09 03 94

Group plc [illegible]

Management headquarters

Registered office and administration

Offices [illegible]

Group legal adviser and company secretary

Director of human resources

Group chief accountant

Auditors

Financial advisers

Solicitors

Stockbrokers

Bankers

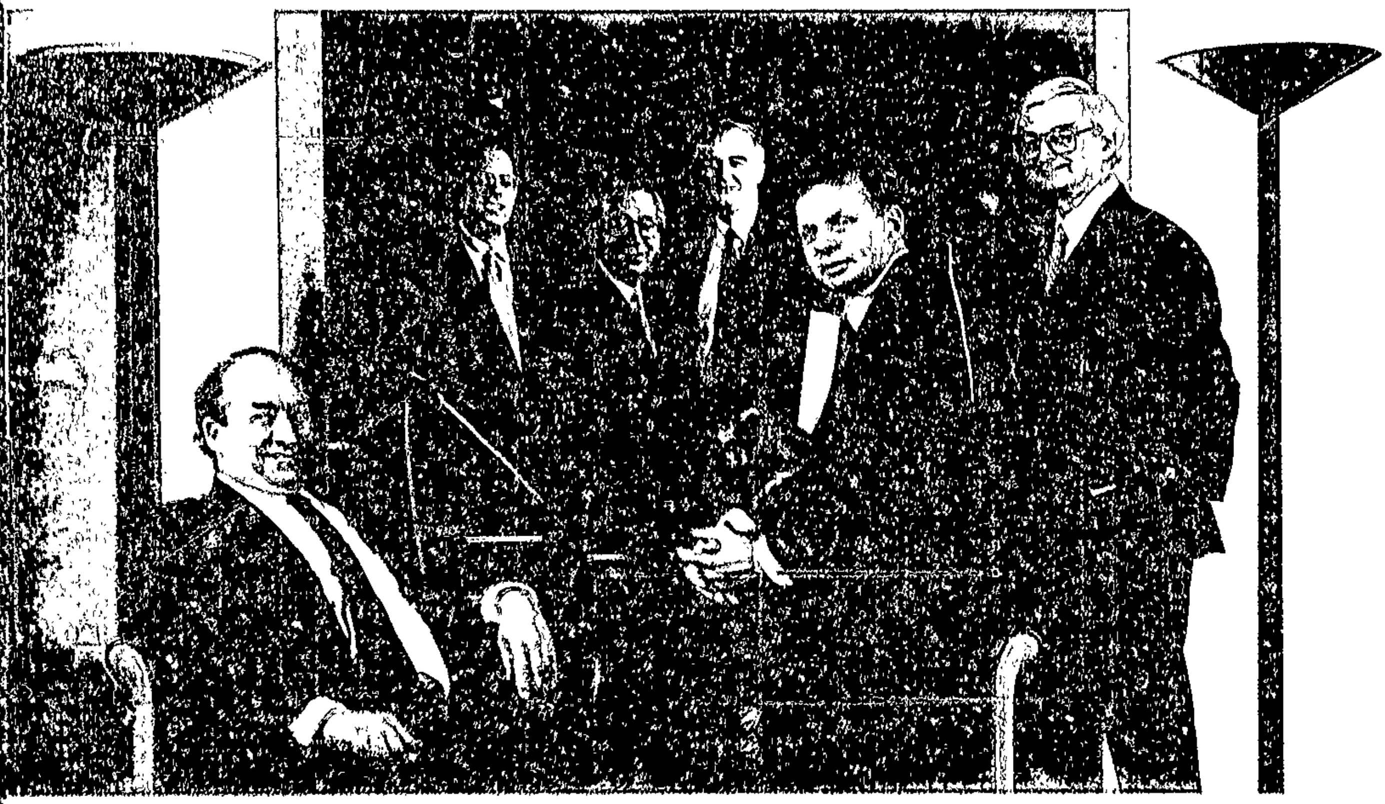
Registrars and transfer office

Our strategic objectives are:

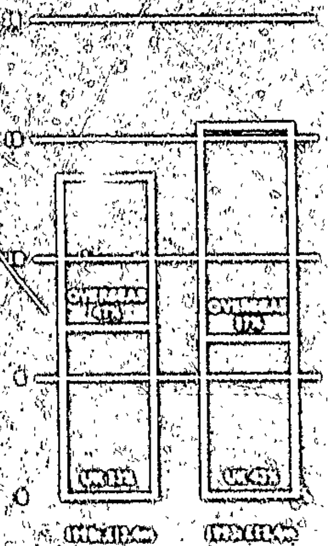
to develop and expand our activities on a global basis

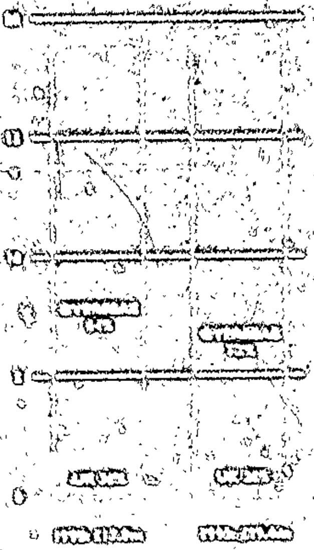
to achieve enhanced financial performance based on quality earnings

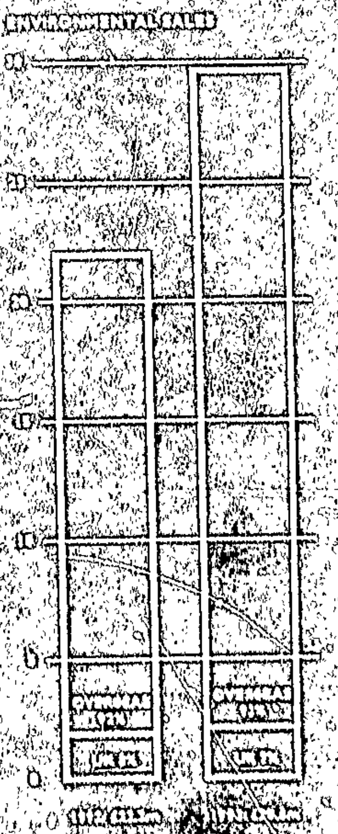
to continue to strengthen the balance sheet

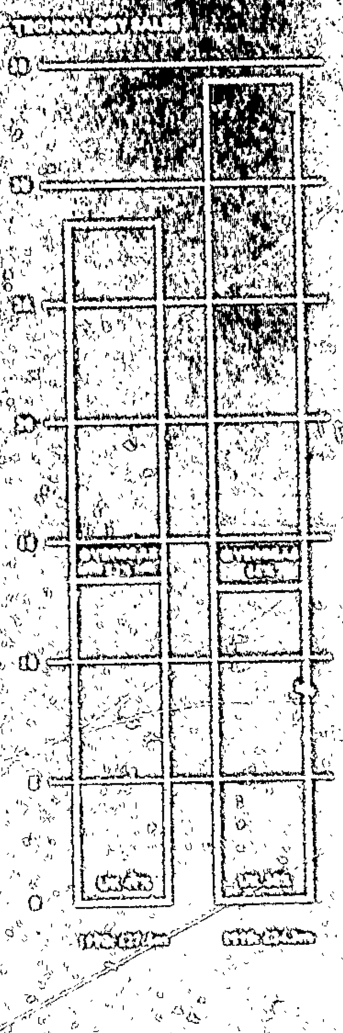


MEDICAL SALES






ENVIRONMENTAL SALES


TECHNOLOGY SALES

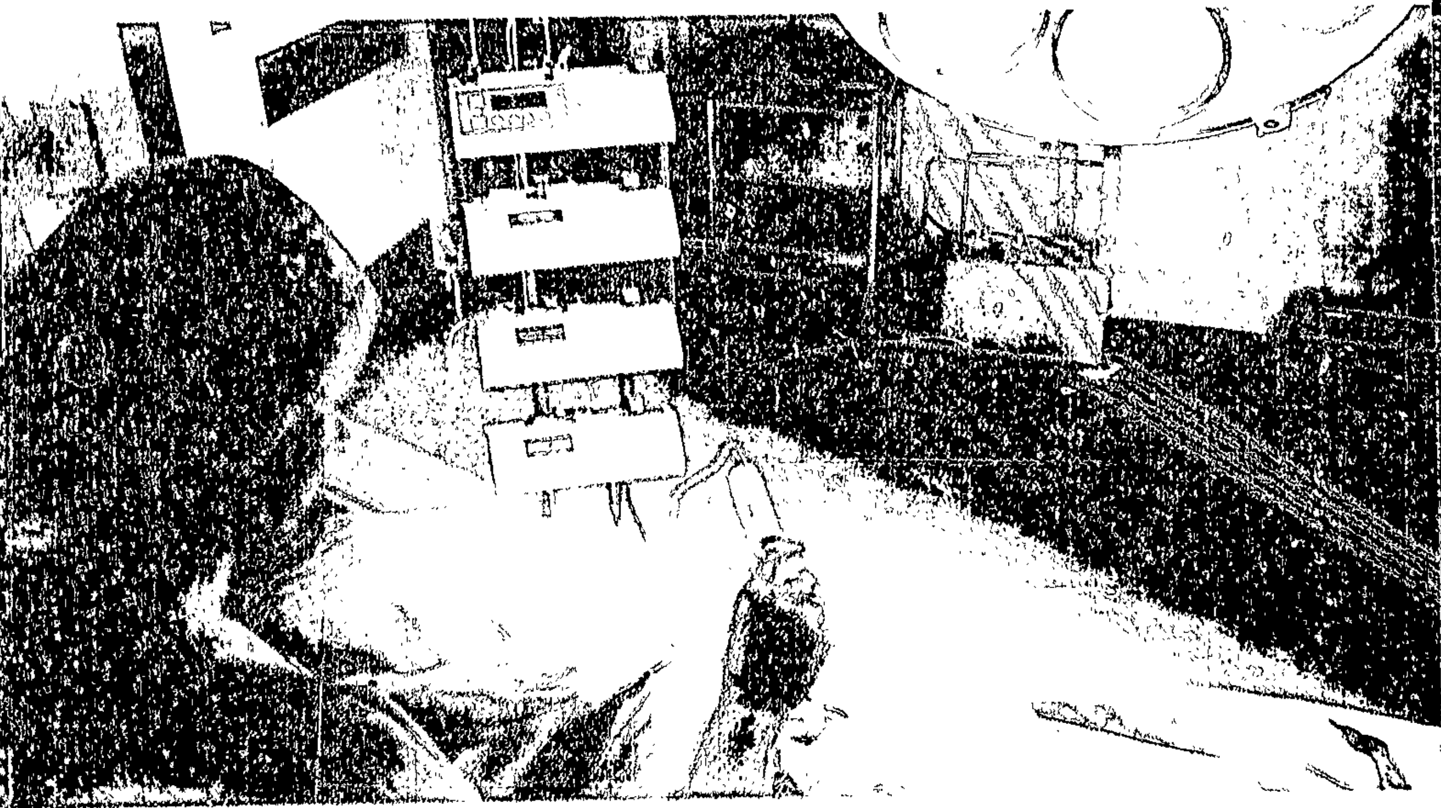
Substantial increase in overseas sales compensates for difficult conditions in the UK

