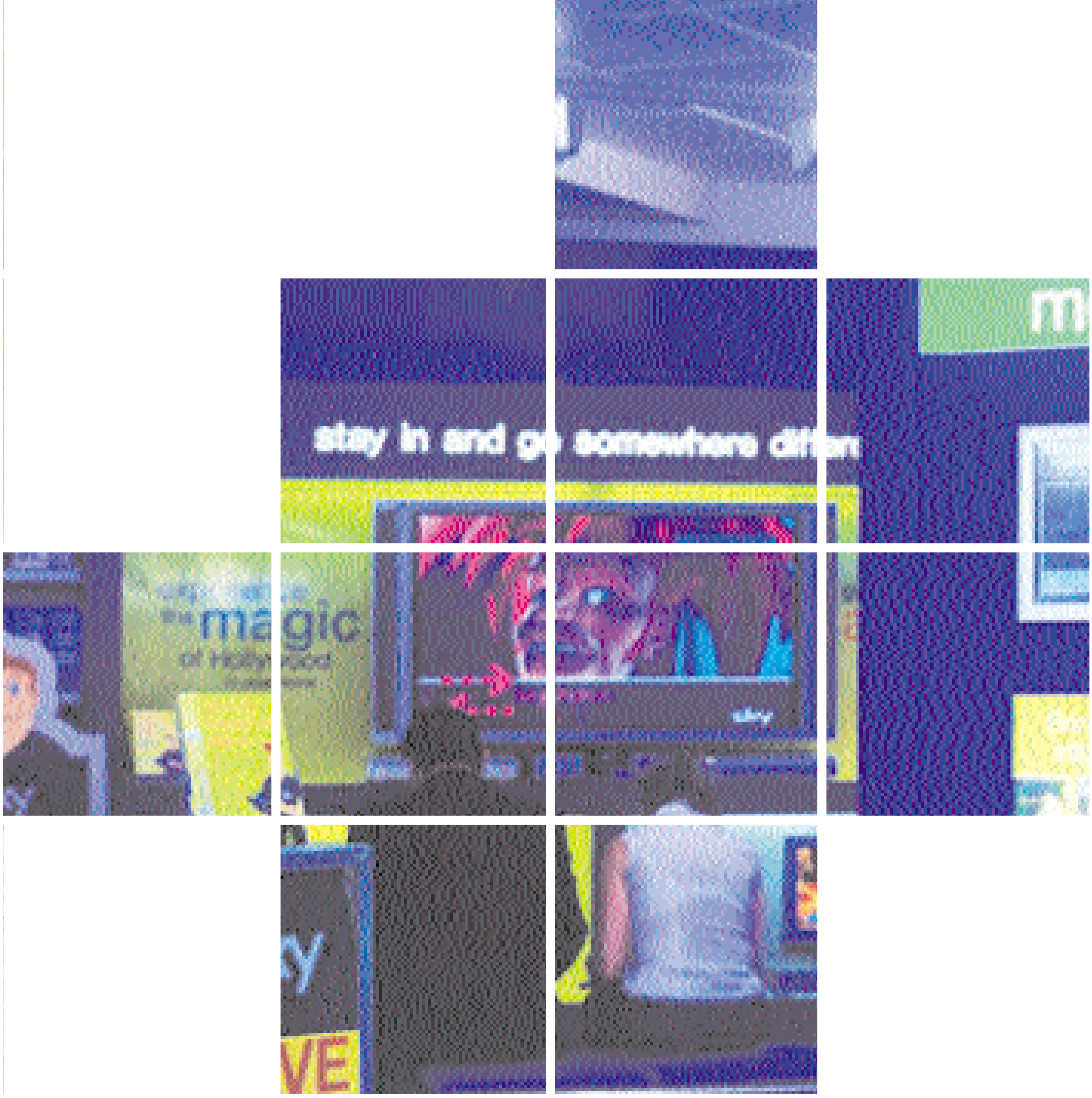
C.A.Coutts Holdings plc Annual Report 2002

connecting with consumers™

COUTTS
C.A.COUTTS HOLDINGS PLC



Retail design will continue to grow and the sector will be exciting and innovative. Retail design will no longer simply provide an advantage to the retailers involved, it will be essential for retailers to have well designed stores.

Mintel: Retail Store Design 2002

Image used by kind permission of BSkyB

C A Coutts Holdings plc is the parent company of Coutts Retail Communications and other Group companies whose core activity is to meet the in-store marketing objectives of world class brands and retailers. The Group also has a packaging business which provides creative solutions in retail and transit packaging to a wide variety of household names.

Brand owners and retailers in the UK spend £765 million a year on advertising products in store.

Marketing Week, September 2002

Contents

Retail Communications division

COUTTS
RETAIL COMMUNICATIONS

Coutts Retail Communications is an international organisation that works in partnership with brands and retailers to create and implement significant and distinctive in-store campaigns and design solutions.

In an increasingly competitive retail environment, each Coutts Group company is committed to helping its clients achieve competitive advantage through design and communications.

Each business in the Group has its own specialist skill set appealing to every level of our clients' needs from the strategic support of retail brand positioning to the tactical support of new product launch.

Yeo Street Studio Violet Road London E3 3QL

Image used by kind permission of Hutchison 3 UK Ltd

Retail design

COUTTS CREATIVE

A strategic design agency engaged in long-term partnership with clients to provide strategic retail solutions. Projects span all retail disciplines from point of purchase and category schemes through to shop in shop, concessions and stand alone store environments.

Graphic design specialist Bravo has been merged with Coutts Design to form Coutts Creative.

Mews End Studios Ledbury Mews North London W11 2AF

PLAY

An agency specialising in the creation and management of launch events and in-store campaigns for the European entertainment industry. Experts in the film, music, software and publishing sectors.

6-7 Fareham St London W1D 3BD

Our strategy over the past few years has been to increase our presence in the area of Retail Communications and current trading performance in a poor economic climate proves this to have been a sound strategy, and one which we will continue to follow.

Robert Essex, Chairman

Design and production

COUTTS RETAIL ADVERTISING

A design-led promotional point of purchase production company with comprehensive packing, warehousing and pan-European logistics. Specialising in the in-store support of new product launches, merchandising and trade marketing initiatives.

Yeo Street Studio Violet Road London E3 3QL

COUTTS ARKEN DISPLAY

A design-led permanent point of purchase production company encompassing an innovative line in standard products and modular displays for the UK and international markets.

Studlands Park Avenue Newmarket Suffolk CB8 7EA

COUTTS EDDAG DISPLAY

A multi-discipline point of purchase design, production and distribution company based in Holland. Skilled in the production, assembly and distribution of pan-European campaigns.

Radeweg 29 8171 MD Vaassen The Netherlands

COUTTS DISPLAY

A multi-discipline point of purchase design, production and distribution company based in Germany, the single largest consumer market in Europe.

Franz-Lenz-Str. 1 49084 Osnabrück Germany

COUTTS PACKAGING

A design and production company specialising in printed retail packaging solutions and cost effective corrugated transit packaging.

Coutts Packaging is now the sole trading style of our packaging business and includes the activities of Essex Corrugated, the Group's specialist producer of corrugated transit packaging.

Brunel Road Manor Trading Estate Benfleet Essex SS7 4PS

Some of our clients

We have achieved some great successes this year working with Coutts, who have been as creative, dedicated, professional and flexible as ever.

