

THE GIEVES GROUP
plc

ANNUAL
REPORT & ACCOUNTS
1994



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DIRECTORS

B T R Scruby FCA — Chairman

W C C Cheng OBE

I H Currie FCA

H M Gordon-Martin

M E A Keeling FCA

C E Maunsell MC

N D McWhirter CBE

G V Sherren

REGISTERED OFFICE

No. 1 Savile Row

London W1X 2JR

(Registered No. 1455128)

SECRETARY'S OFFICE

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AUDITORS

Grant Thornton

Grant Thornton House

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London NW1 2EP

INTRODUCTION

The period of losses and uncertainties which affected the Group are firmly behind us. During that period we were buoyed by the degree of understanding and support we received from shareholders. This is an opportunity for us to thank all our shareholders for their support and patience.

PRESENTATION OF RESULTS

The financial statements have been prepared in accordance with FRS3 — Reporting Financial Performance, for the first time. FRS3 requires that certain adjustments be made to previously reported results and accordingly, the results for the prior year ended 31st January, 1993 have been adjusted to comply with this standard.

RESULTS FOR YEAR TO
31st JANUARY 1994

The profit before tax for the year amounted to £1,375,000 against a loss for the previous year, on a restated basis of £5,068,000.

Contained within the results is the sum of £630,000 which represents the release of that part of a provision totalling £1,500,000 no longer required. The full amount of the provision was included in the accounts for the year ended 31st January, 1993 against the

estimated cost of meeting guarantee obligations in respect of leasing and hire purchase liabilities of a former subsidiary's business.

The operating profit for the year amounted to £818,000 compared with a loss, as restated, of £670,000.

REVIEW OF THE
GROUP'S BUSINESSES

GIEVES & HAWKES

The domestic retail and the international licensing and wholesaling divisions emerged from three years of trading in a recessionary, retail environment in the United Kingdom and difficult economic conditions in a number of our markets overseas. Overall the trading profit earned by the two divisions amounted to £885,000 compared with £242,000, as restated, in the previous year.

Now trading from ten locations, the profit earned by Gieves & Hawkes UK retailing division reflected an improvement in both volume and margins from a lower cost base, helped to a substantial degree by a good performance from our flagship store at No. 1 Savile Row.

The results of the international division were encouraging. These results, which were achieved against a background of difficult

trading in a number of our key markets, reflect the progress of the Gieves & Hawkes brand through licensing and distribution. During 1993, our partners based in Hong Kong demonstrated their confidence in the brand by establishing the first two Gieves & Hawkes retail outlets in mainland China in the cities of Shanghai and Shenzhen.

During the remainder of this year and the early part of 1995 we shall be refurbishing No. 1 Savile Row and at the same time considerably enlarging the ground floor retail area. This major redevelopment will, when completed, enable Gieves & Hawkes to offer our customers a wider choice of classic and contemporary menswear and also provide the opportunity for developing our casual wear and accessory collections.

The No. 1 Savile Row store, refurbished and extended, will set the highest standards in maintaining the integrity of the Gieves & Hawkes brand through service, product range and value to our customers.

CHIVERS

Chivers, reorganised and focused, made an encouraging start in its first full year operating solely as a publisher of large print and unabridged audio books and its Cherrytree series of children's educational titles. The combined trading profit of the UK and USA

businesses amounted to £351,000 compared with a loss of £33,000. These results were achieved from higher sales and margins and through improved servicing and distribution combined with a rigid control of costs.

Chivers large print and audio book titles continue to grow in popularity with our traditional library customers and we are now looking at a number of new marketing initiatives.

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND DIVIDEND

The consolidated profit and loss account is shown on page 18. After charges for taxation of £252,000 and a small credit arising from the interest of a minority the profit on ordinary activities amounted to £1,126,000. As a result of a reduction of the share capital, sanctioned by the Court on 17th November, 1993, £630,000 has been taken to a special, non distributable, reserve.

Our stated aim has been to reinstate the payment of dividends just as soon as profitability was restored. Accordingly a final dividend of 1.0 pence per share, net, absorbing £228,000, is now proposed, which if approved will be paid on 1st July, 1994 to shareholders registered as at the close of business on 16th June, 1994.

CONSOLIDATED BALANCE SHEET

The consolidated balance sheet appears on page 19. The net assets attributable to shareholders amount to £4,684,000 which is equivalent to 20.6 pence per share. Net cash resources at 31st January, 1994 amounted to £2,343,000.

The £2.5 million Convertible Secured Loan Stock 2000 held by a subsidiary of U.S.I. Holdings Limited, a Hong Kong quoted company, is included in the balance sheet under the heading of creditors falling due after more than one year.

SUMMARY AND PROSPECTS

Over the last three years our businesses have undergone varying degrees of reorganisation

and their management has been strengthened. As a result and helped by the fact that the economic recovery in the UK is slowly showing signs of gaining momentum, the Group is increasingly well placed to take advantage of market opportunities.

The current year has started reasonably well with both sales and trading for the first quarter ahead of budget for the period.

CONCLUSION

The restoration of profitability and a firm financial base has been achieved by a combination of skills, hard work and effort from the executives and staff. Our thanks are to them.

Tom Scruby

26th May, 1994

The tangible signs of recovery in the U.K. branches forecast last Spring continued to develop and our relatively weak currency encouraged an increased number of overseas visitors to the Capital. These factors particularly benefited our London retail operations but impacted most favourably on Savile Row.

We have continued to operate a rigorous "good housekeeping" policy throughout our U.K. outlets, whilst developing our business through effective marketing. These steps combined with increased training for sales staff and the introduction of new product ranges, have enabled us to trade successfully during a fragile recovery period.

Overseas markets enjoyed encouraging advances in our distribution network, with the strongest growth in the Pacific Basin, where six new Gieves & Hawkes shops have opened. In Hong Kong, Taiwan, Australia and most recently China, our brand is beginning to achieve the high level of visibility and recognition we are seeking worldwide.

Continued . . .