Close co-operation with pharmaceutical companies in infusion system development

Six new products introduced during 1993

	1993	1992
	£m	£m
Turnover	15.4	13.4
Trading profit	1.9	2.4
Margin	12.5%	18.2%
Average net operating assets	4.0	3.0
Return on net operating assets	47.5%	79.6%

09'05'94



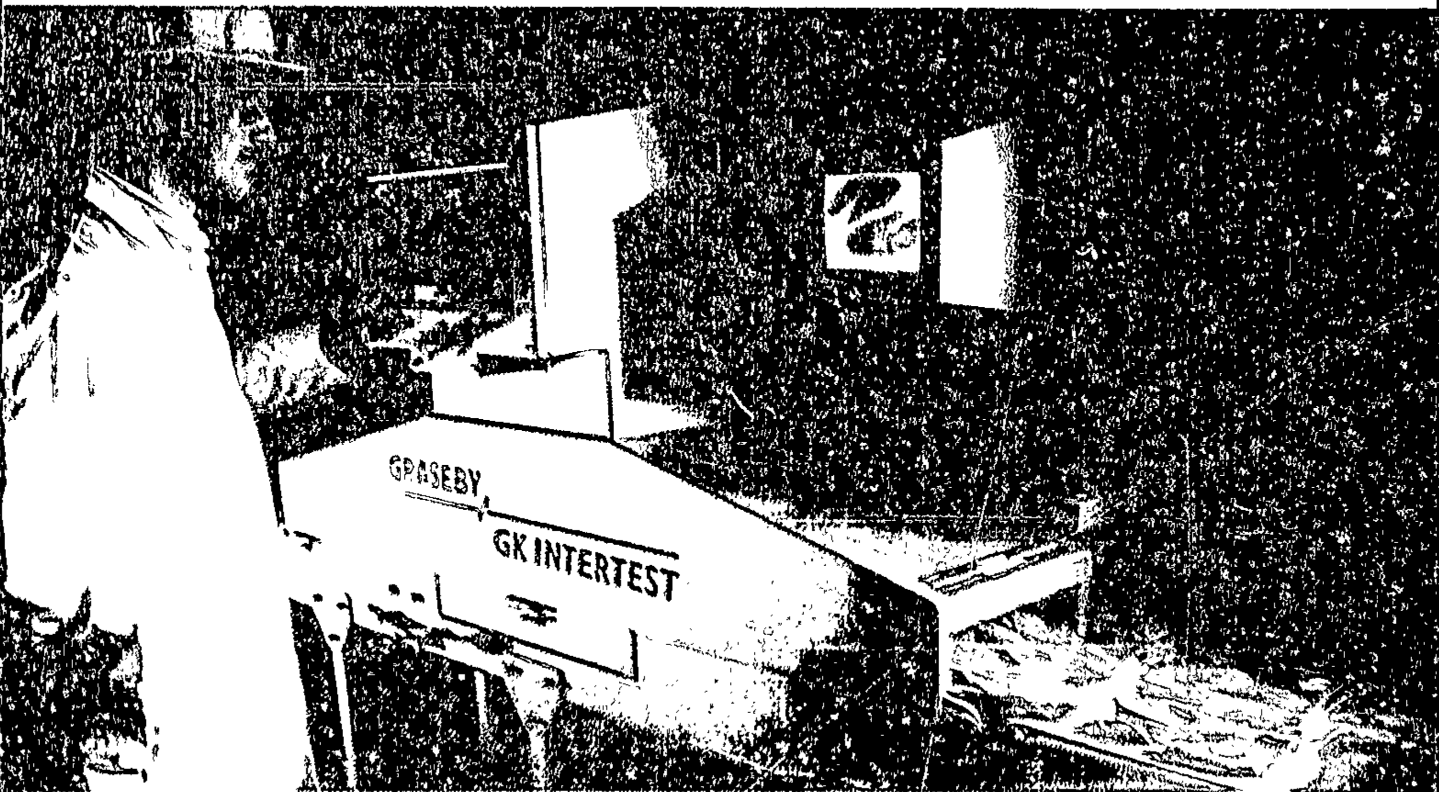
Introduction of Grasby GK Intertest's CDX Quality Management System

Strong performance in North America

Acquisition of the leading UK checkweigher manufacturer, Graseby Goring Kerr

	[illegible]	[illegible]
Turnover	[illegible]	[illegible]
Trading profit	[illegible]	[illegible]
Margin	[illegible]	[illegible]
Average net operating assets	[illegible]	[illegible]
Return on net operating assets	[illegible]	[illegible]

09 05 94

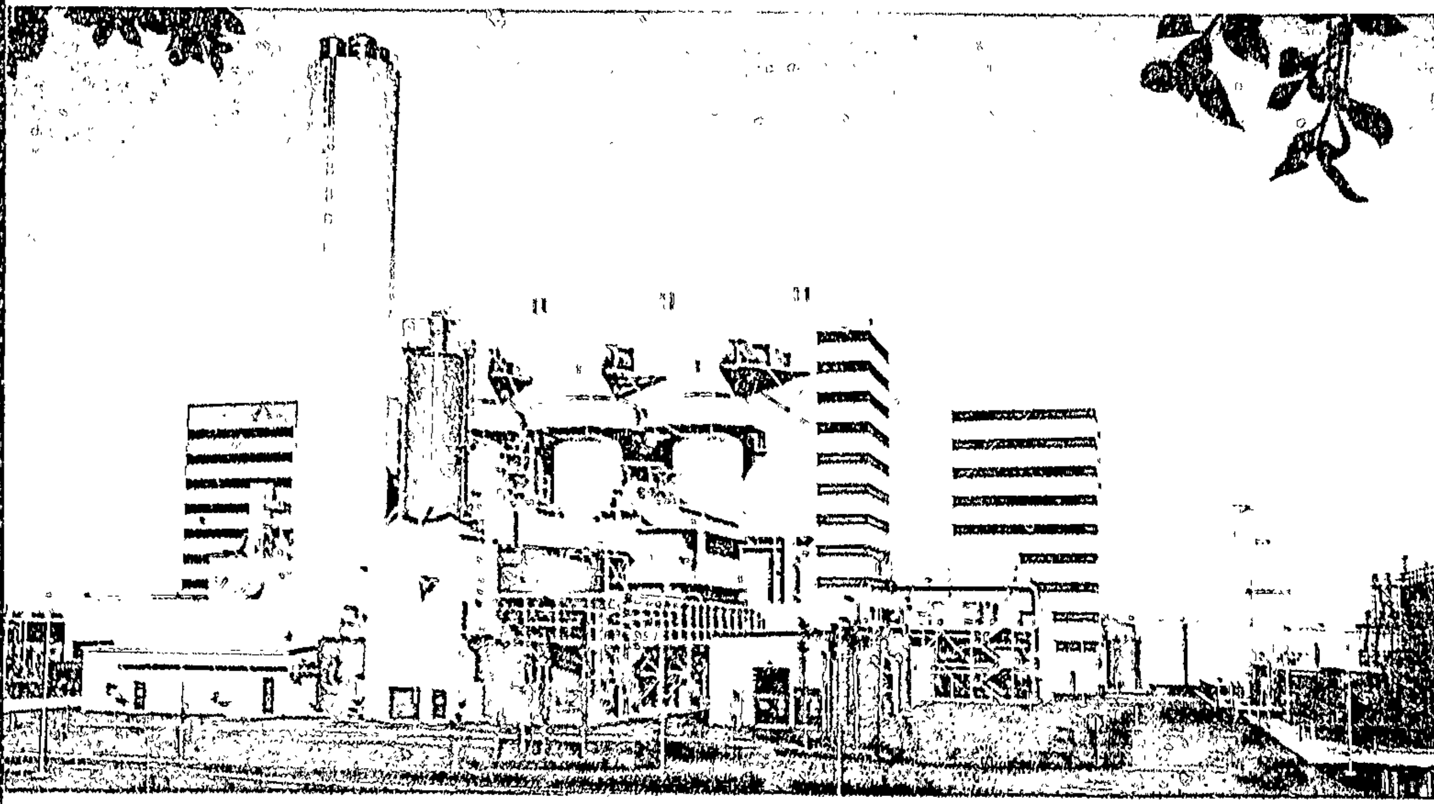


Strong growth in continuous emission monitoring

Particulate monitoring growth impeded by EPA inactivity

Increased sales and profit in specialist spectroscopy accessories

	1993 £m	1992 £m
Turnover	29.6	22.[illegible]
Trading profit	3.3	3.6
Margin	11.0%	16.[illegible]%
Average net operating assets	8.9	6.9
Return on net operating assets	36.7%	52.7%

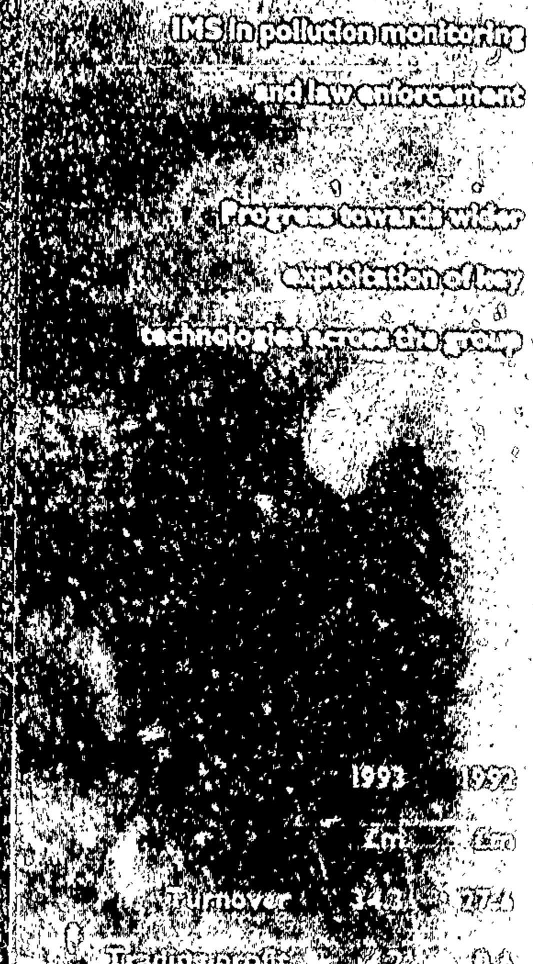


R

Exceptionally strong year particularly for defence activities

Commercial applications for IMS in pollution monitoring and law enforcement

Progress towards wider exploitation of key technologies across the group



	1993	1992
	£m	£m
Turnover	34.8	27.4
Trading profit	4.2	0.6
Margin	12.2%	2.1%
Average net operating assets	11.0	10.4
Return on net operating assets	38.0%	5.0%

09 05 94

Adjusted earnings per share increased by 43%

International sales increased by 21%

Gearing reduced to 66%

Interest cover eight times

Following the proposed adoption of a more conservative distribution policy, the year's dividends absorbed £4.2m, £2.7m less than in 1992. This has enabled £3.0m to be transferred to retained profit compared with a reduction of £6.1m the previous year.

Cash flow Operating cash flow of £7.7m from continuing operations was £4.5m lower than in 1992 despite the increase of £1.3m in operating profit, largely due to an increase of £5.1m in working capital. £1.7m of this increase was the settlement of VAT on the Enfield property sale completed in late 1992. Apart from this, the main factor was the increased working capital caused by the steep build up in the Environmental utilities business. Cash generated in the discontinued operations outweighed restructuring costs by £1.5m to provide total cash flow from operations unchanged from 1992 at £9.2m.

