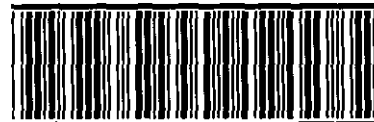


Annual Report and Accounts 1998

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QUADRAMATIC plc

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Admiral plc is a group of specialist engineering companies, which is in the process of refocusing its core supplier of electronic equipment for cash and operations.

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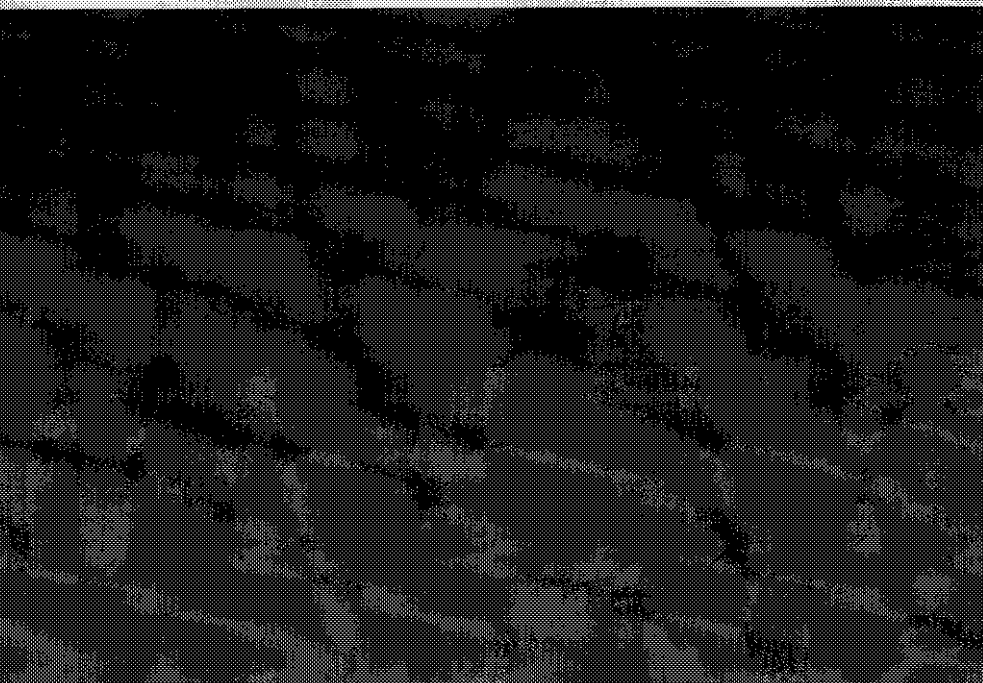
Financial Highlights

	1998	1997	% change
Turnover	74.6	70.0	up 6.2%
Profit before tax	12.6	14.0	down 10%
Shareholders' Funds	17.9	16.4	
Net Cash from Operating Activities	10.4	14.8	
Net Profit Margin	16.9%	19.2%	
Earnings per share: Basic and Fully diluted	17.4p	19.5p	down 11%
Dividend per share	10.5p	10.0p	up 5%

Earnings per share (p) – Fully diluted

94	12.3
95	15.4
96	18.1
97	19.5
98	17.4

Chairman's Statement



I am pleased to be able to report, together with our results for the year ended 2 October 1998, two major steps towards the implementation of the strategy announced by the Board in May. This was to dispose of the Instruments and Specialist Moulded Products Divisions and to focus on developing the Coin Handling Division.

We have agreed the Disposal of businesses comprising substantially all the Instruments Division to a management buy-in vehicle backed by 3i plc, for £27.4 million.

We are also pleased to report particulars of two strategically important US acquisitions for the Coin Handling Division.

Results

Group turnover rose 2% to £74.6 million. Excluding the £1.8m turnover of the Coin Doors business, disposed of in June for an exceptional profit of £1.1m, turnover rose 4%. Operating profit of the Group, excluding the Coin Doors business, fell 15% to £11.7 million. As for many manufacturing and export oriented companies, trading conditions in the past year have been particularly difficult. The directly measurable impact of the continued strength of sterling on the Group's profits was some £0.5 million.

During the year £3.5 million was invested in capital expenditure and £1.8 million was spent buying back the Company's shares. The Group ended the financial year with net borrowings (in the form of finance leases) of £1.6 million (1997: net cash £1.9 million).

Headline earnings per share were 17.4p (1997: 19.5p), reflecting the impact of both the exceptional gain arising on the disposal of the Coin Doors business and a higher effective tax rate of 32.8% (1997: 31.4%) as a result of a higher level of overseas earnings.

Dividends

The Board of Directors is recommending a final dividend of 6.0p per ordinary share (1997: 5.9p). If approved, this would give a total dividend of 10.5p (1997: 10.0p).

Acquisitions

The Board is pleased to report that on 20 November 1998 the Company acquired Ardac, a leading manufacturer of banknote validators based in Eastlake, Ohio, USA, for a total purchase price of up to US\$9.3 million. It is proposed that Mr Frank Novak, the former majority shareholder in Ardac, will shortly join the Board. In addition, the Company acquired certain land, buildings and equipment used by Ardac in its business for US\$4.0 million in cash.

The acquisition of Ardac fulfils one of the Coin Handling Division's prime strategic objectives of adding a range of banknote validators to its existing coin handling products, and with the launch of the new Coin Changer for the vending industry more than doubles the available market to the Coin Handling Division and moves it into the position of one of the world's leading money handling businesses.



The Board is also pleased to report the acquisition of Mid-South Enterprises, a Dallas-based manufacturer of patented vending machine components, for a maximum cash consideration of US\$3.76 million. Mid-South Enterprises' customers include several of the key vending machine manufacturers, and this acquisition will therefore facilitate the Division's entry into the vending market.

Trading

The Coin Handling Division reported operating profits of £5.6 million (1997: £6.4 million). While sales to the gaming industry in Australia and the US grew strongly, sales to the UK amusement and leisure industry, still the single most significant market for Coin Handling, were down year on year and sales to the Italian market fell sharply following technical changes to the structure of the amusement machine business there. While the UK market was relatively robust in the first half of the year, for much of the second half Amusement With Prizes machine manufacturers refrained from placing orders as they waited for the results of the government review of the maximum size of machine jackpots. Following the decision in July 1998 to increase the maximum jackpot to £15 with effect from 1 October 1998, the Division saw a strong improvement in demand in September.

Operating profit in the Specialist Moulded Products Division fell 16.0% to £3.4 million. Combined Optical Industries had a very strong first half, and despite some fall off in demand from its major mobile phone customers in the second

half, increased operating profit year on year by 17.0%. Kestrel Injection Moulders suffered from the loss of a major customer whose UK manufacturing operations were closed down by its overseas parent company. Hampton Mouldings' performance, adversely impacted in the first half of the year by lower than expected revenues from a major new contract, showed signs of improvement towards the end of the year.

The operating profit of CAL, Comark and Datapac, fell from £4.4 million to £4.3 million on sales which increased from £18.4 million to £20.9 million. ASL, the remaining company in the Instruments Division, suffered a decline in sales from £3.0 million to £2.6 million, with an operating loss of £0.4 million (1997: profit £0.4 million). As a result of a restructuring of the business and a reduction of the cost base, ASL has traded at or above break-even for several months.

Board Change

Following the acquisition of Ardac referred to above, it is proposed that Frank Novak, currently Chairman and Chief Executive of Ardac and formerly its majority shareholder, will shortly join the Board.

Prospects

The acquisitions of Ardac and Mid-South Enterprises, together with the launch of Vortex, an innovative new Coin Changer for the vending market, have moved the Coin Handling Division significantly towards its stated objective of becoming one of the world's leading suppliers to the fast growing gaming and vending sectors

with both coin and banknote products. The Group is thereby reducing its dependence on the more cyclical European amusement and leisure industry. The new financial year has started positively for the Coin Handling Division, with particularly strong sales into the Australian gaming industry. The Vortex product recently won an innovation award at the vending industry's DA Expo trade fair in Paris.

By these acquisitions, the Board has demonstrated its commitment to enhance the Coin Handling Divisions' position as a leading supplier of electronic equipment for cash transactions. Henceforth the Division will trade under the name Money Controls. The Board remains committed to the disposal of the Specialist Moulded Products Division and ASL and is in discussions with a number of interested parties.