GIEVES & HAWKES
No. 1 Savile Row, London

KEY EVENTS



No. 1 Savile Row Refurbishment and Expansion

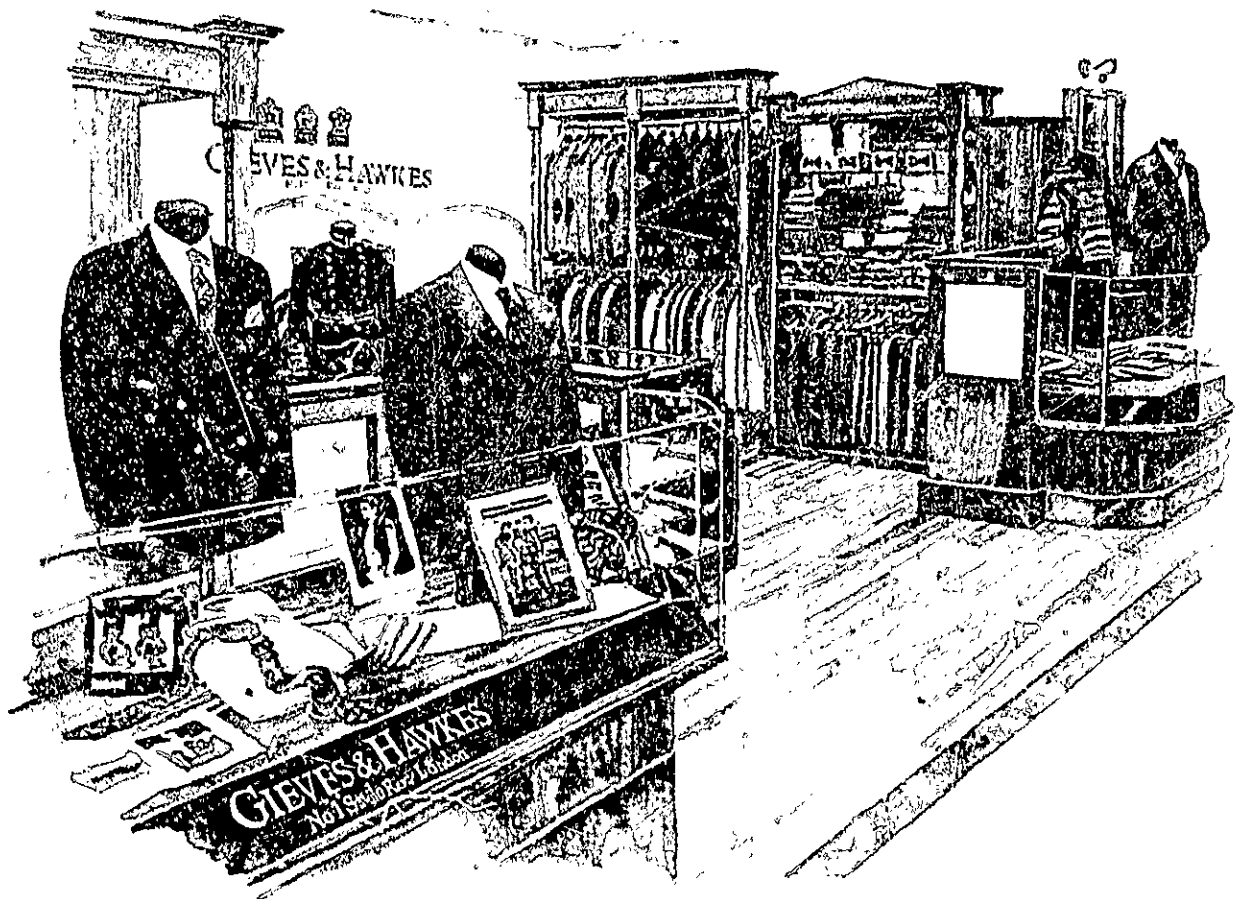
In Japan and the USA, trading continued to be difficult, but we are slowly beginning to see signs of improvement in these important markets.

In 1993, we were awarded the contract by British Airways to sell Gieves & Hawkes ties through their "Premier Selection" on international routes. We will be building on this initiative and looking at other Du'v Free opportunities.

Two new Directors were appointed to the Board of Gieves & Hawkes to support our future growth by strengthening our retail, financial and management information systems.

We are well placed to enter the next phase of development of the Gieves & Hawkes brand which will be spearheaded by the expansion and refurbishment of No. 1 Savile Row. This major undertaking will give us the space and visibility to broaden and present our product ranges to their best effect.

GIEVES & HAWKES
No. 1 Savile Row London



Wings Department Store, Shanghai, China

During 1993 Chivers began to benefit from the fundamental changes made to the business in the previous year. The focus of Chivers' business on the publishing of large print books and unabridged audio books has proved to be highly successful.

Chivers large print books continue to be increasingly popular with libraries and their customers. They serve an important role in improving the quality of life for a growing segment of the United Kingdom's ageing population. Chivers published over 350 titles in 1993 catering for a wide range of tastes from romance and thrillers to non-fiction.

Chivers' unabridged audio books also had a successful year. The superb quality and wide range of recordings is proving popular with listeners who appreciate being able to listen to the entire book in its unabridged form. Chivers published over 200 adult and children's fiction titles last year, including bestsellers by authors such as Catherine Cookson and Dick Francis.

In the USA Chivers' American subsidiary will in future focus on the distribution of unabridged audio books where demand continues to grow.

Chivers...
Chivers Press Limited



REPORT OF THE DIRECTORS

The directors submit the Group accounts together with their report for the year ended 31st January, 1994.

Results and Principal Activities

The Group has been engaged during the year in the following activities:-

Retailers and licensors.
Publishers.

The Group profit for the year on ordinary activities after taxation and minority interests amounted to £1,126,000 (last year—£4,874,000 loss).

These results are presented in accordance with FRS 3—"Reporting Financial Performance" and FRS 4—"Accounting for Capital Instruments". Comparative figures have been adjusted accordingly.

A review of the business and future developments of the business of the Company and its subsidiary undertakings has been given in the Chairman's Statement on pages 3 to 5.

Share Capital

On 6th August, 1993, the issued share capital of the Company was increased to 22,777,633 shares by the issue of 9,104,112 new ordinary shares of 20p each at a price of 25p per share. Further details are shown in Note 18.

Following an application to the Court, on 17th November, 1993 the issued share capital was cancelled to the extent of £2,277,763 by reducing the nominal amount of each share from 20p to 10p.

Dividends

No interim dividend has been paid. The directors recommend a final dividend of 1p per share net, which will absorb £228,000, leaving retained profits of £898,000 to be transferred to reserves.

Directors

The directors of the Company all of whom served throughout the year to 31st January, 1994 are shown below, together with their beneficial interests in the shares of the Company on 31st January, 1994 and on 1st February, 1993.

