drakes product overseas.

The advantages of shared customer relationships that are a key to all our acquisitions have come through particularly quickly with Drakes. Filofax products were accepted by a number of Drakes' commercial stationers within weeks of the announcement (although sales will not come through until later in the year) and Drakes products have been requested on trial even by some of the personal stationery accounts that we had discounted in our initial analysis.

Annual Review

CONTINENTAL EUROPE

Following the successful establishment of our first continental sales subsidiary in France in October 1992, we have made further initiatives that have both secured our own sales and distribution pipelines and demonstrated the potential of the area.

Our sales growth in Continental Europe of over 84% to £7.0m (£3.8m) in the year is principally accounted for by organic growth both in the French subsidiary and in the markets where we sell via distributors. In the Netherlands, Switzerland and Belgium, the three largest of these, sales grew in aggregate by 46%. In France our sales trebled.

We now have a well established sales and marketing subsidiary in France with its own dedicated sales force. The number of retailers with a permanent offering of Filofax products has grown even faster than sales and, as the greater part of these only became active in the last calendar quarter of 1993, this bodes well for our performance in the current year.

Having tested this formula in France, we subsequently moved on to take control of our own distribution in Germany and Sweden, our next largest European markets.

The circumstances of these two developments were, however, very different. Our Swedish distributor, whose business in our products we acquired in August 1993, had established a standard of excellence in the distribution of the Filofax brand that was unrivalled. Sales per capita were the highest of all our markets and the positioning of the product and control of the sales force were first class. We were thus able to acquire an exceptional operation and take control with very little disruption. The same team has since gone on to even greater achievements.

In Germany, our former distributor, whilst establishing the brand name at the top of the market, did not share our aspirations for growth and was not willing to invest in a national sales force. Here, as in France, we have had to build our own organisation from a zero base. Since acquisition of the German distribution rights to our brands in September 1993 we have established our own administrative team in new premises near Frankfurt and have hired the nucleus of a national sales force. Improved results are already evident.

Our Danish acquisition, of Systemplan, in November 1993 was our first take-over of a separate operating business with which we had no previous relationship. Denmark had been the only EC country in which we had no sales and our entry was blocked by powerful local competitors among which the retail leader was Systemplan. We had been aware of this opportunity since the winter of 1990, but it took three years until satisfactory terms could be agreed.

Since acquisition Systemplan has performed well and has also provided product concepts for launching elsewhere in our international network. 1994/95 sees both the launch of the Filofax and Drakes brands in Denmark via the Systemplan organisation and the launch of products pioneered by Systemplan outside Denmark.

Annual Review

Overall Continental European sales have grown by over 84% in the year but I am confident that current sales only represent a small part of future potential. Not only do we have brands to which continental buyers aspire but we have now, for the first time, a network of our own sales organisations through which to deliver them.

REST OF WORLD

The USA remains our most important market outside Europe. Sales through our American subsidiary grew by 6% in Dollar terms. We are more cautious of the North American markets than are several of our competitors and have elected not to participate in mass-market channels. During the year we completed the contracting out of all warehousing and physical distribution and have reduced the operating costs of our subsidiary. The benefits of this for profitability will be evident in the current year.

Both the Filofax and Lefax brands have maintained upmarket gift and department store profiles in the USA and although growth here may be more restrained than in other areas, our credit risk remains low and our margins high.

Next in order of size comes Japan, a market that supports a huge array of personal organisers and one in which our brand names enjoy strong recognition. Sales of imported consumer goods have been badly hit over the last three years by recession in the department store and luxury sectors. Our 1993/94 sales into Japan rose only marginally over those of the previous year but I am pleased to report that, since the year end, there are signs that the strenuous efforts that we have put into this market are beginning to bear fruit.

Despite growing sales to the emergent markets of Eastern Europe and the Pacific Rim, Australia is the only other market in which we have yet achieved a significant presence. Our local distributor has had another excellent year and we can now confirm having reached market leadership in our sector.

ORGANISATION AND MANAGEMENT

One of the ways in which we keep our costs to a minimum is by combining the administration of the Group with that of our UK trading businesses. This has worked very well to date, but, there is a limit to the amount of business that one can efficiently push through a single infrastructure.

One unexpected benefit of the Drakes acquisition is that it has demonstrated where the efficient limits of our current organisation lie. We have succeeded in incorporating the Drakes range into our existing structure and systems. From here on we can continue to look for significant sharing of customer relationships and market access but any further domestic acquisition will require its own infrastructure.