Caroline Bird, Director, Consumer and Category Development, L'Oréal

HSBC

LAURA ASHLEY

SAFEWAY

ASDA

gsk GlaxoSmithKline

Sainsbury's

TATE & LYLE

DURACELL

Kellogg's

3

PP

20th Century Fox Home Entertainment

Chairman's statement

Over the past 12 months we have continued to refocus the business on retail communications, which now accounts for over 70% of continuing turnover at considerably higher profit margins than our packaging business.

As part of this strategy, we were able to announce the successful disposal of the non-core Stationery unit in our packaging business in August 2002, at a net profit of £1.49 million.

The UK operations have continued to perform well and to expectations, and we are pleased to have added, amongst others, HSBC, Hutchison 3G and Kellogg's to our portfolio of blue chip clients.

In May 2002, the board took the steps necessary to improve performance at Coutts Eddag Display, our Dutch point of purchase design and manufacturing business, which was trading well below expectations. While performance at Coutts Eddag Display had initially improved, it has failed to meet expectations within the agreed timescales, so we are now taking further action to reduce its impact on Group profitability.

Results

As a result of the significant progress in refocusing on retail communications and the profit on disposal of the Stationery unit, we can report increased net profits before tax for 2002. Net profit before tax increased to £1.62 million (2001: £0.20 million). Group turnover was 1.4% lower at £37.71 million (2001: £38.26 million) following the sale of the Stationery unit, and operating profit was also slightly lower at £0.76 million (2001: £0.85 million), largely due to losses in our Dutch business of £0.31 million (2001 £0.26 million).

Cash generation was again strong, which allowed us to reduce net debt and gearing at the year end. Net debt was reduced to £4.30 million (2001: £5.95 million) and gearing was reduced from 59% to 41%. Accordingly, the directors are pleased to recommend a final dividend per share of 3.25p (2001: 3.00p) making a total of 4.50p (2001: 4.15p) for the year, an increase of 8.4%

Review of business - UK

Sale of Stationery unit

The most significant event during the year was the sale of the Stationery unit to Smurfit UK Ltd on 22 August 2002 for £2.25 million. The Stationery unit was part of our packaging business and its sale reflects the continuing refocusing of the Group on the higher margin retail communications business. Following the sale of the Stationery unit the packaging business now accounts for less than a third of continuing turnover. It now trades as Coutts Packaging, focusing on higher margin niche markets as well as continuing to provide a valuable production resource for our retail communications business. Since the Stationery unit sale, Coutts Packaging performed in line with expectations and produced improved margins.

UK business contract wins

The UK design businesses Coutts Creative and Play performed very well, securing significant new business wins. Coutts' strategy is to cross-sell services whenever it adds value to clients and is profitable for the Group. This strategy has proved to be successful with Coutts Creative and Play generating new business for other parts of the Group.

The most significant of the UK business contract wins was for the design and in-store launch of the brand "3", the third generation mobile telephone network for Hutchison 3G UK Ltd. The product was finally launched in March 2003 and the benefits to Coutts will be ongoing.

The UK design and manufacturing businesses Coutts Retail Advertising and Coutts Arken Display also enjoyed buoyant trading and increased profitability over the previous year.

Review of business - Holland and Germany

Action in Holland

In May 2002, to address the underperformance of Coutts Eddag Display in Holland, we increased our shareholding to 100% at a total cost of £79,000. The senior management team was reorganised and there was an initial improvement in the second half. Following an end of year review, our expectations have not been met and we are taking further decisive action to improve profitability through the closure of its manufacturing facilities. We plan to relocate Coutts Eddag Display to smaller premises and refocus the business as a design, prototyping and assembly business, using outsourcing and Coutts Arken Display facilities in the UK for manufacture. This will release the Coutts Eddag Display freehold factory for sale.

Performance in Germany

Coutts Display in Germany has performed in line with expectations despite difficult conditions in the German market. In November 2002 it moved to a larger sales and design office in Osnabrück from where it can expand its operations.

Norman Essex

It was with deep regret that we announced the death of non-executive director and former Chairman Norman Essex earlier this month. A tribute to his enormous contribution to Coutts' success appears on page 17 of this annual report.

Outlook

We have made considerable progress over the past 12 months in refocusing the business on higher margin activities.

Our successful retail communications businesses are showing good performances and are running ahead of target. They operate in the more resilient field of below the line marketing, which often benefits during an economic downturn when above the line advertising spend is reduced.

We are taking further action to improve the trading of Coutts Eddag Display in Holland. However, it is likely to remain a brake on Group performance until smaller premises are established and the freehold factory sold.

We are reaping the benefits of focusing Group activities on higher margin retail communications, which now accounts for over 70% of continuing turnover. Our solid current trading performance in a deteriorating economic climate proves this to have been a sound strategy, and one which we will continue to pursue.

Robert Essex
Chairman
26 March 2003

Operating results

Group turnover from continuing business increased by 3.5% to £34.29 million (2001: £33.13 million). The growth came from retail communications where turnover improved by 8.5% while continuing packaging turnover fell by 7.3%. Retail communications comprised 72% of continuing turnover.

The increased focus on retail communications has led to a review of the most appropriate cost allocations between cost of sales and operating expenses. Accordingly, some reclassifications were made with £1.07 million of costs (2001: £1.45 million), mainly relating to transport and warehousing, being reclassified as cost of sales instead of operating expenses. The revised treatment reflects the increasingly bespoke nature of these services for specific clients. The 2001 gross margin and operating expenses have been restated in the revised format although operating profit has not been affected.

The gross margin decreased from 43.7% to 40.7% across continuing business, and continuing operating expenses were reduced by £0.46 million.

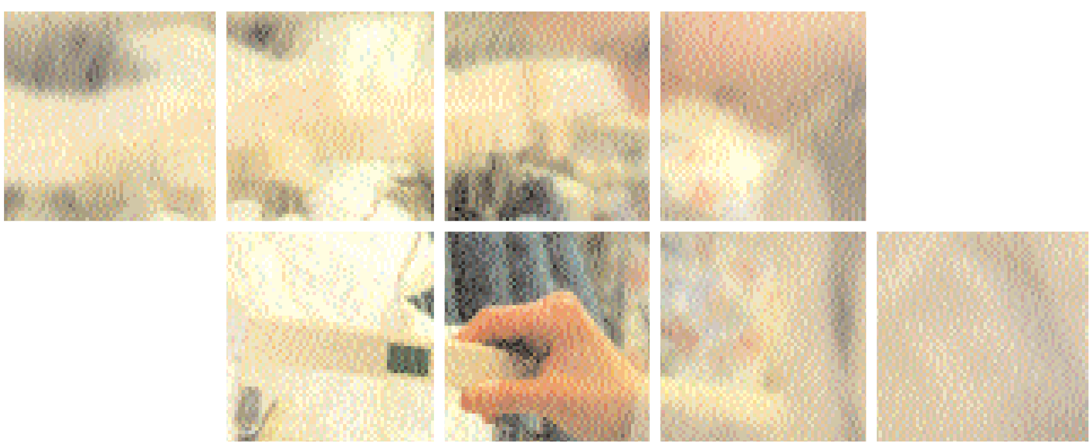
The performance of our Dutch retail communications business was poor. Operating profit on continuing UK operations was £1.07 million (2001 £1.12 million) but overseas losses, principally in Holland reduced operating profits by £0.33 million (2001 £0.31 million). We are taking decisive action to tackle these losses as explained in the Chairman's statement.