(a) Shares	10p		20p	
	Ordinary Shares		Ordinary Shares	
	This year		Last year	
B. T. R. Scruby	145,413		18,000	
W. C. C. Cheng	—		—	
I. H. Currie	48,000		30,000	
H. M. Gordon-Martin	93,556		58,473	
M. E. A. Keeling	404,373		404,373	
C. E. Maunsell	—		—	
N. D. McWhirter	13,333		13,333	
G. V. Sherron*	—		—	

*At the end of the year, through trusts, Mr. Sherron's family were interested in 247,680 ordinary shares of 10p each in the Company (1st February, 1993: 154,800 ordinary shares of 20p).

(b) Share Options

On 15th November, 1993 the shareholders in General Meeting approved the adoption of a new Executive Share Option Scheme. Options have been granted to directors of the Company as follows:—

	Date when granted	Exercise price	Number of 10p ordinary shares	Period during which options may be exercised—seven years ending:
B. T. R. Scruby	17th December, 1993	49p	250,000	17th December, 2003
I. H. Currie	17th December, 1993	49p	200,000	17th December, 2003
H. M. Gordon-Martin	17th December, 1993	49p	200,000	17th December, 2003

There have been no changes in directors' interests between 31st January, 1994 and 16th May, 1994.

Mr. B. T. R. Scruby and Mr. I. H. Currie retire by rotation and, being eligible, offer themselves for re-election. Mr. Scruby's service agreement is ten months unexpired and Mr. Currie has a rolling two year service agreement.

There were no contracts of significance subsisting during the year or at the year end in which any of the directors had a material interest.

Brief biographical details of the non-executive directors are as follows:—

Mr. Michael Keeling joined the Board in 1970, served as Chairman from 1971 until June, 1989, and has since served as a non-executive director. Until 1990 Mr. Keeling had been a member of the Boards of London and Yorkshire Trust Limited and Istock Johnsen plc and also a director and chairman of Close Brothers Group plc. Age 68.

Mr. Norris McWhirter joined the Board in 1973 as a non-executive director on the acquisition of the Redwood companies, where he served as Chairman. A founder editor of the Guinness Book of Records (together with his late twin Ross), he later served as Managing Director of Guinness Superlatives Limited. He is a trustee of the Police Rehabilitation Trust and of the Ross McWhirter Memorial Trust. Age 68.

Mr. Graham Sherren joined the Board as a non-executive director in January, 1990. He is Chairman and Chief Executive of Centaur Communications Limited, a major UK magazine and education language publisher. Among his other directorships he is a non-executive director of Culbro Corporation, a quoted US based group with diversified interests. Age 56.

Mr. Christopher Cheng is Chairman of U.S.I. Limited, a member of the Wing Tai group of companies in Hong Kong, and of Campari International Plc and also a non-executive director of Vivat Holdings PLC. Age 45.

Mr. Kit Maunsell is Chief Executive of Wing Tai (Europe) Limited and of Campari International Plc and also a non-executive director of Vivat Holdings PLC. Age 54.

During the year the Company maintained indemnity insurance for its Directors and Officers, including those of certain subsidiary companies.

Substantial Shareholdings

At 16th May, 1994, the Company has been advised of the following holdings in excess of 3% in the capital of the Company.

	Number of shares	%
Marvinbond Limited (a wholly-owned subsidiary of U.S.I. Holdings Limited)	4,438,672	19.49
Matheson & Co. Limited (held as nominees)	4,129,989	18.13
Luk On Inc.	950,000	4.17

Fixed Assets

The directors are of the opinion that the open market values of the Group's properties are not significantly different from their book values. There were no significant movements in fixed assets.

Corporate Governance

The Company complies as far as practicable with the Code of Best Practice embodied in the Cadbury Report. The principal responsibilities of the board are to agree overall strategy and investment policy, to approve major capital expenditure, to monitor the performance of the senior management and to ensure that there are proper internal controls in place.

The five non-executive directors bring an independent viewpoint and create overall balance, operating in the interest of both the Company and its shareholders.

A remuneration committee comprising the chairman and three non-executive directors has been in existence for a number of years, responsible for sanctioning the remuneration and benefits of the executive directors.

As envisaged by paragraph 3.15 of the Cadbury Report, the Company has not deemed it practicable to implement certain recommendations of the Code. In particular the Company has not formed either an audit committee nor split the roles of chief executive and chairman, although the two operating subsidiaries have their own managing directors. The directors consider that in view of the size of the Company the disadvantages of implementing these recommendations would outweigh the benefits.

Notwithstanding the above, the Company complies with paragraphs 3.1 to 3.3 but does not comply with paragraphs 1.4, 1.5, 2.3, 2.4 and 4.3. The Company will consider its compliance with items 4.5 (effectiveness of the Company's system of internal control) and 4.6 (directors to report that the business is a going concern) of the Code, when the guidelines for these two items have been developed.

Grant Thornton have reviewed this statement of compliance and have reported to the Board that it appropriately reflects the Company's compliance with the paragraphs of the Code that are specified for consideration by the Company's auditors.

Directors' Responsibilities

The directors are required by law to prepare financial statements which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial period and of the result for the period. The directors are responsible for keeping proper accounting records, for safeguarding assets, and for taking reasonable steps for the prevention and detection of fraud or other irregularities.

The directors confirm that suitable accounting policies have been consistently applied, that reasonable and prudent judgements have been used in the preparation of the financial statements, that the financial statements have been prepared on the going concern basis and that applicable accounting standards have been followed.

Employment Policies

The Group supports the employment of disabled people wherever possible through recruitment, by retention of those who become disabled during their employment and generally through training, career development and promotion.

While employee involvement represents an increasingly high priority in the Group the degree of achievement varies from one division to another. Nevertheless all managements are conscious of the need for the dissemination to their respective employees of information on matters concerning them, and they are encouraged to feel involved in their companies' affairs.

Environmental Matters

The Group is committed to best contemporary practice in environmental matters. In addition to seeking compliance with existing legislation and regulations each company in the Group pursues environmental policies aimed at achieving the standards expected of a responsible organisation.

Charitable and Political Contributions

The total of the Group's charitable contributions in the United Kingdom for the year was £150. No political contributions were made.

Capital Gains Tax

The adjusted market value of The Gieves Group plc shares at 31st March, 1982 for the purpose of Capital Gains Tax was 16.25p.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

By Order of the Board
I. H. Currie, *Secretary*



26th May, 1994

To the members of The Gieves Group plc

We have audited the financial statements on pages 18 to 34 which have been prepared under the accounting policies set out on page 17.

Respective responsibilities of Directors and Auditors

As described on page 14 the directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, of 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 affairs of the Company and the Group as at 31st January, 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.