Annual Review

PRODUCTS AND BRANDS

Within the organiser business the Filofax System Organiser, our entry into the time management segment, remains our most important single initiative and one that has fully justified its early promise. Meanwhile, we continue regularly to replace our conventional binders with newer versions offering improvements in features, materials and styles. We currently offer organisers under three distinct brand names – Filofax, Lefax and Systemplan – each serving distinct but complementary market segments.

It is, however, within the Drakes and Ring Back brands that the greatest scope for innovation lies. The strongly patented adhesive Stikky Note series is still in a very early stage of development and the scope for similar self-stick and conventional carbonless paper products is wide.

PROSPECTS

As well as achieving strong organic growth we have, within the last year, successfully assimilated four acquisitions all of which have proved earnings enhancing.

Trading in the first quarter of 1994/95 remains strong both in the base business and in the acquisitions, the benefits of which will become apparent in the current year

The prospects for our existing business appear excellent and we remain alert to opportunities for further acquisitions.

ROBIN FIELD

Chief Executive

16 June 1994

Report of the Directors

The Directors have pleasure in submitting their Report together with the audited accounts of the Group for the year ended 31 March 1994. The Annual Review on page 4 forms part of this Report.

PRINCIPAL ACTIVITIES

The Group's principal activity has continued to be that of suppliers of stationery products.

A review of the Group's operations for the year and of its future prospects is set out in the Annual Review on page 4.

RESULTS AND DIVIDENDS

The results for the year ended 31 March 1994 are set out in the Consolidated Profit and Loss Account on page 14.

The Directors recommend the payment of a final dividend of 1.0p per ordinary share (1993: 0.75p) payable on 1 November 1994 leaving retained profits of £1,873,000 to be transferred to reserves.

DIRECTORS

The Directors of the Company at 31 March 1994, each of whom served on the Board for the whole year under review, are shown on page 10. D. G. S. Sproul resigned from the Board on 1 March 1994.

The Directors of the Company at 31 March 1994 have notified the Company that they were interested in the ordinary shares of the Company at that date as set out below. There have been no changes in the interests of the Directors between the end of the year and 16 June 1994, the date of this Report.

	Beneficial		Non-Beneficial	
	1994	1993	1994	1993
R.D. Collischon	715,008	715,008	1,070,192	1,070,192
C.S. Brace	94,103	90,000	—	—
R.D. Eteson	19,000	15,000	—	—
R.A. Field	726,684*	723,500*	—	—
R.J. Koch	2,646,755*	2,520,319*	—	—
M.R.J. Tyndall	5,000	5,000	—	—

* Includes a holding of 712,500 (1993: 712,500) shares held by Strategy Ventures Plc a company controlled by R.A. Field and R.J. Koch.

Details of the Directors' interests in the Company's share option schemes are given in Note 4 to the accounts.

None of the Directors has a service agreement of over 12 months duration with the Company.

R.D. Collischon and M.R.J. Tyndall retire from the Board by rotation and, being eligible, offer themselves for re-election.

EXECUTIVE DIRECTORS

Robin Field: A director of Strategy Ventures Plc, he was a strategy consultant for five years and was previously with Jardine Matheson & Co.

Richard Eteson: He previously held senior sales and marketing positions with Wilkinson Sword Ltd and Bowater-Scott Ltd.

Christopher Brace: He previously held senior finance positions with Carlton Communications Plc and Hilldown Holdings Plc.

Report of the Directors

NON-EXECUTIVE DIRECTORS

David Collischon: Non-Executive Chairman of the Group and Chairman of the Chelmsford Diocesan Board of Finance. Mr Collischon has a consultancy agreement with the Company terminable on 12 months notice by either party.

Richard Koch: A director of Strategy Ventures Plc and of OC & C Strategy Consultants.

Mark Tyndall: A director of Ivory & Sime Plc, which manages Ivory and Sime Enterprise Capital PLC, a substantial shareholder in the Company.

CONTRACTS

There were no contracts of significance in which a Director is or was materially interested either during or at the end of the year.

DIRECTORS' INSURANCE

The Company maintains insurance policies on behalf of all the Directors of the Company against liability arising from negligence, breach of duty and trust in relation to the Company and its subsidiary undertakings.

SUBSTANTIAL SHAREHOLDINGS

At 2 June 1994, the Company had been notified of the following interests in its ordinary share capital in addition to Directors' shareholdings:

	Holding	%
Ivory and Sime Enterprise Capital PLC	1,500,000	6.36
Electricity Supply Pension Scheme	945,000	4.01

Ivory & Sime Enterprise Capital PLC is managed by Ivory and Sime Plc, of which M.R.J. Tyndall is a director.

