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# Fairfield Enterprises plc

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I am pleased to report on the year ended 30th September, 1997, which was a year of significant changes for your Company, marking as it did the transition from a private company to PLC status and the Introduction of the Company's shares to Listing on the London Stock Exchange early in August. I would like to take this opportunity to welcome as members of the Company all new shareholders who have joined the Register since the flotation.

The year under review was by no means an easy one due to the strength of Sterling against the main European currencies and the Japanese Yen, which resulted in a fall in value of those currencies against Sterling of more than 20 per cent. As a very high percentage of our sales is based on the underlying currency values of imported products this resulted in significant reduction to our selling prices on a large proportion of sales. I am pleased to report, however, that in spite of this sales amounted to £59.4 million (1996: £63.4 million), reflecting a very strong performance in unit sales.

Profits during the year were also influenced by the currency effect but again, we were able to demonstrate an encouraging performance, with profits before exceptional items and taxation for the period amounting to £2.236 million (1996: £2.103 million). Exceptional items relating to the one time costs of flotation were approximately £270,000 and the costs associated with the share distribution to staff amounted to approximately £82,000. There was also a one off special payment of £150,000 to one of the Group's defined benefit pension schemes as detailed in the Listing Particulars. Earnings per share before exceptional items were 18.3p (1996 equivalent: 16.2p).

In line with the dividend policy outlined in the Listing Particulars published at the time of the flotation, your Board is recommending a final dividend in respect of the year ended 30th September 1997 of 2.7p net per share (equivalent to 3.375p per share inclusive of the associated tax credit at the current rate of 20/80ths). This brings the total dividend per share, adjusted for a sub-division of shares earlier in the year to 4.7p net per share (5.875p including the associated tax credit at the current rate). It is intended that this final dividend will be paid on 9th April 1998 to shareholders on the Register as at 30th January 1998.



The current year has started encouragingly and both Oscar Friedheim and Lasercomb Dies are progressing well. Your Board is committed to further expansion and continues to review possible acquisition prospects which would complement or enhance the Group's present activities and we believe that the Group is well placed to continue to develop successfully.

As highlighted above, the strength of Sterling during the year made it very difficult to match the sales values achieved in the previous year and it is a great credit to all at Oscar Friedheim, our principal subsidiary, for what in the event was a very satisfactory outcome. All our agencies continue to perform well and during the year we maintained the development of our training facilities, which are now a key feature of our excellent relationships with our customers.

Lasercomb Dies performed extremely well, achieving both record sales and profit. To take account of the increase in volumes and to provide for continuing expansion, we have recently installed new laser equipment at our Leeds factory and are just completing a development to give an additional 25% of production space at Redditch which will provide more capacity and improve efficiency at both locations.

Next September Oscar Friedheim and Lasercomb Dies will be exhibiting at IPEX, the premier international printing exhibition which takes place on a five year cycle at the NEC Birmingham. As in previous years, we are planning a major presence for this important event with more than 2,500 sq.metres of stand space. Although this will involve us in significant expenditure, IPEX is an essential marketing platform for everyone associated with the industry and we will be supported in meeting some of the costs by our suppliers.

I referred above to our flotation on the London Stock Exchange, which took place successfully in August. The flotation marked the culmination of considerable work by a number of staff and our professional advisers and I would like to express my thanks to everyone who contributed to the team effort.

The current year has started encouragingly and both Oscar Friedheim and Lasercomb Dies are progressing well. Your Board is committed to further expansion and continues to review possible acquisition prospects which would complement or enhance the Group's present activities and we believe that the Group is well placed to continue to develop successfully. You will see from the Notice of Meeting set out elsewhere in this Report and Accounts that the Annual General Meeting is scheduled for 11.30 a.m. on 26th February 1998 at the Farmers & Fletchers Hall. My Board colleagues and I extend a cordial invitation to all shareholders to attend and we look forward to welcoming as many members as possible at the meeting.

J.R. Venn *Chairman*

## 4 Review of Operations

**A.** Large format MBO T142 Folding machine, used for the production of book sections from printed sheets.

**B.** A major technological development, the Schneider Senator 115-H guillotine is the first wholly new design concept in paper cutting for 10 years.

**C.** The BOBST SP 104-ER Autoplaten is becoming the industry standard for die cutting printed board and provides a cost effective solution to meet the trend for short run production.

**D.** Used for the production of high quality, high volume cartons, the BOBST Champlain Lemanic press is installed at many of the UK's leading manufacturers.

**E.** Market leading MBO folding machines are the preferred choice of many of the country's printers and trade finishers.

**F.** Martin 718 Superminiline, prints, die cuts, folds and glues corrugated board sheets, to produce finished cases in one operation.

**G.** The new W+D Helios 627 RS envelope making machine can complete a full format change in just 35 minutes, a 90% saving in downtime over conventional machines.

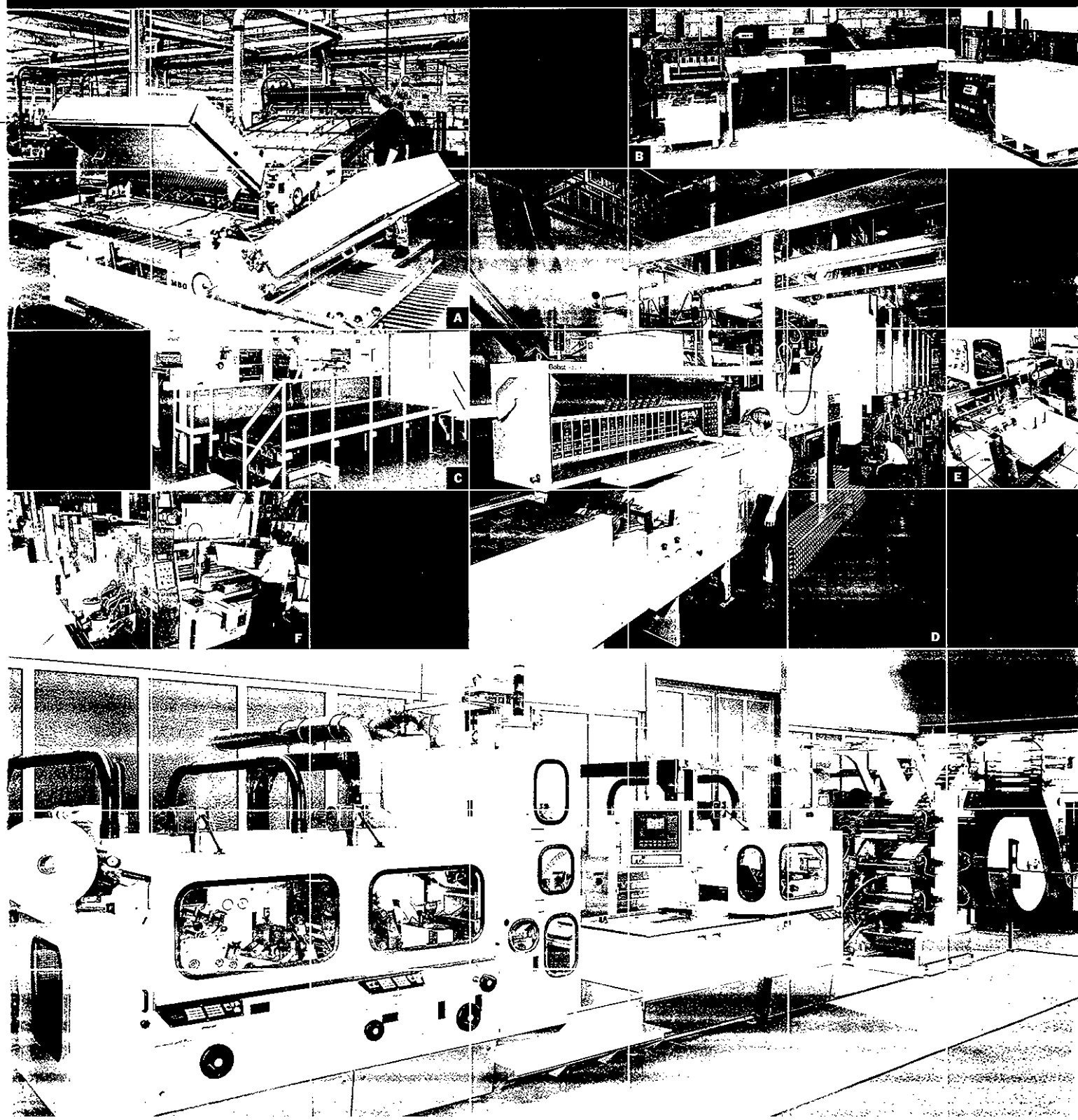
### Oscar Friedheim

Oscar Friedheim founded the company in 1884. From humble beginnings, the Company has become one of the leading suppliers of graphic arts machinery in the UK and Eire, a success story culminating in the Stock Market listing of the holding company, Fairfield Enterprises, earlier in the year.