Use of Proceeds

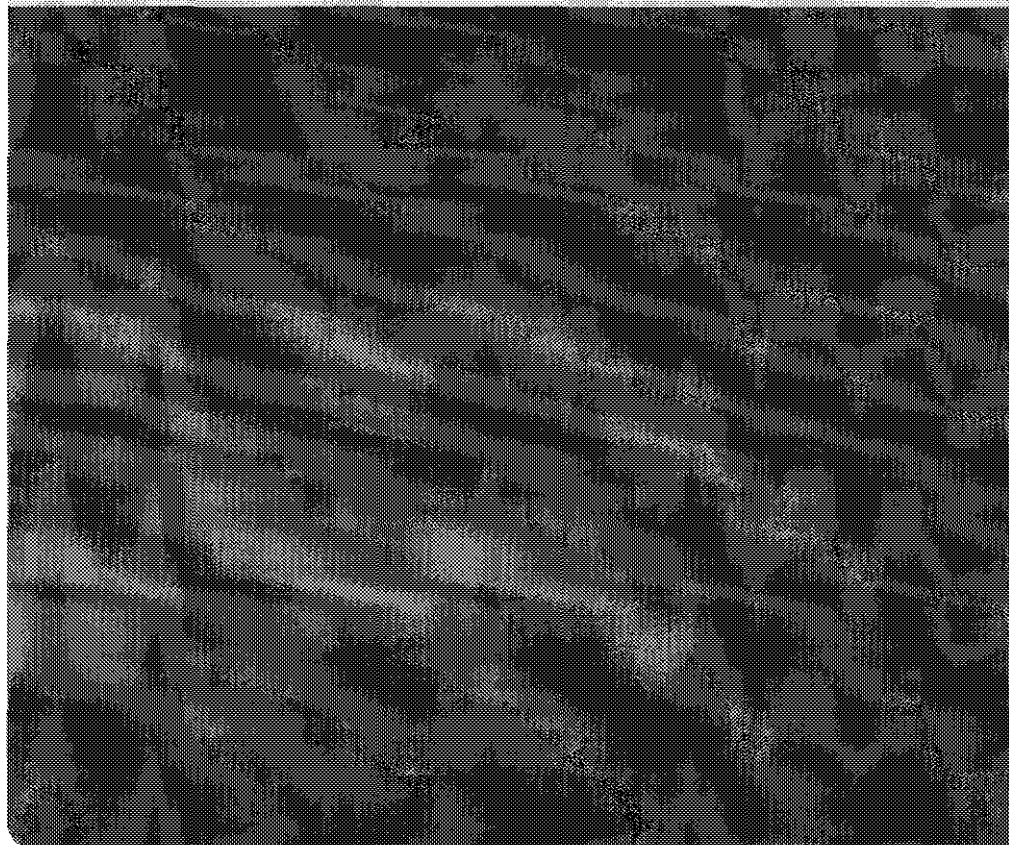
It is the Directors' intention that the proceeds arising from the disposals will substantially all be returned to Shareholders. It is proposed that all such returns of proceeds to Shareholders will be made early in the tax year commencing 6 April 1999, pursuant to arrangements which will be announced at the time. An earlier return of proceeds could expose the Company to a significant amount of irrecoverable Advance Corporation Tax.

Tony McCann
Chairman
23 November 1998

4/5

Operating profit (£m)	
96	8.3
97	8.4
98	5.6

Executive Director's Review -Coin Handling



Coin Handling had a mixed year. The Division's strategy has been to seek to reduce its dependence on the UK amusement and leisure industry by developing a range of products for the gaming and vending industries, the other principal markets for coin handling equipment of the type which falls within the Division's core technological competence. 1998's results have vindicated this strategy.

Sales of our new Condor and Gamesman products for the gaming industry grew strongly and we have steadily built our share of the world gaming market during the year. It is pleasing to note that Condor, a product launched only 18 months ago, is now our biggest selling product in volume terms.

One of the principal geographic markets for gaming products is Australia, where sales grew from a negligible level in 1997 to £1.3m in 1998. The weakening of the Australian Dollar in the final quarter of the year had an adverse impact on margins, although the currency has recovered somewhat since the year end.

The core amusement and leisure business was affected by two principal factors during the year. Sales to Italy fell sharply after the industry there switched from building coin payout machines to ticket payout machines, for which we do not have a relevant product. The UK market also suffered a slowdown in the second half as our major customers deferred placing orders until the results of the



government's review of the maximum size for fruit machine jackpots was announced.

The major product development effort during the year was focused on delivery of an innovative Coin Changer ("Vortex") for the vending industry, which was launched at a trade fair in November and received an encouraging response. The coming year will see a period of extended customer trials. The vending industry is the single largest market for coin handling equipment and the potential for Vortex is accordingly very exciting.

During the year we disposed of our US Mechanical Doors business, which made products for pinball machines. It comprised the last remaining mechanical product in

what is now exclusively a range of electronic coin validators and hoppers.

Employees

Everyone in the Division is encouraged to take full advantage of all training and development opportunities. Our commitment to appropriate training is critical in ensuring that all employees have the necessary skills. The loyalty and skill of our workforce are one of the keys to our competitive advantage and we must continue to invest to maintain this position.

Future

The prospects for the Division are bright. Good growth in gaming sales is expected in the coming year, and the two acquisitions announced in November are strategically

critical. In Ardac, a company which manufactures banknote validators, there exists a tremendous opportunity to sell a complementary product range to our existing customer base and to develop the packaged coin and note solutions that our customers increasingly demand. In Mid-South, we have acquired a profitable niche supplier to the major US vending accounts which we intend to target. These acquisitions have given the Coin Handling Division, henceforth to be known as Money Controls, a powerful platform upon which to build an industry leading business.

David Orton
Executive Director
23 November 1998

6/7

Financial Review

Profit before tax (£m)

95	10.0
96	13.0
97	14.0
98	12.6

Turnover (£m)

95	46.0
96	62.3
97	73.0
98	74.6

Fully diluted EPS (p)

95	15.4
96	18.1
97	19.5
98	17.4

Dividends (p)

95	8.15
96	9.30
97	10.00
98	10.50

Shareholder Value Created 1993-1998 (£m)

Market Capitalisation - July 1993	26.4
Shares Issued/Vendor Placings	32.9
Shareholder Value Created	13.4
Market Capitalisation - 2 Oct 1998	82.1
Dividends Payable (net)	20.8
Shares Repurchased	1.8
Total Shareholder Return	36.0

Operating Profit

Group turnover increased by 2.2 % to £74.6 million (1997: £73.0 million). After taking account of the impact of the disposal of the US Mechanical Doors business in June 1998, the underlying increase in turnover was 4.4%.

Profit before tax fell by 10% to £12.6 million (1996: £14.0 million), and included an exceptional profit of £1.1 million on the disposal of the US Mechanical Doors business.

Turnover by destination included UK turnover at 48% (1997: 49%), Continental European turnover at 23% (1997: 23%) and turnover to the Americas at 21% (1997: 20%).

Net margins in the Coin Handling and the Instruments Divisions were lower than in the previous year due to the translation effect of the strong pound, although raw material input prices reduced slightly, primarily as a result of increased volumes, and partially due to the strength of the pound.

Interest

The net interest charge of £215,000 includes a charge of £203,000 in respect of asset finance. We have continued to utilise such funding for capital expenditure on major projects in the Specialist Moulded Products Division.

Tax

The effective tax rate on Group profits was 32.8% compared with 31.4% last year. The increase is attributable to a higher proportion of the Group's profits being earned overseas.

Share Price and Dividends

The full year dividend of 10.5p represents a 5% increase when compared to the previous year. The share price at 2 October 1998 was 170p compared to 185p as at 4 October 1997.

Earnings Per Share

Basic and fully diluted earnings per ordinary share fell by 10.8% to 17.4p.



Capital Expenditure

Capital expenditure was £3.5 million, compared to a depreciation charge of £2.3 million.

Cash Flow and Financing

The cash flow from operating activities was £10.4 million compared to £14.8 million for the previous year.

Net funds decreased by £3.4 million and at 2 October 1998 the Group had net borrowings of £1.6 million.

Treasury Policies

During the year, the Group has hedged a significant proportion of the expected cash flows earned by UK subsidiaries. This is achieved by the use of forward contracts to sell currencies earned arising from the transfer of goods to overseas subsidiaries.

The Treasury function is not a profit centre, and activities are only undertaken to support

the underlying currency exposures faced by the operating companies.

The Group does not hedge the translation of foreign currency profit earned by overseas subsidiaries. Similarly, balance sheets of overseas subsidiaries are not hedged given the relatively low level of net assets held overseas.

Given the changes to the structure of the Group, Treasury policies in these areas will be reviewed in the current financial year to ensure that they remain appropriate.

Year 2000 Review

The Group has reviewed the core management systems within each operating company, in order to assess the potential adverse effect of "Millennium 2000" software problems. During the course of this year, the majority of the major operating systems have been upgraded. During the next financial year, upgrades will be introduced to any remaining systems to ensure they are fully millennium compliant.

Additionally the Group has reviewed any potential millennium difficulties with regard to its product range. We believe that all significant problems of this type have been resolved.

Introduction of the Euro

The directors are aware of the wide ranging impact that the introduction of the Euro will have. The Group is in a position to adapt to the immediate challenges presented.

Other Financing Transaction

On 19 October 1998, the Group signed a multi-option banking facility with the National Westminster Bank. The facility will provide the Group's future funding requirements and will be used to support future growth.