CLOSE COMPANY STATUS

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

FIXED ASSETS

The movement in fixed assets during the period is shown in Note 10 to the accounts.

SHARE CAPITAL

Details of changes in share capital during the period are given in Note 15 to the accounts.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the Annual General Meeting on 28 July 1994 resolutions will be proposed as special business covering the increase in the Company's authorised share capital, Directors' authority to allot shares, the Company's authority to purchase its own shares, the partial disapplication of pre-emption rights and an alteration in the Company's Articles of Association to increase its borrowing powers.

AUDITORS

A resolution to reappoint BDO Binder Hamlyn as auditors will be put to the members at the Annual General Meeting.

By Order of the Board.

C. S. BRACE
Secretary

16 June 1994

Directors and Advisers



*Left to right:
Christopher Brace,
Finance & Company Secretary,
Robin Field,
Chief Executive,
Richard Eteson,
Sales & Marketing.*

DIRECTORS

David Collischon M.C.I.M. (Chairman)*
Robin Field M.B.A. (Chief Executive)
Christopher Brace A.C.A.
Richard Eteson B.Sc.
Richard Koch M.B.A. *
Mark Tyndall M.A. *
* Non-Executive

SECRETARY AND REGISTERED OFFICE

Christopher Brace A.C.A.,
Waverley House,
7/12 Noel Street,
London W1V 4BA

REGISTERED IN ENGLAND

Number 175064

BANKERS

Bank of Scotland,
The Mound,
Edinburgh EH1 1YZ

STOCKBROKERS

Hoare Govett,
4 Broadgate,
London EC2M 7LE

AUDITORS

BDO Binder Hamlyn,
20 Old Bailey,
London EC4M 7BH

REGISTRARS AND TRANSFER OFFICE

Independent Registrars Group Limited,
Balfour House,
390-398 High Road,
Ilford, Essex IG1 1NQ

Corporate Governance

The Board of Filofax Group plc recognises the importance of effective corporate governance and has complied throughout the year with both the spirit and the specific points of the Cadbury Code of Best Practice. Guidance has not yet been issued on how to demonstrate compliance with two points of the Code relating to the statements on going concern and internal controls. Accordingly, no such statements have been included in these accounts.

The adoption of an appropriate board structure and of appropriate methods of operation, which are summarised below, are key factors in ensuring proper standards of corporate governance.

THE BOARD

The Board currently comprises three non-executive and three executive Directors and is responsible to shareholders for the proper management of the Group and, as explained on page 12, for the preparation of the accounts. Apart from their Directors' fees and shareholdings as disclosed in the Report of the Directors, the non-executive Directors are independent.

Key areas of the Group's affairs which are dealt with by the Board as a whole include:-

- approval of accounts;
- review of Group strategies and operating budgets;
- appointment of Directors and senior executives;
- approval of major capital projects and asset disposals; and
- approval of treasury and risk management policies.

The Board is chaired by R.D. Collischoon and is scheduled to meet at least 4 times a year with additional meetings called as required.

A number of issues are dealt with through non-executive committees of the Board. Reports of these committee meetings are given to the full Board.

The Directors are authorised, at the Group's expense, to obtain any independent professional advice they consider necessary in furtherance of their duties.

AUDIT COMMITTEE

This Committee consists of all the non-executive Directors. Its duties include the review of standards of financial control throughout the Group, the review of the interim and full year accounts and the approval of the Group's accounting policies. The Audit Committee also considers the appointment and fees of the external auditors and reviews the nature and scope of the audit prior to its commencement.

The Committee meets at least twice a year when the Finance Director and the external auditors are invited to attend as required.

REMUNERATION COMMITTEE

This Committee consists of all the non-executive Directors. Its responsibilities are to ensure that the total remuneration of the executive Directors and their service contracts are appropriate for their responsibilities and performance.

PENSION FUND

The Group operates a funded defined benefit pension scheme for the benefit of employees. Details of this scheme are set out in Note 20 to the accounts. The Trustees of the scheme include the Chairman. This scheme is managed by external fund managers and audited by KPMG Peat Marwick.

Directors' Statement of Responsibilities

In relation to the Accounts

The Directors are required by company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year. In preparing these accounts the Directors are required to:

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

The Directors are responsible for maintaining 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 Filofax Group plc

We have audited the accounts on pages 13 to 28 which have been prepared on the basis of the accounting policies set out on page 13.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examinations, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group at 31 March 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO BINDER HAMLYN
Chartered Accountants
Registered Auditors
20 Old Bailey
London EC4M 7BH

16 June 1994

Accounting Policies

For the year ended 31 March 1994

A) ACCOUNTING CONVENTION

The accounts have been prepared using the historical cost convention and comply with all applicable UK accounting standards.