Interest and dividends absorbed £8.3m, only £1.0m less than in 1992 as the cash benefit of the reduced dividend will not be realised until 1994. However, taxation generated a net receipt of £0.4m through recovery of ACT against earlier years' profits. With investment in property improvements and plant taking £2.1m, there was an overall cash outflow of £0.8m from normal operations which represented an improvement of £5.4m over 1992. With net proceeds of £3.[illegible]m from property sales and business disposals, there was an overall cash [illegible] of £[illegible] in the year.

Net assets and capital employed Group net assets of £40.1m reflect a reduction of £[illegible]m largely as a result of the property and business disposals offsetting increased working capital. [illegible] £[illegible] of investment properties and trade investments which it is intended [illegible] [illegible] opportunities arise.

[illegible] equity capital of £28.2m and net borrowings of £15.9m, [illegible] compared [illegible] 1992. The combination of [illegible] a reduction of £[illegible] in borrowings enabled [illegible] Anderson which had been planned [illegible]. The [illegible] adverse stock market conditions in the [illegible] when an acceptable valuation can be achieved. [illegible] carried forward in the balance sheet.

The [illegible] at 31st December 1993 reflected bank loans of £[illegible]m and [illegible] the bank loans £14 [illegible] repayable within one [illegible] three year period. The loan [illegible] continuing policy for [illegible]

Graseby is committed to
policies programmes and
practices which protect and
care for the environment
for those who share it now
and in the future

09-03-94

Total Quality
is a process of continuous
improvement supporting
Graseby's commitment to
deliver to customers'
specifications on time and
at an agreed price

Corporate governance

The directors have considered carefully the Code of Best Practice published in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance. Graseby has complied with the spirit of the Code for many years; in particular, it has long had an Audit Committee and a Remuneration Committee. Other than in the two cases mentioned below, Graseby complies with the letter of the Code except to the extent that compliance with the Code cannot be confirmed until the necessary guidelines concerning 'internal controls' and 'going concern' have been published.

The Audit Committee consists of two non-executive directors (one of whom is the chairman of the committee) and the financial director, who also serves as secretary to the committee. The committee advises the board on the preparation of the group's interim statement and annual accounts, the adequacy of the group's financial information systems and financial controls, and the appointment and remuneration of the auditors and the scope and remit of their audit. Insofar as the committee includes the financial director, this is a departure from the Code. It is a practice which has been adopted by Graseby for many years, works well and which the board intends to maintain. The non-executive members of the committee enquire of the auditors if there are any matters they wish to raise in the absence of the financial director.

The company does not have a standing nomination committee, which may be considered a departure from the Code. In the case of non-executive appointments to the board, the matter is discussed first by the board as a whole which agrees on the general desirability of an appointment and the broad specification the candidate should meet. Progression of the matter is then delegated to the chairman and the chief executive to look for suitable candidates with the assistance of an executive search agency. For the last non-executive appointment, Graseby used ProNed. The chairman and the chief executive submit a short list, usually consisting of two candidates, to be interviewed by the board as a whole. A final decision is taken in a full board meeting after all board members have met the candidates. This practice has served Graseby well and the board intends to continue it. Although non-executive directors are not appointed for a specific term, given the current size of the board they cannot serve for more than three years without submitting themselves for re-election by shareholders. Graseby's non-executive directors are aware that each nomination by the board of them as candidates for re-election is not automatic. Each case is discussed individually by the chairman with other non-executive directors and the chief executive. The chairman then informs the non-executive director concerned of the board's view. Any director can be removed from the board by notice in writing from the other directors.

09·05·94

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing the financial statements, the directors consider that the group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, subject to any material departures and explanations disclosed in the notes to the financial statements.

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

Report of the auditors to the members of Graseby plc

We have audited the financial statements on pages 24 to 45.

Respective responsibilities of directors and auditors

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

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's affairs at [illegible] and of its [illegible], total recognised gains and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors

London [illegible] 1994

Accounting policies

Basis of accounts The accounts are prepared in accordance with applicable accounting standards in the UK. They are based on the historical cost convention, with the exception of land and buildings which are included at open market value for existing use and in present condition.

Basis of consolidation The consolidated accounts comprise the accounts of the holding company and all subsidiary undertakings made up to 31st December. Sales between group companies together with related profits are eliminated on consolidation.

Subsidiary undertakings Where subsidiary undertakings are acquired or disposed of during the year, the group's trading result includes any profits or losses from the effective date of acquisition or to the effective date of disposal.

If certain conditions are satisfied, an issue of shares by the holding company as consideration for the acquisition of a subsidiary undertaking will qualify for the relief from the creation of a share premium account given in the Companies Act 1985. In those circumstances, any excess of the value ascribed to the acquired undertaking's shares over the nominal value of the holding company's shares issued, together with associated costs, is taken to a merger reserve in the consolidated accounts.

In the holding company balance sheet the investment in subsidiary undertakings is valued at the [illegible] asset value of the respective undertakings as at 1st January 1980, with [illegible] at cost or valuation; provision is made for reductions in underlying net asset values [illegible] permanent diminutions. Cost includes the nominal value of [illegible] holding company shares issued as consideration, together with associated costs; where [illegible] the underlying net tangible asset value of the acquired undertaking [illegible]

Associated undertakings [illegible] associated undertakings are valued in the consolidated balance sheet at the [illegible] net tangible asset value.

Goodwill [illegible] subsidiary and associated undertakings and business [illegible] acquisition. Goodwill is represented by the [illegible] over the fair value of the net assets acquired.

Foreign currency [illegible] are accounted for in the results [illegible]

[illegible] translated [illegible] covered by forward [illegible] are translated at the average rate of [illegible] from the retranslation of the opening [illegible] translation of the results of those [illegible]

Pension contributions [illegible] which are externally funded. [illegible] by a professionally qualified independent [illegible] being determined by the actuary. In the intervening [illegible] Pension costs are [illegible] the company [illegible] variations in cost arising from the [illegible] spread over the [illegible] of the scheme.

Tangible fixed assets [illegible] buildings and long term leaseholds [illegible] and in present condition [illegible] last [illegible] charged.

09·05·94

Investment properties, being freehold and long term leasehold properties which are not occupied by group companies, are stated at their open market value as established by periodic professional valuation, with subsequent additions at cost. In the intervening years no depreciation is charged but valuations are reviewed by the directors in conjunction with appropriate professional advice and adjustment made, if appropriate.

Other tangible fixed assets: Plant and machinery, fixtures, fittings, tools and equipment are stated at historical cost less depreciation.

Depreciation Depreciation of fixed assets is provided on a straight line basis at such rates as will write off the cost of the assets over their expected useful working lives. The principal annual rates used for this purpose are

– Land	Nil
– Buildings	2%
– Permanent installations in buildings	4%
– Test equipment	14%
– Other plant (including furniture and fittings)	10%

Leasehold properties are amortised over the period of the lease not exceeding 50 years.

Stocks Stocks and work in progress are stated at the lower of cost and net realisable values with provisions being made, where necessary, for obsolete, slow moving and defective stocks. Cost is determined on the first in first out basis and includes material, direct labour and overheads appropriate to the relevant stage of production. Net realisable value represents the estimated amount at which stocks and work in progress will be realised after taking into account relevant marketing, selling and distribution costs.

Long-term contracts Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. In calculating cost of sales, a prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty.

Amounts included in work in progress represent costs not yet charged to the profit and loss account less, where appropriate, provision for losses expected to arise on completion of the contracts. Progress payments received relating to this work in progress are deducted.

Debtors Debtors are stated after making such provisions as are considered necessary to cover the risk of bad debts.

Reorganisation costs Provision is made for planned removal and reorganisation costs of a revenue nature at [illegible]

Deferred taxation No provision is made for deferred taxation unless, in the opinion of the directors, there is a reasonable probability that the relevant amount will crystallise in the foreseeable future.

Minority interests Outside shareholdings in consolidated subsidiaries are valued at net tangible asset value.

Research and development All expenditure on research and development is charged to profit and loss account as incurred.

Government grants Investment grants and other government grants of a capital nature are credited to profit and loss account over the estimated useful lives of the assets on which grants are receivable.

Grants of a revenue nature are credited to profit and loss account in the year to which they apply.

Graseby plc Consolidated profit and loss account

For the year ended 31st December 1993

Notes		1993 £000	1993 £000	1992 £000	1992 £000
1	**Turnover**	98,354		80,672	
	Continuing operations	15,364		21,966	
	Discontinued operations		113,718		102,638
			(73 061)		(66,606)
3	Cost of sales		39,057		36,032
	Gross profit		(20,870)		(28,181)
3	Net operating expenses				
4	**Operating profit**	10,40[illegible]		9,175	
	Continuing operations	501		(1,324)	
	Discontinued operations		10,987		7,851
	Exceptional items		(440)		1,484
6a	Profit/(loss) on sale of investment properties	504		(2,213)	
6b	Profit/(loss) on disposal of discontinued operations	(361)		(3,594)	
	Goodwill previously written off		433		(5,797)
			10,970		3,538
	Profit on ordinary activities before interest		(5 400)		(2,522)
7	Interest (net)		9,57[illegible]		1,016
	Profit on ordinary activities before taxation		(2,356)		(150)
8	Tax on profit on ordinary activities		7,214		866
	Profit on ordinary activities after taxation		24		(22)
	Minority interests		7 990		844
9	Profit attributable to shareholders		(4,991)		(6,946)
10	Dividends paid and proposed		2,017		(6,072)
24	**Retained profit/(loss) for the year**				
10	**Dividends per share (net)**	15p		10.9p	
11a	**Earnings per share**	11.4p		1.3p	
11b	**Adjusted earnings per share**	11.4p		8.0p	

The notes on pages 30 to 45 form part of these accounts

The report of the auditors is on page 23

Graseby plc Balance sheets

At 31st December 1993

Notes		Group 1993 £000	Group 1992 £000	Company 1993 £000	Company 1992 £000
	Fixed assets				
12	Tangible assets	16,648	21,130	8,003	10,767
	Investments				
13	– Subsidiary undertakings	–	–	45,412	48,610
14	– Trade	3,615	3,615	3,615	3,615
	– Other	103	102	–	–
		20,366	24,847	57,030	62,992
	Current assets				
15	Stocks	12,722	17,435	–	–
	Debtors				
16a	– due within one year	28,399	26,100	4,047	2,477
16b	– due after more than one year	3,104	3,309	64,037	55,583
	Cash at bank and in hand	7,053	7,069	1,661	19
		51,278	53,913	69,745	58,079
17	**Creditors – due within one year**	(42,035)	(49,124)	(21,763)	(25,330)
	Net current assets	9,243	4,789	47,982	32,749
	Total assets less current liabilities	29,609	29,636	105,012	95,741
18	**Creditors – due after more than one year**	(2,819)	(6,259)	(48,374)	(38,673)
20	**Provision for liabilities and charges**	(2,735)	(2,419)	(982)	(510)
		24,282	20,958	55,656	56,558
	Capital and reserves				
23	Called up share capital	15,864	15,862	15,864	15,862
24	Share premium account	49,747	40,740	49,747	49,740
24	Revaluation reserve	9,500	4,028	4,400	7,135
24	Other reserves	(20,090)	21,148	2,010	2,479
24	Profit and loss account	[illegible]	(10,422)	40,076	19,342
	Shareholders' funds	[illegible]	20,901	55,656	56,558
	Minority interests	[illegible]	57	–	–
		24,282	20,958	55,656	56,558