Michael Rolier
Finance Director
23 November 1998

Board of Directors and Advisers

Secretary
Peter Clarkson

Registered Office
Coin House
New Coin Street
Royton
Oldham
Lancashire OL2 6JZ

Company Number
02549191

Auditors
PricewaterhouseCoopers
9 Bond Court
Leeds LS1 2SN

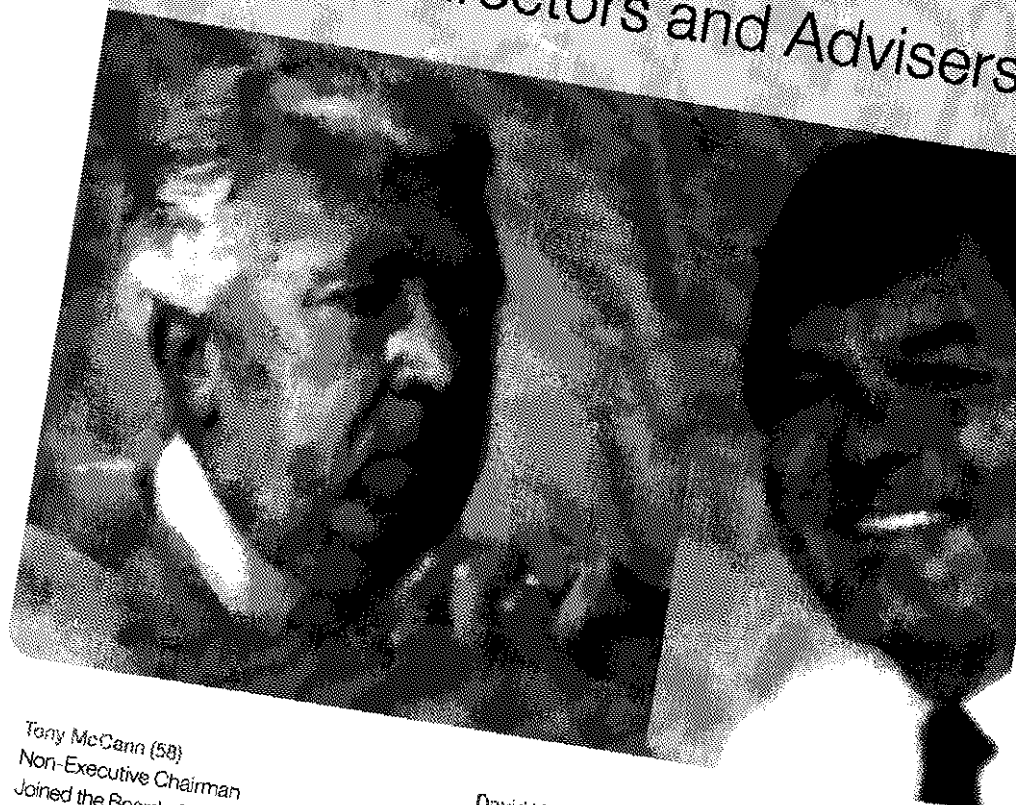
Solicitors
Hammond Suddards
2 Park Lane
Leeds LS3 1ES

Registrars
IRG plc
Balfour House
390-398 High Road
Ilford IG1 1BR

Stockbrokers
Granville Davies
Mint House
77 Mansell Street
London E1 8AF

Public Relations
Hudson Sandler Limited
29 Cloth Fair
London EC1A 7JQ

Principal Bankers
National Westminster Bank
PO Box 546
100 Barbirolli Square
Manchester M60 2FT



Tony McCann (58)
Non-Executive Chairman
Joined the Board of Quadramatic plc on 22 May 1996 as non-executive Chairman. He is Chairman of several companies including SCS plc. He was formerly executive Chairman of Servisair plc, Managing Director of the Littlewoods Organisation plc, and Senior Executive Vice President and joint Chief Operating Officer of Black and Decker. He is a Chartered Secretary.

David Haxby (57)
Non-Executive
Joined the Board of Quadramatic plc on 18 June 1996 as a non-executive Director and is Chairman of the Group's Audit and Remuneration Committees. He had a twenty seven year career with Arthur Andersen where he was Managing Partner of the London office between 1991 and 1995. He is a non-executive Director of Nettec plc and is Chairman of Sheffield City Airport Limited and Tinsley Park (Holdings) Limited.



David Orton (54)

Executive Director

Joined the Board of Quadramatic plc on 24 April 1998 as an Executive Director.

He was previously Divisional Managing Director of the Coin Handling Division for four years. He formerly held a number of senior management positions within the Williams Holdings group.

Michael Rolier (33)

Finance Director

Joined the Board of Quadramatic plc on 1 July 1998 as Finance Director. He was

previously with Johnson Matthey plc, where he held a number of senior financial positions and was latterly Finance Director of the Ceramic Materials Division.

Directors' Report for the year ended 2 October 1998

The Directors of Quadramatic plc present their Annual Report together with the audited accounts for the year ended 2 October 1998.

Principal Activities

The Group's principal activities are the manufacture and sale of electronic coin handling equipment, specialist moulded products and temperature measurement, calibration and associated instruments.

On 14 May 1998 the Group announced the proposed disposal of the Instruments and Specialist Moulded Products Divisions so that it could focus on a single core business, the Coin Handling Division.

Particulars of progress in the disposal programme and details of two acquisitions made by the Coin Handling Division are given in the Chairman's statement on pages 2 and 3.

Results and Development

The results for the year are set out in the Consolidated Profit and Loss Account on page 16 and an analysis of turnover and operating profit is set out in note 2 on page 20.

Comments on the results and future developments and prospects are given in the Chairman's Statement on pages 2 and 3, the Executive Director's Review of Operations on pages 4 to 5, and the Financial Review on pages 6 and 7.

Dividends

An interim dividend of 4.5p (1997: 4.1p) was paid during the year.

The Directors recommend a final dividend of 6.0p (1997: 5.9p) per share, subject to confirmation by the shareholders at the Annual General Meeting.

The final dividend will be paid on 11 February 1999 to members on the register at the close of business on 8 January 1999. Retained profits of £3,388,000 (1997: £4,685,000) will be added to reserves.

Share Capital

For a description of the movements in share capital see note 20.

Payments to Suppliers

The Group agrees payment terms with its suppliers when it enters into binding purchase contracts and seeks to abide by those terms whenever it is satisfied that suppliers have provided the goods or services in accordance with the agreed terms and conditions. Trade creditors shown in the Group balance sheet at 2 October 1998 represent 59 days of average purchases during the year (1997: 53 days). The Company has no trade creditors.

Tangible Fixed Assets

The Directors are of the opinion that any difference between the book value and the market value of the Group's land and buildings is not significant. The changes in tangible fixed assets are shown in note 11 on page 22.

Research and Development

The policy of the Group is to invest in product development at a level to enable it to retain and enhance its market position. Research and development costs are written off as incurred.

Directors' Report for the year ended 2 October 1998 continued

Directors and Directors' Interests

The Directors who served during the year are as follows:

Executive

D R Orton	(appointed 24 April 1998)
M R D Roller	(appointed 1 July 1998)
R D Williams	(resigned 13 May 1998)
G P Powers	(resigned 30 November 1997)

Non-Executive

A J McCann	
D A Haxby	
D G Martin	(resigned 5 February 1998)

Interests in the ordinary share capital of the Company are shown in the Remuneration Committee Report on pages 12 and 13.

Directors' and Officers' Liability Insurance

Insurance cover is maintained for the Directors and other Officers in respect of their duties.

Substantial Shareholdings

The Directors have been notified that at 9 December 1998 the following hold an interest in shares totalling in excess of 3% of the Company's issued share capital:

	No. of Shares	% Shares Capital
Aberforth Partners	7,344,081	14.65
J O Hambro Capital Management	3,427,371	6.84
Phillips and Drew Investment Management	3,424,820	6.83
M&G Investment Management	3,219,206	6.42
Edinburgh Fund Managers	1,997,000	3.98
Frank A Novak	1,859,135	3.71
Gartmore Investment Management	1,759,928	3.51
Baillie Gifford & Co	1,715,848	3.42

Save as disclosed above, the Directors have not been notified of any individual shareholdings of 3% or more of the issued ordinary share capital of the Company.

Donations

The Group did not make any charitable or political donations during the year.

Employment

The Group has a policy of involving employees in its affairs where possible, and creating the opportunity for senior executives to explain to employees matters which affect the Group's performance.

The Group practises equality of employment opportunity, irrespective of sex, race, creed or colour and recruits, trains and promotes on merit accordingly.

Throughout the Group, where practicable, opportunities are taken to employ disabled people and ensure that they take part in training and career development. The disabled have, within the limits of their disabilities, the same prospects and opportunities for promotion as other employees.

The Group encourages the involvement of eligible employees in the Group's performance through an annual bonus share plan and a share option plan.

The Group is committed to ensure, as far as is possible, the health, safety and welfare at work of its employees and the protection of everyone, including the public, who may come into contact with the Group or its products, by undertaking to provide and maintain safe and healthy working conditions taking account of statutory requirements.

Environment

The Group is committed to giving high priority to all environmental matters and concerns and co-operates fully with the relevant authorities to ensure that legal obligations are met.

Auditors

Following the merger of Price Waterhouse with Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as the group's auditors and PricewaterhouseCoopers were appointed by the board in their place until the conclusion of the Annual General Meeting.

A Resolution to re-appoint PricewaterhouseCoopers as auditors and to authorise the Directors to fix their remuneration will be placed before the forthcoming Annual General Meeting.

By Order of the Board

Peter Clarkson

Secretary
23 November 1998
Coin House New Coin Street
Royton Oldham OL2 6JZ

Remuneration Committee Report

The Board continues to support fully the Code of Best Practice issued by the Greenbury Committee and our policy is to implement its recommendations. The Group complies with the Best Practice provisions in respect of its Remuneration Committee and has given full consideration to those provisions regarding remuneration policy, service contracts and compensation.