GRANT THORNTON
Registered Auditors
Chartered Accountants
London
26th May, 1994

Grant Thornton

The following are the principal accounting policies of the Group, all of which are unchanged from the previous year.

The accounts for the previous year have been restated by virtue of the adoption this year of FRS3 and FRS4 and by the restatement of stock as detailed in note 19.

(a) Basis of accounts

The accounts have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with applicable accounting standards.

(b) Basis of consolidation

(i) Composition of the Group

The Group accounts consolidate the accounts of the Company and all its subsidiary undertakings which are made up to a date co-terminous with the financial year of the Company.

(ii) All unrealised internal profits are eliminated on consolidation.

(iii) Goodwill arising on acquisition of subsidiary undertakings is written off against reserves at the time of acquisition.

(c) Depreciation

Depreciation is provided to write off the cost on a straight line basis as follows:

Freehold buildings – 2 per cent. per annum

Short leasehold property – over period of lease or ten years if less

Plant, vehicles and equipment – at rates varying between 10 per cent. and

33½ per cent. per annum.

(d) Leasing

The cost of assets held under finance leases is included under tangible assets, and depreciation is provided in accordance with the Group's accounting policy for the class of asset concerned. Interest calculated on the reducing balance basis is charged as interest payable over the period of the lease and the capital element of future lease payments is included in creditors.

The cost of operating leases is charged to the profit and loss account on a straight line basis over the term of the lease.

(e) Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits/losses computed for taxation purposes and profits/losses as stated in the accounts. It is provided to the extent that it is probable that a liability will crystallise. Unprovided deferred tax is disclosed as a contingent liability. Provision for deferred taxation is made at the effective rate of corporation tax in force during the following accounting year.

(f) Turnover

Turnover represents the net amounts invoiced for sales and services rendered excluding value added tax and intra-group transactions.

(g) Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

(h) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies have been translated into sterling at the rate of exchange ruling at the balance sheet date, except where covered by a forward exchange contract in which case the contract rate has been used. The trading results of overseas operations have been translated into sterling at the average rate for the year. Differences arising on consolidation of the net investment in overseas operations are taken to reserves. All other differences are taken to the profit and loss account.

(i) Pension Scheme

The cost of providing pensions is charged to the profit and loss account over the periods benefiting from the services of employees at a level percentage of pensionable salary.

(j) Fixed Asset Investments

Shares and other investments in subsidiary undertakings and other unlisted investments are included at directors' valuation, having regard to the value of the underlying net assets. Surpluses and deficits on revaluation are included in the revaluation reserve except to the extent of any permanent diminution in value which is written off to the profit and loss account.

For the year ended 31st January, 1994

	Notes	£000	£000	Last Year Restated £000
Turnover				
Principal continuing activities—				
Retailers and licensors			9,700	9,167
Publishers			8,429	7,919
			18,129	17,086
Discontinued businesses			—	1,901
	1		18,129	18,987
Operating Profits/(Losses)				
Continuing operations				
Retailers and licensors	4		885	242
Publishers			351	(33)
Parent company—central expenses			(418)	(551)
			818	(342)
Discontinued operations			—	(328)
Operating profit/(loss)	1		818	(670)
Reorganisation and restructuring costs			—	(471)
Profit/(loss) on disposal of fixed assets			108	(156)
Profit/(loss) on sale or termination of operations:				
Overseas retailers		—	—	(1,513)
Book distributors		—	—	(413)
Book and magazine manufacturers		(870)	—	—
Less provision made last year		1,500	630	(1,500)
Profit/(loss) on ordinary activities before interest			1,556	(4,723)
Interest payable less receivable	3		(181)	(345)
Profit/(loss) on ordinary activities before taxation			1,375	(5,068)
Taxation (charge)/credit	6		(252)	194
Profit/(loss) on ordinary activities after taxation			1,123	(4,874)
Minority interest			3	—
Profit/(loss) for the financial year			1,126	(4,874)
Proposed dividend	8		228	—
Profit/(loss) retained in the business	19		898	(4,874)
Earnings per ordinary share	9			
Undiluted			6.2p	(35.6)p
Diluted			5.0p	n/a

CONSOLIDATED BALANCE SHEET

31st January, 1994

	Notes	£000	£000	£000	Last Year Restated £000
Fixed assets					
Tangible assets	10		1,006		1,316
Investments	11		816		816
			<u>1,822</u>		<u>2,132</u>
Current assets					
Stocks	12	3,706		4,122	
Debtors	13	4,368		4,131	
Cash at bank and in hand		2,840		1,343	
		<u>10,914</u>		<u>9,596</u>	
Creditors: amounts falling due within one year:—					
Borrowings	16	563		1,103	
Other		4,501		5,670	
	14	<u>5,064</u>		<u>6,773</u>	
Net current assets			<u>5,850</u>		<u>2,823</u>
Total assets less current liabilities			<u>7,672</u>		<u>4,955</u>
Creditors: amounts falling due after more than one year:—					
Borrowings	16	2,492		2,760	
Other		227		199	
	15	<u>2,719</u>		<u>2,959</u>	
Provisions for liabilities and charges	17	<u>246</u>		<u>237</u>	
			<u>2,965</u>		<u>3,196</u>
			<u>4,707</u>		<u>1,759</u>
Capital and reserves					
Called up equity share capital	18		2,278		2,735
Share premium account	19		242		—
Revaluation reserve	19		670		670
Merger reserve	19		51		51
Special reserve	19		678		—
Profit and loss account	19		765		(1,697)
			<u>4,684</u>		<u>1,759</u>
Minority equity interests			<u>23</u>		<u>—</u>
			<u>4,707</u>		<u>1,759</u>

B. T. D. SCRUBY

I. H. CURRIE

Directors

Approved by the board on 26th May, 1994

BALANCE SHEET

31st January, 1994

	Notes	£000	£000	£000	Last Year Restated £000
Fixed assets					
Tangible assets	10		21		21
Investments	11		10,832		10,509
			<u>10,853</u>		<u>10,530</u>
Current assets					
Debtors	13	103		83	
Cash at bank and in hand		1,768		1,341	
		<u>1,871</u>		<u>1,424</u>	
Creditors: amounts falling due within one year:—					
Borrowings	16	497		—	
Due to subsidiaries		233		236	
Other		678		1,827	
	14	<u>1,408</u>		<u>2,063</u>	
Net current assets/(liabilities)			<u>463</u>		<u>(639)</u>
Total assets less current liabilities			<u>11,316</u>		<u>9,891</u>
Creditors: amounts falling due after more than one year:—					
Borrowings	16	2,437		2,428	
Due to subsidiaries		1,424		2,382	
	15	<u>3,861</u>		<u>4,810</u>	
Provisions for liabilities and charges	17	<u>13</u>		<u>13</u>	
			<u>3,874</u>		<u>4,823</u>
			<u>7,442</u>		<u>5,068</u>
Capital and reserves					
Called up equity share capital	18		2,278		2,735
Share premium account	19		242		—
Revaluation reserve	19		3,392		4,112
Merger reserve	19		451		451
Special reserve	19		678		—
Profit and loss account	19		401		(2,230)
			<u>7,442</u>		<u>5,068</u>