The discontinued Stationery unit of the packaging business made a small operating profit of £15,000 (2001: £37,000) to give a total operating profit of £0.76 million (2001: £0.85 million).

Exceptional items

On 22 August 2002 the Stationery unit, which formed part of the packaging business, was sold for £2.25 million to Smurfit UK Ltd. A clawback to a maximum of £0.75 million could apply if the turnover of the Stationery unit falls short of £5 million in the year following disposal. The profit on disposal of Stationery unit assets and client goodwill was £1.49 million net of costs.

The Alltek Precision Plastics defined benefit pension scheme began winding up on 14 March 2002 and Coutts (formerly Alltek) Precision Plastics was put into solvent member's voluntary liquidation on 18 March 2002. Legal advice indicates that the pension debt on the employer crystallised on 17 March 2002 at the minimum funding requirement, amounting to £0.48 million calculated at that date. A provisional calculation has been prepared by the scheme actuary which indicates that the debt on the employer would be £1.04 million in the event that the applicable calculation date would be after 18 March 2002. The directors expect the date of crystallisation and calculation to fall before that date so the financial statements reflect the lower figure. The exceptional charge in respect of Coutts Precision Plastics is £0.30 million, principally relating to expected legal and professional costs.



Profit before tax

Net interest payable decreased to £0.33 million from £0.53 million in 2001, because of a reduction in net debt over the year, lower variable interest rates and lower margins over variable rates negotiated during the year. Profit before tax increased to £1.62 million from £0.20 million in 2001.

Taxation

The taxation charge was £0.47 million (2001: £0.24 million), giving an effective rate of 29%. The most significant factor causing the divergence of taxation from the standard rate of 30% is the £0.28 million benefit of utilising a capital tax loss arising from the interest in Coutts (formerly Alltek) Precision Plastics. However, this is offset by overseas losses that were ineligible for relieving UK taxable profits and expenses that are not deductible for corporation tax.

Earnings

Profit attributable to shareholders was £1.23 million, up from £0.08 million in 2001. Basic earnings per share increased to 9.83p (2001: 0.73p) but without goodwill amortisation and exceptional items they were 2.14p (2001: 2.18p).

Dividends

An interim dividend of 1.25p per share was paid in October and a final dividend of 3.25p per share has been proposed by the board for payment on 20 May 2003. This brings the total dividend per share for the year to 4.5p, an increase of 8.4%.

Cash flow and net debt

Cash conversion from operating activities was again strong with an inflow of £2.51 million. This was the sixth successive year in which cash inflow from operating activities has exceeded £2 million.

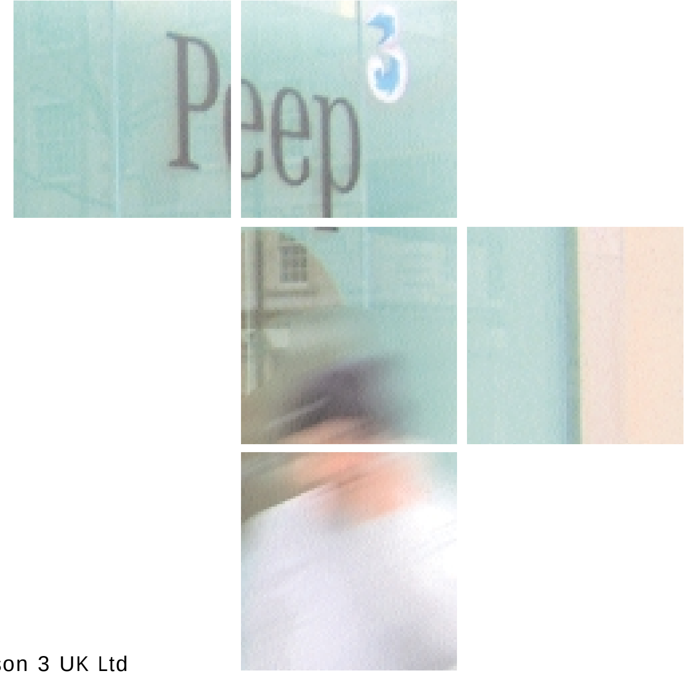


Image used by kind permission of Hutchison 3 UK Ltd

Capital expenditure was £0.81 million, lower than the £1.11 million depreciation charge. Information technology, including a new management information system across the Group, accounted for the largest part of capital expenditure. The benefits from this are beginning to be realised in 2003. A large format die-cutter for promotional displays was the other significant item of capital expenditure.

The net cash inflow from the sale of the Stationery unit was £1.34 million in the year. Cash inflow before financing improved to £1.81 million (2001: £1.65 million) and the net cash inflow for the year increased to £0.76 million (2001: £0.28 million).

Net debt was reduced by £1.65 million resulting in gearing of 41%, down from 59% in 2001.

Treasury

The Group finances its operations through shareholders' funds, bank and finance lease borrowings, and working capital management. Regular reports on cash balances and borrowings are provided to senior management.

Accounting standards

The Group has implemented Financial Reporting Standard 19 covering deferred tax which applies for the first time in 2002. In accordance with the Accounting Standard the prior year financial statements have been restated.

A subsidiary company, Coutts (formerly Alltek) Precision Plastics was put into a solvent member's voluntary liquidation during the year with consequent restrictions on Group control. Accordingly, Coutts Precision Plastics is no longer consolidated in the Group financial statements. The Group interest in that company is recorded as an investment at a valuation equal to the expected final distribution receivable by the Group.

Summary

Despite difficult economic conditions, the Group remains in strong financial health and is well placed to generate good cash flows over the year ahead.

Graeme Harris
Finance Director
26 March 2003

Financial calendar

Ex-dividend date	16 April 2003
Record date for 2002 final dividend	22 April 2003
Annual General Meeting	29 April 2003
Final dividend for 2002 paid	20 May 2003
Half year end 2003	28 June 2003
Half year 2003 results published	September 2003
Interim dividend for 2003 payable	October 2003
Year end 2003	27 December 2003
Announcement of annual results 2003	March 2004

Company information

Secretary
Stuart Alexander

Registered office
Violet Road London E3 3QL

Company number
1382912

Auditors
Ernst & Young LLP
Rolls House 7 Rolls Buildings
Fetter Lane London EC4A 1NH

Bankers
National Westminster Bank PLC
High Street Chelmsford Essex CM1 1BL

Nominated adviser and broker
Williams de Broë Plc
6 Broadgate
London EC2M 2RP

Registrars
Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Solicitors
Nabarro Nathanson
Lacon House Theobald's Road
London WC1X 8RW

Executive directors

Robert Essex (42)
is Chairman. He became Managing Director in 1988 and Chairman in 1999. He oversees all aspects of the Group's operations and is responsible for the design and implementation of corporate strategy.

Stuart Alexander (54)
is Deputy Chairman. He is a Chartered Accountant who worked for Lucas Industries and BOC before joining Coutts as Finance Director in 1988.

Graeme Harris (36)
is Finance Director. He is a Chartered Accountant who worked for Ernst & Young before joining Coutts as Group Financial Controller in 1996.