Despite many changes over the years, the company has managed to maintain its commitment to quality and the building of meaningful partnerships, aimed at adding value to the equipment supplied - the cornerstone of our success. Your Board firmly believe that this starts with the people we employ and we therefore carefully recruit and train all our personnel, this has bred a level of expertise and continuity of service that is the envy of our competitors. Throughout, there is a consistent theme of efficiency and commitment to the customer - the lifeblood of any business. To illustrate this, Oscar Friedheim was one of the first suppliers in the marketplace to gain the ISO 9001 Quality Accreditation, though we are far from complacent and continue to look for ways to improve our service.

Part of this philosophy is to supply the best equipment available and long standing agency arrangements with carefully selected manufacturers allow Oscar Friedheim to offer machinery that enables the customer to select the most cost effective production solutions. We offer a comprehensive range, with market leaders in each market segment, sourced from the world's foremost manufacturers, to meet the needs of printers, converters and finishers in the carton, corrugated, label, envelope, commercial printing, business forms and book production markets.

Despite many changes over the years, the company has managed to maintain its commitment to quality and the building of meaningful partnerships, aimed at adding value to the equipment supplied - the cornerstone of our success.



**A.** A nation-wide network of highly skilled technicians provide a high level of support which is the envy of the industry.

**B.** Automation is the key to reducing unit production costs. The OMG range of bindery automation equipment enables production lines to be run at optimum speeds with minimal manual intervention.

**C.** The development of fast, high volume laser printers has lead the banks and utilities to more personalisation on billing and statement runs. Hunkeler are recognised as the leading innovator in providing effective pre and post print paper handling solutions to EDP centres.

**D.** Dedicated training centres in London and Redditch run by NVQ licensed trainers provide unparalleled support to the industry with courses available for operators, managers and maintenance personnel.

**E.** Engineering precision plays an important role in reliability. The Oscar Friedheim portfolio is renowned for the quality of the machinery.

**F.** New markets such as Print On Demand utilise leading edge computing technology and require specialised equipment from innovative companies such as Hunkeler to create a finished product direct from the printed web of paper.

**G.** The BOBST Masterflex press is used for the printing of high quality, corrugated and solid board display outers.

**H.** A 24 hour spare parts hot line is supported by a comprehensive stock holding.

New technology markets such as Print On Demand, EDP and Direct Mail are becoming increasingly important and make a growing contribution to the business.

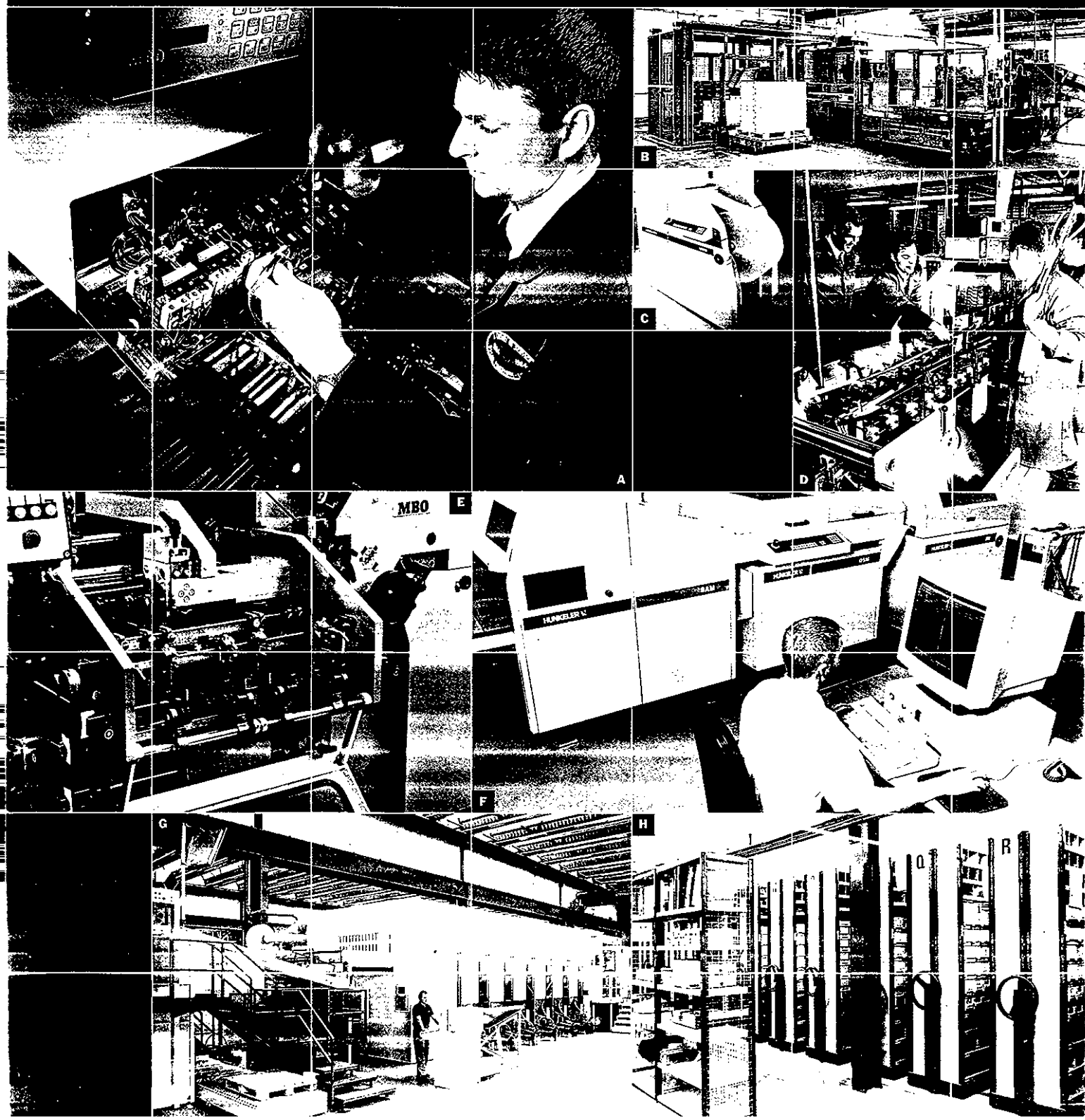
We intend to maintain our philosophy of service excellence and provide the same high levels of support that we achieve in our existing markets.

By establishing close working relationships with both customers and suppliers, the company can tailor its service - a key aspect of which is to improve the client's productivity by providing comprehensive technical support and spare parts back-up. Sales and service staff are located throughout the country, the Service and Parts Departments based at the Group Head Office, London, are fully computerised and offer a 24 hour parts service throughout the UK. We also offer training courses to clients, either on site, or at our dedicated training centres in London and Redditch, which improve personnel skills and further enhance productivity.

An active customer base of over 4,000 clients is made up of major PLCs such as BPC, Danisco Pack, John Dickinson Stationery, Field Group and St. Ives along with the other independent companies both large and small that make up the majority of the printing industry.

Oscar Friedheim owes its position of market leadership to an intimate knowledge of its markets and the ability of the various divisions to respond efficiently to customer needs. We intend to build upon these strengths and expand into new markets and new technologies as required, in order to maintain the service that our customers have come to expect of Oscar Friedheim.

By establishing close working relationships with both customers and suppliers, the company can tailor its service - a key aspect of which is to improve the client's productivity by providing comprehensive technical support and spare parts back-up.



### Lasercomb Dies

**A.** Investment in specialised equipment utilising the latest manufacturing techniques has kept Lasercomb at the forefront of a growing industry.

**B.** The key factor in minimising make-ready time and obtaining maximum machine speeds is the quality of the tooling fitted to the cutting and creasing press.

**C.** The latest broached die technology has lead to even higher quality, along with many advantages to the end user.

**D.** Integrated computer aided design systems link into the production machines to guarantee total precision throughout the manufacturing process.

**E.** Lasercomb blank separating systems allow layouts that were previously thought un-blankable to now be blanked.

**F.** The Easifit Emboss System allows accurate and consistent embossing of the printed sheet with minimal set up time.

**G.** The Pinpoint Stripping System has been developed following extensive trials on the latest generation of BOBST machines and eliminates the need for bottom tooling, reducing machine downtime.