The Committee's broad responsibility is to establish and maintain a remuneration policy which is sufficiently competitive to attract, retain and motivate high quality executives, linking a significant proportion of their pay to the performance of the Group and creating a close identity of interest between executives and shareholders. The Committee utilises the advice of independent consultants in its considerations of what comparable companies are paying and in setting annual salaries, incentive schemes, pension arrangements, and car and health care benefits. It meets at least three times a year.

During the year the Group continued to operate the Quadramatic Bonus Share Plan ("Bonus Plan") and the Quadramatic Performance Share Plan ("Performance Plan") for Group Executive Directors.

The Bonus Plan is designed to encourage participants to take part of any annual cash bonus in the form of Ordinary Shares and to retain those shares for at least three years. It is available to the Group Executive Directors and certain other senior managers. The Executive Directors take half of any annual bonus in cash and the other half in the form of Bonus Shares. In recognition of an agreement that these Bonus Shares be held for at least three years, a further and matching award of shares equal to the number of Bonus Shares may be made.

The targets for the Bonus Plan for the Group Executive Directors for the year ended 2 October 1998 were set by reference to growth in earnings per share of the Group. These targets were not achieved and accordingly

no bonuses were awarded. For the year ending 1 October 1999, the performance targets have been set by reference to the operating profits of the continuing Group following the completion of the disposals programme announced on 14 May 1998, and including the results of Ardac and Mid-South Enterprises.

The Performance Plan is intended to reward only those key individuals who are expected to make a real and significant contribution to shareholder value. The exercise of awards is dependent upon the performance of the Group in relation to a group of comparator companies, determined by the Remuneration Committee, over a period of up to five years. Awards take the form of rights to acquire ordinary shares. The maximum initial market value of shares over which an award may be granted shall not exceed 65% of a participant's annual gross salary. However, rights will not become vested unless demanding total shareholder return targets are achieved over a three year period and then only if earnings per share growth has at least equalled inflation. Such rights as do become vested will be exercisable in three equal tranches at the end of three, four and five years but only if, and in proportion to the extent that, the three year performance target is exceeded.

Under the Performance Plan, no award will vest if the total shareholder return of the Company is below the median performance of the comparator group over the three years following the granting of the award; for above median performance the initial market value of shares awarded would be approximately 20% of the participant's base salary; for upper quartile performance it would rise to approximately 50% of base salary, and for upper decile performance it would be 65% of base salary.

The remuneration of the non-executive Directors is determined by the full Board. Non-executive Directors do not participate in bonuses, share options or long-term incentive plans.

Directors' emoluments (excluding pension contributions)

	Salary £'000	Options £'000	Bonus £'000	Compensation for loss of office £'000	1998 total £'000	1997 total £'000
Executive Directors						
R D Williams (Highest paid Director)	120	11	—	206	337	199
D R Orton	40	4	—	—	44	—
M R D Roller	25	2	—	—	27	—
G P Powers	15	7	—	—	22	205
Non-Executive Directors						
A J McCann (Chairman)	50	—	—	—	50	50
D A Haxby	25	—	—	—	25	25
D G Martin	5	—	—	—	5	20
	280	24	—	206	510	499

Upon his resignation from the Board on 13 May 1998, R D Williams received payments of £206,000 under the terms of a compromise agreement. In addition, R D Williams is entitled to receive a maximum

of 8,350 shares, options to which have already been granted to him under the Bonus Plan.

Remuneration Committee Report continued

Directors' contracts

The terms of executive Directors' contracts provide for a notice period of 12 months; contracts of service for non-executive Directors are for a fixed period of 12 months.

Directors' pension arrangements

Executive Directors are eligible for membership of the Coin Industries Staff Pension Scheme ("Coin Scheme"), a defined benefit scheme, which is Inland Revenue approved. All members of the Coin Scheme contribute 5% and the Company currently contributes 10% of the pensionable earnings.

Pension benefits earned by executive Directors, who are members of the Coin Scheme, are as follows:

	Age in year on 31 st	Employer contribution in the year - £'000	Accumulated total accrued pension at start of year - £'000	Increase/Decrease in accrued pension in the year - £'000	Accumulated total accrued pension at year end - £'000
D R Orton	54	4	5	2	7
M R D Roller	33	2	-	-	-
R D Williams	55	23	13	2	15
G P Powers	38	1	59	(27)	32

*Or date of resignation if earlier

The increase in accrued pension in the year excludes any increase for inflation. The accumulated total accrued pension is that which would be paid on retirement at the normal retirement age.

Directors' interests in the shares of Quadramatic plc

The beneficial shareholdings of the Directors who held office at 2 October 1998 are as follows:

	At 2 October 1998 Ordinary Shares	At 23 October 1998 Ordinary Shares
D R Orton	15,000	5,000
M R D Roller	-	-
A J McCann	15,000	5,000
D A Haxby	1,106	1,106

There were no changes in these interests between 2 October 1998 and 23 November 1998.

In addition to the emoluments disclosed above, on 15 January 1998, D R Orton was awarded the right to acquire up to 13,079 ordinary shares of the Company, at a nominal price. This award was made under the Performance Plan, and represents 32.5% of his then salary, £82,500, based on a share price on 20 December 1997 of 205p. The actual number of ordinary shares over which rights will vest is entirely dependent on the future performance of the Group.

The Company's share price between 4 October 1997 and 2 October 1998 was in the range 155.5p to 230.5p, and at 2 October 1998 was 170p.

None of the existing Directors has, or has had, an interest in any material contract relating to the business of the Company or any of its subsidiary undertakings.

On behalf of the Board

David Haxby

Chairman, Remuneration Committee
23 November 1998

Corporate Governance

Statement of Compliance

The Directors confirm that the Group has complied with the Code of Best Practice issued by the Cadbury Committee on the financial aspects of Corporate Governance.

Composition of the Board

The Board comprises four Directors, two of whom are non-executive. A minimum number of six Board meetings is held annually.

The Board is responsible for overall strategy and major commercial decisions including business acquisitions and disposals. A schedule of matters specifically reserved for the Board's decision has been agreed with executive management. These include approval of large capital expenditure and revenue projects.

All Directors are subject to retirement by rotation.

Two committees have been appointed by the Board, with specific responsibilities:-

The Audit Committee

The Audit Committee members are D A Haxby (Chairman) and A J McCann. The Committee meets at least three times a year to review the Group's financial statements, internal financial control, financial reporting and accounting policies.

The Group's external auditors are invited to attend each meeting, together with the Executive Directors as appropriate.

The Remuneration Committee

The Remuneration Committee members are D A Haxby (Chairman) and A J McCann. The Committee meets at least three times a year to review the remuneration of the Executive Directors. The report of the Committee together with the details of the Directors' remuneration is on pages 12 and 13.

Internal Financial Controls

The Directors are responsible for ensuring that the Group maintains a system of internal financial controls. The system is designed to ensure that proper accounting records are kept and that the financial information used in the business is reliable. As with any such system, it can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group's key procedures, which complement its decentralised management and legal structure, are as follows:

a) Control Environment

Each subsidiary has its own management group which meets regularly to monitor all operational matters.

Clearly defined lines of responsibility and delegation of authority have been established within the organisational structure of the Group and each subsidiary.

The Executive Directors regularly visit all operating companies for which they are responsible to review activities on a detailed basis.

b) Risk Management

Operating subsidiary management have a clear responsibility for identifying risks facing the business and for establishing procedures to mitigate and monitor such risks.

c) Information Systems

The Group has a comprehensive system of financial reporting. The annual budget of each operating company is approved by the Executive Directors and the Board approves the consolidated Group budget. Management accounts including profit and loss accounts, balance sheets and cash flows are published monthly, together with monthly operating reports identifying key features of the results and providing explanations of significant deviations from budget, prior year, and full year forecasts.

d) Control Procedures

The Directors have established a framework of controls encompassing a number of procedures which are applicable to all companies and are subject to executive review.

Within this framework subsidiaries define their own internal procedures and policies. The Group reviews each subsidiary's internal procedures and policies as part of the Financial Controls Assurance programme and reports on these matters to the Audit Committee.

Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future and, for this reason, they continue to adopt the going concern basis for preparing the financial statements.

The auditors have reported to the Board on the Group's compliance with the Cadbury Code of Best Practice, and their report is set out on page 15.

Auditors' Reports

Report by the Auditors to the Directors of Quadramatic plc on Corporate Governance matters

In addition to our audit of the accounts we have reviewed your statements on page 14 concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43(j) and 12.43(v) if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Directors' Responsibilities

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

Opinion

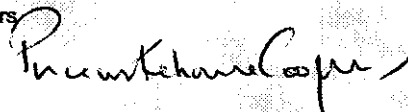
In our opinion, your statements on internal financial control and on going concern set out on page 14 have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the accounts.

In our opinion, based on enquiry of certain Directors and officers of the Company and examination of relevant documents, your statement on page 14 appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

PricewaterhouseCoopers

Chartered Accountants
9 Bond Court
Leeds LS1 2SN

23 November 1998



- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

Auditors' Report to the Members of Quadramatic plc

We have audited the accounts on pages 16 to 29 including the additional disclosures on pages 12 and 13 relating to the remuneration of the Directors specified for our review by the London Stock Exchange which have been prepared under the historical cost convention and the accounting policies set out on page 19.