Richard Saysell (33)
is Managing Director of our Promotional Display operations. He joined Coutts in 1994 to head up sales of promotional point of purchase.

Anthony Smith (46)
is Production and Quality Director. He joined the Group in 1989 and is also responsible for personnel and health and safety policies throughout the Group.

Nigel Stern (37)
is Managing Director of the UK Design businesses based in West London. He joined Coutts in 1997 as Creative Director.

Non-executive directors

Henry Cubbon (43)
is currently Office Sector Director of the Antalis Group, the distribution division of Arjo Wiggins Appleton PLC, where he is responsible for developing their office products business across Europe. He is Chairman of the Audit Committee.

William Whitehorn (43)
is currently Brand Development and Corporate Affairs Director of the Virgin Group of companies. He joined Virgin in 1987 and in addition to his Brand Development and Corporate Affairs role, he is a director of a number of Virgin companies including Virgin Group Ltd, Virgin Rail Group Ltd, Virgin.com Ltd and Virgin Mobile (UK) Ltd.

Norman Arthur Essex MC

24.12.1921 – 09.03.2003

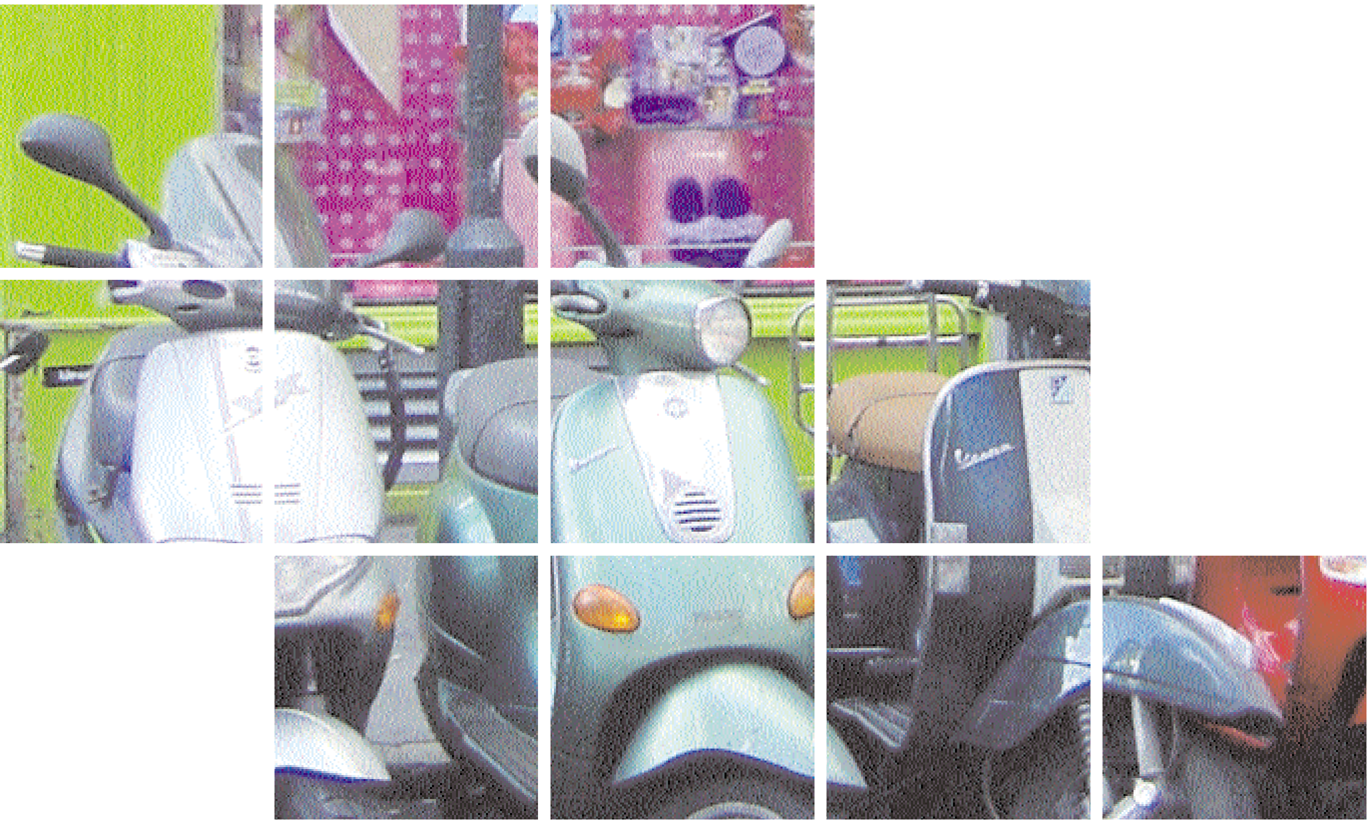
The death of Norman Essex on 9 March 2003 deprived C A Coutts Holdings plc of its founder, Chairman until 1999 and largest shareholder.

This statement, however, does not begin adequately to describe the role played by Norman Essex since he led the management buy out of Coutts from Mardon Packaging in 1982 and its successful flotation on AIM in 1996. Since the MBO, Coutts' turnover has multiplied 40 fold and a loss making box maker has been transformed into a market leader in Retail Communications generating profits and dividends for shareholders in every year.

Norman Essex had a unique leadership style throughout his extensive military and business career. He was an outstanding communicator, possessed clarity of thought and had wisdom and courage in abundance. However, his first concern was always for the 'troops' as he continued to describe the employees of Coutts and all other businesses he led. This leadership style had been forged in a different era. As a young Major in the Royal Marines, he was awarded the Military Cross for 'gallant and distinguished services in North West Europe' in 1945. He went on to serve in Indonesia and India after the war in Europe and maintained his links with the Royal Marines by joining the Royal Marines Forces Volunteer Reserve in 1948, becoming Commanding Officer of the London unit in 1958.

In parallel with his post war military association, he joined an East London packaging business called Cundell Eve in 1946, acquired control in 1966 and by 1977 when the business was acquired by Mardon Packaging, the Cundell Group was one of the top 50 UK private companies measured by profitability with factories throughout the South of England.

Norman Essex's towering presence, leadership and wise counsel will be deeply missed, but his legacy, under the management team he built up, is a vibrant, thriving business.



The directors have pleasure in submitting their annual report and the audited financial statements of the Group for the year ended 28 December 2002.

Principal activities

The principal activities of the Group are retail communications, the design and manufacture of in-store merchandising solutions and packaging.

Review of the business

The Group operating profit for the year was £0.76 million compared with £0.85 million in 2001.

The Stationery unit of Coutts Packaging was sold at a profit, net of expenses but before taxation of £1.49 million. A further provision of £0.30 million towards the costs of terminating the Alltek operations has been made. After interest, taxation and minority interests, the result was a profit for the Company's shareholders of £1.23 million compared with £0.08 million in 2001. The 2001 results have been restated as explained in the Financial Review.

The directors recommend a final dividend of 3.25p per share payable on 20 May 2003 to shareholders on the register at close of business on 22 April 2003. Together with the interim dividend of 1.25p per share this makes a total of £0.56 million for the year, compared with £0.52 million for 2001. The Company's Employee Share Option Plan has waived all dividends on its 284,652 shares. Retained profits transferred to reserves were £0.67 million (2001 loss of £0.44 million).