**H.** Laser cutting technology linked to the CAD system ensures die positions are manufactured to the finest tolerances.

The company was established in 1984, in Redditch, to extend the range of products supplied by the Group and further enhance the productivity of its customers. Originally manufacturing high quality, press ready laser cut dies, principally for the carton and corrugated industries, Lasercomb has now expanded to supply a full range of press ready tooling. Due to its success, a second facility at Leeds was opened in 1988, with customers benefiting from the resources offered by the two operations.

This success has been based upon forming meaningful partnerships and the understanding of individual company tooling requirements, against the changing demands of a dynamic market place. Once again, the training of operators and management in the latest technology is the key and to support these activities we utilise our world-wide network of contacts, to adapt and apply new practices and tooling innovations.

Offering the same high levels of service as Oscar Friedheim, the company has developed a reputation for market leadership and introduced the UK market to production innovations within the blank separating, broached die technology and controlled embossing system arenas.

The combination of experienced staff, precise planning and a continuing investment programme has given Lasercomb Dies state of the art manufacturing facilities which allow us to lead the industry for press ready tooling. We continue to win new prestigious clients and show significant growth in an industry which offers numerous opportunities for expansion.



Offering the same high levels of service as Oscar Friedheim, the company has developed a reputation for market leadership and introduced the UK market to production innovations within the blank separating, broached die technology and controlled embossing system arenas.



## 10 Directors and Advisers

Directors:	J.R. Venn	Chairman
	D.J. Sawyer	Deputy Chairman (Non-executive)
	G.C. Darricotte	Chief Executive
	W.J. Wallis	Finance
	C.E.C. Cooke	(Non-executive)
Secretary and registered office:	W.J. Wallis	250 Waterloo Road, London SE1 8RE
Registered Number		980761
Advisers		
Registrars:	Moorgate Registrars PLC Dukesmead House 39 High Street Chelmsford Essex CM1 1DE	
Stockbroker:	Messrs Teather & Greenwood 12 - 20 Camomile Street London EC3A 7NN	
Finacial Advisers:	ARM Corporate Finance Limited 12 Pepper Street London E14 9RP	
Auditors:	Messrs. Kidsons Impey Spectrum House 20 - 26 Cursitor Street London EC4A 1HY	
Solicitors:	Messrs. Underwood & Co 40 Welbeck Street London W1M 8LN	Messrs Rooks Rider Challoner House 19 Clerkenwell Close London EC1R 0RR
Bankers:	National Westminster Bank Plc City of London Office 1 Princes Street London EC2R 8PA	

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The directors present their report together with the financial statements for the year ended 30th September 1997.

#### Principal activities

The principal activities of the Group are unchanged as machinery specialists for the printing, converting and allied trades. No changes are envisaged in the foreseeable future.

#### Business review

On 14th July 1997 the company re-registered as a public limited company and in August 1997 its shares were listed on the London Stock Exchange.

Oscar Friedheim Limited and Lasercomb Dies Limited are the main trading companies within the Group. Fairguard Machinery Limited continued to buy the Group's motor vehicles to lease to group companies. The Group's results for the year are reviewed in the Chairman's statement.

#### Results and dividends

The results for the year and the financial position of the Group at the balance sheet date are set out on pages 22 to 35 of the financial statements. The profit for the year, before taxation, was £1,734,299 (1996: £2,103,248) after charging exceptional items in relation to the Listing of the Company's shares of £501,710 (1996: nil).

A first interim dividend of 6% was paid on 2nd June 1997. A second interim dividend of 4% was paid on 29th July 1997. A final dividend of 13.5% (2.7p per ordinary share of 20 pence) is recommended for payment on 9th April 1998. This brings the total dividend for the year to 23.5% (1996: 22.0%).

The retained profit of £719,330 is taken to reserves.

#### Directors

The directors at the date of this report are listed on page 10 and they served throughout the year under review with the exception of Messrs D J Sawyer and C.E.C. Cooke who were appointed to the Board, as non-executive directors, on 2nd June 1997.

Other than their service contracts, no director has a material interest in a contract with the company.

The disclosable interests of the directors in the share capital of the company are detailed in the Report of the Remuneration Committee on pages 16 to 20.

#### Share capital

By a special resolution passed on 14th July 1997:-

- (a) it was resolved to make application for the re-registration of the Company as a public limited company pursuant to the Companies Act 1985 (the "Act");
- (b) each of the issued and unissued ordinary shares of £1 each in the capital of the Company, was sub-divided into five ordinary shares of 20p each;
- (c) the authorised share capital was increased from £2,000,000 to £2,500,000 by the creation of an additional 2,500,000 ordinary shares of 20p each;

- (d) the directors were authorised, pursuant to and in accordance with Section 80 of the Act to exercise from the date of the passing of the resolution up to and including 13th July 2002 all the powers of the Company to allot relevant securities to an aggregate nominal value of £334,400 by granting options over shares in the capital of the Company under the Share Option Schemes and pursuant to the Warrants;
- (e) in addition to relevant securities allotted in accordance with the authority contained in paragraph (d) above the directors were authorised pursuant to and in accordance with Section 80 of the Act to exercise for the period from the date of the passing of the said resolution up to and including the earlier of the conclusion of the next annual general meeting of the Company and 30th June 1998 all the powers of the Company to allot relevant securities (and to make offers or agreements which might require relevant securities to be allotted after the expiry of the said period) up to an aggregate nominal amount of £477,179; provided that the aggregate nominal amount of the relevant securities allotted wholly for cash during such period otherwise than in connection with a rights issue or the authority referred to in paragraph (d) above shall not exceed 5 per cent of the issued ordinary share capital of the Company from time to time; and
- (f) the directors were empowered pursuant to Section 95 of the Act to allot equity securities for cash pursuant to the authorities conferred by and within the limits and periods stipulated by paragraphs (d) and (e) above as if Sub Section (1) of Section 89 of the said Act did not apply to any such allotment.

On 14th July 1997 the company issued 1,250,000 Warrants to subscribe for ordinary shares and options over 210,000 ordinary shares under the unapproved scheme.

#### Substantial holdings

At 12th January 1998 the reported shareholdings of more than 3% of the issued ordinary share capital, apart from those of the directors, were the following:

Shareholder	Number of ordinary shares	%
Mrs M. Kershaw	392,870	4.7
Mrs H. McManus	547,080	6.5
H.A. Meyer-Dyhrenfurth	280,155	3.3
Sir Claus Moser	278,325	3.3
H.P. Moser & Others	328,305	3.9
Lady Moser	303,300	3.6
Weymouth Limited (note 1)	1,011,255	12.0
Mrs V.R. Wright	360,545	4.3
Mrs D.O.M. Wykeman	656,580	7.8

Note: (1) Weymouth Limited is a company registered in Jersey under No. 56152 with its registered office at 17 Bond Street, St Helier, Jersey JE4 8UT. Weymouth Limited has an authorised share capital of £10,000 divided into 10,000 shares of £1 each of which two are in issue and are held as to one share each by Trident Nominees Limited and Xenith Trust Company Limited.

**Corporate governance**

The company has complied with all provisions of the Code of Best Practice of the Cadbury Committee on Financial Aspects of Corporate Governance save that the Board of Directors only contains two independent non-executive directors, Messrs D J Sawyer and C E C Cooke. Taking account of the size of the Company and the composition of the Board of Directors, the directors consider that the interests of shareholders would not be materially improved by the appointment of further non-executive directors at this time.

The Board has established an Audit Committee and a Remuneration Committee whose membership comprises Messrs. Sawyer and Cooke, both of whom are non-executive directors. In the absence of a third non-executive director, Mr Wallis is a member of the Audit Committee and Mr Venn is a member of the Remuneration Committee, except in so far as matters concern them personally. Each of the committees has had delegated to it formal duties and responsibilities. The Audit Committee, which is chaired by Mr Sawyer, is responsible for ensuring that the financial performance of the Group is properly measured and reported on and for reviewing reports from the Group's auditors relating to the Group's accounting and internal controls. The Remuneration Committee, which is chaired by Mr Cooke, has primary responsibility to review the performance of the executive directors and to set their remuneration and other terms of employment.

**Internal financial control**

The Company and the Group have established and maintain comprehensive systems of internal control including systems of financial control.

These controls are designed to provide the Board of Directors with reasonable assurance that it can rely on the accuracy and reliability of the accounting records and other sources of financial information used both within the business and for publication. The operation of the controls is independently reviewed, where relevant, by the external auditors.

The Board of Directors recognises that it is responsible for the system of internal financial control and has reviewed the effectiveness of the system operated by the Company and the Group for the period covered by these accounts.