Respective responsibilities of directors and auditors

As described on page 15, the Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

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

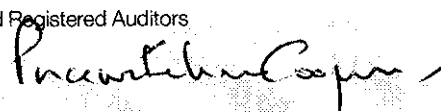
Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 2 October 1998 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

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

23 November 1998



Consolidated Profit and Loss Account for the year ended 2 October 1998

		1998 £'000	1997 £'000
Turnover	2		
Continuing operations		72,804	69,737
Discontinued operations		1,823	3,304
		74,627	73,041
Cost of sales		(42,024)	(41,520)
Gross profit		32,603	31,521
Net operating expenses	3	(20,923)	(17,509)
Operating profit	2+3	11,680	14,012
Continuing operations		11,653	13,657
Discontinued operations		27	355
Exceptional items		11,680	14,012
Exceptional profit on disposal of business	12	1,120	—
Profit before interest		12,800	14,012
Interest	6	(215)	(2)
Profit before taxation		12,585	14,010
Taxation	7	(4,130)	(4,402)
Profit for the year		8,455	9,608
Dividends	9	(5,067)	(4,923)
Retained profit	2+1	3,388	4,685
Earnings per ordinary share	10		
Basic and Fully diluted		17.4p	19.5p
Pre-exceptional items		15.8p	19.5p

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

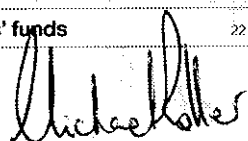
Statement of Total Recognised Gains and Losses for the year ended 2 October 1998

	1998 £'000	1997 £'000
Profit for the year	8,455	9,608
Exchange differences on retranslation of net assets of overseas subsidiary undertakings	(138)	(125)
Total gains and losses recognised in the year	8,317	9,483

Balance Sheets at 2 October 1998

	Notes	Group 1998 £'000	Group 1997 £'000	Company 1998 £'000	Company 1997 £'000
Fixed assets					
Tangible fixed assets	11	10,951	9,765	—	—
Investments	12	166	166	27,574	27,824
		11,117	9,931	27,574	27,824
Current assets					
Stocks	13	9,565	7,800	—	—
Debtors	14	15,737	15,555	8,188	7,487
Cash at bank and in hand		1,304	5,143	—	6,528
		26,606	28,498	8,188	14,015
Creditors (amounts falling due within one year)	15	(17,232)	(19,218)	(7,172)	(6,484)
Net current assets		9,374	9,280	1,016	7,531
Total assets less current liabilities		20,491	19,211	28,590	35,355
Creditors (amounts falling due after more than one year)	16	(1,804)	(2,155)	—	(2)
Provisions for liabilities and charges	19	(812)	(665)	—	—
		17,875	16,391	28,590	35,353
Capital and reserves					
Called up share capital	20	1,448	1,479	1,448	1,479
Share premium	21	2,854	2,854	2,854	2,854
Capital reserve	21	—	—	20,641	20,641
Capital redemption reserve	21	31	—	31	—
Goodwill write off reserve	21	(2,539)	(2,539)	—	—
Profit and loss account	21	16,081	14,597	3,616	10,379
Total equity shareholders' funds	22	17,875	16,391	28,590	35,353

M R D Roller
Group Finance Director



Approved by the Board on 23 November 1998.

Consolidated Cash Flow Statement for the year ended 2 October 1998

	1998 £'000	1997 £'000	1996 £'000	1995 £'000
Net cash inflow from operating activities	2894	10,442		14,803
Returns on investments and servicing of finance				
Interest received	165		214	
Interest paid	(156)		(18)	
Interest element of finance lease rental payments	(203)		(198)	
Net cash outflow from returns on investments and servicing of finance		(194)		(2)
Taxation	584	(4,951)		(4,291)
Capital expenditure and financial investment	2383	(3,535)		(2,501)
Acquisitions and disposals	2383	1,627		(1,317)
Equity dividends paid		(5,073)		(4,729)
Financing	2043	(2,155)		(930)
(Decrease)/increase in cash		(3,839)		1,033
Reconciliation of net cash flow to movement in net funds				
(Decrease)/increase in cash in the year		(3,839)		1,033
Cash outflow from decrease in debt and lease financing		389		930
Change in net debt resulting from cash flows		(3,450)		1,963
New finance leases		-		(1,189)
Movement in net funds in the year		(3,450)		774
Net funds at beginning of the year		1,876		1,102
Net (borrowings)/funds at end of the year		(1,574)		1,876

Notes to the Accounts

1 Accounting policies

(a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and each of its subsidiary undertakings for the year ended 2 October 1998. The results of subsidiaries acquired or disposed of during the period are consolidated from or up to the date on which control passes.

The amount by which the fair value of the consideration paid for acquisitions exceeded the fair value of the net tangible assets acquired has been written off to reserves. On disposals, the goodwill written off has been reinstated and included in the calculation of the profit or loss on disposal.

(c) Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

(d) Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2.5%
Plant, machinery and motor vehicles, production tools and moulds	10–33%

Freehold land is not depreciated. Development tooling costs are written off as incurred.

(e) Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate overhead expenses.

Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

(f) Deferred taxation

Deferred taxation is provided in respect of timing differences between profits computed for taxation purposes and profits stated in the accounts where there is a reasonable probability that a liability will arise in the foreseeable future.

(g) Research and development

Research and development expenditure and patent costs are written off as incurred.

(h) Foreign exchange

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of foreign subsidiary undertakings are translated at the average rate of exchange for the year. Differences on exchange arising from the retranslation of the opening net investment in subsidiary undertakings and from the translation of the results of those undertakings at an average rate, are taken to reserves. To the extent that they are not classified as funding loans, all other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

Gains and losses on forward foreign exchange contracts, entered into as hedges of future purchases and sales denominated in foreign currencies, are carried forward and taken to the profit and loss account on maturity to match the underlying transaction.

(i) Leases and hire purchase contracts

Assets financed by finance leases or hire purchase agreements are capitalised and the resulting obligations included in creditors. Rentals payable are apportioned between interest, which is charged to the profit and loss account, and capital, which reduces the outstanding obligations. Amounts payable under operating leases are charged to the profit and loss account as incurred.

(j) Pension costs

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

Notes to the Accounts continued

	Turnover 1998 £'000	Turnover 1997 £'000	Operating profit 1998 £'000	Operating profit 1997 £'000
2 Segment analysis				
(a) Turnover and operating profit				
(i) Analysis by business segment				
Coin Handling Division				
Continuing activities	23,209	22,647	5,531	6,050
Discontinued activities	1,833	3,304	27	335
	25,042	25,951	5,558	6,385
Other Divisions				
Specialist Moulded Products	26,095	25,612	3,384	4,023
Instruments	23,490	21,478	3,989	4,843
	74,627	73,041	12,931	15,251
Corporate costs			(1,251)	(1,239)
			11,680	14,012
(ii) Analysis by geographical origin				
United Kingdom	57,023	54,398	8,555	11,643
USA (including discontinued activities)	10,832	14,293	2,649	2,481
Continental Europe	5,424	4,350	1,505	1,127
Rest of the World	1,348	—	222	—
	74,627	73,041	12,931	15,251
Corporate costs			(1,251)	(1,239)
			11,680	14,012
(iii) Turnover by geographical destination				
United Kingdom	35,578	35,928		
USA (including discontinued activities)	15,901	14,925		
Continental Europe	17,203	16,334		
Rest of the World	5,945	5,854		
	74,627	73,041		
(b) Net assets			1998 £'000	1997 £'000
(i) Analysis by business segment				
Coin Handling			6,396	6,206
Specialist Moulded Products			7,149	4,961
Instruments			5,922	2,983
Net operating assets			19,467	14,150
Unallocated assets and liabilities:				
Cash balances			1,304	5,143
Other financial assets and liabilities			(2,896)	(2,902)
Net assets			17,875	16,391
(ii) Analysis by geographical region				
United Kingdom			18,203	12,635
USA			1,538	1,599
Continental Europe			(87)	(84)
Rest of the World			(187)	—
Net operating assets			19,467	14,150

Notes to the Accounts continued

	1998 £'000	1997 £'000
3 Net operating expenses		
Distribution costs	8,876	6,945
Administrative expenses	12,128	10,598
Other operating income	(81)	(32)
	20,923	17,509

Net operating expenses attributable to discontinued activities were £320,000.

	1998 £'000	1997 £'000
4 Operating Profit		
Operating Profit is stated after charging/(crediting):		
Depreciation		
<i>owned tangible fixed assets</i>	1,506	1,097
<i>assets held under finance lease agreements</i>	753	747
Write-down of investments	-	14
Operating lease charges		
<i>plant and machinery</i>	275	209
<i>buildings</i>	939	923
Research and development expenditure	2,989	2,316
Profit on disposal of tangible fixed assets	(6)	(35)
Directors' emoluments (see Remuneration Committee Report)	510	499
Fees paid to the Company's auditors		
<i>audit fees</i>	102	101
<i>other fees</i>	100	110

Audit fees include £5,000 in respect of the audit of the Company (1997: £5,000).