On 18 March 2002, the Company's wholly-owned subsidiary undertaking Coutts Precision Plastics Ltd entered into voluntary liquidation, having discontinued its activities in December 2000.

On 29 May 2002 the Company, through its wholly-owned subsidiary undertaking, Coutts Holdings BV acquired all the shares not already owned by it in Coutts Eddag Display BV for a total cost of £79,000.

Further comments on the business and future developments are given in the Chairman's Statement and the Financial Review.

Share capital

On 25 October 2002, 217,212 options were granted under the savings-related sharesave scheme which may be exercised at 41.5p per share between 1 February 2006 and 31 July 2006.

Directors and their interests

The directors at 28 December 2002 and their interests in the share capital of the Company were as follows:

	Ordinary shares of 20p each held in the Company	
	2002	2001
R. T. T. Essex	**1,129,108**	1,105,168
N. A. Essex	**1,500,000**	1,457,000
C. S. Alexander	**311,735**	306,735
J. H. Cubbon	**16,000**	16,000
G. R. Harris	**6,000**	6,000
R. G. Saysell	**27,685**	27,685
A. M. Smith	**86,461**	86,461
N. D. Stern	**4,505**	4,505
W. E. Whitehorn	**8,700**	8,700

On their appointment on 18 September 2002, R. G. Saysell held 27,685 shares and N. D. Stern held 4,505 shares.

Details of directors' share options are shown in the report of the Remuneration Committee.

No options were granted by subsidiary undertakings during the year.

C. C. Cahn resigned as a director on 22 August 2002 as part of the agreement for the sale of the Stationery unit.

N. A. Essex who had served as a director since the Company's incorporation, died on 9 March 2003.

J. H. Cubbon and W. E. Whitehorn retire by rotation and being eligible offer themselves for re-election.

Substantial shareholdings

Excluding directors of the Company whose shareholdings are shown on page 19, the following had an interest of 3% or more in the share capital of the Company as at 19 March 2003.

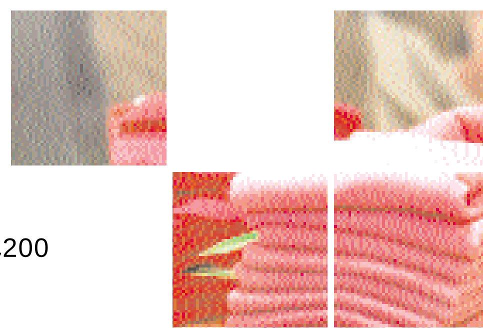
Singer and Friedlander	1,261,470
Close Investment Limited	1,221,936
Framlington Investment Management	756,500
ISIS Asset Management	635,000
C. E. O. Essex	415,000
W. A. W. Essex	384,935

Employees

The Group's policy with regard to the employment, training and career development of disabled persons is to give fair consideration to the suitability of a disabled applicant or employee for any vacancy or opportunity.

The Group continues to keep employees informed on matters affecting them and to report trading results to them twice a year.

A savings-related share option scheme and profit related pay schemes are operated to encourage employees' involvement in the performance of the Group.
The Group has taken advantage of the exemption under UITF17 in accounting for the savings-related share option scheme.



Political and charitable donations

During this and last year the Group made charitable donations amounting to less than £200 and no political donations.

Financial instruments

The Group's principal financial instruments comprise bank loans, finance leases and cash. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group has various other financial instruments, such as trade debtors and trade creditors that arise directly from its operations. The Group has taken advantage of the exemptions in FRS 13 not to provide numerical disclosures in respect of these.

The main risks arising from the Group's financial instruments are interest rate risk, currency risk and liquidity risk. The interest rate risk is managed by balancing fixed and floating rate borrowings. The majority of the Group's trade is in sterling, but, where a specific transaction gives rise to a significant currency risk, this is managed by the use of a forward contract. The liquidity risk is controlled by ensuring the mix of borrowings between short and long term results in manageable levels of repayment.

Corporate governance

The directors hold regular Board meetings at which Group health and safety and finance reports are considered. The Board is responsible for reviewing and approving Group strategy, budgets and plans, major items of capital expenditure and possible acquisitions and divestments.

The Board has established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities.

The Audit Committee consists of J. H. Cubbon, a non-executive director who is Chairman and C. S. Alexander. The Audit Committee meets at least twice each year and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on, for meeting the auditors and reviewing reports from the auditors relating to accounts and internal control systems. Although not required to comply with the Turnbull Report, being an AIM listed company, a limited risk management programme was introduced during 2002.

On 30 August 2002, N. A. Essex resigned from the Remuneration Committee which now consists of R. T. T. Essex, the Group Chairman and J. H. Cubbon, a non-executive director. The Remuneration Committee reviews the performance of the executive directors, sets the scale and structure of their remuneration and reviews the basis for their service agreements with due regard to the interests of shareholders.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The directors, having made appropriate enquiries, have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis for preparing the financial statements.

Policy on the payment of creditors

Terms of payment are agreed with suppliers at the commencement of the Group's trading with them and are abided by thereafter by the Group. At 28 December 2002, 71 days purchases remained outstanding, (2001 : 76 days).

AGM Resolutions

Explanatory notes relating to resolutions 8, 9 and 10.

Resolution 8 - authority to allot shares

Under the Companies Act 1985, the directors of a company may only allot unissued shares if authorised to do so by the shareholders in general meeting. Resolution 8 authorises the directors to allot shares up to an aggregate nominal amount of £635,345.

This represents 3,176,725 ordinary shares of 20p each and is equivalent to approximately 25% of the Company's current issued ordinary share capital. The authority will expire on whichever is the earlier to occur of 28 July 2004 and the conclusion of the next annual general meeting of the Company after the passing of the resolution.

Except in relation to the issue of the ordinary shares arising from the exercise of options under the Company's employee share option schemes, the directors have no present intention of issuing any of the authorised but unissued shares of the Company.

Resolution 9 - limited authority to allot shares for cash

The directors may only allot shares for cash to persons who are not already shareholders in the Company if authorised to do so by the shareholders in general meeting.

This resolution seeks authority for the directors to allot shares for cash without first offering them to existing members up to an aggregate nominal amount of £128,232. This sum represents 641,160 ordinary shares of 20p each, being equivalent to approximately 5% of the current issued share capital. The directors will use such authority in the circumstances where it is in the best interest of the Company to issue small amounts of shares other than to existing shareholders.

The resolution also enables the directors to modify the strict requirements for a rights issue in circumstances where they consider it necessary or expedient.

The authority will expire on whichever is the earlier of 28 July 2004 and the conclusion of the next annual general meeting of the Company after the passing of the resolution.

Resolution 10 - purchase of the Company's own shares

This resolution seeks authority from shareholders for the Company to purchase up to 1,282,327 ordinary shares, an aggregate nominal amount of £256,465 which is equivalent to approximately 10% of the Company's issued ordinary share capital. The authority will expire at the end of next year's annual general meeting and the resolution specifies the maximum and minimum prices at which the shares may be bought. Other investment opportunities, appropriate gearing levels and the overall financial position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will accordingly be reduced. The Board has no immediate intention of exercising the proposed authority when it becomes effective, but believes that the ability of the Company to buy its own shares when, in the Board's opinion, market prices do not reflect the Company's worth, will be in the best interests of the Company and its shareholders. The directors intend to exercise this power only when they believe the effect of such purchases will increase earnings per ordinary share.