These accounts were approved by the board on 9th March 1994

J B H Jackson Chairman

The notes on pages 30 to 45 form part of these accounts

The report of the auditors is on page 33

Graseby plc Consolidated cash flow statement

For the year ended 31st December 1993

Notes		1993	1993	1992	1992
		£000	£000	£000	£000
29(i)	**Net cash flow from continuing operating activities**	7,671		12,206	
	Discontinued activities and restructuring costs	1,537		(3,004)	
	Net cash inflow from operating activities		9,108		9,202
	Returns on investments and servicing of finance				
	Interest received	201		230	
	Interest paid	(1,601)		(2,752)	
	Dividends paid	(6,916)		(6,828)	
			(8,316)		(9,350)
	Taxation received/(paid)		303		(2,725)
	Investing activities				
	Purchase of tangible fixed assets	(2,094)		(3,280)	
	Sale of tangible fixed assets	2,404		10,125	
29(ii)	Purchase of businesses	(25)		(2,304)	
29(ii)	Sale of businesses	4,471		2,071	
	Purchase of trade investments	(9)		(850)	
			4,534		5,962
	Net cash inflow before financing		4,707		3,089
	Financing				
	Issue of ordinary share capital	(9)		8	
	Additional borrowings	(2,103)		(5,778)	
	Repayment of amounts borrowed	9,456		6,703	
			8,904		917
23(iv)	**Increase/(decrease) in cash and cash equivalents**		[illegible]		2,172
			[illegible]		3,089

The notes on pages 30 to 43 form part of these accounts

The report of the auditors is on page 39

Graseby plc Total consolidated recognised gains and losses

For the year ended 31st December 1993

	1993	1992
	£000	£000
Profit attributable to shareholders	7,238	844
Unrealised loss on revaluation of investment properties	-	(2,890)
Exchange differences on foreign currency net investments	(35)	(717)
Total recognised gains/(losses) for the year	7,203	(2,763)

Historical cost consolidated profits and losses

For the year ended 31st December 1993

	1993	1992
	£000	£000
Reported profit on ordinary activities before taxation	9,578	1,016
Realisation of property [illegible]	445	5,532
Historical cost profit on ordinary activities before taxation	10,023	6,548
Retained profit/(loss) for the year, after taxation, minority interests and dividends	[illegible]	(540)

There is no material difference between depreciation charge based on revalued and historical cost book values.

Movement in consolidated shareholders' funds

For the year ended 31st December 1993

	1993	1992
	£000	£000
Total recognised gains/(losses) for the year	7,203	(2,763)
Dividends	[illegible]	(6,976)
Shares issued	-	2,961
Goodwill		
[illegible] on acquisitions	[illegible]	(6,314)
[illegible] on disposals	[illegible]	1,804
Net [illegible] in shareholders' funds	[illegible]	[illegible]
Shareholders' funds at 1st January	[illegible]	30,450
Shareholders' funds at 31st December	[illegible]	20,061

The notes on pages 30 to 45 form part of these accounts

The report of the auditors is on page 23

09·05·94

Notes to the accounts

1 Turnover

Turnover represents the invoiced value of goods and services provided to third parties, excluding VAT and similar taxes levied overseas. The geographical analysis of turnover by destination is as follows:

	[illegible]	1992
UK	40,090	43,283
Rest of EC	[illegible]	14,296
Other European countries	2,719	2,519
US	[illegible]	34,257
Other American countries	3,104	3,293
Asia	3,724	4,406
Rest of world	[illegible]	1,864
	[illegible]	102,638

2 Segmental analysis

The contributions of the various activities of the group to turnover, profit and net operating assets are set out below:

[illegible]	[illegible]	[illegible]	[illegible]	Turnover	Profit	Net assets
	[illegible]	[illegible]	[illegible]	1992	1992	1992
Medical	[illegible]	[illegible]	[illegible]	13,398	2,443	2,92?
[illegible]	[illegible]	[illegible]	[illegible]	1?,886	3,306	4,28?
Instrumentation	[illegible]	[illegible]	[illegible]	22,182	3,646	6,18?
[illegible]	[illegible]	[illegible]	[illegible]	2?,609	[illegible]	13,896
[illegible]	[illegible]	[illegible]	[illegible]	22,494	1,328	5,468
[illegible]	[illegible]	[illegible]	[illegible]	103,494	8,682	32,762
[illegible]		[illegible]	[illegible]		1,432	10,608
[illegible]		[illegible]	[illegible]		[illegible]	1,625
[illegible]	[illegible]			[illegible]		
[illegible]	[illegible]			[illegible]		
[illegible]		[illegible]	[illegible]		[illegible]	41,?43

[illegible] technology and [illegible]

[illegible] with the revised business groupings [illegible] operations of the business sold [illegible]

All amounts are expressed in £000s unless otherwise stated

Notes to the accounts

2 Segmental analysis (continued)

(b) By geographical region of origin

	Turnover	Profit	Net assets	Turnover	Profit	Net assets
	1993	1993	1993	1992	1992	1992
UK	67,381	7,865	13,634	65,586	4,869	19,322
North America	46,702	4,638	14,218	37,139	4,160	12,751
Other countries	3,861	(27)	724	3,406	(387)	689
Total trading activities	117,944	12,476	28,576	106,131	8,642	32,762
Property income (net)	–	520	7,851	–	1,432	10,605
Common costs	–	(2,009)	3,739	–	(2,223)	(1,624)
Inter-segment turnover from UK	(4,226)			(3,493)		
Third party turnover	113,718			102,638		
Operating profit and net assets		10,987	40,166		7,851	41,743
Net assets are reflected by:						
Capital and reserves			24,262			20,958
Net borrowings (note 29(iii))			15,904			20,785
Capital and reserves			40,166			41,743

3 Analysis of costs

	Continuing businesses	Discontinued businesses	Total	Continuing businesses	Discontinued businesses	Total
	1993	1993	1993	1992	1992	1992
Cost of sales	61,236	12,625	73,861	49,353	17,253	66,606
Distribution and selling costs	14,631	988	15,619	12,399	3,489	15,888
Administration expenses	13,165	1,250	14,415	11,432	2,565	13,997
Other operating income	(1,164)	–	(1,164)	(1,753)	(17)	(1,770)
Share of loss of associated undertakings	–	–	–	66	–	66
Net operating expenses	26,632	2,238	28,870	22,144	6,037	28,181

Cost of sales represents the expenditure incurred in bringing goods and services to the location and to the condition in which a sale could take place, including all related production overheads. Distribution and selling costs represent the expenditure incurred in distributing and making sales of goods and services to customers, including all related overheads. Administration expenses represent the costs of general management and all other overheads not directly related to production, distribution or selling. Other operating income arises principally from royalties and third party rents.

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

4 Operating profit

	1993	1992
This is stated after charging/(crediting)		
Fees to auditors:		
– Audit services including £103,000 (1992 £96,000) for the holding company	406	406
– Non audit services to the company and its UK subsidiary undertakings	160	172
Operating lease rentals including hire of plant and machinery £1,023,000 (1992 £1,147,000)	2,967	2,983
Depreciation of tangible fixed assets	2,654	2,697
Research and development	6,064	5,714
Exceptional items other than those shown separately in profit and loss account:		
– Reorganisation and severance costs	605	752
– Excess royalty provision relating to earlier years' sales	–	(540)
	605	212

5(i) Directors' emoluments

These comprise remuneration as follows:

	Highest paid director		All directors	
	1993	1992	1993	1992
– As directors	–	–	74	86
– As executives	153	150	332	326
– Pension contributions	27	27	84	83
– Performance related bonus	14	10	30	21
	194	187	520	516

There were no pension costs or bonus for the chairman whose emoluments were £36,500 (1992 £36,500).

Excluding pension contributions, the numbers of all directors in each remuneration band were as follows:

	1993	1992
£165,001 – £170,000	1	–
£160,001 – £165,000	–	1
£100,001 – £105,000	1	–
£95,001 – £100,000	–	1
£90,001 – £95,000	1	1
£35,001 – £40,000	1	1
£10,001 – £15,000	3	3
£5,001 – £10,000	–	1
£1 – £5,000	–	1

Information about the company's remuneration policy in respect of directors' remuneration is disclosed on page 50.

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

5(ii) Employee costs

	1993	1992
(a) Group employment costs – all employees including executive directors:		
Aggregate gross wages and salaries	28,233	30,441
Employers' national insurance contributions	2,595	2,784
Employers' pension costs (note 21)	1,026	1,160
	31,854	34,385

(b) The average number of persons employed by the group during the year, including executive directors, is analysed by principal activity below:

	1993	1992
Medical	172	160
Product Monitoring	277	288
Environmental	334	355
Technology	496	611
Discontinued operations	206	437
Central	18	19
	1,503	1,870

6 Exceptional items

(a) The loss on sale of investment properties relates primarily to the Lowestoft property formerly occupied by the group's UK controls activity. The profit in 1992 arose from the sale of a site at Enfield.

(b) The profit/(loss) on disposal of discontinued operations comprises the following transactions:

	1993	1992
Sale of businesses		
– Contract manufacturing and electro-static protection activities of Graseby Keltek Ltd and Graseby Plastic Systems Inc.	661	–
– Adjustments arising from 1992 sales of flexible circuit, machine tool and UK controls activities	(121)	(2,623)
Included within these figures is goodwill previously written off of £361,000 (1992 £1,527,000)		
Closure of doppler measurement operation in France (including for 1992 goodwill of £2,067,000 previously written off)	(117)	(2,937)
Write down of trade investments, reflecting a reduction in value of consideration taken on disposals of earlier years	–	(237)
Profit/(loss) in year	423	(5,797)

(c) The exceptional items shown above give rise in 1993 to no tax adjustment (1992 credit £157,000).

7 Interest (net)

This comprises:	1993	1992
Interest receivable and similar income	(201)	(230)
Interest payable and similar charges	1,601	2,752
	1,400	2,522

There were no income and charges other than interest. The interest payable related to bank overdrafts and loans wholly repayable within five years and included £147,000 (1992 nil) in respect of loans repayable by instalments.

All amounts are expressed in £000 unless otherwise stated

09·05·94

Notes to the accounts

8 Tax on profit on ordinary activities

	1993	1993	1992	1992
In respect of the current year:				
– UK taxation:				
Corporation tax at 33% (1992 33%) on the profit for the year		1,431		(681)
Deferred tax		437		823
		1,868		142
– Overseas taxation:				
Tax on result for the year	622		376	
Deferred tax	104	726	112	488
		2,594		630
Adjustment in respect of prior years		(238)		(480)
		2,356		150

The UK tax charge for the year has been increased by £106,000 (1992 decrease of £716,000) as a result of the difference between depreciation and tax allowances together with other timing differences, for which partial provision for deferred taxation is made in accordance with the group's accounting policy. It has been reduced by £105,000 (1992 £619,000) through the use of tax losses brought forward.