B. T. R. SCRUBY

I. H. CURRIE

Directors

Approved by the board on 26th May, 1994

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES*

	£000	Last year £000
Profit/(loss) for the financial year	1,126	(4,874)
Issue costs	(213)	---
Unrealised surplus on valuation of unlisted investments	—	670
Exchange movements on foreign currency net investments	(4)	35
Total recognised gains and losses for the financial year	909	(4,169)
Prior year adjustment (as explained in note 19)	(127)	—
Total gains and losses recognised since last annual report	782	—

There is no difference between the historical cost profits and those reported.

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	£000	Last year £000
Profit/(loss) for the financial year	1,126	(4,874)
Dividends	(228)	—
Other recognised gains and losses relating to the year	(217)	705
New share capital issued	2,276	—
Goodwill deducted from reserves	(32)	—
Goodwill on disposals included in loss for the year	—	1,784
Net movement in shareholders' funds	2,925	(2,385)
Opening shareholders' funds (originally £1,886,000 before deducting prior year adjustment of £127,000)	1,759	4,144
Closing shareholders' funds	4,684	1,759

1. Turnover and operating profit

	1994	Last Year restated		Total
	Continuing	Continuing	Discontinued	
	£000	£000	£000	£000
Turnover	18,129	17,086	1,901	18,987
Cost of sales	10,654	10,710	220	10,930
Gross profit	7,475	6,376	1,681	8,057
Net operating expenses				
Distribution costs	3,774	3,663	—	3,663
Administrative expenses	4,120	4,156	2,065	6,221
Other operating income	(1,237)	(1,101)	(56)	(1,157)
	6,657	6,718	2,009	8,727
Operating profit/(loss)	818	(342)	(328)	(670)

The profit and loss account is now presented in accordance with Format 1 of Schedule 4 of the Companies Act 1985, as the directors consider this to be more appropriate.

Turnover principally originates from the United Kingdom and includes £3,102,000 (last year £3,113,000) of exports. It is not possible to provide a geographical analysis of the destination of this turnover.

	£000	£000	Last Year	
			£000	£000
Profit/(loss) on ordinary activities is stated after:—				
Depreciation of fixed assets:—				
Freehold buildings	1		80	
Leasehold property—short	42		196	
Plant, equipment and vehicles—owned	275		451	
—leased and hire-purchased	87		102	
		405		829
Auditors' remuneration—				
As auditors		43		45
Other services		27		35
Operating lease rentals, including land and buildings		949		1,101

2. Segmental analysis

Class of business	Operating			Last year restated		
	Turnover	profit	Net assets	Turnover	Operating Profit/(loss)	Net assets
	£000	£000	£000	£000	£000	£000
Continuing operations:						
Retailers and licensors	9,700	885	2,166	9,167	242	2,541
Publishers	8,429	351	2,313	7,919	(33)	2,422
Central expenses	—	(418)	—	—	(551)	—
	<u>18,129</u>	<u>818</u>	<u>4,479</u>	<u>17,086</u>	<u>(342)</u>	<u>4,963</u>
Discontinued operations:						
Book distributors	—	—	—	1,620	57	—
Overseas retailers	—	—	—	281	(385)	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,901</u>	<u>(328)</u>	<u>—</u>
Totals	<u>18,129</u>	<u>818</u>	<u>4,479</u>	<u>18,987</u>	<u>(670)</u>	<u>4,963</u>
Reorganisation and restructuring costs		—			(471)	
Profit/(loss) on disposal of fixed assets		108			(156)	
Profit/(loss) on sale or termination of operations		630			(3,426)	
Net interest payable		(181)			(345)	
Profit/(loss) on ordinary activities before tax		<u>1,375</u>			<u>(5,068)</u>	
Unallocated assets			228			(3,204)
Total net assets			<u>4,707</u>			<u>1,759</u>

There are no inter-segmental sales.

3. Interest payable less receivable

	£000	Last year £000
Interest payable		
On bank overdrafts and other loans		
—repayable within 5 years, otherwise than by instalments	72	198
—repayable wholly or partly in more than 5 years	224	126
On finance leases and hire purchase agreements	13	28
	<u>309</u>	<u>352</u>
Interest receivable	(128)	(7)
	<u>181</u>	<u>345</u>

4. Exceptional other operating charges

The operating profit of the retailing and licensing division is stated after exceptional redundancy costs of £108,000 (last year branch closure costs of £373,000).

5. Directors and employees

	£000	Last year £000
Staff costs during the year:		
Wages and salaries	3,434	4,027
Social security costs	325	400
Other pension costs	13	54
	<u>3,772</u>	<u>4,481</u>

5. Directors and employees (continued)

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

	Full time	Part time	1994 Total	Full time	Part time	Last Year Total
Continuing businesses:						
Retailers and licensors	121	14	135	124	19	143
Publishers	72	6	78	83	5	88
Central administration	4	—	4	4	—	4
	197	20	217	211	24	235
Discontinued businesses	—	—	—	24	3	27
	197	20	217	235	27	262

	£000	Last year £000
Directors' emoluments—		
Management remuneration	347	362
Chairman — salary	82	82
— bonus	—	18
— pension contribution	30	30
Highest paid director — salary	112	110
The highest paid director is a member of The Gieves Group Retirement Benefits Scheme.		
The emoluments of the other directors, excluding pension contributions, were as follows:		
	Number	Number
£ 5,001 to £10,000	—	2
£10,001 to £15,000	4	2
£15,001 to £20,000	1	1
£60,001 to £65,000	1	—
£65,001 to £70,000	—	1

6. Taxation on profit/(loss) on ordinary activities

	£000	Last year restated £000
(i) The taxation charge/(credit) based on the result for the year is made up as follows:		
U.K. corporation tax at 33% (last year: 33%)	175	(54)
Overseas taxation	62	46
Deferred taxation	(2)	(44)
	235	(52)
Taxation adjustment in respect of previous years	17	(142)
	252	(194)

(ii) The tax charge has been reduced by £70,000 due to the utilisation of losses brought forward. The profit on disposal of fixed assets and the release of the provision made on the sale of the book and magazine manufacturers have had no effect on the tax charge.