Auditors

A resolution proposing the re-appointment of Ernst & Young LLP as Auditors to the Company will be put to the members at the annual general meeting.

By order of the Board.

Stuart Alexander
Secretary
26 March 2003

Remuneration Committee

The Remuneration Committee comprises the following directors:

R.T.T. Essex *Chairman*
J.H. Cubbon *Non-executive director*

Role

The Remuneration Committee considers and approves on behalf of the board and the shareholders the conditions of service of the Chairman and directors.

Remuneration policy

The objective is to provide remuneration packages with which to attract, retain and motivate the highest calibre executive directors and which are in the best interests of the shareholders.

Incentive scheme

Executive directors participate in a Directors' Incentive Scheme. The Directors' Incentive Scheme is renewable on an annual basis and in 2003 operates after 7.5% has been earned on the capital employed. The division amongst executive directors of any amount earned under the Scheme is decided by the Remuneration Committee.

Share options

The Remuneration Committee considers share options to be a valuable incentive to directors and other employees. In addition to an executive share option scheme, a savings-related share option scheme is in operation which has proved popular with a wide membership in the Group.

Benefits in kind

Executive directors are provided with a motor car or a cash alternative and medical health insurance.

Service agreements

No director has a contract which cannot be terminated by twelve months' notice or less.

Directors' remuneration

	Salary/fees £000	**Bonus £000**	**Benefits £000**	**Leaving payments £000**	**Pension contributions £000**	**Total 2002 £000**	Total 2001 £000
R.T.T. Essex	**125**	**25**	**11**	**–**	**8**	**169**	137
C.S. Alexander	**100**	**9**	**15**	**–**	**6**	**130**	115
G.R. Harris	**86**	**7**	**1**	**–**	**5**	**99**	82
R.G. Saysell	**25**	**–**	**2**	**–**	**1**	**28**	–
A.M. Smith	**76**	**9**	**1**	**–**	**4**	**90**	76
N.D. Stern	**27**	**–**	**–**	**–**	**1**	**28**	–
J.H. Cubbon	**11**	**–**	**–**	**–**	**–**	**11**	10
N.A. Essex	**30**	**–**	**–**	**–**	**–**	**30**	30
W.E.Whitehorn	**14**	**–**	**–**	**–**	**–**	**14**	13
C.C. Cahn	**74**	**86**	**1**	**147**	**5**	**313**	146
	568	**136**	**31**	**147**	**30**	**912**	609

Pension contributions on behalf of directors amounted to £28,000 in 2001. All pension contributions relate to money purchase schemes.

Directors' share options

The Company's 1996 Executive Share Option Scheme consists of two parts, an Inland Revenue approved part for the grant of income tax favoured options and a non-approved part for the grant of non-income tax favoured options. Options granted under this Executive Scheme are exercisable subject to the average annual percentage increase in the earnings per share over a period of three consecutive financial years of the Company being at least 2% per annum plus the average of the percentage increases in the Index of Retail Prices of the United Kingdom during each of the same three years.

The company operates a savings related share option scheme approved by the Inland Revenue.

	Scheme (See below)	At 29 December 2001	Granted in the year	At 28 December 2002
R.T.T. Essex	(7)	–	4,554	4,554
C.S. Alexander	(7)	–	4,554	4,554
G.R. Harris	(2)	7,000	–	7,000
	(3)	15,000	–	15,000
	(4)	28,000	–	28,000
	(5)	1,291	–	1,291
	(6)	3,607	–	3,607
	(7)	–	4,554	4,554
		54,898	4,554	59,452
R.G. Saysell	(1)	25,000	–	25,000
	(3)	30,000	–	30,000
	(4)	20,000	–	20,000
		75,000	–	75,000
A.M. Smith	(1)	30,000	–	30,000
N.D. Stern	(2)	7,000	–	7,000
	(3)	15,000	–	15,000
	(4)	28,000	–	28,000
		50,000	–	50,000

The following share option schemes are currently active for directors and employees.

Scheme	Scheme Type	Year of Grant	Exercise price pence	Number	Exercisable from	Exercisable to
(1)	Executive	1996	105.0	115,000	2 May 1999	1 May 2006
(2)	Executive	2000	110.0	51,000	19 May 2003	18 May 2010
(3)	Executive	2000	100.0	125,000	29 September 2003	28 September 2010
(4)	Executive	2001	92.5	400,000	4 July 2004	3 July 2011
(5)	Savings related	1999	120.0	53,630	1 January 2003	30 June 2003
(6)	Savings related	2001	63.2	143,377	1 February 2005	31 July 2005
(7)	Savings related	2002	41.5	217,212	1 February 2006	31 July 2006

None of the Company's directors held any shares or options in any of the subsidiary undertakings at 28 December 2002.

We have audited the Group's financial statements for the year ended 28 December 2002 which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Reconciliation of Shareholders Funds, Group Balance Sheet, Group Cash Flow Statement and the related notes 1 to 32. These financial statements have been prepared on the basis of the accounting policies set out therein. This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Group is not disclosed.

We read the chairman's statement, the financial review, the directors' report and the report of the remuneration committee, and consider the implications for our report if we become aware of any apparent misstatements within them.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 the Group as at 28 December 2002 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London
26 March 2003

Group profit and loss account for the year ended 28 December 2002

	Note	Continuing 2002 £000	Discontinued 2002 £000	Total 2002 £000	Continuing 2001 £000	Discontinued 2001 £000	Restated Total 2001 £000
Turnover	2	**34,294**	**3,411**	**37,705**	33,133	5,127	38,260
Cost of sales	3	**(20,341)**	**(2,291)**	**(22,632)**	(18,647)	(3,622)	(22,269)
Gross profit		**13,953**	**1,120**	**15,073**	14,486	1,505	15,991
Operating expenses	3	**(13,210)**	**(1,105)**	**(14,315)**	(13,671)	(1,468)	(15,139)
Operating profit	3	**743**	**15**	**758**	815	37	852
Exceptional profit on sale of discontinued Stationery unit	4			**1,494**			–
Exceptional charge on termination of discontinued operations	4			**(296)**			(395)
Profit on sale of discontinued properties				**–**			274
Profit on ordinary activities before interest				**1,956**			731
Net interest payable	5			**(332)**			(534)
Profit on ordinary activities before taxation				**1,624**			197
Taxation on profit on ordinary activities	7			**(471)**			(241)
Profit/(loss) on ordinary activities after taxation				**1,153**			(44)
Minority interests	29			**80**			123
Profit attributable to shareholders				**1,233**			79
Dividends	9			**(565)**			(520)
Retained profit/(loss) for the financial year	23			**668**			(441)
Earnings per share							
Excluding goodwill amortisation and exceptional items	10			**2.14p**			2.18p
Basic	10			**9.83p**			0.73p
Diluted	10			**9.82p**			0.73p
Dividend per share				**4.50p**			4.15p

Financial years

The 2002 financial year covers the 52 week period ended 28 December 2002

The 2001 financial year covers the 52 week period ended 29 December 2001

Statement of total recognised gains and losses for the year ended 28 December 2002