The charge to overseas tax has been reduced by £148,000 (1992 £450,000 reduction) in respect of timing differences and by a further £730,000 (1992 £300,000) through utilisation of tax losses in the US. There remain tax losses in excess of $12m (1992 $14m) available for offset against future tax liabilities arising in the US environmental companies.

9 Profit attributable to shareholders

No separate profit and loss account is published for the holding company, Graseby plc (Graseby), but the consolidated profit attributable to shareholders includes £3,497,000 (1992 £7,719,000) dealt with in that company's accounts.

10 Dividends paid and proposed

These comprise:

	Per share 1993	Amount 1993	Per share 1992	Amount 1992
Interim dividend	3.30p	2,094	3.30p	2,094
Proposed final dividend	3.30p	2,127	7.60p	4,822
Total dividends	6.60p	4,221	10.90p	6,916
Equivalent gross dividend including associated tax credit	8.52p		14.21p	

11 Earnings per share

(a) Earnings per share represent the profit attributable to shareholders, of £7,238,000 (1992 £844,000) divided by 63,451,001 (1992 62,891,106) being the weighted average number of shares in issue during the year.

(b) Adjusted earnings per share provide, in the opinion of the directors, a more reliable indication of relative performance. The calculation is as indicated in (a) except that non-recurring items which are capital in nature have been excluded together with the associated tax effect:

	Per share 1993	Amount 1993	Per share 1992	Amount 1992
Profit attributable to shareholders	11.4p	7,238	1.3p	844
Exclude				
– (Profit)/loss on sale of investment properties	0.7p	440	(2.3p)	(1,455)
– (Profit)/loss on disposal of discontinued operations	(0.7p)	(423)	9.0p	5,611
Adjusted earnings	11.4p	7,255	8.0p	5,000

Neither of the above calculations is materially affected if calculated on a fully diluted basis to recognise options outstanding (see note 23).

All amounts are expressed in £000 unless otherwise stated

09·05·94

Notes to the accounts

12 Tangible assets

Group	Total	Freehold land and buildings	Leasehold land and buildings	Investment properties	Plant and machinery	Fixtures, fittings and equipment
Cost or valuation						
At 1st January 1993	38,992	4,957	2,021	8,799	17,607	5,608
Additions	2,094	207	206	1	875	805
Disposals	(4,019)	(279)	(91)	(2,589)	(566)	(494)
Business disposals	(3,382)	–	(400)	–	(2,705)	(277)
Reclassification	–	–	(11)	–	(56)	67
Exchange differences	151	59	4	–	66	22
At 31st December 1993	33,836	4,944	1,729	6,211	15,221	5,731
Accumulated depreciation						
At 1st January 1993	(17,862)	(688)	(680)	–	(13,147)	(3,347)
Disposals	1,008	67	91	–	489	361
Business disposals	2,391	–	3	–	2,203	185
Exchange differences	(71)	(10)	(4)	–	(42)	(15)
Charged against profit	(2,654)	(113)	(266)	–	(1,462)	(813)
At 31st December 1993	(17,188)	(744)	(856)	–	(11,959)	(3,629)
Net book value at 31st December 1993	16,648	4,200	873	6,211	3,262	2,102

Company	Total	Freehold land and buildings	Leasehold land and buildings	Investment properties	Fixtures, fittings and equipment
Cost or valuation					
At 1st January 1993	10,950	1,869	15	8,799	267
Additions	22	–	–	1	21
Disposals	(2,743)	(150)	–	(2,589)	(4)
At 31st December 1993	8,229	1,719	15	6,211	284
Accumulated depreciation					
At 1st January 1993	(183)	(74)	(4)	–	(105)
Disposals	16	12	–	–	4
Charged against profit	(59)	(25)	(3)	–	(31)
At 31st December 1993	(226)	(87)	(7)	–	(132)
Net book value at 31st December 1993	8,003	1,632	8	6,211	152

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

12 Tangible assets (continued)

Freehold and leasehold land and buildings and investment properties include a gross value of £7,930,000 (net book value £7,843,000) in respect of UK properties, which were valued by King and Company at 31st December 1989 on the basis of open market value in existing use and condition. The gross book value of these properties on an historical cost basis at 31st December 1993 was £4,507,000 (net book value £3,539,000).

The freehold land and buildings includes land of £1,124,000 (1992 £1,491,000) in the group accounts and £850,000 (1992 £1,215,000) in the company accounts which is not depreciated.

Having taken appropriate professional advice, the directors consider that the open market value of investment properties does not vary significantly from the value of £6,211,000 at which they are stated in the balance sheets. Consequently, in accordance with the appropriate accounting standard, no depreciation has been charged. In the opinion of the directors, this provides a true and fair view, which necessitates a departure from the Companies Act 1985 requirement to depreciate all properties, as these are held for investment and not for use in business operations. The effect on the year's profit cannot be reasonably quantified in view of the imprecise distinction between land and buildings in the property valuations.

13 Investments in subsidiary undertakings

	Cost or valuation	Provision	Net book value
At 1st January 1993	54,983	(6,373)	48,610
Disposals	(2,523)	-	(2,523)
Charged against profit	-	(675)	(675)
At 31st December 1993	52,460	(7,048)	45,412

A list of the principal operating subsidiaries is given on page 47.

In addition to the above shareholdings, there are loan accounts outstanding as follows:

	31st December 1993	31st December 1992
Owing by subsidiaries (note 16)	61,258	52,210
Owing to subsidiaries (note 18)	(48,374)	(38,626)
Net debtor	12,884	13,584

These loans have no fixed repayment date and, although balances may fluctuate in the short term, are regarded as having the nature of a long term investment in subsidiaries. However, the loans are included in debtors and creditors, as appropriate, to conform strictly with the standard format rules of the Companies Act 1985.

All amounts are expressed in £000 unless otherwise stated

09·05·94

Notes to the accounts

14 Trade investments

	1993	1992
Cost	5,283	5,283
Provision	(1,668)	(1,668)
Net book value	3,615	3,615

The investments at 31st December 1993 are:	Class of capital	Proportion of class held	Proportion of equity held
Exacta Holdings Limited (Exacta) (registered in Scotland)	Ordinary	20%	20%
	Convertible loan stock	10%	-
Rood Testhouse International NV (Rood) (incorporated in the Netherlands)	Ordinary	9%	9%
Ajax International Holdings Limited (Ajax) (registered in England)	Non voting redeemable preference	100%	-
Flexible Technology Limited (Flexible) (registered in Scotland)	Cumulative redeemable preference	100%	-

The operations of the above are substantially carried out within the UK.

The investments are carried at directors' valuation. All are unlisted other than Rood, which is listed on the Amsterdam Stock Exchange and in which the Graseby investment had a market value of £186,000 at 31st December 1993, compared with a carrying value of £150,000.

The investment in Exacta has not been treated as an associated undertaking, despite the 20% equity interest, as the group is unable to exercise significant influence over that company's affairs. Exacta made a pre-tax profit of £1,155,000 in the year to 31st December 1993 (1992 £1,014,000), at which date the aggregate of capital and reserves attributable to ordinary shareholders was £6,280,000 (1992 £5,663,000).

15 Stocks

These comprise:	1993	1992
Raw materials and consumables	6,136	9,021
Work in progress	3,071	4,410
Finished goods and goods for resale	3,515	4,004
	12,722	17,435

Included in work in progress is the value of work done on long term contracts of £630,000 (1992 £697,000) less progress payments thereon of £69,000 (1992 £181,000).

09 · 05 · 94

Notes to the accounts

16 Debtors

	Group 1993	Group 1992	Company 1993	Company 1992
(a) Amounts falling due within one year:				
Amounts owing by subsidiary undertakings	–	–	2,567	1,289
Trade debtors	17,397	20,268	160	288
Amount recoverable on contracts	4,386	–	–	–
Other debtors	994	1,380	212	263
Deferred consideration from business disposals	278	75	189	–
Deferred consideration from property disposals	500	–	500	–
Prepayments and accrued income	2,251	1,013	382	612
Corporation tax recoverable	2,593	3,364	29	25
	28,399	26,100	4,047	2,477

The prepayments and accrued income include £828,000 (1992 nil) for the group and £156,000 (1992 nil) for the company relating to costs incurred in connection with the planned flotation of a minority interest in Graseby Andersen Inc on the NASDAQ stock market in the US.

	Group 1993	Group 1992	Company 1993	Company 1992
(b) Amounts falling due after more than one year:				
ACT recoverable	533	1,400	532	1,400
Loans owing by subsidiary undertakings (note 13)	–	–	61,258	52,210
Other debtors	10	15	10	15
Deferred consideration from business disposals	985	300	661	300
Deferred consideration from property disposals	–	500	–	500
Deferred tax (note 22)	–	–	–	64
Prepaid pension costs (note 21)	1,576	1,094	1,576	1,094
	3,104	3,309	64,037	55,583

17 Creditors – due within one year

	Group 1993	Group 1992	Company 1993	Company 1992
Bank and other loans (note 19)	14,561	17,846	13,277	13,295
Overdrafts	5,919	3,841	4,229	2,269
Payments received on account	583	160	–	–
Trade creditors	8,898	10,589	329	315
Amounts owing to subsidiary undertakings	–	–	28	42
Accruals and deferred income	6,039	6,583	705	1,015
Dividends payable to Graseby shareholders	2,127	4,822	2,127	4,822
Taxation and social security comprised of the following:				
– UK corporation tax	1,947	–	–	–
– Overseas taxation	69	99	–	–
– ACT on dividends	1,141	2,533	646	1,400
– VAT	285	2,086	78	1,763
– PAYE and social security	466	565	344	409
	42,035	49,124	21,763	25,330

18 Creditors – due after more than one year

	Group 1993	Group 1992	Company 1993	Company 1992
Bank loans (note 19)	2,477	6,167	–	–
Loans owing to subsidiary undertakings (note 13)	–	–	48,374	38,626
Other creditors	135	92	–	47
	2,612	6,259	48,374	38,673

All amounts are expressed in £000 unless otherwise stated

09·05·94

Notes to the accounts

19 Loans

These comprise:	Group 1993	Group 1992	Company 1993	Company 1992
Unsecured bank loans wholly repayable within 5 years				
– US Dollar loans	16,588	15,410	13,277	12,099
– French franc loans	–	8,091	–	1,196
– Sterling loans	450	450	–	–
Other loan wholly repayable within 5 years (unsecured)	–	62	–	–
	17,038	24,013	13,277	13,295
Repayable:				
Within one year (note 17)	14,561	17,846	13,277	13,295
Between one and two years	676	4,180	–	–
Between two and five years	1,801	1,987	–	–
	17,038	24,013	13,277	13,295

At 31st December 1993 the average rates of interest on bank loans were: US dollar loans 4.40%; Sterling loans 6.50%.

20 Provisions for liabilities and charges

Group

	Total	Deferred tax	Pensions and similar obligations	Restructuring: acquisitions	Restructuring: other	Other provisions
At 1st January 1993	2,419	857	326	532	310	394
Business disposal	(14)	3	–	–	–	(17)
Net charge to profit and loss account	916	541	65	15	210	85
Costs incurred	(615)	–	–	(309)	(253)	(53)
Exchange difference	29	21	–	4	–	4
At 31st December 1993	2,735	1,422	391	242	267	413

Other provisions of £413,000 include those associated with contract losses and free of charge service.