The auditors have confirmed that in their opinion, with respect to the directors' statements on internal financial control and going concern, the directors have provided the disclosures required by the Listing Rules of the London Stock Exchange and such statements are not inconsistent with the information of which they are aware from their audit work on the financial statements and that the directors' other statements appropriately reflect the Company's and the Group's compliance with the other aspects of the Cadbury Code specified for their review by Listing Rule 12.43 (j). They were not required to perform the additional work necessary to and did not express any opinion on the effectiveness of either the Group's system of internal financial control or its corporate governance procedures nor on the ability of the Group to continue in operational existence.

**Going concern**

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

**Payments to suppliers**

The Group has a policy to settle the terms of payment to its suppliers when agreeing the terms of each transaction.

For machine transactions the supplier settlement arrangements often mirror the terms agreed with the Group's customers for machinery.

It is Group policy that payments are made in accordance with the relevant terms and conditions of payment.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 30th September 1997 and the amount owing to trade creditors at the end of the year was 58 days.

#### Statement of directors' responsibilities

We are required under company law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the Group, and of the profit or loss of the Group for that period.

In preparing these accounts we are required to:

- select suitable accounting policies and apply them consistently
- make reasonable and prudent judgements and estimates
- state whether accounting standards have been followed, and give details of any departures
- prepare the accounts on a going concern basis unless in our view the Group or the company will be unable to continue in business

We are also responsible for:

- keeping proper accounting records
- safeguarding the Group's assets
- taking reasonable steps for the prevention and detection of fraud

#### Fixed assets

During the year the directors obtained an informal valuation of the Group's freehold properties, showing an aggregate value for current use of £3,725,000. The reduction in value as compared to the accounts book value is not considered by the directors to represent a permanent diminution in the value of the Group's freehold properties.

#### Charitable and political donations

The company and its subsidiaries have made donations during the year of £3,540 for charitable purposes. None was made for political purposes.

#### Auditors

Kidsons Impey have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

*L.J. Wallis*

W.J. Wallis Secretary

250 Waterloo Road  
London SE1 8RE

16th January 1998

The Board has established a Remuneration Committee which has overall responsibility for remuneration policy and specific responsibility for determining the remuneration of the Group executive directors. The non-executive directors are members of the Remuneration Committee which is chaired by Mr C E C Cooke. The Remuneration Committee has access to professional advice from inside and outside the Group. Since its Listing in August 1997, the Company has complied with Section A of the best practices provisions annexed to the London Stock Exchange Listing Rules with the exception of the composition of the Committee. As explained under Corporate Governance on page 14 Mr J R Venn sits on the Remuneration Committee together with the non-executive directors. In determining its policy the committee has given full consideration to Section B of these provisions.

#### **Policy on remuneration of executive directors**

The remuneration policy in respect of executive directors is to ensure that individual remuneration reflects the long-term performance of the Group, the performance of each director and the interests of the shareholders and that the overall remuneration package enables the Company to attract and retain high calibre executives. For these purposes the Committee retains external advisers and also examines levels of remuneration in broadly comparable companies. The remuneration package of executive directors consists of basic salary, annual bonus, benefits, long term incentive schemes and pension arrangements.

#### **Non executive directors**

The remuneration of non-executive directors is determined by the Board of Directors.

#### **Service contracts**

Each of the executive directors entered into a new service agreement with the Company on 5th August 1997. These service agreements incorporate a 12 month notice period.

Mr C E C Cooke was engaged as a non-executive director on 2nd June 1997. The letter confirming his appointment provides for three months written notice and was dated 14th July 1997.

The services of Mr D J Sawyer as a non-executive director are provided by Cabbondin Limited, which has a right to the services of Mr Sawyer. The agreement with Cabbondin Limited which was dated 14th July 1997, effective from 2nd June 1997, provides for three months notice to be given and such notice in the case of notice given by the Company not to expire prior to 31st July 1998.

#### **Long term incentive schemes**

##### **1 Profit sharing scheme**

For a number of years the Company has operated a Profit Sharing Scheme which is approved by the Inland Revenue.

If the Board decides that shares are to be appropriated under the Profit Sharing Scheme in any year the Trustees use funds contributed by the Company to acquire shares by subscription and/or by the purchase of existing shares. The shares acquired are held by the Trustees who vest the beneficial interest in the shares in the participants on the date of appropriation. The number of shares to be appropriated to each participant is determined by reference to the proportion a participant's relevant earnings bears to the total earnings of all eligible employees, the number of shares appropriated being such proportion of the total shares acquired by the Trustees for appropriation in that year.



On 1st May 1997 the following allocations of £1 ordinary shares were made to directors under the Profit Sharing Scheme. The valuation for allocation purposes being £3.75 per share.

J R Venn	1,720 Ordinary shares of £1 each	(prior to sub-division)
G C Darricotte	2,130 Ordinary shares of £1 each	(prior to sub-division)
W J Wallis	2,130 Ordinary shares of £1 each	(prior to sub-division)

Shares allocated are not made available to the directors until a period of three years has elapsed from the date of allocation.

The Board has decided that following the establishment of the Share Option Schemes, no further funds will be contributed by the company for the purposes of the Profit Sharing Scheme and no further allocations will be made under this scheme.

## 2 Share option schemes

In July 1997 the Company introduced two Share Option Schemes; an Inland Revenue approved scheme and an unapproved scheme. The schemes are administered by the Remuneration Committee and executive directors and all employees of the Group may participate at the discretion of the committee.

On 14th July 1997, the Remuneration Committee granted options, under the unapproved scheme, over 210,000 ordinary shares of 20 pence each, at an exercise price of 80 pence per share, to a number of senior executives including 25,000 to Mr G C Darricotte, an executive director of the Company. No payment was made on the granting of these options.

Options granted under the Share Option Schemes are subject to performance targets set by the Committee which will link the exercise of options to the sustained underlying financial performance of the Company. The initial performance target will require the growth in the Company's adjusted earnings per share over a rolling three year period as disclosed in the Annual Report and Accounts to exceed the rate of price inflation as shown by the Retail Price Index over that period by at least 6 per cent, so that if inflation increases by 10 per cent over the period, earnings per share will need to have increased by at least 16 per cent.

## 3 Warrants

On 14th July 1997, the Company issued 1,250,000 Warrants to subscribe for ordinary shares of 20 pence each at a Warrant price of 80 pence per share, to a number of senior executives including the executive directors of the company and Cabbondin Limited.

	Number of Warrants
J R Venn	183,250
G C Darricotte	250,000
W J Wallis	183,250
Cabbondin Limited ( D J Sawyer)	416,400

The subscription rights provided by the Warrants are subject to the satisfaction of performance conditions, being the requirement that the average middle market quotation for the ordinary shares in respect of any five consecutive relevant days equals or exceeds an amount equal to twice the warrant price. Relevant days are defined as being the five consecutive dealing days which follow publication of the preliminary statement relating to the accounts for each year ending on or before 31st December 2002, but excluding the year ended 30th September 1997, or the five consecutive dealing days after the publication of any interim statement in the period 1st October 1997 to 31st December 2002.

**Annual bonus scheme**

An annual bonus scheme, which is linked to the Group's pre tax profits, forms a part of the remuneration of senior management including the executive directors of the Company. Part of the annual bonus is satisfied by a distribution from the Company's Profit Related Pay scheme.

**Taxable benefits**

Executive directors are eligible for a range of taxable benefits which include the provision of company cars, the payment of operating expenses and private medical insurance cover.

**Pensions**

Executive directors are eligible for membership of the Fairfield Enterprises Directors' Pension Scheme which has been approved by the Inland Revenue. The fund is non-contributory for members. It provides executive directors with a pension of two thirds of pensionable salary on retirement at age 60, (subject to the completion of not less than 10 years' service with the Group). Associated benefits include a lump sum death in service benefit and dependants' pensions following death in service or after retirement.

Contributions to the pension scheme are based on external actuarial advice.

**Directors' emoluments**

Staff costs in note 6 to the accounts include the following in respect of the directors of Fairfield Enterprises plc.

	1997 £	1996 £
As directors	11,666	–
For management, including benefits in kind	328,095	347,632
Pension contributions	284,451	179,767
	624,212	527,399
Emoluments of the highest paid director, excluding pension contributions	129,589	129,382
Number of directors qualifying for benefits under defined benefit pension schemes	3	3

Pension contributions include special contributions of £150,000 (1996: £60,000).