	2002 £000	Restated 2001 £000
Profit for the financial year	**1,233**	79
Currency exchange loss on retranslation of net assets of subsidiary	**(9)**	(6)
Total recognised gains for the year	**1,224**	73
Cumulative effect of FRS 19 adjustment for restatement of deferred tax provisions	**(621)**	
Total gains recognised since last financial statements	**603**	

Reconciliation of movement in shareholders' funds for the year ended 28 December 2002

	2002 £000	Restated 2001 £000
Opening equity shareholders' funds as previously reported	**10,565**	11,075
FRS 19 adjustment for restatement of deferred tax provisions	**(621)**	(688)
Restated opening equity shareholders funds	**9,944**	10,387
Profit/(loss) on ordinary activities after taxation	**1,153**	(44)
Minority interests	**80**	123
Dividends	**(565)**	(520)
Issue of ordinary share capital net of expenses	**–**	4
Currency exchange loss	**(9)**	(6)
Net change to shareholders' funds	**659**	(443)
Closing equity shareholders' funds	**10,603**	9,944

Group balance sheet at 28 December 2002

	Note	2002 £000	2002 £000	Restated 2001 £000	Restated 2001 £000
Fixed assets					
Goodwill	11		**893**		847
Tangible assets	12		**13,321**		13,561
Investments	13		**593**		419
			14,807		14,827
Current assets					
Stocks	14	**1,220**		1,542	
Debtors	15	**9,342**		9,477	
Cash at bank		**413**		431	
		10,975		11,450	
Creditors: amounts falling due within one year	16	**(10,670)**		(11,058)	
Net current assets			**305**		392
Total assets less current liabilities			**15,112**		15,219
Creditors: amounts falling due after more than one year	17		**(3,463)**		(3,875)
Provisions for liabilities and charges	21		**(1,046)**		(1,338)
			10,603		10,006
Capital and reserves					
Called up share capital	22		**2,564**		2,564
Share premium account	23		**2,912**		2,912
Merger reserve	23		**990**		990
Profit and loss account	23		**4,137**		3,478
Shareholders' funds			**10,603**		9,944
Minority interests	29		**–**		62
			10,603		10,006

Approved by the Board on 26 March 2003
and signed on its behalf

Robert Essex Chairman
Graeme Harris Finance Director

Company balance sheet at 28 December 2002

	Note	2002 £000	2002 £000	2001 £000	2001 £000
Fixed assets					
Tangible assets	12		**3**		6
Investments	13		**19,738**		19,555
			19,741		19,561
Current assets					
Debtors	15	**1,838**		1,809	
Cash at bank		**–**		102	
		1,838		1,911	
Creditors: amounts falling due within one year	16	**(6,296)**		(6,816)	
Net current liabilities			**(4,458)**		(4,905)
Total assets less current liabilities			**15,283**		14,656
Creditors: amounts falling due after more than one year	17		**(540)**		(600)
Provisions for liabilities and charges	21		**(150)**		–
			14,593		14,056
Capital and reserves					
Called up share capital	22		**2,564**		2,564
Share premium account	23		**2,912**		2,912
Merger reserve	23		**990**		990
Profit and loss account	23		**8,127**		7,590
Shareholders' funds			**14,593**		14,056

Approved by the Board on 26 March 2003
and signed on its behalf

Robert Essex Chairman
Graeme Harris Finance Director

Group cash flow statement for the year ended 28 December 2002

	Note	2002 £000	2001 £000
Cash flow from operating activities	24	**2,514**	2,527
Returns on investments and servicing of finance	25	**(376)**	(513)
Taxation paid		**(300)**	(234)
Capital expenditure and financial investment	25	**(751)**	386
Acquisitions and disposals	25	**1,256**	–
Equity dividends paid		**(533)**	(520)
Cash inflow before financing		**1,810**	1,646
Financing	25	**(1,052)**	(1,369)
Increase in cash		**758**	277

Reconciliation of net cash flow to movement in net debt for the year ended 28 December 2002

	Note	2002 £000	2001 £000
Increase in cash		**758**	277
Cash flow from decrease in debt and lease financing		**1,052**	1,373
Change in net debt resulting from cash flows		**1,810**	1,650
New finance leases		**(104)**	–
Currency translation difference		**(59)**	13
Movement in net debt in the year		**1,647**	1,663
Opening net debt	26	**(5,947)**	(7,610)
Closing net debt	26	**(4,300)**	(5,947)

1. Accounting policies

Basis of accounting

The financial statements are prepared under the historical cost convention in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements consolidate the accounts of the Company and all of its subsidiary undertakings.

The results of subsidiary undertakings acquired or disposed of during the period are included in the Group profit and loss account from the date of their acquisition or up to the date of their disposal. No profit and loss account is presented for C.A. Coutts Holdings plc as permitted by Section 230 of the Companies Act 1985.

Goodwill

Goodwill represents the excess of the fair value attributed to investments in subsidiary undertakings over the fair value of the underlying net assets at the date of their acquisition. For acquisitions made on or after 28 December 1997 goodwill is capitalised as an intangible asset and amortised over its expected useful life, being 20 years unless stated otherwise. Goodwill arising on acquisitions in the year ended 27 December 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by FRS10, the goodwill previously written off to reserves has not been reinstated in the balance sheet. On disposal or closure of a business, the attributable amount of goodwill previously written off to reserves is included in determining the profit or loss on disposal.

Fixed assets

The carrying values of all fixed assets are reviewed for impairment if circumstances indicate that the carrying values may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets which have been brought into use, other than freehold land. The rates are calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life on a straight line basis.

The principal annual rates are:	%
Freehold buildings	2
Long leasehold land and buildings	2
Plant and machinery	10–33
Fixtures and fittings	10–25

Short leasehold land and buildings are depreciated over the term of the lease.

1. Accounting policies continued

Finance and operating leases

Costs in respect of operating leases are charged in arriving at the operating profit on a straight line basis over the term of the lease. Leasing agreements which transfer to the Group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the capital outstanding. Assets held under finance leases are depreciated on the same basis as the equivalent owned assets.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes an appropriate allocation of overheads.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only when the replacement assets are sold.

Provision is made for deferred taxation that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The cost of contributions paid to defined contribution pension schemes is charged to the profit and loss account in the year in which the contributions are payable.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and all differences are taken to the profit and loss account in the year in arriving at the operating result.

Income and expenditure of overseas subsidiaries are translated into sterling at the average rate of exchange for the year. Net assets of overseas subsidiaries are translated into sterling at the rate prevailing at the balance sheet date. Any resultant exchange differences are dealt with through reserves.

2. Segmental analysis

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities, stated net of Value Added Tax.