	1998 £'000	1997 £'000
5 Staff costs		
Staff costs comprise:		
<i>wages and salaries</i>	20,378	17,959
<i>social security and other benefits</i>	1,747	1,503
<i>other pension costs</i>	474	369
	22,599	19,831

	1998 number	1997 number
The average number of employees was:		
<i>production</i>	823	800
<i>selling and distribution</i>	173	157
<i>administration</i>	121	117
	1,117	1,074

	1998 £'000	1997 £'000
6 Interest		
Interest payable on overdrafts and other loans:		
<i>bank overdrafts</i>	177	17
<i>bank loan and finance lease interest</i>	203	198
<i>other interest</i>	-	1
	380	216
Interest receivable on bank balances	(165)	(214)
	215	2

Notes to the Accounts continued

	1998 £'000	1997 £'000
7 Taxation		
The taxation charge for the year comprises:		
UK corporation tax at 31% (1997: 32%)	2,699	3,693
overseas taxation	1,434	992
deferred tax	278	69
	4,411	4,754
Adjustments in respect of previous years:		
corporation tax	(150)	(326)
deferred tax	(131)	(26)
	4,130	4,402

Within the overall tax charge is an amount of £366,000 relating to the taxation payable on exceptional items.

8 Quadramatic plc – profit and loss account

As permitted by Section 230(1) of the Companies Act 1985, the company has not presented its own profit and loss account. Its profit for the period dealt with in the consolidated accounts of the group is £70,000 (1997: £6,278,000).

	1998 £'000	1997 £'000
9 Dividends		
Interim dividend paid of 4.5p (1997: 4.1p)	2,172	2,021
Final dividend proposed of 6.0p (1997: 5.9p)	2,895	2,902
	5,067	4,923

10 Earnings per share

The calculation of earnings per share is based on the profit for the year using the average number of shares in issue of 48,668,683 (1997: 49,295,777). The fully diluted earnings per share is based on a profit of 8,462,000 (1997: £9,619,000) after adjusting for a sum equivalent to the yield net of corporation tax from 2.5% Consols on the consideration receivable in the event of employees exercising the options granted to them. The total weighted average number of shares in issue on exercise of options would be 48,768,683 (1997: 49,395,777).

	Freehold land and buildings £'000	Leases of under 50 years £'000	Plant, machinery and motor vehicles £'000	Total £'000
11 Tangible fixed assets				
<i>Cost</i>				
At 5 October 1997	1,361	548	19,537	21,446
Additions	403	21	3,129	3,553
Disposals	–	–	(505)	(505)
Exchange differences	–	(5)	(59)	(64)
At 2 October 1998	1,764	564	22,102	24,430
<i>Depreciation</i>				
At 5 October 1997	121	257	11,303	11,681
Charge for the year	38	52	2,169	2,259
Disposals	–	–	(435)	(435)
Exchange differences	(1)	(4)	(21)	(26)
At 2 October 1998	158	305	13,016	13,479
<i>Net book amount</i>				
At 2 October 1998	1,606	259	9,086	10,951
At 5 October 1997	1,240	291	8,234	9,765

Notes to the Accounts continued

11 Tangible fixed assets continued

The balances shown above for plant, machinery and motor vehicles include the following in respect of assets held under finance leases at 2 October 1998:

	Year ended 2 October 1998 £'000	Year ended 4 October 1997 £'000
Cost	5,345	5,525
Depreciation	(2,574)	(1,790)
Net book amount	2,771	3,745
The Company had no tangible fixed assets at 2 October 1998.		
		Investment in own shares £'000

12 Investments – Group

At 2 October 1998 and 4 October 1997

166

	Investments in own shares £'000	Investments in subsidiary undertakings Shares £'000	Loans £'000	Total £'000
Investments – Company				
At 5 October 1997	166	26,715	943	27,824
Redemption of shares in subsidiary undertakings	—	(250)	—	(250)
At 2 October 1998	166	26,465	943	27,574

On 5 June 1998 the Group disposed of the trade and assets of the mechanical doors business of Coin Controls Inc. for an aggregate consideration of £2,027,000. The profit on disposal was generated as follows:

	£'000	£'000
Consideration		2,027
Tangible fixed assets	58	
Stock	271	
Net assets sold		329
Disposal costs and provisions for future expenditure		(578)
Profit on disposal		1,120

There was no goodwill that had previously been written off through reserves attributable to the mechanical doors business.

Notes to the Accounts continued

12 Investments continued

The Company's principal subsidiary undertakings, all of which are wholly owned, are:

	Principal activities	Country of incorporation or registration	Principal area of operation
Coin Controls Limited	Manufacture and sale of coin handling equipment	England	United Kingdom /Europe
Coin Controls Inc	Assembly and sale of coin handling equipment	USA	USA
Coin Controls GmbH	Sale of coin handling equipment	Germany	Germany
Coin Controls SA	Sale of coin handling equipment	Spain	Spain
Coin Controls Pty	Assembly and sale of coin handling equipment	Australia	Australasia
Combined Optical Industries Limited	Manufacture and sale of plastic optical products	England	United Kingdom /Europe/USA
Hampton Mouldings Limited	Manufacture and sale of glass reinforced plastic products	England	United Kingdom
Kestrel Injection Moulders Limited	Manufacture and sale of moulded plastic products	England	United Kingdom
Automatic Systems Laboratories Limited	Manufacture and sale of electronic instruments	England	United Kingdom /Europe
Automatic Systems Laboratories Inc	Sale and service of electronic instruments	USA	USA
CAL Controls Limited	Manufacture and sale of electronic temperature controllers	England	United Kingdom
CAL Controls Inc	Sale of electronic temperature controllers	USA	USA
Comark Limited	Manufacture and sale of temperature and associated instrumentation	England	United Kingdom
Comark Instruments Inc	Sale of temperature and associated instrumentation	USA	USA
Datapaq Limited	Manufacture and sale of thermal monitoring systems	England	United Kingdom /Europe
Datapaq Inc	Sale of thermal monitoring systems	USA	USA

13 Stocks

Raw materials	3,963	3,534
Work in progress	1,606	1,934
Finished goods	3,996	2,332
	9,565	7,800

The Company held no stock at 2 October 1998 or at 4 October 1997.

Notes to the Accounts continued

	Group 2 October 1998 £'000	Group 4 October 1997 £'000	Company 2 October 1998 £'000	Company 4 October 1997 £'000
14 Debtors				
Trade debtors	12,869	12,437	—	—
Amounts owed by subsidiary undertakings	—	—	6,066	6,230
Corporation tax recoverable	—	—	363	265
ACT recoverable	1,381	1,908	1,381	1,908
Other debtors	460	409	67	28
Prepayments and accrued income	1,027	801	311	36
	15,737	15,555	8,188	7,467

15 Creditors (amounts falling due within one year)				
Unsecured loan notes	—	40	—	—
Bank loan and overdrafts	167	—	1,366	—
Finance lease obligations	907	1,072	—	6
Trade creditors	5,318	6,543	—	—
Amount owed to subsidiary undertakings	—	—	1,355	2,109
UK corporation tax	2,274	4,127	—	—
ACT payable	1,267	1,230	1,267	1,230
Overseas tax	383	55	—	—
Other taxation and social security	884	800	—	—
Other creditors	803	961	288	235
Accruals	2,333	1,428	—	—
Dividends payable	2,896	2,902	2,896	2,902
	17,232	19,218	7,172	6,484

16 Creditors (amounts falling due after more than one year)				
Bank loan:				
<i>between one and two years</i>	181	—	—	—
<i>between two and five years</i>	380	—	—	—
Finance lease obligations:				
<i>between one and two years</i>	677	971	—	2
<i>between two and five years</i>	527	1,184	—	—
<i>over five years</i>	39	—	—	—
	1,804	2,155	—	2

The bank loan is secured by a fixed charge on certain items of plant and machinery.

17 Financial instruments

Currency Transaction Risk

The impact of currency movements on trading cash flows is managed by the use of forward contracts and currency borrowings. Currency hedging is undertaken up to 12 months forward based on expected foreign currency cash flows. At the year end the Group had no forward currency contracts outstanding (1997: £3,292,000).

	Group 2 October 1998 £'000	Group 4 October 1997 £'000	Company 2 October 1998 £'000	Company 4 October 1997 £'000
18 Finance lease obligations				
Total amounts outstanding net of finance charges allocated to future periods are repayable as follows:				
<i>Within one year (note 15)</i>	907	1,072	—	8
<i>Between one and two years</i>	677	971	—	2
<i>Between two and five years</i>	527	1,184	—	—
<i>Over five years</i>	39	—	—	—
	2,150	3,227	—	10

Notes to the Accounts continued

	Group 2 October 1998 £'000	Group 4 October 1997 £'000
19 Provisions for liabilities and charges		
Deferred taxation at 31%		
At 5 October 1997	665	622
Charge/(credit) to the profit and loss account		
current year	278	69
prior year adjustment	(131)	(26)
	812	665

The major elements of deferred taxation included in the Group accounts are as follows:-

	Amount accrued 2 October 1998 £'000	Amount payable 4 October 1997 £'000	Full potential 2 October 1998 £'000	Full potential 4 October 1997 £'000
Accelerated capital allowances	802	646	802	646
Short term timing differences	10	19	10	19
	812	665	812	665

The Company had no potential deferred tax liability at 2 October 1998 or 4 October 1997.