B) BASIS OF CONSOLIDATION

The Group accounts consolidate the assets and liabilities and the results of the Company and its subsidiary undertakings. All the businesses purchased during the year are accounted for using the acquisition method of accounting. Trading results relating to periods before the undertakings became subsidiary undertakings are excluded from the consolidated profit and loss account. Transactions and balances between subsidiary undertakings have been eliminated; no profit is recognised on sales to subsidiary undertakings until products are sold to customers outside the Group.

C) TURNOVER

Turnover shown in the consolidated profit and loss account represents goods invoiced during the year to external customers excluding value added tax and other sales taxes.

D) DEPRECIATION

Depreciation is calculated by reference to the cost of fixed assets using a straight line basis at rates considered appropriate having regard to the expected useful lives of the assets. The annual rates of depreciation in use are:

Short leasehold buildings	Over period of lease
Plant and equipment	20% – 33 1/3%
Motor vehicles	25%

E) STOCKS

Stocks are valued at the lower of cost and net realisable value.

F) DEFERRED TAXATION

Provision is made for taxation which is deferred as a result of timing differences, arising principally between depreciation and capital allowances, to the extent that the liabilities are likely to crystallize at the rate applicable at the time of reversal.

G) LEASING COMMITMENTS

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the primary lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the terms of the lease.

H) GOODWILL

Goodwill acquired is written off directly to reserves in the year of acquisition.

I) FOREIGN CURRENCY TRANSLATION

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the date of the transaction.

Exchange differences arising in the accounts of individual companies are taken to the profit and loss account.

The accounts of overseas undertakings are translated into sterling on consolidation on the following basis:

- (i) Profit and loss account items at the average rate of exchange during the period.
- (ii) Assets and liabilities at the rate ruling at the balance sheet date.

Exchange differences arising on the translation of the opening net investment and the results for the year are recorded as movements on reserves.

J) PENSIONS

The Group operates a funded defined benefit scheme. Pension liabilities are funded by monthly or annual contributions. Under the scheme, pension liabilities are charged to the profit and loss account to spread the long term cost of pensions over the service lives of the employees. Variations from regular cost are spread over the average of the remaining service lives of the current employees.

Consolidated Profit and Loss Account

For the year ended 31 March 1994

	Note	1994 £'000	1993 £'000
TURNOVER			
Continuing operations		17,728	14,415
Acquisitions		2,365	-
	1	20,093	14,415
COST OF SALES		9,132	6,671
GROSS PROFIT		10,961	7,744
NET OPERATING EXPENSES		7,719	5,636
OPERATING PROFIT			
Continuing operations		2,587	2,108
Acquisitions		655	-
	2	3,242	2,108
INTEREST RECEIVABLE AND SIMILAR INCOME		82	117
INTEREST PAYABLE AND SIMILAR CHARGES	6	(60)	(23)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	3,264	2,202
TAX ON PROFIT ON ORDINARY ACTIVITIES	7	979	472
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,285	1,730
DIVIDENDS	8	412	280
RETAINED PROFIT FOR THE YEAR	17	1,873	1,450
EARNINGS PER SHARE	9	10.1p	7.7p

Statement of Total Recognised Gains and Losses

For the year ended 31 March 1994

	1994 £'000	1993 £'000
Profit on ordinary activities after taxation	2,285	1,730
Exchange differences arising on consolidation	24	2
Total recognised gains and losses for the year	18 2,309	1,732

Consolidated Balance Sheet

As at 31 March 1994

	Note	1994 £'000	1993 £'000
FIXED ASSETS	10	615	216
Tangible assets			
Freehold property held for disposal		—	552
CURRENT ASSETS	12	2,662	2,405
Stock	13	2,489	1,816
Debtors		2,406	3,349
Cash at bank and in hand		7,557	8,122
	14	6,049	3,177
CREDITORS		1,508	4,945
NET CURRENT ASSETS		2,123	5,161
NET ASSETS			
FINANCED BY:			
CAPITAL AND RESERVES	15	1,180	1,118
Called up share capital	16	44	—
Share premium account	16	—	2,099
Other reserves	17	899	1,944
Profit and loss account	18	2,123	5,161
SHAREHOLDERS' FUNDS			