Company

	Total	Deferred tax	Pensions and similar obligations	Restructuring	Other provisions
At 1st January 1993	510	–	326	63	121
Transfer from debtors	(64)	(64)	–	–	–
Net charge to profit and loss account	478	336	65	–	77
Costs incurred	(142)	–	–	(63)	(79)
At 31st December 1993	782	272	391	–	119

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

21 Post retirement benefits

Pensions

The pension schemes operated in the UK are funded defined benefit schemes. Certain former Tace and Goring Kerr employees are members of a separate Tace pension fund but it is the intention that this separate fund will be discontinued during 1994 and that the employees will have the opportunity to transfer into the Graseby UK schemes. In North America pension arrangements are provided through defined contribution schemes. The assets of all the pension schemes whether in the UK or overseas, are held in independent trustee administered funds.

The total pension cost for the group was £1,026,000 (1992 £1,160,000) of which £745,000 (1992 £888,000) relates to the UK schemes, including £628,000 (1992 £738,000) for the Graseby schemes. The pension cost for these Graseby schemes has been established by the actuaries, R Watson & Sons, using either the projected unit or attained age methods. The pension cost is lower than the contributions paid by the group into the pension schemes during the year and a prepayment of £1,576,000 (1992 £1,094,000) is included in debtors. The ongoing pension cost is unlikely to be materially affected by the intended transfer of former Tace and Goring Kerr employees into the Graseby schemes.

A full actuarial valuation of the Graseby UK schemes was carried out at 31st March 1993. The valuations of the assets of the funds at that date amounted to £65.9m, and disclosed a solvency level of 124% of the accrued liabilities. The principal assumptions underlying the valuations were that the real rate of return on new investments (relative to price inflation) will be 4% per annum, that the real rate of increase in future earnings will be 2% per annum, that pension increases will be approximately 90% of price inflation and that long term dividend growth will be 0.5% below price inflation. The surplus is being spread over the expected average remaining working lifetime of the members in establishing the pension cost charged in the accounts. The next full actuarial valuation will be carried out at 31st March 1996.

The pension cost for the US subsidiaries corresponds with the contributions payable to the defined contribution schemes. There are contributions outstanding at 31st December of £296,000 (1992 £135,000) which were, in accordance with the terms of the schemes, remitted in early 1994.

Medical benefits

The group provides medical insurance cover to certain retired employees in the UK. No such cover exists for overseas employees and that in the UK has been restricted to those for whom cover has already been established; it will not be extended to those retiring in the future.

Agreements have been reached which will prevent undue escalation in cost whilst the UK arrangement is gradually phased out. The amount charged in the 1993 accounts was £45,000 (1992 £44,000) and it is not anticipated that there will be significant change in the foreseeable future. The capital cost of the potential liability has been assessed at £0.5m.

All amounts are expressed in £000 unless otherwise stated

09 05 94

Notes to the accounts

22 Deferred taxation

The full potential position on deferred taxation calculated under the liability method, together with the liability or asset recognised in the accounts, is analysed below:

	Full potential liability	of which recognised in accounts	Full potential liability	of which recognised in accounts
Group	1993	1993	1992	1992
Accelerated capital allowances	890	294	1,520	117
Other	1,128	1,128	744	740
	2,018	1,422	2,264	857
Company				
Accelerated capital allowances	740	272	1,265	–
Other	318	–	138	(64)
	1,058	272	1,403	(64)

No deferred taxation has been included in the above figures in respect of the revaluation of properties because there is no foreseeable liability.

23 Called up share capital

	1993	1992
Authorised		
72,120,000 (1992 72,120,000) ordinary shares of 25p each	18,030	18,030
Issued and fully paid		
63,455,676 (1992 63,446,326) ordinary shares of 25p each	15,864	15,862

During the year 7,955 (1992 6,813) ordinary shares were issued for cash upon the exercise of options granted under the company's employee share option scheme and gave rise to a share premium of £7,000. In addition 1,395 shares were allotted, credited as fully paid, as consideration for the acquisition of ordinary shares in Goring Kerr plc held by minority shareholders, under the terms of the offer made in 1991.

During the year options were granted in respect of 1,007,351 shares (1992 696,000 shares) under the terms of the company's executive and employee share option schemes. These options are exercisable at varying dates between three and ten years from the granting of the options. The total number of options outstanding at 31st December 1993 was 3,104,407 (1992 2,203,489). Further details are given on pages 49 and 50.

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

24 Reserves

Group	Share premium	Revaluation reserves: Land and buildings	Investment properties	Goodwill reserve	Retained profit
At 1st January 1993	11,740	1,206	2,819	(21,148)	10,422
Premium on issue of shares	7	–	–	–	–
Transfer of realised profit	–	(292)	(153)	–	445
Goodwill on acquisitions	–	–	–	(25)	–
Goodwill previously written off on 1993 business disposals	–		–	361	–
Exchange difference	–	–	–	–	(35)
Retained profit for the year	–	–	–	–	3,017
At 31st December 1993	11,747	914	2,666	(20,812)	13,849

The retained profits are stated after writing off goodwill of £17,577,000 (1992 £17,577,000) relating to acquisitions of undertakings which remain in the group at the balance sheet date. The goodwill reserve is stated after writing off goodwill of £49,651,000 (1992 £49,987,000). Goodwill of £25,000 written off in 1993 relates to the purchase of certain minority interests.

Company	Share premium	Investment	Revaluation reserves: Land and buildings	Investment properties	Merger reserve	Retained profit
At 1st January 1993	11,740	3,110	1,206	2,819	2,479	19,342
Premium on issue of shares	7	–	–	–	–	–
Transfer of realised profit	–	–	(292)	(153)	–	445
Exchange difference	–	–	–	–	–	13
Retained loss for the year	–	–	–	–	–	(724)
At 31st December 1993	11,747	3,110	914	2,666	2,479	19,076

25 Commitments for capital expenditure

	Group 1993	Group 1992	Company 1993	Company 1992
Capital expenditure authorised by the directors and contracted for but not provided	144	285	–	–
Capital expenditure authorised by the directors for which contracts had not been placed	64	396	–	–

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

26 Commitments under leases

There are commitments due in the subsequent year under non cancellable operating leases having expiry periods as follows:

Group

	Land and buildings		Other	
	1993	1992	1993	1992
Within one year	65	12	248	165
Between one and five years	339	348	401	773
After five years	1,685	1,713	5	4
	2,089	2,073	654	942

Company

	Land and buildings		Other	
	1993	1992	1993	1992
Within one year	–	7	9	3
Between one and five years	105	61	17	25
After five years	1,273	1,263	–	–
	1,378	1,331	26	28

Of the group commitments £271,000 relates to properties formerly occupied by group operations but which were vacant at 31st December 1993 and for which the outstanding periods of the leases range from 17 to 27 years. The rents for these vacant properties are charged to profit and loss account as incurred to the extent that they exceed the provision established at the time of vacation for the then expected period of time to disposal of the lease.

27 Contingent liabilities

Contingent liabilities are as follows:

(a) An aggregate amount of £4,132,000 (1992 £921,000) for the group and £1,151,000 (1992 £916,000) for the company arising from guarantees and performance bonds given by banks to third parties on behalf of group companies. In addition the company has guaranteed the bank borrowings of subsidiary companies in the amount of £4,169,000 (1992 £8,571,000).

(b) Claims amounting to some £1m notified against group companies relating to the acquisitions of Tace plc and Goring Kerr plc; these claims are being vigorously defended and, in the opinion of the directors, will not result in material loss to the group. The solicitors engaged in the defence are Mishcon de Reya, whose non-solicitor chairman is Mr J B H Jackson, the company's chairman.

(c) The company's composite banking arrangements with other group companies; but limited to the amount standing to the credit of its own banking account.

(d) The company's registration with HM Customs and Excise as a member of a group for VAT purposes, resulting in joint and several liability on a continuing basis for amounts owing by the remainder of the group for unpaid VAT.

(e) A subsidiary undertaking has bank facilities of £2,000,000, unutilised at 31st December 1993, secured against certain of its investments in subsidiaries.

28 Post balance sheet event

On 24th January 1994, the company acquired the whole of the issued share capital of Best Inspection Limited (Best) for a consideration of £1.8m, which was satisfied by the allotment of 954,907 shares in Graseby. Best is a major UK supplier of checkweighing and weight grading systems and will form part of the group's Product Monitoring business segment. There will be no significant effect on group shareholders' funds as a result of this transaction.

All amounts are expressed in £000 unless otherwise stated

Notes to the accounts

29 Cash flow statement

(i) Net cash flow from continuing operating activities

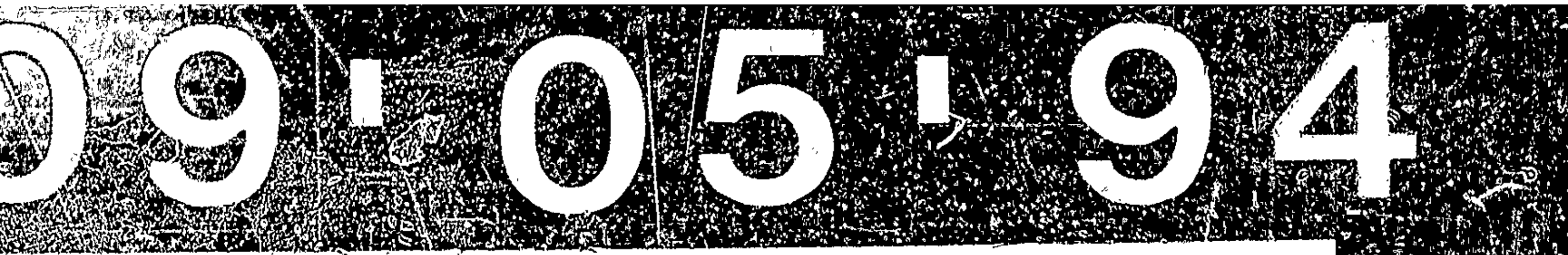
	1993	1992
Operating profit	10,486	9,175
Depreciation of tangible fixed assets	2,255	1,968
Loss on sale of tangible fixed assets (other than property)	86	89
Decrease in stock	2,165	1,843
(Increase)/decrease in debtors	(7,078)	1,440
(Decrease) in creditors and provisions	(243)	(2,375)
Results retained by associated undertakings	-	66
	7,671	12,206

(ii) Purchase and sale of businesses

	Disposed of businesses 1993	Acquired businesses 1992	Disposed of businesses 1992
Net assets acquired or sold:			
Tangible fixed assets	991	131	1,072
Investments	-	-	106
Stock	2,562	293	3,144
Debtors	2,776	353	2,425
Cash	333	51	43
Creditors and provisions	(3,059)	(2,702)	(2,135)
Bank overdrafts	-	(157)	-
Minority interests	-	(30)	-
	3,603	(2,061)	4,655
Goodwill	-	6,314	-
Profit/(loss) on disposal	784	-	(2,166)
Total consideration	4,387	4,253	2,489
Satisfied by:			
Issue of shares	-	2,953	-
Cash consideration	3,504	1,998	2,114
Consideration outstanding	883	(698)	375
	4,387	4,253	2,489
Consequent net movement in cash and cash equivalents during the year:			
– cash consideration	3,504	1,999	2,114
– cash balances acquired or sold	(333)	(51)	(43)
– bank overdrafts of acquired businesses	-	157	-
	3,171	2,104	2,071
Contribution to group cash inflows and (outflows) during the year:			
Net cash flow from ordinary operating activities	2,079		
Servicing of finance	(71)		
Taxation	3		
Investing activities	(159)		
	1,852		

A cost of £25,000 was incurred in 1993 in the purchase of certain minority interests, all of which represented goodwill.