Details of the individual remuneration of directors is as follows:

	Salaries/fees £	Bonus £	Benefits in kind £	Profit sharing scheme £	Total emoluments excluding pension contributions	
					1997 £	1996 £
<b>Executive directors</b>						
J R Venn	64,000	10,000	11,479	6,450	91,929	101,689
G C Darricotte	86,875	30,051	4,676	7,987	129,589	129,382
W J Wallis	70,431	22,551	5,608	7,987	106,577	116,561
<b>Non-executive directors</b>						
<b>Cabbondin Limited</b>						
(D J Sawyer)	8,333	—	—	—	8,333	—
C E C Cooke	3,333	—	—	—	3,333	—
<b>Total</b>	<b>232,972</b>	<b>62,602</b>	<b>21,763</b>	<b>22,424</b>	<b>339,761</b>	<b>347,632</b>
<b>1996</b>	<b>226,150</b>	<b>70,110</b>	<b>27,729</b>	<b>23,643</b>		

In September 1996 Mr J.R. Venn waived £12,551, being the excess over £10,000 or Profit Related Pay, of his bonus and the company has indicated that an equivalent sum will be paid into a personal pension arrangement for him.

The amounts for the Profit Sharing Scheme represent allocations of £1 ordinary shares (allocation being prior to the sub-division of shares in July 1997) at a valuation of £3.75 per share (1996: £3.25 per share). These shares will not be made available to the directors until a period of 3 years has elapsed from the date of allocation.

The executive directors are members of the Company's defined benefit pension scheme.

	J R Venn £	G C Darricotte £	W J Wallis £
Accumulated accrued benefit at 30th September 1997	62,800	44,500	45,800
Increase in accrued benefit in the year ended 30th September 1997	1,700	2,600	900
Transfer value of increase in accrued benefit	25,200	32,600	14,400

The figures for Mr W.J. Wallis are for the period to 13th July 1997 being the date he attained normal retirement age of sixty.

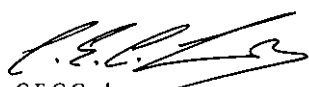
Directors' interests in shares	30th September 1997			30th September 1996 (or date of appointment)		
	Ordinary shares of 20p	Options	Warrants	Ordinary shares of £1	Options	Warrants
J R Venn						
- Beneficial	346,035	-	183,250	67,487	-	-
- Including held in Profit Sharing Scheme	36,360			8,883		
G C Darricotte						
- Beneficial	107,130	25,000	250,000	19,293	-	-
- Including held in Profit Sharing Scheme	39,295			8,950		
W J Wallis						
- Beneficial	224,280	-	183,250	44,223	-	-
- Including held in Profit Sharing Scheme	38,825			8,713		
- As Trustee	371,155			132,509		
D J Sawyer						
- Beneficial	-	-	416,400	-	-	-
C E C Cooke						
- Beneficial	-	-	-	-	-	-

The middle market price of the Company's ordinary shares ranged between 117.5p and 135.5p during the period from Listing to 30th September 1997 when it was 135.5p.

Since the year end the interest of Mr W.J. Wallis as a Trustee has decreased by 50,000 shares.

#### Directors' interest in contracts

There were no contracts with the Company or its subsidiaries during the year in which any of the directors had a material interest other than their service contracts.



C E C Cooke

Chairman of the Remuneration Committee

**Auditors' report to the shareholders of Fairfield Enterprises plc**

We have audited the financial statements on pages 22 to 35 which have been prepared under the historical cost convention, as modified by the revaluation of certain freehold property, and the accounting policies set out on pages 26 and 27. We have also examined the amounts disclosed relating to emoluments, share options and long term incentive scheme interests of the directors which form part of the Report of the Remuneration Committee on pages 16 to 20.

**Respective responsibilities of directors and auditors**

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

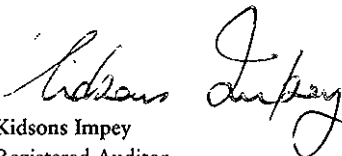
**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the Group at 30th September 1997 and of the profit of the Group for the year ended on that date and have been properly prepared in accordance with the Companies Act 1985.



Kidsons Impey  
Registered Auditor  
Chartered Accountants  
London

16th January 1998

# Group Profit and Loss Account

for the year ended 30th September 1997

	Note	1997 £'000	1996 £'000
Turnover	1, 2	59,409	63,453
Cost of sales	1	(54,358)	(58,611)
Gross profit		5,051	4,842
Net operating expenses			
Administrative expenses (including exceptional costs of £501,710; (1996: £Nil))	3	(3,438)	(2,845)
Operating profit	4	1,613	1,997
Interest receivable	7	128	115
Interest payable	8	(7)	(9)
Profit on ordinary activities before taxation		1,734	2,103
Taxation	9	(618)	(732)
Profit on ordinary activities after taxation		1,116	1,371
Dividends	10	(397)	(371)
Retained profit for the year	22	719	1,000
Retained in parent undertaking		175	352
Retained in subsidiary undertakings		544	648
		719	1,000
Earnings per share (pence)	11	13.2	16.2
Earnings per share excluding exceptional items (pence)	11	18.3	16.2
Fully diluted earnings per share (pence)	11	12.9	16.2
Fully diluted earnings per share excluding exceptional items (pence)	11	17.8	16.2

A separate statement of recognised gains and losses has not been prepared, as the Group has no recognised gains and losses other than profit for the year.

All activities are classed as continuing.

## Note of Historical Cost Profits and Losses

for the year ended 30th September 1997

Reported profit on ordinary activities before taxation	1,734	2,103
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	(24)	(24)
Historical cost profit on ordinary activities before taxation	1,710	2,079
Historical cost profit for the year retained after taxation and dividends	695	976

Balance Sheets  
at 30th September 1997

23

	Note	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
<b>Fixed assets</b>					
Tangible assets	12	5,902	5,660	4,408	4,501
Investments	13	22	—	938	916
		5,924	5,660	5,346	5,417
<b>Current assets</b>					
Stocks	14	6,132	4,931	—	—
Debtors	15	13,440	13,449	2,266	1,820
Cash at bank and in hand		1,736	1,444	13	65
		21,308	19,824	2,279	1,885
Creditors: amounts falling due within one year	16	(14,760)	(13,533)	(1,091)	(966)
<b>Net current assets</b>		6,548	6,291	1,188	919
<b>Total assets less current liabilities</b>		12,472	11,951	6,534	6,336
Creditors: amounts falling due after more than one year	17	(107)	(332)	—	—
Provisions for liabilities and charges	18	(606)	(579)	(602)	(579)
<b>Net assets</b>		11,759	11,040	5,932	5,757
<b>Equity capital and reserves</b>					
Called up share capital	20	1,688	1,688	1,688	1,688
Reserves	22	10,071	9,352	4,244	4,069
<b>Equity shareholders' funds</b>		11,759	11,040	5,932	5,757

Approved by the Board of Directors on 16th January 1998

J.R. Venn Director



## Group Cash Flow Statement

*for the year ended 30th September 1997*

	Note	1997 £'000	1996 £'000
Net cash inflow from operating activities	(a)	2,312	2,199
Returns on investments and servicing of finance	(b)	121	106
Taxation		(738)	(662)
Capital expenditure	(b)	(964)	(466)
		731	1,177
Equity dividends paid		(439)	(355)
Increase in cash		292	822
Reconciliation of net cash flow to movement in net funds			
Change in net funds	(c)	292	822
Opening net funds		1,444	622
Closing net funds		1,736	1,444



# Note to the Group Cash Flow Statement

	1997 £'000	1996 £'000	
(a) Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit	1,613	1,997	
Depreciation and amortisation	781	731	
(Profit) on sale of fixed assets	(82)	(57)	
(Increase)/decrease in stocks	(1,201)	996	
Decrease/(increase) in debtors	9	(378)	
Increase/(decrease) in creditors	1,192	(1,090)	
Net cash inflow from operating activities	2,312	2,199	
(b) Gross cash flows			
Returns on investments and servicing of finance			
Interest received	128	115	
Interest paid	(7)	(9)	
	121	106	
Capital expenditure			
Acquisition of investments	(22)	-	
Payments to acquire tangible fixed assets	(1,075)	(543)	
Receipts from sales of tangible fixed assets	133	77	
	(964)	(466)	
(c) Analysis of changes in net funds			
	At 1 October £'000	Cash flows £'000	At 30 September £'000
1997			
Cash in hand, at bank	1,444	292	1,736
1996			
Cash in hand, at bank	622	822	1,444

## 1 Accounting policies

### Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards and the historical-cost accounting rules except for freehold property held at June 1991 which is stated at valuation. In accordance with the provisions of Section 230 of the Companies Act 1985 no separate profit and loss account is presented for the company.