Approved by the Board of Directors on 16 June 1994

R. A. FIELD

C. S. BRACE

Company Balance Sheet

As at 31 March 1994

	Note	1994 £'000	1993 £'000
FIXED ASSETS			
Investments	11	6,013	2,972
CURRENT ASSETS			
Debtors	13	3,339	4,661
CREDITORS			
Amounts falling due within one year	14	846	373
NET CURRENT ASSETS			
NET ASSETS		2,493	4,288
		8,506	7,260
FINANCED BY:			
CAPITAL AND RESERVES			
Called up share capital	15	1,180	1,118
Share premium account	16	44	-
Other reserves	16	5,528	3,959
Profit and loss account	17	1,754	2,183
SHAREHOLDERS' FUNDS		8,506	7,260

Approved by the Board of Directors on 16 June 1994

R. A. FIELD

C. S. BRACE

Consolidated Cash Flow Statement

For the year ended 31 March 1994

	Note	1994 £'000	1993 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	4,613	2,784
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		82	117
Interest paid		(60)	(2)
Interest element of finance lease		-	(20)
Dividends paid		(456)	(112)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(434)	(17)
TAXATION		(283)	(37)
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(591)	(379)
Sale of tangible fixed assets		610	76
Payments for businesses acquired	19	(4,879)	(1,452)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(4,860)	(1,755)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(964)	975
FINANCING			
Issue of ordinary shares	24	56	12
Capital element of finance lease repayments		-	(220)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING		56	(208)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	25	(908)	767

Notes to the Accounts

For the year ended 31 March 1994

1. TURNOVER

The Group operates in a single business segment. Turnover all relates to the sale of stationery products.

An analysis of turnover by geographical area of destination is given below:

	1994 £'000	1993 £'000
United Kingdom	6,999	5,374
Continental Europe	6,963	3,774
Rest of World	6,131	5,267
	20,093	14,415

An analysis of turnover by origin is given below:

United Kingdom	11,022	9,744
Continental Europe	4,360	615
Rest of World	4,711	4,056
	20,093	14,415

The Directors consider that disclosure of the segmental analyses of pre-tax profit and net assets would be seriously prejudicial to the interests of the Group.

2. ANALYSIS OF OPERATING PROFITS - 1994

	Continuing operations £'000	Acquisitions £'000	Total £'000
Turnover	17,728	2,365	20,093
Cost of sales	7,930	1,202	9,132
Gross profit	9,798	1,163	10,961
Net operating expenses	7,211	508	7,719
Operating profit	2,587	655	3,242
Operating margin	14.6%	27.7%	16.1%

Details of acquisitions during the year are given in Note 19.

Notes to the Accounts

For the year ended 31 March 1994

3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994 £'000	1993 £'000
Is after charging/(crediting) the following items:		
Directors' emoluments (Note 4)		
Rentals under operating leases:	467	458
– land and buildings		
– other assets	231	118
Moving costs	116	44
Foreign exchange losses/(gains)	–	266†
Auditors' remuneration for audit services	26	(255)
Auditors' remuneration for non audit services ‡	69	30
Depreciation	18	15
	188	276†

†Included in moving costs in 1993 is accelerated depreciation of £56,000.

‡Included in the costs of acquisition are fees to the auditors for non audit services of £48,000 (1993: £26,000).

4. DIRECTORS' EMOLUMENTS

	1994 £'000	1993 £'000
Fees		
Executive remuneration – performance related	18	16
Executive remuneration – other	89	161
Payments in lieu of notice	297	256
Pension contributions	31	–
Pension paid to former Director	31	24
	1	1
	467	458

REMUNERATION AND FEES OF:

Chairman:		
Fees		
	15	16
Highest paid Director:		
Salary and benefits		
Performance related bonus	97	78
Pension contributions	51	115
	9	8
	157	201

Notes to the Accounts

For the year ended 31 March 1994

4. DIRECTORS' EMOLUMENTS CONTINUED

	1994 Number	1993 Number
Scale of Executive remuneration and fees of all Directors:		
£Nil	2	5
£1 – £5,000	1	–
£10,001 – £15,000	–	1
£15,001 – £20,000	–	1
£60,001 – £65,000	1	–
£70,001 – £75,000	–	1
£75,001 – £80,000	–	1
£80,001 – £85,000	1	–
£90,001 – £95,000	1	–
£105,001 – £110,000	1	–
£145,001 – £150,000	–	1
£190,001 – £195,000	7	10

BONUS CALCULATIONS

All executive Directors receive performance related bonuses as part of their remuneration package. These bonuses have been calculated based upon the increase in earnings per share and the achievement of budget. The Chief Executive and highest paid Director received a bonus of £50,500 (1993: £114,700). No minimum levels of bonus are guaranteed. Where targets are not achieved no bonuses are paid.