All amounts are expressed in £000 unless otherwise stated



29 Cash flow statement (continued)

(iii) Analysis of net borrowings	31st December 1993	31st December 1992	Change in year
Cash at bank and in hand	7,053	7,069	(16)
Bank overdrafts	(5,919)	(3,841)	(2,078)
Bank loans due within one year	(14,561)	(17,846)	3,285
Bank loans due after more than one year	(2,477)	(6,167)	3,690
Total included in balance sheet	(15,904)	(20,785)	4,881

(iv) Analysis of the change in net borrowings	Cash and cash equivalents	Financing	Total
Balance/(borrowings) at 1st January 1993	3,228	(24,013)	(20,785)
Cash movements and additional financing	(2,170)	6,972	4,802
Effect of foreign exchange rate changes	76	3	79
Balance/(borrowings) at 31st December 1993	1,134	(17,038)	(15,904)

Financing liabilities represent borrowings for which there is no obligation to repay within 3 months of the commitment being entered into. The effect of exchange rate changes on net borrowings has been offset against that arising on net overseas investments and the difference taken to retained profit (note 24).

(v) Details of changes in share capital and share premium are set out in notes 23 and 24.

All amounts are expressed in £000 unless otherwise stated

Five year record

Graseby group

		1989	1990	1991	1992	[illegible]
Turnover		176.8	118.7	109.1	102.6	113.7
Profit	Operating profit	11.9	11.8	12.2	7.9	11.0
	Profit before taxation	5.0	5.1	7.5	1.0	9.6
	Attributable profit	0.6	2.6	4.5	0.8	7.2
	Attributable profit (adjusted)	4.1	5.1	6.0	5.0	7.2
	Earnings per share	1.4p	6.0p	8.7p	1.3p	11.4p
	Earnings per share (adjusted)	9.6p	11.9p	11.9p	8.0p	11.4p
	Dividends per share: net	10.1p	10.9p	10.9p	10.9p	6.6p
	Dividends per share: gross	13.5p	14.5p	14.5p	14.2p	8.5p
Net assets	Tangible fixed assets	49.1	31.7	32.3	21.1	16.6
	Investments	6.4	4.6	3.3	3.7	3.7
	Stocks	31.7	[illegible]	21.3	17.4	12.7
	Debtors	41.3	23.2	29.6	29.4	31.5
	Creditors and provisions	(42.4)	(28.6)	(36.0)	(29.8)	(24.4)
		86.1	49.4	50.5	41.8	40.1
Capital employed	Shareholders' funds	50.5	43.7	30.3	20.9	24.2
	Minority interests	1.0	0.1	-	0.1	-
	Net borrowings	34.6	5.6	20.2	20.8	15.9
		86.1	49.4	50.5	41.8	40.1
Issued ordinary shares	Number at end of year	42.8m	42.8m	62.0m	63.4m	63.5m
Employees	Average number in UK	3647	2321	1576	1366	1045
	Average number overseas	1224	490	327	504	458

Turnover and profit figures for the years 1988 to 1991 have been restated, where appropriate, to conform with (a) the requirement of FRS3 that items previously treated as extraordinary should be reclassified as arising from ordinary activities and (b) the requirement of UITF 3 that the result on disposal of businesses should include any goodwill on acquisition previously written off to reserves.

The adjusted attributable profit and adjusted earnings per share figures reflect the exclusion of non-recurring exceptional items of a capital nature.

All amounts are expressed in £m unless otherwise stated

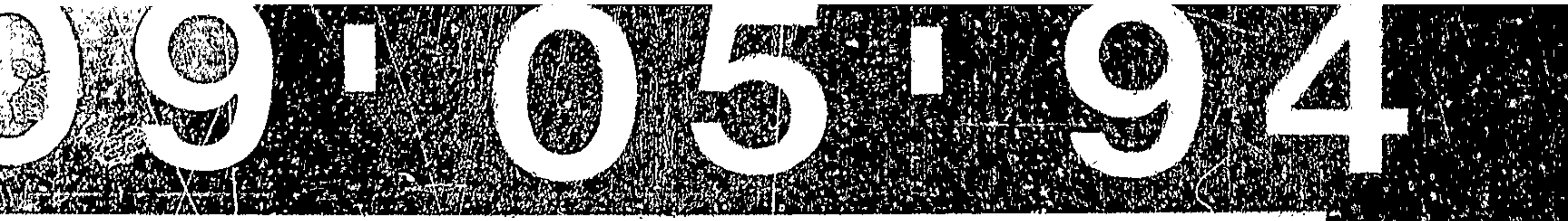
Principal subsidiary undertakings

Medical	Graseby Medical Ltd, Watford, UK
	Graseby Michel Frères SA, Montreuil, France [1,5]
	Graseby Medical BV, Rosmalen, The Netherlands [2,5]
Product Monitoring	Graseby Goring Kerr Ltd, Windsor, UK [5,6]
	Graseby Goring Kerr Inc, Buffalo, USA [3,5,6]
	Graseby Goring Kerr Canada Inc, Scarboro, Canada [4,5,6]
	Graseby Allen Ltd, Welwyn Garden City, UK [5,6]
	Graseby GK Intertest Ltd, Wellingborough, UK [7]
	Graseby Best Ltd, Redditch, UK
Environmental	Graseby Andersen Inc, Atlanta, USA [3,5]
	Graseby STI, Waldron, USA [8]
	Graseby Nutech, Durham, USA [8]
	Graseby Specac Ltd, Orpington, UK [5]
	Graseby Specac Inc, Fairfield, USA [3,5]
Technology	Graseby Dynamics Ltd, Watford, UK
	Graseby Electro-Optics Inc, Orlando, USA [3,5]
	Graseby Microsystems Ltd, Newmarket, UK
	Graseby Controls Inc, Greensboro, USA [3,5]
	Graseby Volkmann Corporation, Concordville, USA [3,5]

Excepting Graseby Best Ltd acquired in January 1994, the undertakings named above are those which principally affected the figures shown in the group's consolidated accounts. A full list of all subsidiary undertakings giving the information required by section 231 of the Companies Act 1985 will be annexed to the company's next annual return to the registrar of companies.

Unless otherwise indicated, each company is registered in England and Wales.
1 Incorporated in France
2 Incorporated in The Netherlands
3 Incorporated in USA
4 Incorporated in Canada
The principal country of operation is the same as the country of incorporation

Unless otherwise indicated, each company is held directly by Graseby plc and the proportion of the nominal value of issued/common shares controlled is 100%
5 Held indirectly through intermediate holding companies
6 99.96% controlled by Graseby plc
7 80% controlled by Graseby plc
8 An operating division of Graseby Andersen Inc



Report of the directors

Principal activities

The review which appears on pages 10 to 17 describes the principal activities of the group and gives indications of activities in the fields of research and development and of likely future developments. The Chairman's statement on pages 6 and 7 refers to future strategy.

A list of the group's principal subsidiary undertakings appears on page 47.

Results

The profit attributable to shareholders for the year ended 31st December 1993 was £7,238,000 (1992 £844,000).

After payment of the interim dividend costing £2,094,000 (1992 £2,094,000) and the recommended final dividend costing £2,127,000 (1992 £4,822,000) the retained profit will be increased by £3,017,000 (1992 reduced by £6,072,000) as a result of the year's operations.

Dividends

An interim dividend of 3.3p per share (1992 3.3p) was paid on 2nd November 1993. The directors recommend the payment of a final dividend of 3.3p per share (1992 7.6p) on 17th May 1994 to shareholders on the register of members at the close of business on 15th April 1994, making a total net dividend for 1993 of 6.6p per share (1992 10.9p) which, together with the associated tax credit, is equivalent to a gross dividend for the year of 8.52p per share (1992 14.21p).

Tangible assets

The tangible assets of the group and of the holding company are set out in note 12 to the accounts on pages 35 and 36.

Acquisitions and disposals

During the year the group

- sold the assets and business of Graseby Plastic Systems Inc. (Plastic Systems) to Desco Industries, Inc. for a cash consideration of US$2m, of which $1.5m was paid on completion and $0.5m is payable over a five year period. Plastic Systems was a US based supplier of products and materials used to protect sensitive electronic components from the effects of static electricity.

- sold the whole of the issued share capital of Graseby Keltek Ltd (Keltek) to Keltek (Holdings) Ltd, a company formed for the purpose of the acquisition by a management buy-out/buy-in team, for a cash consideration of £[illegible]87,000, of which £2,562,000 was paid on completion, £19,000 was paid on in January 1994 as an upward adjustment to the purchase price and £606,000 is payable over a three year period. Keltek is a UK based contract electronic design, development and manufacturing business.

Since the end of the year the group has acquired the whole of the issued share capital of Best Inspection Ltd (Best) from Clayhithe plc for a consideration of £1.8m, satisfied by the allotment of 954,907 Graseby shares which were subsequently subject to a vendor placing at a price of 182p per share. Best is the leading UK supplier of checkweighing and weight grading systems to the food and pharmaceutical industries.

Further information about business disposals is given in note 6 to the accounts on page 33.

09·05·94

Share capital

During the year 1,395 ordinary shares were allotted, credited as fully paid, as consideration for the acquisition of ordinary shares in Goring Kerr plc held by minority shareholders. In addition, 7,955 ordinary shares were allotted upon the exercise of options granted under the company's employee share option schemes. As at 31st December 1993 there were 63,455,676 ordinary shares of 25p each fully paid in issue.

Further information about the company's share capital is given in note 23 to the accounts on page 41.

Share option schemes

Four schemes have been established under which options may be granted to subscribe for ordinary shares in the company:

- for senior executives (the 1985 and the 1993 Schemes), at market price generally on the day prior to the date that the option is granted. An option is normally exercisable after the third anniversary and before the tenth anniversary of the option being granted.

- for employees including senior executives (the 1981 and the 1993 SAYE Schemes), at 80% of market price generally on the day prior to the date that the option is granted (90% in respect of options granted before October 1990). An option is normally exercisable only during the period of six months after the completion of a related five years' SAYE contract. The 1981 SAYE Scheme has now expired for further grants of options.

All the schemes have been approved by shareholders in general meeting and as required by the Income and Corporation Taxes Act 1988.