(iii) There are tax losses carried forward as shown in Note 17.

(iv) No tax credit has been taken for losses amounting to £40,000 (last year: £1,465,000) incurred by overseas companies.

(v) In the opinion of the directors, the Company is not a close company under the Income and Corporation Taxes Act 1988.

7. Company profit and loss account

The Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these accounts. The Group profit for the year includes a profit after tax and dividend for the financial year of £1,031,000 (last year loss £3,113,000) which is dealt with in the accounts of the Company.

8. Dividends

	£000	Last year £000
Final 1p per share proposed	228	—

9. Earnings per ordinary share

The calculation is based on the weighted average of 18,113,335 ordinary shares in issue during the year (last year 13,673,521) and profit after taxation and minority interests of £1,126,000 (last year £4,874,000 loss). Diluted earnings per ordinary share are calculated on a weighted average of 24,899,008 ordinary shares. This allows for full conversion rights attaching to the convertible loan stock and the allotment of shares under the Executive Share Option Scheme, with a corresponding adjustment to profit for interest.

10. Tangible fixed assets

	<i>Properties</i>			
	Freehold £000	Short Leasehold £000	Plant, Vehicles and Equipment £000	Total £000
Holding Company—				
Cost at beginning and end of year	25	—	—	25
Depreciation at beginning and end of year	4	—	—	4
Net Book Amount at 31st January, 1994	21	—	—	21
Last year	21	—	—	21
The Group—				
Cost at beginning of year	308	930	2,859	4,097
Movements in year:				
Additions	—	60	63	123
Disposals	(27)	(20)	(149)	(196)
At end of year	281	970	2,773	4,024
Depreciation at beginning of year	163	680	1,938	2,781
Charge for year	1	42	362	405
Released on disposals	(4)	(20)	(144)	(168)
At end of year	160	702	2,156	3,018
Net Book Amount at 31st January, 1994	121	268	617	1,006
Last year	145	250	921	1,316
Net Book Amount at 31st January, 1994 of assets held under finance leases	—	—	85	85
Last year	—	—	167	167

11. Fixed asset investments

	Shares in subsidiaries £000	Loans to subsidiaries £000	Shares in Associate £000	Other Investments £000	Total £000
Holding Company—					
At beginning of year at valuation	8,024	1,777	8	700	10,509
Additions	—	1,073	—	—	1,073
Disposals	—	—	—	(700)	(700)
Revaluation	—	(50)	—	—	(50)
At end of year at valuation	<u>8,024</u>	<u>2,800</u>	<u>8</u>	<u>—</u>	<u>10,832</u>
The Group—					
At beginning and end of year at cost or valuation			<u>8</u>	<u>808</u>	<u>816</u>

Investments are stated at the fair value of the underlying net assets based upon directors' valuation as at 31st January, 1994. The historical cost of investments in subsidiary undertakings was £3,611,000 at 31st January, 1994 (last year: £3,611,000).

The investment in the associated undertaking represents the Company's holding of 50% of the issued ordinary share capital and the whole of the preference share capital of Burnlave Properties Limited, which has not traded during the year. Burnlave Properties Limited is incorporated in Great Britain and registered in England and Wales.

The Group's other investments comprise shareholdings in unlisted companies as follows:—

	Place of registration/ incorporation	% of equity held	£000
Merlin Publishing International plc	England and Wales	7.2	700
BPMG plc	England and Wales	14.0	100
Gieves & Hawkes Japan Co. Ltd.	Japan	18.0	8
			<u>808</u>

The principal trading companies within the Group, as at 31st January, 1994 together with their principal activities, are shown below; their results have been included in the Consolidated Profit and Loss Account. All subsidiaries are incorporated in Great Britain and registered in England and Wales and operate in the United Kingdom, except where indicated.

		% of ordinary equity held
*Gieves & Hawkes Limited	Retailers and licensors	100
*Gieves & Hawkes International Limited	Retailers and licensors	100
Chivers Press Limited	Publishers	100
Chivers North America Inc. (USA)	Publishers	75
*Directly owned by the Company.		

12. Stocks

	£000	Last year £000
The Group		
Raw materials	149	64
Work in progress	138	172
Finished goods	3,419	3,886
	<u>3,706</u>	<u>4,122</u>

13. Debtors

	Holding Company £000	The Group £000	Last Year Holding Company £000	The Group £000
<i>Amounts falling due within one year:</i>				
Trade debtors	—	2,538	—	2,538
Other debtors	46	268	65	143
Prepayments and accrued income	—	1,265	—	954
Taxation recoverable	—	—	18	173
	<u>46</u>	<u>4,071</u>	<u>83</u>	<u>3,808</u>
<i>Amounts falling due after more than one year:</i>				
Trade debtors	—	240	—	255
Advance corporation tax recoverable	57	57	—	68
	<u>57</u>	<u>297</u>	<u>—</u>	<u>323</u>
Total	<u>103</u>	<u>4,368</u>	<u>83</u>	<u>4,131</u>

14. Creditors—amounts falling due within one year

	Holding Company £000	The Group £000	Last Year Holding Company £000	The Group £000
Finance leases and hire purchase	—	66	—	76
Instalments due on mortgages	—	—	—	18
Bank overdrafts*	497	497	—	1,009
Trade creditors	—	1,760	—	2,210
Amounts owed to group undertakings	233	—	236	—
Current taxation	7	81	—	—
Social security and other taxes	—	399	—	315
Other creditors	282	1,281	146	1,055
Accruals	161	752	1,681	2,090
Proposed dividends	228	228	—	—
	<u>1,408</u>	<u>5,064</u>	<u>2,063</u>	<u>6,773</u>

*Bank overdrafts amounting to £Nil (last year: £62,000) are secured by fixed and floating charges.