DIRECTORS' SHARE OPTIONS

The executive Directors who held office at 31 March 1994 were beneficially interested in options to acquire ordinary shares of the Company as shown in the table below. The options shown have been granted under both the Executive Share Option Scheme and the Employee Sharesave Scheme. The dates at which the options are exercisable refer to the earliest and latest dates at which options within the total can be exercised and do not necessarily refer to the whole balance.

	1/4/93	Exercised	Granted	31/3/94	Weighted Average Exercise Price	Dates Exercisable
R.A. Field	497,568	2,800	7,632	502,400	37.3p	May 93 – Nov 2002
C.S. Brace	174,287	–	7,632	181,919	41.3p	May 95 – Nov 2002
R.D. Eteson	180,287	–	7,632	187,919	41.0p	Nov 93 – Nov 2002
	852,142	2,800	22,896	872,238	38.9p	

All of the options granted to Directors during the year were under the Employee Sharesave Scheme with an exercise price of 90.4 pence per ordinary share.

Notes to the Accounts

For the year ended 31 March 1994

	1994 £'000	1993 £'000
5. STAFF COSTS		
Wages and salaries	2,469	2,002
Social security costs	399	176
Other pension costs	98	127
	2,966	2,305

The average number of employees during the year was made up as follows:

	8	12
Production and warehousing		
Office, sales and management	93	68
	101	80

6. INTEREST PAYABLE AND SIMILAR CHARGES		
Bank overdrafts	33	2
Charges payable under finance leases	—	21
Other	27	—
	60	23

7. TAXATION		
UK corporation tax at 33%	740	220
Overseas taxation	362	252
Deferred taxation	—	43
Net taxation adjustments of previous years	(123)	(43)
	979	472

The provisions for UK and overseas taxation on the profits for the years ended 31 March 1994 and 1993 were reduced due to the availability of tax losses brought forward both in the UK and overseas.

8. DIVIDENDS		
Interim – paid 0.75p (1993: 0.5p) per ordinary share net	176	112
Final – proposed 1.0p (1993: 0.75p) per ordinary share net	236	168
	412	280

9. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after taxation of £2,285,000 (1993: £1,730,000) divided by the weighted average number of shares in issue during the year of 22,662,665 (1993: 22,344,564). The earnings per share is not materially different in either year when calculated on a fully diluted basis.

Notes to the Accounts

For the year ended 31 March 1994

10. TANGIBLE FIXED ASSETS – GROUP

	Short Leasehold Property £'000	Plant and Equipment £'000	Motor Vehicles £'000	Total £'000
COST				
At 1 April 1993	123	824	128	1,075
Exchange adjustments	–	(1)	–	(1)
Additions	68	509	68	645
Disposals	(78)	(593)	(98)	(769)
At 31 March 1994	113	739	98	950
DEPRECIATION				
At 1 April 1993	83	736	40	859
Charge for the year	32	130	26	188
Disposals	(76)	(593)	(43)	(712)
At 31 March 1994	39	273	23	335
NET BOOK VALUE				
At 31 March 1994	74	466	75	615
At 1 April 1993	40	88	88	216

11. INVESTMENTS

SUBSIDIARY UNDERTAKINGS

COST AND NET BOOK VALUE

	Shares £'000	Loans £'000	Total £'000
At 1 April 1993	722	2,250	2,972
Additions	3,041	–	3,041
At 31 March 1994	3,763	2,250	6,013

The following are the principal subsidiary undertakings of the Company as at 31 March 1994, all of which are wholly owned and are included in the consolidation. All subsidiary undertakings incorporated in England are registered in England and Wales.

Name	Activities	Country of Incorporation and operation
Filofax Limited	Supplier of stationery products	England
Filofax Inc	Supplier of stationery products	USA
Yard-O-Led Pencil Company Limited	Manufacturer of writing instruments	England
Filofax France SARL	Supplier of stationery products	France
Filofax A/S	Supplier of stationery products	Denmark
Filofax Sweden AB	Supplier of stationery products	Sweden
Filofax GmbH	Supplier of stationery products	Germany
Lefax Publishing Limited	Supplier of stationery products	England
Drakes Office Systems Limited	Supplier of stationery products	England
Filofax Hong Kong Limited	Supplier of stationery products	Hong Kong

Notes to the Accounts

For the year ended 31 March 1994

12. STOCKS

Stocks comprise finished goods and goods for resale.