### Group accounts

The Group profit and loss account and balance sheet include the accounts of subsidiaries which are drawn up to 30th September 1997. Profits and losses of companies entering or leaving the Group are included from the date of acquisition or up to the date of disposal. The net assets of subsidiaries acquired are included on the basis of their fair value at the date of acquisition being the earlier of the date consideration passes or an offer is declared unconditional.

### Goodwill

Goodwill arising on acquisitions will be accounted for in accordance with FRS 10.

### Turnover

Turnover represents the selling value, excluding value added tax, of transactions negotiated and concluded during the year and services provided to customers. Transactions on an agency basis amount to approximately 22.9% (1996: 25.1%).

### Cost of sales

Cost of sales represents all costs relating to turnover, including depreciation and an appropriate proportion of overheads.

### Depreciation

Depreciation is calculated to write off the cost or valuation of tangible fixed assets, in equal annual instalments over their estimated useful lives at the following rates:-

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Freehold buildings	2%
Leasehold buildings	10%
Plant and machinery	12.5%
Furniture and equipment	10%
Computer equipment	25%
Motor vehicles	25 - 33%

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### Stocks

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

### Taxation

Deferred taxation is provided at current taxation rates under the liability method to take account of all timing differences between profits as stated in the accounts and as computed for tax purposes to the extent that tax liabilities are likely to crystallise in the foreseeable future less advance corporation tax paid or payable and not recoverable at the accounting date.

### Foreign currencies

These are included at the rates applicable to each transaction up to the time the annual accounts have been prepared. Uncompleted transactions, which are normally few, are converted at the last known rates rather than at the rates applicable at the date of the accounts. The terms of trading of the Group normally make provision for changes in rates of exchange.

### Leases and hire purchase contracts

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge.

Rentals paid under operating leases are charged to income as incurred.

## Pensions

- (i) Contributions to the two defined benefit pension schemes operated by the Group are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the Group. The ordinary contributions are determined by a qualified actuary on the basis of triennial valuations. Further details are given in note 6.
- (ii) The Group also operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

## 2 Turnover analysis

	1997 £'000	1996 £'000
Geographical areas		
Turnover is analysed as follows:		
United Kingdom	55,572	61,526
Rest of Europe	3,835	1,894
Other	2	33
	59,409	63,453

Sales on an agency basis are included in accordance with FRS 5 in order to show a true and fair view of the Group's activities in view of the support services also provided from the Group's resources. If agency sales were not included and if commission earned reported as turnover, total turnover would be as follows:

	1997 £'000	1996 £'000
	46,224	48,367

## 3 Exceptional items

Administration expenses are stated after charging exceptional items of £501,710.	1997 £'000	1996 £'000
Listing expenses	270	–
Other costs related to the Listing	82	–
Special pension contributions	150	–
	502	–

The Listing expenses include £83,625 paid to the company's auditors and £26,268 paid to Rooks Rider, Solicitors, a firm in which Mr C E C Cooke, who is a non-executive director of the company, is a partner.

## 4 Operating profit

	1997 £'000	1996 £'000
Operating profit is stated after charging:		
Operating lease rentals – plant and machinery	20	28
– other	46	36
Depreciation	781	731
Auditors' remuneration – audit	42	41
– non audit (excluding exceptional items)	6	6
Directors' emoluments (including pension contributions) (see note 5)	625	528
Staff costs (note 6)	6,372	5,789
and after crediting:		
Profit on sale of tangible fixed assets	82	57

## Notes to the Accounts

30th September 1997

## 5 Directors' emoluments

	1997 £'000	1996 £'000
For management		
Fees	612	527
Pension to former director's widow	12	—
	1	1
	625	528

Detailed information concerning directors' emoluments, shareholdings, options and warrants is shown in the Report of the Remuneration Committee on pages 16 to 20.

## 6 Employees

	1997 Number	1996 Number
The average number of persons including directors employed by the Group during the year was:		
Service and sales	144	140
Management and administration	59	59
	203	199
	£'000	£'000
Staff costs:		
Wages and salaries	5,263	4,762
Social security costs	484	433
Other pension costs	625	594
	6,372	5,789

## Pension schemes

- (i) The Group operates two defined benefit pension schemes the assets of which are held separately from those of the Group. The schemes are of the defined benefit type and benefits are based on the years of service and the employees' average remuneration in a number of years prior to retirement.

The most recent actuarial valuations were carried out at 1st September 1994. These valuations showed the market value of the schemes' assets to be £6.5 million. The schemes showed a surplus of £750,000 and a deficit of £785,000 at that date.

The assumptions which have the most significant effect on the valuation are as follows:

- (a) that investment returns would be at 9% per annum
- (b) that salary increases would average 8% per annum
- (c) that pension increases will be in line with increases in Guaranteed Minimum Pensions

The pension charge for the year to 30th September 1997 was £507,038 (1996: £475,244) after taking account of special contributions of £150,000 (1996: £125,000).

Since the 1994 actuarial valuation the rate of contributions was increased and in addition special contributions were made, in accordance with actuarial advice, which have eliminated substantially the deficit referred to above. The next formal actuarial valuation at 1st September 1997 is not yet available.

The future rates of contributions of the Group will be 6.5% and 47.5% of earnings respectively for the two schemes.

- (ii) The pension charge for the defined contribution pension scheme for the year ended 30th September 1997 was £73,253 (1996: £62,685). The assets of the scheme are held separately from those of the company in a fund independently administered.

	1997 £'000	1996 £'000
<b>7 Interest receivable</b>		
Bank interest	123	109
Other interest	.5	6
	<b>128</b>	<b>115</b>
<b>8 Interest payable</b>		
Interest payable on bank loans and overdrafts repayable within 5 years	7	8
Other interest paid	-	1
	<b>7</b>	<b>9</b>
<b>9 Taxation</b>		
United Kingdom corporation tax based on the profit for the year at 32% (1996: 33%)	626	742
Transfer to deferred taxation	17	29
(Over) provision in respect of prior years	(25)	(39)
	<b>618</b>	<b>732</b>
<b>10 Dividends</b>		
First interim of 1.2p (1996: 1.2p) paid 2nd June 1997	101	101
Second interim of 0.8p (1996: 1.6p) paid on 29th July 1997	68	135
Proposed final of 2.7p per ordinary share of 20p (1996: 1.6p) payable 9th April 1998	228	135
	<b>397</b>	<b>371</b>

The dividend rates above for 1996 and for the first and second interim dividends for 1997, which were paid on £1 ordinary shares prior to subdivision, have been restated as though the dividends were paid on the 20p ordinary shares in issue post subdivision.

In addition shareholders receive a tax credit of £99,195 (1996: £92,863) on these dividends.

## 11 Earnings per share

Earnings per share have been calculated by dividing the attributable earnings for each year by 8,442,105 shares. Prior to 14th July 1997, the Company had 1,688,421 ordinary shares of £1 in issue. On 14th July 1997 each £1 ordinary share was sub-divided into five ordinary shares of 20 pence. There have been no other changes in issued share capital in either of the two years ended 30th September 1997 and accordingly earnings per share have been disclosed as though the sub-divided share capital had been in issue throughout that period.

The calculation of fully diluted earnings per share, including and excluding the net exceptional costs, is based on the profit after taxation after adding the interest income net of corporation tax which would have arisen had the 210,000 Options and the 1,250,000 Warrants granted on 14th July 1997 been exercised at the date of grant and the proceeds invested in 2.5% Consolidated Stock on that day.

The amount so derived has been divided by the number of ordinary shares in issue at the beginning of the year together with the weighted average number of ordinary shares assumed to have been issued as indicated above.

## Notes to the Accounts

30th September 1997

12 Tangible fixed assets	Freehold Properties £'000	Short Leasehold Property £'000	Plant and Equipment £'000	Motor Vehicles £'000	Total £'000
(a) Group					
Cost or Valuation					
1st October 1996	4,866	82	2,743	1,214	8,905
Additions	—	3	544	528	1,075
Disposals	—	—	(199)	(301)	(500)
30th September 1997	4,866	85	3,088	1,441	9,480
Depreciation					
1st October 1996	430	17	1,925	873	3,245
Charge for year	87	9	331	354	781
Disposals	—	—	(200)	(248)	(448)
30th September 1997	517	26	2,056	979	3,578
Net book amount					
30th September 1997	4,349	59	1,032	462	5,902
30th September 1996	4,436	65	818	341	5,660

The freehold properties are charged by legal mortgages to the Group's bankers.

On 24th June 1991 the Group's freehold properties were valued by Chartered Surveyors at £4,160,000 on an open market basis. Additions to freehold properties are stated at cost.