15. Creditors—amounts falling due after more than one year

	Holding Company	The Group	Last Year Holding Company	The Group
	£000	£000	£000	£000
Convertible Secured Loan Stock 2000	2,437	2,437	2,428	2,428
Finance leases and hire purchase	—	55	—	118
Mortgages:				
Secured on freehold properties and repayable monthly by instalments (Interest rate at 2% over bank base rate)	—	—	—	214
Other creditors	—	227	—	199
Amounts owed to group undertakings	1,424	—	2,382	—
	<u>3,861</u>	<u>2,719</u>	<u>4,810</u>	<u>2,959</u>

The convertible loan stock bears interest on the principal amount thereof from time to time outstanding at (i) the rate of 8.75 per cent. per annum for the year ended 31st July, 1993, (ii) the rate of 7.25 per cent. per annum for the year ending 31st July, 1994, (iii) the rate of 7.75 per cent. per annum thereafter. The convertible loan stock is secured by way of a fixed and floating charge over the Group's assets.

16. Borrowings

	Holding Company	The Group	Last Year Holding Company	The Group
	£000	£000	£000	£000
Included in creditors falling due within one year:				
Finance leases and hire purchase	—	66	—	76
Mortgages	—	—	—	18
Bank overdrafts	497	497	—	1,009
	<u>497</u>	<u>563</u>	<u>—</u>	<u>1,103</u>
Included in creditors falling due after more than one year:				
*Convertible Secured Loan Stock 2000	2,437	2,437	2,428	2,428
Finance leases and hire purchase	—	55	—	118
Mortgages	—	—	—	214
	<u>2,437</u>	<u>2,492</u>	<u>2,428</u>	<u>2,760</u>
Total borrowings	<u>2,934</u>	<u>3,055</u>	<u>2,428</u>	<u>3,863</u>
Mortgages and finance leases are repayable as follows:				
Within one year	—	66	—	94
Between one and two years	—	55	—	81
Between two and five years	—	—	—	73
In five years or more	—	—	—	178
	<u>—</u>	<u>121</u>	<u>—</u>	<u>426</u>

*The convertible loan stock of £2.5 million is stated net of issue costs not written off of £63,000 (last year £72,000) in accordance with FRS 4.

17. Provisions for liabilities and charges

	Total £000	Deferred Taxation £000	Pension Fund £000
The Group			
(i) At beginning of year	237	4	233
Provided/(released) during year	14	16	(2)
Transfer to current taxation	(5)	(5)	—
At end of year	<u>246</u>	<u>15</u>	<u>231</u>

(ii) The amount provided in the balance sheet for deferred taxation consists of:

	£000	Last year £000
Accelerated capital allowances and timing differences in respect of finance leases	28	60
Other timing differences	(26)	(74)
Roll-over relief	18	18
Advance Corporation Tax	(5)	—
	<u>15</u>	<u>4</u>

(iii) There is no unprovided deferred taxation.

(iv) There are tax losses carried forward in Chivers Press Limited and available to be set off against future taxable profits of that company amounting to £33,000, no part of which is reflected in the deferred tax account.

(v) The Group operates a funded defined benefit pension scheme whose assets are administered by trustees in a managed fund independent from the Group's assets. Actuarial valuations are made regularly at three-year intervals by a professionally qualified actuary and contribution levels reviewed.

At the last actuarial valuation in May, 1990 a surplus on the Group Fund of approximately £600,000 arose and, after consultation with the actuary, the Group decided to suspend its contributions for a period of up to three years. In accordance with Statement of Standard Accounting Practice No. 24, the Group has provided in the accounts for a sum representing the regular pension cost less amortisation of the surplus.

The actuarial valuation was carried out using the Projected Unit Cost method. The main assumption adopted in the valuation was that the annual rate of return on investments would be 2.0% higher than the annual increase in total pensionable remuneration. The market value of the fund's assets at 1st May, 1990 was £3.741 million, which represented 125% of future benefits on a continuance basis.

An actuarial valuation as at May, 1993 is in the process of being completed.

	Pension Fund £000
The Company	
(i) At beginning and end of year	<u>13</u>

(ii) There is unprovided deferred taxation of approximately £2 million in respect of the realisation of the Company's investments in its retailing and licensing subsidiaries.

18. Share capital

	£000	Last year £000
Authorised		
54,722,367 ordinary shares of 10p each (last year: 23,750,000 ordinary shares of 20p each)	5,472	4,750
Allotted, called up and fully paid		
22,777,633 ordinary shares of 10p each (last year: 13,673,521 ordinary shares of 20p each)	*2,278	2,735

On 6th August, 1993, a Special Resolution was passed by the shareholders increasing the authorised share capital to £7,750,000.

On 6th August, 1993, 8,204,112 20p ordinary shares were issued at a price of 25p per share by way of a placing and open offer on the basis of 3 new shares for every 5 ordinary shares held in order to provide additional working capital. Also on the same date, 900,000 20p ordinary shares were issued at a price of 25p per share to Royal Scot Leasing Limited in satisfaction of a liability that arose under a guarantee given by the Company in connection with the sale of the business of Redwood Press Limited.

On 17th November, 1993, following shareholders' approval and an application to the Court, the share capital of the Company was reduced by the cancellation of 10p of the nominal value of each issued share. Also on the same day, each of the 15,972,367 unissued ordinary shares of 20p each were sub-divided into 2 ordinary shares of 10p each.

*Made up as follows:—

	£000
Allotted called-up and fully paid:	
At 1st February, 1993, 13,673,521 ordinary shares of 20p each	2,735
Placing and open offer of 8,204,112 ordinary shares of 20p each	1,641
Issue of 900,000 ordinary shares of 20p each	180
Capital reduction	(2,278)
At 31st January, 1994	2,278

The following potential issues of ordinary shares have not been dealt with in these financial statements:—

- (i) The holders of £2.5 million convertible secured loan stock have the option of converting every 30p nominal loan stock into one 10p ordinary share until 30th April, 2000. These conversion rights could give rise to the issue of up to 8,333,333 ordinary shares.
- (ii) Under the terms of the Executive Share Option Scheme, approved by the shareholders on 15th November, 1993, directors and executives hold options to subscribe for up to 1 million shares at 49p per share, exercisable between 17th December, 1996 and 16th December, 2003.

19. Reserves

	Holding Company £000	The Group £000
Share premium account		
At beginning of year	—	—
Premium on new shares issued, less costs	242	242
At end of year	242	242
Revaluation reserve		
At beginning of year	4,112	670
Transfer to profit and loss account	(670)	—
Revaluation during year	(50)	—
At end of year	3,392	670
Merger reserve		
At beginning and at end of year	451	51
Special reserve		
At beginning of year	—	—
Arising on reduction of share capital	48	48
Transfer from profit and loss account	630	630
At end of year	678	678
Profit and loss account		
At beginning of year (as previously reported)	(2,230)	(1,570)
Prior year adjustment	—	(127)
As restated	(2,230)	(1,697)
Transfer on reduction of share capital	2,230	2,230
Goodwill written off	—	(32)
Exchange movements	—	(4)
Retained profit for year	1,031	898
Transfer to special reserve	(630)	(630)
At end of year	401	765

The special reserve is not distributable under the terms of the capital reduction scheme approved by the Court on 17th November, 1993.