13. DEBTORS

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	1,905	—	1,284	—
Amounts owed by subsidiary undertakings	—	3,100	—	4,531
Other debtors	225	6	236	—
Prepayments and accrued income	126	—	166	—
Taxation recoverable	233	233	130	130
	2,489	3,339	1,816	4,661

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994		1993	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank overdrafts	—	—	35	—
Trade creditors	2,075	—	1,201	—
Corporation tax payable	1,307	—	484	—
Advance corporation tax payable	110	110	93	93
Other taxes and social security	168	—	43	—
Other creditors	188	—	114	—
Accruals	1,022	—	927	—
Amounts payable in respect of acquisitions	943	500	—	—
Dividend payable	236	236	280	280
	6,049	846	3,177	373

Notes to the Accounts

For the year ended 31 March 1994

15. SHARE CAPITAL

	1994 £'000	1993 £'000
Authorised:		
30,000,000 ordinary shares of 5p each	1,500	1,500
Allotted, called up and fully paid:		
At 1 April 1993 22,368,119 ordinary shares of 5p each	1,118	1,116
Issued in the year 1,226,470 ordinary shares of 5p each	62	2
At 31 March 1994 23,594,589 ordinary shares of 5p each	1,180	1,118

The shares issued during the year were issued under the Employee Sharesave Scheme and the Executive Share Option Scheme and by the issue of 1,000,000 shares in connection with the acquisition of Drakes Office Systems Limited.

OPTIONS

There were outstanding at 31 March 1994 options granted to Directors and employees within the Group to subscribe for 474,010 ordinary shares under the Employee Sharesave Scheme at prices ranging from 16.06p to 90.4p. The weighted average exercise price is 36.0p. These options are normally capable of being exercised over varying periods up to 3 August 1998.

There were outstanding at 31 March 1994 options granted to Directors and employees within the Group to subscribe for 869,724 ordinary shares under the Executive Share Option Scheme at prices between 30.0p and 113.0p. The weighted average exercise price is 41.8p. These options are normally capable of being exercised over varying periods up to 3 August 2002.

Details of Directors' interests in share options are given in Note 4.

16. SHARE PREMIUM ACCOUNT AND OTHER RESERVES

	Share premium account		Other reserves	
	Group £'000	Company £'000	Group £'000	Company £'000
At 1 April 1993	-	-	2,099	3,959
Premium on shares issued during the year	44	44	1,569	1,569
Goodwill on acquisitions written off	-	-	(3,668)	-
At 31 March 1994	44	44	-	5,528

As required by section 131 of the Companies Act 1985, the premium arising on ordinary shares in the Company issued in connection with the acquisition of Drakes Office Systems Limited has been credited to other reserves against which the goodwill arising on the acquisition has been written off. The cumulative amount of goodwill written off to reserves at 31 March 1994 amounts to £8,470,000 (1993: £1,860,000).

The other reserves of the Company include a special reserve of £3,959,000 which was set up under a special resolution passed on 23 February 1993, and which becomes distributable once all the creditors outstanding at that date have been met.

Notes to the Accounts

for the year ended 31 March 1994

17. PROFIT AND LOSS ACCOUNT

	Group £'000	Company £'000
At 1 April 1993	1,944	2,183
Retained profit/(loss) for the period	1,873	(429)
Exchange differences on translation of overseas subsidiary undertakings	24	-
Goodwill on acquisitions written off	(2,942)	-
At 31 March 1994	899	1,754

As permitted by section 230 of the Companies Act 1985, the Company has not presented its profit and loss account. The loss for the financial year dealt with in the accounts of the Company amounts to £17,000 (1993: Profit £2,319,000)

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	1994 £'000	1993 £'000
At 1 April 1993	5,161	5,075
Total recognised gains and losses for the year	2,309	1,732
Dividends	(412)	(280)
Goodwill on acquisitions written off	(6,610)	(1,378)
Issue of ordinary shares	1,675	12
At 31 March 1994	2,123	5,161

19. ACQUISITIONS OF BUSINESSES

During the year the Group made the following acquisitions of businesses:

In August 1993 the Group acquired the Filofax distribution business in Germany of Waltraud Bethge GmbH for an aggregate cash consideration of £894,000.

In September 1993 the Group acquired the Filofax distribution business in Sweden of Libris Media AB for an aggregate consideration of £2,158,000. At 31 March 1994, £305,000 remains payable in respect of this acquisition.

In November 1993 the Group acquired the business assets of Systemplan A/S in Denmark for an aggregate consideration of £914,000. At 31 March 1994, £138,000 remains payable in respect of this acquisition.