The non-depreciable value of land included in the above is estimated at £760,000.

	£'000
Historical cost information	
Historical cost of revalued land and buildings	6,115
Depreciation of buildings based on historical cost	(688)
Net historical cost	5,427

The depreciation charge for the year on the historical cost basis would be £97,299.

Accumulated depreciation of buildings based on historical cost assumes depreciation from the financial year in which the revaluation occurred following the redevelopment and refurbishment of the premises. No depreciation was provided in earlier years.

## (b) Company

The freehold properties and short leasehold property included in (a) above are owned by the company.

13 Investments	Joint venture £'000	Associated company £'000	Total £'000
(a) Group Additions	15	7	22
At 30th September 1997	15	7	22

The joint venture represents a 50% interest in Sprint Services (Northern) Limited, which commenced trading in March 1997. The partner in the joint venture is Sprint Engineering Services Limited.

The associated company is Lawrence TCT Knife Company Limited. The Group owns 7,000 ordinary shares of £1 being a 45% interest.

The Group's investments in the joint venture and associated company are stated at cost, any difference between cost and share of net assets being immaterial, as is the Group's share of their results to 30th September 1997.

(b) Company	Shares in subsidiary undertakings less provisions required £'000	Investments in joint ventures and associated undertakings £'000	Total £'000
Balance at 1st October 1996	916	–	916
Additions	–	22	22
Balance at 30th September 1997	916	22	938

The subsidiaries, all wholly-owned and incorporated in Great Britain and registered in England and Wales, are Oscar Friedheim Limited, Friedheim Knife Services Limited (formerly Oscar Friedheim (Offset) Limited), Fairguard Machinery Limited and Lasercomb Dies Limited.

14 Stocks	1997 £'000	1996 £'000
Finished goods and goods for resale	6,132	4,931

## Notes to the Accounts

30th September 1997

15 Debtors	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Deposits paid	3,196	1,107	-	-
Trade debtors	9,824	11,964	-	-
Trade loans	100	100	-	-
Amounts owed by subsidiary undertakings	-	-	1,510	1,266
Other debtors	51	43	16	25
Prepayments and accrued income	269	235	666	510
Advance corporation tax recoverable	-	-	74	19
	13,440	13,449	2,266	1,820

The following amounts are included in the above and are due after more than one year:

(i) Trade debtors	208	375	-	-
(ii) Trade loan (note i)	100	100	-	-
(iii) Amounts owed by subsidiary undertakings (note ii)	-	-	396	235
	308	475	396	235

## Note:

- i) The trade loan is repayable five years after notice is given to the borrower.  
 ii) The Company has indicated it will not demand the amounts due from Fairguard Machinery Limited until that company has sufficient funds to meet its requirements.

16 Creditors	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Amounts falling due within one year				
Deposits received	3,349	1,525	-	-
Trade creditors	8,495	8,805	-	-
Amounts owed to subsidiary undertakings	-	-	544	314
Taxation	644	791	120	135
Other taxes and social security costs	515	677	-	1
Other creditors	39	22	52	34
Accruals and deferred income	1,490	1,443	147	212
Proposed dividends	228	270	228	270
	14,760	13,533	1,091	966



17 Creditors	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
--------------	------------------------	------------------------	--------------------------	--------------------------

Amounts falling due after more than one year

Trade creditors	107	332	—	—
-----------------	-----	-----	---	---

18 Provisions for liabilities and charges	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
---	------------------------	------------------------	--------------------------	--------------------------

Deferred taxation (see note 19)

Balance at 1st October	579	554	579	554
Profit and loss account	17	29	13	29
Other movements	10	(4)	10	(4)
Balance at 30th September	606	579	602	579

19 Deferred taxation	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
----------------------	------------------------	------------------------	--------------------------	--------------------------

Full provision has been made for deferred taxation in the balance sheet and consists of the following:-

Accelerated capital allowances	663	646	659	646
Advance corporation tax	(57)	(67)	(57)	(67)
	606	579	602	579

The provision is based on a corporation tax rate of 31% (1996: 33%).

20 Called up equity share capital	Authorised 1997 £'000	Authorised 1996 £'000	Allotted, called up and fully paid 1997 £'000	Allotted, called up and fully paid 1996 £'000
Ordinary shares of £1 each	—	2,000	—	1,688
Ordinary shares of 20p each	2,500	—	1,688	—

On 14th July 1997 the Company's £1 ordinary shares were sub-divided into ordinary shares of 20p each and the authorised share capital was increased to £2,500,000 by the creation of 2,500,000 new ordinary shares of 20p each.

On the same date the Company re-registered as a public limited company.

## Notes to the Accounts

30th September 1997

## 21 Long term incentive schemes

## (a) Warrants

Details of the unexercised Warrants to subscribe for ordinary shares in the company at 30th September 1997 are as follows:-

Number of ordinary shares	Warrant price (pence)	Date of grant
1,250,000	80	14th July 1997

The Warrants are exercisable only when the applicable performance conditions have been satisfied. These performance conditions require that the Company's share price be at least twice the Warrant price for a five consecutive day period immediately following announcement of the interim or full year results of the Company in the period 1st October 1997 to 31st December 2002, but excluding the announcement relating to the accounts for the year ended 30th September 1997.

## (b) Share options

Details of the unexercised options granted under the Company's Unapproved Share Option Scheme at 30th September 1997 are as follows:-

Ordinary shares	Option price (pence)	Date of grant
210,000	80	14th July 1997

All of the above options are exercisable when the Remuneration Committee is satisfied that there has been growth in the Company's adjusted earnings per share over a rolling three year period as disclosed in the Annual Report and Accounts to exceed the rate of price inflation as shown by the Retail Price Index over that period by at least 6 per cent so that if inflation increases by 10 per cent over the period earnings per share will need to have increased by at least 16 per cent.

22 Reserves	Balance 30.9.96 £'000	Movement £'000	Balance 30.9.97 £'000
(a) Group			
Profit and loss account	5,331	4,740	10,071
Other distributable reserves:-			
Development projects	300	(300)	-
Deposits against machines ordered and bad debts	900	(900)	-
Pension fund	150	(150)	-
Exhibition	100	(100)	-
Relocation and rebuilding	1,471	(1,471)	-
Contingencies and general	1,100	(1,100)	-
	9,352	719	10,071
(b) Company			
Profit and loss account	2,398	1,846	4,244
Other distributable reserves:-			
Relocation and rebuilding reserve	1,471	(1,471)	-
Contingencies and general	200	(200)	-
	4,069	175	4,244

The other distributable reserves of the Group and the Company represented amounts set aside many years ago to justify levels of retention and distribution. The designation of reserves is no longer considered by the directors to be appropriate and accordingly the other distributable reserves have been transferred to the profit and loss account.

23 Reconciliation of equity shareholders' funds	1997 £'000	1996 £'000
(a) Group		
Profit for the financial year	1,116	1,371
Dividends	(397)	(371)
Net addition to shareholders' funds	719	1,000
Opening shareholders' funds	11,040	10,040
Closing shareholders' funds	11,759	11,040
b) Company		
Profit for the financial year	572	723
Dividends	(397)	(371)
Net addition to shareholders' funds	175	352
Opening shareholders' funds	5,757	5,405
Closing shareholders' funds	5,932	5,757

## 24 Contingent liabilities and commitments

- (a) There is a contingent liability for guarantees in respect of machines sold and installed. These guarantees are largely covered by guarantees received by machine suppliers.
- (b) Fairfield Enterprises plc has guaranteed bank facilities granted to its subsidiary companies by the Group's bankers.
- (c) The Group has contracted capital commitments of £207,012 (company: £Nil) (1996: £73,920) at the balance sheet date.
- (d) The Group has the following commitments in respect of operating leases:

	1997 Land and buildings £'000	1997 Other £'000	1996 Land and buildings £'000	1996 Other £'000
Expiring within one to five years	—	22	—	17
Expiring in more than five years	50	—	35	—

## 25 Forward currency contracts

At the balance sheet date the Group had foreign currency contracts and documentary credit commitments entered into in the ordinary course of business on which the total sterling equivalent outstanding amounted to £4,000,471 (company: £Nil) (1996: £2,203,563, company: £Nil) and £Nil (company: £Nil) (1996: £185,755, company: £Nil) respectively.