	Group and Company 2 October 1998 £'000	Group and Company 4 October 1997 £'000
20 Called up share capital		
Authorised		
53,000,000 ordinary shares of 3p each (1997: 53,000,000)	1,590	1,590
Allotted and fully paid		
48,270,777 ordinary shares of 3p each (1997: 49,295,777)	1,448	1,479

On 17 February 1998 the Company repurchased and subsequently cancelled 465,000 Ordinary Shares, representing 0.94% of the Called Up Share Capital, at a price of 170p per Share.

On 26 February 1998 the Company repurchased and subsequently cancelled 560,000 Ordinary Shares, representing 1.15% of the Called Up Share Capital, at a price of 171p per Share.

The total cost of the repurchase programme, which was initiated to enhance earnings per share, was £1,766,000 including expenses of £18,000, has been charged against the profit and loss account reserve.

	Group £'000	Company £'000
21 Reserves		
Share premium account		
At 2 October 1998 and 4 October 1997	2,854	2,854
Capital reserve		
At 2 October 1998 and 4 October 1997	—	20,641
Capital redemption reserve		
Arising during the year	31	31
Goodwill write off reserve		
At 2 October 1998 and 4 October 1997	(2,539)	—
The cumulative amount of goodwill written off in respect of subsidiaries acquired in prior years is £51.4 million (1997: £51.4 million).		
Profit and loss account		
At 4 October 1997	14,597	10,379
Retained profit/(loss) for the year	3,388	(4,997)
Share buy-back (see note 20)	(1,766)	(1,766)
Unrealised exchange differences	(138)	—
At 2 October 1998	16,081	3,616

Notes to the Accounts continued

	1998 £'000	1997 £'000
22 Reconciliation of movements in equity shareholders' funds		
Profit for the year	8,455	9,608
Dividends	(5,067)	(4,923)
	3,388	4,685
Share buy-back	(1,766)	-
Goodwill written off	-	(922)
Unrealised exchange differences	(138)	(125)
	1,484	3,638
Equity shareholders' funds at the beginning of the year	16,391	12,753
Equity shareholders' funds at the end of the year	17,875	16,391
	Group 3 October 1998 £'000	Group 4 October 1997 £'000
23 Notes to the consolidated cash flow statement		
(a) Reconciliation of operating profit to operating cash flows		
Operating profit	11,680	14,012
Depreciation	2,259	1,844
Profit on sale of tangible fixed assets	(6)	(35)
Write-down of investments	-	14
Increase in stocks	(2,111)	(763)
Increase in debtors	(872)	(2,200)
(Decrease)/increase in creditors	(508)	1,931
Net cash inflow from operating activities	10,442	14,803
	Group 3 October 1998 £'000	Group 4 October 1997 £'000
(b) Analysis of cash flows summarised in the cash flow statement		
(i) Taxation		
UK corporation tax paid	(3,847)	(3,251)
Overseas tax paid	(1,104)	(1,010)
Net cash outflow for taxation	(4,951)	(4,261)
(ii) Capital expenditure and financial investment		
Purchase of tangible fixed assets	(3,553)	(2,399)
Sale of tangible fixed assets	18	78
Purchase of own shares	-	(150)
Net cash outflow for capital expenditure and financial investment	(3,535)	(2,501)
(iii) Acquisitions and disposals		
Disposal of subsidiary undertaking	2,027	-
Purchase of subsidiary undertaking	-	(1,406)
Disposal/Acquisition expenses	(400)	(130)
Cash acquired with subsidiary undertakings	-	219
Net cash inflow/(outflow) from acquisitions and disposals	1,627	(1,317)

Notes to the Accounts continued

	Group 2 October 1998 £'000	Group 4 October 1997 £'000
23 Notes to the consolidated cash flow statement continued		
(iv) Financing		
Repayment of loan notes	(40)	(40)
Capital element of finance lease rental payments	(349)	(390)
Repurchase of own shares (see note 20)	(1,766)	—
Net cash (outflow) from financing	(2,155)	(930)
	4 October 1997 £'000	Cash flow £'000
(c) Analysis of net funds		Other changes £'000
Cash at bank and in hand	5,143	—
Debt due within one year	(40)	40
Finance leases	(3,227)	(728)
Net funds	1,876	(2,722)
(d) Major non-cash transactions		2 October 1996 £'000
During the year the Group refinanced several assets within plant & machinery that it had previously purchased outright. The total amount borrowed, net of repayments, amounted to £728,000.		
(e) Disposal of subsidiary undertaking		
Net assets disposed of:		£'000
Tangible fixed assets		58
Stock		271
		329
Provisions for disposal costs and future expenditure		178
Profit on disposal		1,120
		1,627
Satisfied by:		
Cash		1,627
		1,627
The net cash flows from discontinued activities in the period to the date of disposal are not considered to be material.		
	Group 1998 £'000	Group 1997 £'000
24 Financial commitments		
(a) Operating lease commitments		
Annual commitments in respect of operating leases which expire within the following periods are as follows:		
<i>Land and Buildings</i>		
Expiring between one and five years	519	407
Expiring after five years	500	583
	1,019	990
<i>Other</i>		
Expiring within one year	226	23
Expiring between one and five years	51	126
	277	149
(b) Capital commitments		
Authorised	615	15
For which contracts have been placed	646	306
	1,261	320

Notes to the Accounts continued

25 Post balance sheet events

On 23 November 1998 the Group announced the disposal of businesses comprising substantially all the Instruments Division to a management buy-in vehicle backed by 3i plc, for £27.4 million.

On 20 November 1998 the Company acquired Ardac, a leading manufacturer of bank note validators, for a total purchase price of up to US\$9.3 million. In addition, the Company acquired certain land, buildings and equipment used by Ardac in its business for US\$4.0 million in cash.

Also, on 20 November 1998 the Group acquired Mid-South Enterprises, a manufacturer of patented vending machine components, for a maximum cash consideration of US\$3.76 million.

Full details of the above disposals and acquisitions will be included in the Report and Accounts for the year ending 1 October 1999.

26 Related party transactions

Three of the Group's subsidiaries are party to transactions involving directors of those companies:-

Kestrel Injection Moulders Limited occupies premises owned by Messrs Thornton and Henry (a former director) under a twenty five year lease dated 24 November 1994, with a basic rent of £100,000 per annum, subject to review every fifth anniversary.

Hampton Mouldings (UK) Limited occupies premises owned by Messrs Thomas (a former director), Ruggles and Rackley, under a twenty five year lease dated 18 December 1995, with a basic rent of £27,000 per annum, subject to review every fifth anniversary.

Hampton Mouldings Limited occupies premises owned by Messrs Thomas (a former director), Ruggles and Rackley, under a twenty five year lease dated 18 December 1995, with a basic rent of £48,000 per annum, subject to review every fifth anniversary.

27 Pension commitments

The Group operates a number of pension arrangements covering its employees in the United Kingdom. The pension cost for the year was £474,000 (1997: £369,000). Details of the principal pension schemes are set out below:

(a) Coin Controls Limited

Coin Controls Limited two pension schemes in the United Kingdom the assets of which are held separately from those of the Group,

being invested by independent fund managers or insurance companies. The major scheme, the Coin Industries Staff Pension Scheme, is of the funded defined benefit type.

The total pension cost for Coin Controls Limited during the year ended 2 October 1998 was £203,000 (1997: £166,000). The pension cost for the Coin Industries Staff Pension Scheme is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation of this scheme was at 6 April 1996. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 9% per annum, that salary increases would average 7% per annum and that pensions in excess of the guaranteed minimum pension would be increased annually in line with the retail price index, up to a limit of 5% (3% on the post 1988 guaranteed minimum pension). The pension age for all scheme members is 65. Members who joined the scheme prior to 1 August 1991 have the option to retire after 60 without a reduction in benefits. A surplus of £247,000 was identified by the latest valuation which is being eliminated over the expected average remaining service life of members of 20 years.

At the date of the latest actuarial valuation, the market value of the scheme's assets was £2,291,000 and the actuarial value of the assets (calculated on an ongoing basis) was sufficient to cover 112% of the benefits which had accrued to members after allowing for expected future increases in earnings.

(b) Combined Optical Industries Limited

During the year the Combined Optical Industries Limited Retirement Benefits Plan (1970) was wound up by the trustees. All the assets and liabilities of the scheme were transferred to the Coin Industries Staff Pension Scheme. Pensions and deferred pension entitlements will therefore be payable from the Coin Industries Staff Pension Scheme.

(c) Other schemes

A number of the Group's subsidiary companies operate defined contribution money purchase pension or group personal pension arrangements for certain employees.

The arrangements are administered by independent insurance companies. Contributions in respect of these arrangements are charged to the profit and loss account when paid.