The cumulative amount of goodwill written off on acquisition of subsidiaries is £469,000 (last year £437,000).

The directors have considered the value of the company's fixed assets without revaluing all such assets. The directors are satisfied that the aggregate value of those assets at the balance sheet date was not less than the aggregate amount at which they are stated in the company's financial statements.

The prior year adjustment represents the effect of an accounting error of £190,000 in the valuation of stock in a subsidiary undertaking. As a result losses after taxation as shown in last year's financial statements were understated by £127,000. The results for the year ended 31st January, 1993 and the consolidated balance sheet at that date have been restated to take account of this adjustment.

20. Capital commitments

There are outstanding capital commitments not provided in the accounts for the Group as follows:

	£000	Last year £000
Contracted for	40	—
Authorised by the directors but not contracted for	460	—
	500	—

There are no capital commitments for the holding company (last year Nil).

21. Contingent liabilities

	£000	Last year £000
Guarantees by the Company in respect of certain subsidiaries:—		
Bank overdrafts	324	1,851

There are no contingent liabilities for the Group (last year Nil).

22. Operating lease commitments**The Group**

	£000	Last year £000
Operating lease commitments payable within one year, analysed according to the period in which each lease expires, are as follows:		
(a) Land and buildings:		
Lease expiry date: within one year	26	29
in years two to five	139	149
thereafter	793	768
	<u>958</u>	<u>946</u>
(b) Other assets:		
Lease expiry date: within one year	12	6
in years two to five	119	107
	<u>131</u>	<u>113</u>

The Company

The Company has operating lease commitments of £76,000 payable within one year in respect of land and buildings where the lease expires after five years.

CONSOLIDATED CASH FLOW STATEMENT

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	Notes	This year		Last year	
		£000	£000	£000	£000
Net cash inflow/(outflow) from operating activities	1		729		(138)
Returns on investments and servicing of finance					
Interest paid		(309)		(352)	
Interest received		128		7	
Net cash outflow from returns on investments and servicing of finance			(181)		(345)
Taxation: UK and overseas corporation tax received			24		58
Investing activities					
Purchase of tangible fixed assets		(117)		(153)	
Sale of subsidiary undertakings		—		976	
Disposal of fixed assets		28		495	
Net cash inflow from investing activities			(89)		1,318
Net cash inflow before financing			483		893
Financing					
Issue of Convertible Loan Stock		—		2,428	
Issue of ordinary share capital		2,051		—	
Expenses paid in connection with share issue		(213)		—	
Capital element of finance lease rentals and repayment of loans	2	(302)		(129)	
			1,536		2,299
Increase in cash and cash equivalents			2,019		3,192

NOTES TO CASH FLOW STATEMENT

1. Reconciliation of operating profit to net cash flow from operating activities

	This year	Last year
	£000	£000
Operating profit/(loss) before interest	818	(670)
Profit on sale of fixed assets	108	—
Reorganisation and restructuring costs	—	(471)
Provision for loss on disposal of fixed assets	—	(167)
Depreciation	405	829
Decrease in stock	416	585
Decrease/(increase) in debtors	(421)	1,648
(Decrease)/increase in creditors	(597)	(1,404)
Net cash inflow from continuing operating activities	729	350
Net cash outflow in respect of discontinued activities	—	(488)
Net cash inflow/(outflow) from operating activities	729	(138)

2. Analysis of changes in financing during the year

	Share capital including premium		Loans and finance lease obligations	
	This year £000	Last year £000	This year £000	Last year £000
Balance at beginning of year	2,735	2,735	2,854	5,991
Cash inflow/(outflow) from financing (net of expenses)	1,838	—	(302)	2,299
Shares issued for non-cash consideration	225	—	—	—
Amount written off on capital reduction	(2,278)	—	—	—
Loans and finance lease obligations of subsidiary undertakings disposed of during the year	—	—	—	(5,496)
Inception of finance leases	—	—	6	60
Balance at end of year	<u>2,520</u>	<u>2,735</u>	<u>2,558</u>	<u>2,854</u>

3. Analysis of changes in cash and cash equivalents during the year

	This year £000	Last year £000
Balance at beginning of year	334	(2,891)
Net cash inflow before adjustments for the effect of foreign exchange rate changes	2,019	3,192
Effect of foreign exchange rate changes	(10)	33
Balance at end of year	<u>2,343</u>	<u>334</u>

Cash and cash equivalents comprise:

	This year £000	Change in year £000	Last year £000	Change last year £000	1992 £000
Cash at bank and in hand	2,840	1,497	1,343	1,290	53
Bank overdrafts	(497)	512	(1,009)	1,935	(2,944)
	<u>2,343</u>	<u>2,009</u>	<u>334</u>	<u>3,225</u>	<u>(2,891)</u>

NOTICE is hereby given that the fifteenth Annual General Meeting of the Company will be held at **English Speaking Union World Headquarters, 37 Charles Street, London W1**, at 12 noon on Thursday 30th June, 1994, for the following purposes:

Ordinary Business

1. To receive and adopt the Directors' Report and Accounts for the year ended 31st January, 1994.
2. To receive the Auditors' Report.
3. To declare a final dividend.
4. To re-elect Mr. B. T. R. Scruby as a director.
5. To re-elect Mr. I. H. Currie as a director.
6. To reappoint Messrs. Grant Thornton as auditors and to authorise the directors to fix the remuneration of the auditors.

By order of the Board

I. H. Currie
Secretary

Registered Office:
No. 1 Savile Row,
London W1X 2JR
(Registered in England and Wales—No. 1455128)

26th May, 1994

Notes

Copies of directors' service contracts and memoranda of terms of service required to be made available for inspection under the terms of the Stock Exchange Listing Agreement will be so available fifteen minutes prior to and at the Meeting. They will also be available for inspection at the office of the Company's Registrars during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this Notice until the date of the Meeting.

A member of the Company entitled to attend and vote at the above meeting may appoint a proxy (whether a member or not) to attend and on a poll vote instead of him. To be effective Forms of Proxy must be deposited at the office of the Company's Registrars by noon on Tuesday 28th June, 1994. Completion of a Form of Proxy will not preclude a member from attending and voting in person.