# Group Financial Review

for the years ended 30th September

Profit and Loss Account	Notes	1997 £'000	1996 £'000	1995 £'000	1994 £'000	1993 £'000
Sales		59,409	63,453	50,373	39,621	34,850
Cost of sales		(54,358)	(58,611)	(45,602)	(36,004)	(31,552)
Gross profit		5,051	4,842	4,771	3,617	3,298
Admin expenses		(3,438)	(2,845)	(2,909)	(2,324)	(2,103)
Interest (net)		121	106	43	10	(141)
Profit before taxation		1,734	2,103	1,905	1,303	1,054
Taxation		(618)	(732)	(660)	(373)	(250)
Profit after taxation		1,116	1,371	1,245	930	804
Dividends		(397)	(371)	(338)	(253)	(245)
Retained profit		719	1,000	907	677	559
Earnings per share	1	13.2p	16.2p	14.7p	11.0p	9.5p
Earnings per share, excluding exceptional items	1	18.3p	16.2p	14.7p	11.0p	9.5p
Fully diluted earnings per share	2	12.9p	16.2p	14.7p	11.0p	9.5p
Dividends per share	1	4.7p	4.4p	4.0p	3.0p	2.9p
<b>Balance Sheet</b>						
Fixed assets		5,924	5,660	5,867	5,735	5,588
Net current assets		6,548	6,291	4,930	4,251	3,778
Creditors due after 1 year		(107)	(332)	(203)	(288)	(404)
Deferred taxation		(606)	(579)	(554)	(565)	(505)
		11,759	11,040	10,040	9,133	8,457
Share capital		1,688	1,688	1,688	1,688	1,688
Reserves		10,071	9,352	8,352	7,445	6,769
		11,759	11,040	10,040	9,133	8,457
Net tangible assets per share	1	142p	131p	119p	108p	100p

Note 1 The figures for 1993 to 1996 have been disclosed on the basis of ordinary shares of 20 pence each, that is reflecting the subdivision of the former £1 ordinary shares which occurred in 1997.

2 Fully diluted earnings per share are calculated on the basis of the conversion of the 210,000 outstanding Share Options and the 1,250,000 Warrants into ordinary shares.

## Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the members of FAIRFIELD ENTERPRISES plc will be held at the Farmers & Fletchers Hall, No. 3 Cloth Street, EC1A 7LD on Thursday 26th February 1998 at 11.30 am for the following:-

- 1 To receive the Report of the Directors and the Auditors and to adopt the accounts for the year ended 30th September 1997.
- 2 To declare a dividend.
- 3 To re-elect directors:-
  - a) having been appointed during the year the following retire and, being eligible, offer themselves for election:-  
D.J. Sawyer (non-executive)  
C.E.C. Cooke (non-executive)
  - b) J.R. Venn retires by rotation and, being eligible, offers himself for re-election.
- 4 To re-appoint the Auditors and to authorise the directors to fix their remuneration.
- 5 To transact any other ordinary business of the company.

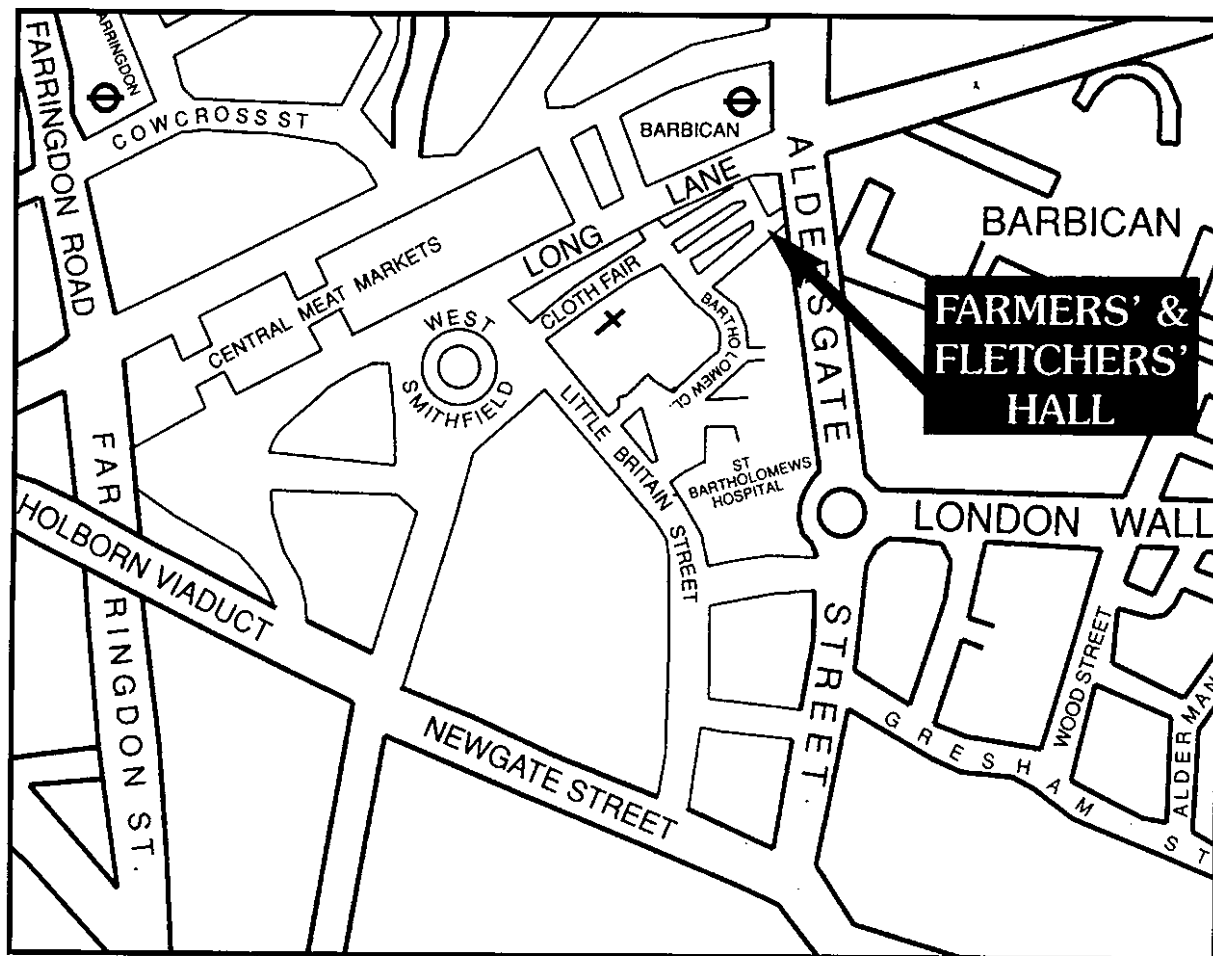
On behalf of the Board

*W.J. Wallis*

W.J. Wallis Secretary  
250 Waterloo Road  
London SE1 8RE

28th January 1998

NOTE: Any member of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.



Directions to Farmers & Fletcher's Hall

of

as my/our proxy to vote on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 26th February 1998 and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 1998

Signature (see note 3)

	For	Against
1. Ordinary Resolution to adopt the directors' and auditors' reports and the financial statements for the year ended 30th September 1997.		
2. Ordinary Resolution to declare a final dividend.		
3. Ordinary Resolution to re-elect Mr. D. J. Sawyer a director of the Company.		
4. Ordinary Resolution to re-elect Mr. C. E. C. Cooke a director of the Company.		
5. Ordinary Resolution to re-elect Mr. J. R. Venn a director of the Company.		
6. Ordinary Resolution to re-appoint Messrs. Kidsons Impey auditors to the Company and to authorise the directors to fix their remuneration.		

1. The names of all holders should be stated in block capitals.
2. If it is desired to appoint a proxy other than the Chairman of the Meeting his/her name and address should be inserted, the reference to the Chairman deleted and the alteration initialled. A proxy need not be a member of the Company.
3. In the case of joint holders, the signature of one holder will be accepted. An individual should either sign himself/herself or their attorney. A corporation should execute this form under its common seal or by its attorney of duly authorised office.
4. Unless otherwise indicated, the proxy will vote or abstain from voting as he/she thinks fit.
5. This Form of Proxy together with the Power of Attorney (if any) under which it is signed, or a duly certified copy thereof must be lodged with the Company's registrars, Moorgate Registrars PLC, Dukesmead House, 39 High Street, CHELMSFORD, Essex, CM1 1ZZ not less than forty-eight hours before the time appointed for the holding of the Meeting.

Second Fold

BUSINESS REPLY SERVICE  
LICENCE No. CL 4105

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**The Registrars  
Fairfield Enterprises plc  
Moorgate Registrars PLC  
Dukesmead House  
39 High Street  
CHELMSFORD  
Essex  
CM1 1ZZ**

First fold

Third Fold and tuck-in