In December 1993 the Group acquired the whole of the capital of Drakes Office Systems Limited for an aggregate consideration of £3,000,000. A retention of £500,000 remains payable in respect of this acquisition, the balance was funded by the issue of 1,000,000 ordinary shares at £1.65 each and by the use of cash reserves. Goodwill written off in respect of the acquisition of Drakes Office Systems Limited amounts to £2,990,000.

Notes to the Accounts

For the year ended 31 March 1994

19. ACQUISITIONS OF BUSINESSES CONTINUED

The following table provides an analysis of the assets and liabilities acquired and the related fair value adjustments in respect of the above acquisitions. These adjustments relate primarily to the restatement of acquired assets to their realisable value at the date of acquisition.

	Book value £'000	Acquisition adjustments £'000	Fair value £'000
Tangible fixed assets	147	(93)	54
Stock	1,034	(285)	749
Trade debtors and prepayments	594	-	594
Creditors and accruals	(566)	-	(566)
	1,209	(378)	831
Acquisition expenses			(475)
Goodwill written off			6,610
Consideration			6,966
Discharged by:			
Cash and cash equivalents			4,404
Shares issued			1,619
Retention			943
			6,966

The acquisitions described above contributed £1,018,000 to the Group's net cash inflow from operating activities, £3,000 in respect of net returns on investments and servicing of finance and a net cash outflow of £63,000 in respect of investing activities. There were no taxation payments during the year in respect of the acquired businesses. The net cash outflow in respect of the acquisitions and related expenses was £4,879,000. None of the acquired businesses had balances of cash and cash equivalents at the dates of acquisition.

20. PENSION COMMITMENTS

The Group operates a funded defined benefits pension scheme for its employees which provides benefits based upon final pensionable earnings. The assets of the scheme are held separately from those of Group Companies and are invested in a managed fund administered by Confederation Life Insurance company. Under the terms of the Trust Deed, the scheme is administered by the Trustees who delegate routine administration to the Alexander Consulting Group Limited.

Employer's contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives. The contributions are determined by qualified actuaries on the basis of triennial valuations using the aggregate cost method. The most recent valuation was as at 1 April 1992.

Notes to the Accounts

for the year ended 31 March 1994

20. PENSION COMMITMENTS CONTINUED

The pension charge for the period was £98,000 (1993: £127,000). This pension charge included £2,000 in respect of the amortisation of experience surplus over 21.1 years, the average remaining service life time of employees.

The most recent actuarial valuation showed that the market value of the scheme's assets was £345,000 and that the actuarial value of those assets represented 142% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7.5% per annum and that pensions payments would escalate at 3% per annum.

The Company contributes to the scheme at the rate of 10.4% of pensionable salaries inclusive of death-in-service benefit premiums. Employees contribute to the Plan at a rate of 5% of pensionable salaries.

21. OPERATING LEASE COMMITMENTS

The Group has annual commitments in respect of operating leases as follows:

	1994		1993	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Expiring:				
Within one year	98	22	72	23
Within two to five years	364	104	18	78
Over five years	108	—	52	—
	570	126	142	101

22. OTHER COMMITMENTS

CAPITAL COMMITMENTS

	1994 £'000	1993 £'000
Authorised but not contracted	—	320

GUARANTEES

The Company has guaranteed rentals payable by Filofax Inc under an operating lease amounting to £ 29,000 per annum for a period of five years.

There are cross guarantees between Filofax Group plc, Filofax Limited, Filofax Inc and Yard-O-Led Pencil Company Limited in respect of their overdrafts, which at 31 March 1994 were £ nil.

Notes to the Accounts

For the year ended 31 March 1994

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

	1994 £'000	1993 £'000
Operating profit	3,242	2,101
Depreciation charges	188	332
Profit on sale of fixed assets	—	(12)
Decrease/(Increase) in stocks	492	(155)
Decrease/(Increase) in debtors	78	(124)
Increase in creditors	613	635
Net cash inflow from operating activities	4,613	2,784

24. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including premium)		Finance lease	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
At 1 April 1993	1,118	5,065	—	220
Transfer to special reserve	—	(3,959)	—	—
Cash flows from financing	56	12	—	(220)
Shares issued in respect of acquisition	50	—	—	—
At 31 March 1994	1,224	1,118	—	—

25. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1994 £'000	1993 £'000
At 1 April 1993	3,314	2,622
Net cash (outflow)/inflow before adjustments for the effect of foreign exchange rate changes	(908)	767
Effect of foreign exchange rate changes	—	(75)
At 31 March 1994	2,406	3,314

Cash and cash equivalents comprise cash at bank and in hand of £2,406,000 (1993: £3,349,000) and bank overdrafts of £Nil (1993: £35,000).