A summary of options outstanding at 31st December 1993 is as follows:

	Number of shares under option			
Scheme	Directors	Others	Option prices	Years of grant
1985	609,250	1,312,500	141½p-310p	1985-1992
1993	12,000	686,000	184p	1993
1981 SAYE	16,163	159,143	116p-207p	1988-1991
1993 SAYE	13,440	295,911	154p	1993
Total*	650,853	2,453,554		

...rmation about the effect on earnings per share of the exercise of these options is given in note 11 to the accounts on page 34

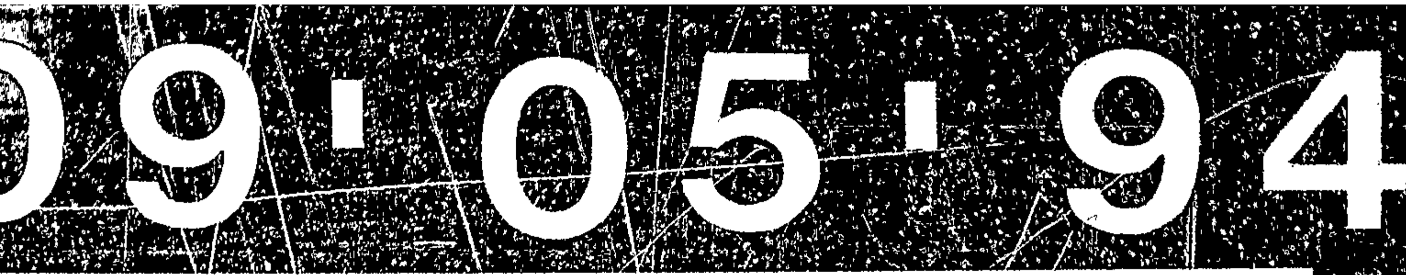
*Further details of options outstanding are available from the company

Directors

The present directors of the company are listed on page 4, and they all held office throughout the year.

In accordance with the company's articles of association, Mr R A King and Dr J L Leonard retire from the board by rotation and, being eligible, offer themselves for re-election.

Both Mr King and Dr Leonard are non-executive directors and neither has a service contract with the company.



Directors' emoluments

Information about the emoluments of the directors is given in note 5(a) to the accounts on page 32.

Remuneration policy for executive directors and other senior executives is controlled by the board's remuneration committee comprising the chairman, another non-executive director and the chief executive. The remuneration policy for executive directors is:

- to maintain competitive basic salaries generally based on median salaries in the appropriate marketplace.

- to offer substantial bonuses, currently up to 40% of basic salary, based on the performance of the group. In 1993 the bonus plan was based upon net profit before tax, earnings per share, and return on capital employed. A bonus plan based on the same factors is again operating in 1994.

- to provide a competitive benefits package, including contributory pension scheme and an appropriate company car.

Although basic salaries are normally reviewed on 1st January each year, in January 1993 no increases were granted to executive directors and other members of the group senior management team, in view of the difficult trading conditions then prevailing.

However, the remuneration committee reviewed the situation in mid-1993 and awarded basic salary increases on an individual basis with a norm of 3%. A similar policy was applied in the January 1994 review.

The effect of this policy in 1993 was that the average remuneration of the executive directors increased by 5% compared with 1992, though it remained some 10% below 1991 levels.

No increase has been made to the chairman's emoluments or to the non-executive directors' fees for 1994. The last increase was in January 1991.

Directors' interests in shares

The interests of those persons who were directors on 31st December 1993 in the shares of the company were as follows:

All the interests shown are beneficial and include family interests where appropriate

*Options to purchase ordinary shares granted in accordance with the provisions of the company's share option schemes

		1st January 1993	31st December 1993	15th March 1994
J P R Brown	Ordinary shares	5,000	5,000	1,000
	*Options	132,698	138,698	138,698
J B H Jackson	Ordinary shares	20,000	20,000	20,000
J R Kerr-Muir	Ordinary shares	–	1,000	1,000
R A King	Ordinary shares	29,000	29,000	29,000
J L Leonard	Ordinary shares	–	–	-
P J Lester	Ordinary shares	1,300	1,300	1,300
	*Options	387,250	393,970	393,970
A G Peters	Ordinary shares	1,000	1,000	1,000
	*Options	105,465	118,185	118,185

During 1993, options in respect of ordinary shares in the company were granted to Mr J P R Brown (6,000 shares) and Mr A G Peters (6,000 shares) in accordance with the provisions of the 1993 Scheme and to Mr P J Lester (6,720 shares) and Mr A G Peters (6,720 shares) in accordance with the provisions of the 1993 SAYE Scheme. No share options were exercised by directors under any of the company's share option schemes.

09·05·94

Directors' interests in contracts

With the exception of insurance, and as stated in note 27 to the accounts on page 43, there were no contracts subsisting during or at the end of the financial year in which a director of the company was materially interested and which require disclosure. Insurance aspects are noted in the following paragraph.

Insurance

To supplement the indemnity provided by the company's articles of association, the company effects insurance for the benefit of each of the directors and certain officers of the company and its subsidiary undertakings against liabilities which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they might be guilty in relation to the company or its subsidiary undertakings.

Employee involvement

The primary responsibility for employee involvement is devolved to the operating companies, both allowing and encouraging diversity of approach. Consultative committees, briefing groups, quality circles, problem solving teams and safety committees are among the methods used.

A group newspaper is published regularly and contains news of significant commercial developments at group and operating company level, as well as summaries of reports made to shareholders. Any announcements to shareholders and the London Stock Exchange are published simultaneously in all offices and factories of the group.

Involvement in the group's performance is further encouraged through bonus plans for all employees related to the performance of each operating company, and through the SAYE share option schemes for UK employees.

Disabled persons

It is the group's policy that disabled persons (whether registered or not) shall be considered for employment, continuing employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Substantial interests

As at 15th March 1994 the company had been notified of the following substantial interests in its issued ordinary shares:

B.A.T. Industries	6,670,000	10.35%
BBC Pension Trust Limited	1,950,000	3.03%
M+G Group plc	8,346,869	12.95%
Norwich Union Life Insurance Society	2,299,047	3.57%

No other reportable interest of 3% or more has been disclosed to the company.

Close company

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

Charitable and political contributions

During the year the group made charitable donations in the UK amounting to £1,000 (1992 £1,000). No political contributions were made by the company or its subsidiary undertakings.

9·05·94

Authority to allot shares Resolutions will be proposed at the annual general meeting to enable the directors to exercise powers to allot unissued shares in the capital of the company and to allow them, in certain limited circumstances, to allot shares for cash otherwise than to existing shareholders pro rata to their holdings. The terms of the resolution are set out in items 5 and 6 of the notice of meeting on page 53.

Auditors In accordance with the provisions of the Companies Act 1985 a resolution will be proposed at the annual general meeting that Coopers & Lybrand be re-appointed as auditors of the company to hold office from the conclusion of that meeting until the conclusion of the next general meeting at which accounts are laid before the company and that the directors be authorised to determine the remuneration of the auditors for that period.

By order of the board
S M Glick Group legal adviser and company secretary
Botanic House, 100 Hills Road
Cambridge CB2 1LQ
31st March 1994

09·05·94

Notice of meeting

Notice is hereby given that the 27th Annual General Meeting of Graseby plc will be held at Barber-Surgeons Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday 12th May 1994 at 12.00 noon for the transaction of the following business:

1 To receive and adopt the report of the directors and the accounts for the year ended 31st December 1993 and the report of the auditors thereon.

2 To declare a final dividend in respect of the year ended 31st December 1993.

3 To re-elect Mr R A King and Dr J L Leonard, who retire by rotation, as directors of the company.

4 To re-appoint Coopers & Lybrand as auditors and to authorise the directors to determine the auditors' remuneration.

As special business, to consider and, if thought fit, to pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution, and resolution 6 as a special resolution, namely:

5 'That the directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 to exercise all the powers of the company to allot relevant securities (within the meaning of section 80 of the said Act) up to an aggregate nominal amount of £2,166,000 for the period commencing on the date of the passing of this resolution and expiring at the end of the annual general meeting of the company next following the passing of this resolution, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.'

6 'That, subject to the passing of the previous resolution, the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution of the company as if sub-section (l) of section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to:

(a) the allotment of equity securities in connection with a rights issue in favour of all holders of relevant equity securities where the equity securities respectively attributable to the interests of all holders of relevant equity securities are proportionate (as nearly as may be) to the respective numbers of relevant equity securities held by them, provided that the directors may make such exclusions or other arrangements in respect of any legal or practical problems under the laws of, or the requirements of any recognised body or any stock exchange in, any territory and in respect of fractional entitlements as they consider necessary or convenient; and

(b) the allotment (otherwise than pursuant to item (a) above) of equity securities up to an aggregate nominal value of £793,000

and shall expire at the end of the annual general meeting of the company next following the passing of this resolution, or, if earlier, fifteen months after the date of this annual general meeting, save that the company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement as if this power had not expired.'

By order of the board

S M Glick Group legal adviser and company secretary
Botanic House, 100 Hills Road
Cambridge CB2 1LQ
11th April 1994

Notes

1 A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the company. A form of proxy is included as page 55.

2 Copies of all directors' service contracts of more than one year's duration with attached summaries will be available for inspection at the registered office of the company during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the annual general meeting and on that date at the place of the meeting from 11.30 a.m. until the conclusion of the meeting.

3 The register of directors' shareholdings and transactions will be available for inspection at the commencement of the annual general meeting and until its conclusion.

4 Subject to confirmation at the annual general meeting, the recommended final dividend of 3.1p per share will be paid on 17th May 1994 to shareholders registered at the close of business on 15th April 1994.

09'05'9

Graseby plc Form of proxy

Annual General Meeting
Thursday 12th May 1994

I/We the undermentioned, being (a) member(s) of Graseby plc, hereby appoint the chairman for the time being of the meeting or the person named below (see note 4) as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held at Barber-Surgeons Hall, Monkwell Square, Wood Street, London EC2Y 5BL on Thursday 12th May 1994 at 12.00 noon and at any adjournment thereof and, in particular, to vote on the following resolutions as indicated by an 'X' in the appropriate spaces below.

Name of proxy (if other than the chairman)

Resolutions	**For**	**Against**
1 To receive and adopt the report of the directors and the accounts for the year ended 31st December 1993 and the report of the auditors thereon.	[ ]	[ ]
2 To declare a final dividend in respect of the year ended 31st December 1993.	[ ]	[ ]
3 To re-elect as directors:		
(a) Mr R A King	[ ]	[ ]
(b) Dr J L Leonard	[ ]	[ ]
4 To re-appoint Coopers & Lybrand as auditors and to authorise the directors to determine the auditors' remuneration.	[ ]	[ ]
5 To authorise the directors to allot relevant securities. (The text of the ordinary resolution is set out in the notice of meeting.)	[ ]	[ ]
6 To authorise the directors to allot equity securities for cash. (The text of the special resolution is set out in the notice of meeting.)	[ ]	[ ]

Member(s) name(s) in block capitals

Address

Signature

Dated this **day of** **1994**

Notes

1 To be valid this form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must reach the office of the registrars of the company, Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than forty-eight hours before the time fixed for the meeting.

2 If the appointor is a corporation this form of proxy must be executed under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.

3 In the case of joint-registered holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint-registered holders. For this purpose, seniority will be determined by the order in which the names stand in the register of members of the company in respect of the joint-registered holding.

4 If you wish to appoint a proxy other than the chairman of the meeting, please insert the full name of the proxy desired in the space provided and initial the insertion. A proxy, who need not be a member of the company, must attend the meeting in person to represent you.

5 If you do not indicate with an 'X' how you wish your vote to be cast for any resolution, your proxy may vote or abstain at his discretion.

6 The completion and return of this form of proxy will not preclude you from attending and voting at the meeting should you subsequently decide to do so.