Shareholder Information

Quadramatic welcomes contact with its shareholders. If you have any questions or enquiries about the company please contact:

Peter Clarkson

Company Secretary
Quadramatic plc
Coin House, New Coin Street
Royton, Oldham
Lancashire OL2 6JZ
United Kingdom

Telephone: 44 (0) 161 678 0111

Fax: 44 (0) 161 628 2189

Company Registration Number: 02549191

Daily share price listing

Financial Times
Daily Telegraph
Daily Mail
The Independent
The Times
London Evening Standard
Manchester Evening News
Yorkshire Post

Financial Calendar

5 February 1999

Annual General Meeting

11 February 1999

Payment of Final Dividend

May 1999

Announcement of half-year results to 4 April 1999

July 1999

Payment of Interim Dividend

November 1999

Announcement of results for the year to 1 October 1999

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Quadramatic plc will be held at The Manchester Airport Hilton, Outwood Lane, Ringway, Manchester at 3.30pm on 5 February 1999 for the following purposes:

- 1 To receive and consider the report of the Directors and the accounts of the Company for the twelve months ended 2 October 1998.
- 2 To declare a final dividend.
- 3 To elect Mr D R Orton to the Board of Directors.
- 4 To elect Mr M R D Roller to the Board of Directors.
- 5 To elect Mr F Novak to the Board of Directors.

Special Business

The following resolutions will be proposed, of which resolutions 6, 7 and 8 will be proposed as ordinary resolutions and resolutions 9, 10 and 11 as special resolutions.

6 Ordinary Resolution

That the authorised share capital of the Company be and is hereby increased from £1,590,000 to £1,617,000 by the creation of 900,000 ordinary shares of 3 pence each.

7 Ordinary Resolution

That the Directors be and they are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities of the Company (which in this resolution shall have the meaning given to that term in section 80(2) of the Act) up to an aggregate nominal amount of £113,103 but so that:

- i) this authority shall (unless previously revoked or renewed) expire on the date being 15 months from the passing of this resolution or if earlier on the conclusion of the next Annual General Meeting of the Company.
- ii) the Company may before such expiry make an offer, agreement or other arrangement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities pursuant to any such offer, agreement or other arrangement as if the authority hereby conferred had not expired; and
- iii) this authority shall be in substitution for all previous authorities under section 80 of the Act which are hereby revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the date of this resolution.

8 Ordinary Resolution

That PricewaterhouseCoopers be appointed as Auditors of the Company and to authorise the Directors to fix their remuneration.

9 Special Resolution

That subject to and conditional upon the passing of the resolution numbered 7 set out in the Notice convening an Annual General Meeting of the Company on 5 February 1999 the Directors be and they hereby are empowered pursuant to Section 95 of the Act to allot equity securities of the Company (which in this resolution shall have the meaning given to that term in section 94(2) of the Act) pursuant to the authority conferred by the resolution as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

- i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and holders of any other shares or securities of the Company that by their terms are entitled to participate in such rights issue where the equity securities respectively attributable to the interests of all ordinary shareholders and such holders are proportionate (as nearly as may be) to the respective number of ordinary shares held by them or into which their shares or securities are to be deemed converted in calculating the extent of their participation but subject to such exclusions as the Directors may deem fit to deal with fractional entitlements or problems arising in respect of any overseas territory; and
- ii) otherwise than pursuant to sub paragraph i) above up to an aggregate nominal value of £73,943 and the authority given shall, unless revoked or renewed in accordance with section 95(3) of the Act expire on the date being 15 months from the passing of this resolution or if earlier on the conclusion of

the next Annual General Meeting of the Company except that the Company may before the expiry of such period make an offer, agreement or other arrangement which would or might require equity securities to be allotted in pursuance of any such offer, agreement or arrangement as if the power hereby conferred had not expired.

10 Special Resolution

That pursuant to Article 52(B) of the Company's Articles of Association, the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the Act) of the ordinary shares of 3 pence each in the capital of the Company ("ordinary shares") provided that:

- i) the maximum number of ordinary shares hereby authorised to be purchased is 5,012,991, being 10% of the issued share capital of the Company;
- ii) the minimum price which may be paid for an ordinary share is 3 pence per ordinary share exclusive of expenses;
- iii) the maximum price which may be paid for an ordinary share is an amount equal to 5% above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the 5 business days immediately preceding the day of purchase, exclusive of expenses;
- iv) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company, unless such authority is renewed prior to such time; and;
- v) the Company may make a contract to purchase ordinary shares under this authority which will or may be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of any such contract.

11 Special Resolution

That the name of the Company be changed to Money Controls plc.

By Order of the Board

Peter Clarkson

Secretary

7 January 1999

Registered Office:

Coin House, New Coin Street,

Royton, Oldham,

Lancashire, OL2 6JZ.

Notes:

- 1 Any member entitled to attend and vote at the Meeting may appoint one or more other person(s) as a proxy or proxies to attend and, in the event of a poll, to vote in his or her stead. A proxy need not be a member of the Company.
Shareholders will receive a proxy form with this document.
- 2 Forms of proxy, if used, must reach Independent Registrars Group Limited, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1BR not less than 48 hours before the time of the Meeting and in default will not be treated as valid.
Completion of a form of proxy will not preclude shareholders from attending and voting at the Meeting in person should they wish to do so.
- 3 Interests in shares in, or debentures of, the Company or its subsidiaries will be available for inspection at the registered office during business hours only on any week day (excluding Saturdays and Public Holidays) from the date of this Notice to the date of the Annual General Meeting, and at the place of the meeting from 3.15pm on 5 February 1999 to the conclusion of the meeting.

Quadramatic plc

(Registered in England no.02549191)

Company Directory

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Mid-South Enterprises Incorporated

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Specialist Moulded Products Division

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Kestrel Injection Moulders Ltd

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Instruments Division

ASL Limited

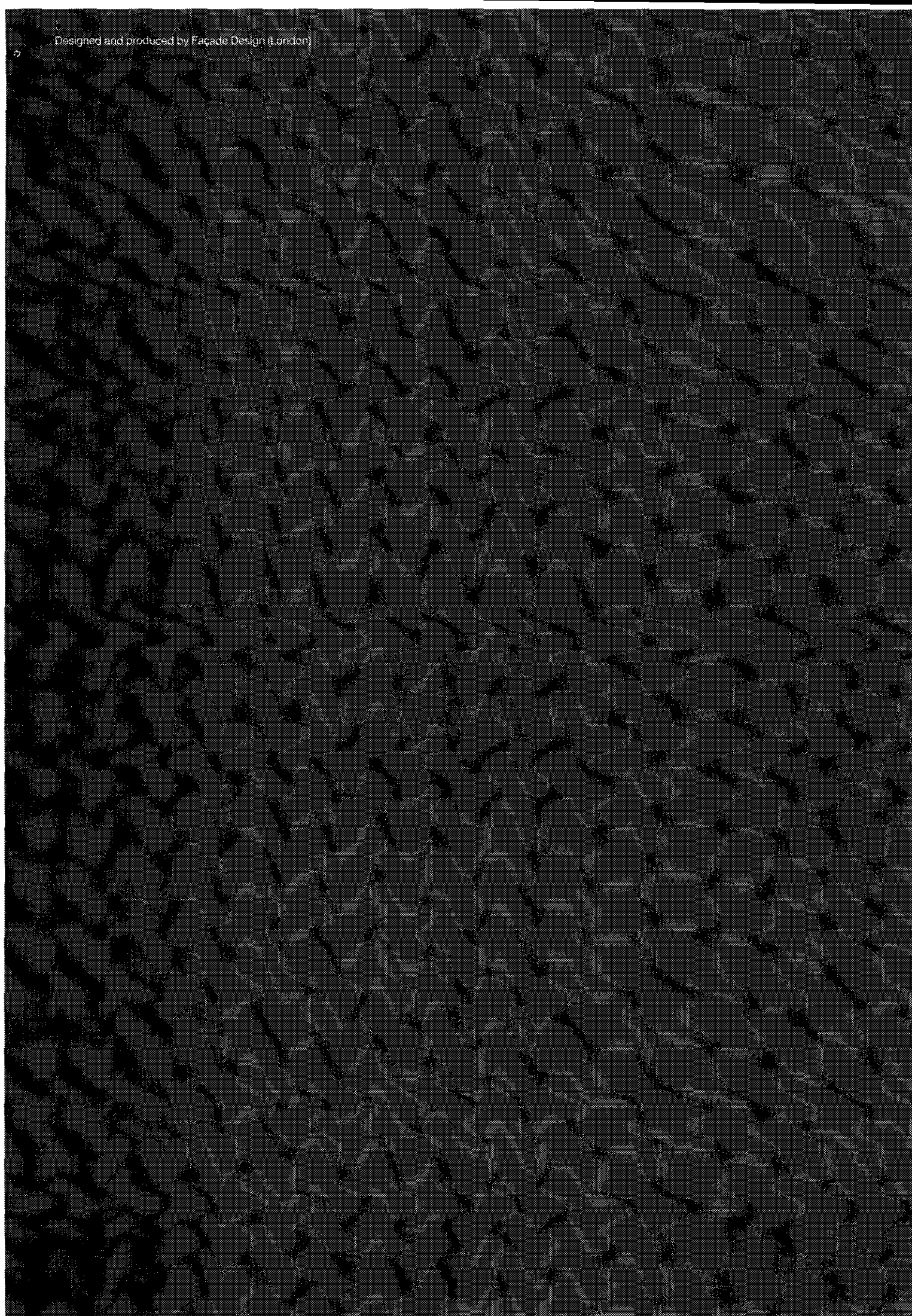
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