The Group operates in two principal areas of activity, Retail Communications and Packaging. Turnover and operating profit are analysed as follows:

	Turnover		Restated *Operating profit*	
	2002 £000	2001 £000	**2002 £000**	2001 £000
Retail Communications continuing	**24,608**	22,688	**575**	679
Packaging continuing	**9,686**	10,445	**168**	136
Packaging discontinued (Stationery unit)	**3,411**	5,127	**15**	37
Total	**37,705**	38,260	**758**	852

Net assets are analysed as follows:

	2002 £000	2001 £000
Retail Communications	**8,543**	7,829
Packaging	**2,060**	2,177
Total	**10,603**	10,006

Geographic analysis of turnover is as follows:

	By origin		*By destination*	
	2002 £000	2001 £000	**2002 £000**	2001 £000
United Kingdom	**36,486**	37,102	**34,812**	34,885
Other	**1,219**	1,158	**2,893**	3,375
	37,705	38,260	**37,705**	38,260

Geographic analysis of operating profit is as follows:

	By origin	
	2002 £000	2001 £000
United Kingdom	**1,088**	1,160
Others	**(330)**	(308)
Total	**758**	852

3. Operating profit

This is arrived at after charging	**2002 £000**	Restated 2001 £000
Amortisation of goodwill	**51**	47
Depreciation of tangible fixed assets	**1,108**	1,199
Hire charges for plant, equipment and vehicles	**421**	518
Other operating leases	**95**	199
Auditors' remuneration		
For audit services	**83**	74
For non-audit services	**80**	49
	163	123
Operating expenses		
Distribution costs continuing	**235**	278
Distribution costs discontinued	**73**	74
Administrative expenses continuing	**12,975**	13,393
Administrative expenses discontinued	**1,032**	1,394
	14,315	15,139

The Group has reviewed the most appropriate cost allocations, and accordingly £1,072,000 (2001 £1,446,000) of operating expenses have been reclassified as cost of sales.

Directors' remuneration is set out in the report of the Remuneration Committee on pages 24 to 25.

4. Exceptional items

a) An exceptional profit of £1,494,000 arose on the sale of the Stationery business unit (see note 30).

b) An exceptional charge arose from the revision of estimates of the cost of terminating operations of Alltek Precision Plastics in December 2000. The cash outflow relating to this exceptional item was £79,000 in the year.

	2002 £000	2001 £000
Pension costs	**73**	296
Stock valuation	**–**	56
Bad debts	**–**	43
Professional fees	**223**	–
	296	395

5. Net interest payable

	2002 £000	2001 £000
Interest on bank loans and overdrafts	**299**	460
Interest received on deposits	**(3)**	(9)
Bank interest charged to the profit and loss account	**296**	451
Finance charges on leases	**36**	83
	332	534

6. Staff costs

	2002 £000	2001 £000
Wages and salaries	**10,011**	10,310
Social security costs	**1,050**	1,100
Pension costs – defined contribution	**368**	352
	11,429	11,762

The average monthly number of persons employed by the Group during the year was as follows:	**2002 Number**	2001 Number
Management	**25**	23
Administration	**242**	214
Production	**189**	260
Total	**456**	497

7. Taxation

a) Analysis of charge in year

	2002 £000	Restated 2001 £000
UK corporation tax		
UK corporation tax on profit for the year	**428**	383
Adjustments in respect of previous years	**31**	(42)
	459	341
Foreign tax		
Foreign tax adjustments in respect of previous years	**(21)**	(20)
Total current taxation	**438**	321
Deferred tax		
Origination and reversal of timing differences	**33**	(80)
Taxation charge for the year	**471**	241

b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2001 – higher) than the standard rate of corporation tax in the UK (30%). The differences are explained as follows:

	2002 £000	Restated 2001 £000
Profit on ordinary activities before tax	**1,624**	197
Profit on ordinary activities multiplied by the standard tax rate	**487**	59
Capital tax loss not previously recognised	**(281)**	(75)
Expenses disallowed for taxable profits	**162**	123
Capital allowances in excess of depreciation	**(33)**	80
Overseas loss ineligible for tax relief	**126**	116
Prior period adjustments	**10**	(62)
Taxation charge for the year	**471**	241

c) Factors that may affect future tax charges

There are tax losses arising in the overseas subsidiaries amounting to £807,000 (2001 £387,000) which may be available for relief against future profits of those companies. In view of the continued losses in those companies, the corresponding potential tax benefits have not been recognised as a deferred tax asset.

The net tax charge applicable to exceptional items was £182,000 (2001 £26,000). No tax relief is expected on the exceptional charge on termination of discontinued operations.

8. Parent company result

	2002 £000	2001 £000
Profit/(loss) on ordinary activities after taxation dealt with in the financial statements of the Company amounted to:	**537**	(746)

9. Dividends

	2002 £000	2001 £000
Ordinary interim paid 1.25p (2001 1.15p) per share	**157**	144
Ordinary final proposed 3.25p (2001 3.0p) per share	**408**	376
	565	520

10. Earnings per share

Earnings per share have been calculated by dividing the earnings available to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	Earnings £000	**2002 Weighted average no. of shares 000**	**Earnings per share pence**	Earnings £000	Restated 2001 Weighted average no. of shares 000	Earnings per share pence
a) Earnings per share excluding amortisation of goodwill and exceptional items	**268**	**12,539**	**2.14**	273	12,534	2.18
Exceptional charge net of tax	**1,016**	**–**	**–**	(147)	–	–
Amortisation of goodwill	**(51)**	**–**	**–**	(47)	–	–
b) Basic earnings per share	**1,233**	**12,539**	**9.83**	79	12,534	0.63
Effect of dilutive options	**–**	**15**		–	7	
c) Diluted earnings per share	**1,233**	**12,554**	**9.82**	79	12,541	0.63

11. Goodwill

Cost	£000
At 29 December 2001	688
FRS 19 prior year adjustment	265
At 29 December 2001 as restated	953
Goodwill additions	97
At 28 December 2002	**1,050**
Amortisation	
At 29 December 2001	80
FRS 19 prior year adjustment	26
At 29 December 2001 as restated	106
Amortisation in year	51
At 28 December 2002	**157**
Net book value	
At 29 December 2001 as restated	847
At 28 December 2002	**893**

The goodwill recognised in prior periods on the acquisition of Coutts Arken Display (formerly Arken Display Solutions) has been revised by the implementation of FRS 19. A deferred tax provision in the company at the acquisition date, amounting to £265,000 and not recognised under the accounting standards then prevailing, has been retrospectively recognised. Accordingly, the goodwill arising on acquisition has been revised from £764,000 to £1,029,000 and the annual amortisation charge in respect of this goodwill has been revised from £38,000 to £51,000. The cumulative effect of these adjustments was to increase goodwill at 29 December 2001 by £239,000.

In May 2002 the Group acquired the 40% equity minority interest in Coutts Eddag Display BV. Consideration was £64,000 in cash and costs were £15,000. The net assets of Coutts Eddag Display attributable to the minority interest at the time of acquisition were net negative assets of £18,000 resulting in a goodwill addition of £97,000.

12. Tangible fixed assets

	Group				*Company*	
	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Total £000	Office equipment £000	Total £000
Cost						
At 29 December 2001	10,294	5,870	2,601	18,765	18	18
Exchange differences	47	5	4	56	–	–
Additions	108	417	522	1,047	3	3
Disposals	–	(618)	(67)	(685)	(15)	(15)
At 28 December 2002	**10,449**	**5,674**	**3,060**	**19,183**	**6**	**6**
Depreciation						
At 29 December 2001	737	2,967	1,500	5,204	12	12
Exchange differences	1	2	1	4	–	–
Charged in year	184	527	397	1,108	3	3
Disposals	–	(409)	(45)	(454)	(12)	(12)
At 28 December 2002	**922**	**3,087**	**1,853**	**5,862**	**3**	**3**
Net book value						
At 29 December 2001	9,557	2,903	1,101	13,561	6	6
At 28 December 2002	**9,527**	**2,587**	**1,207**	**13,321**	**3**	**3**

The net book value of land and buildings comprises:	*Group*	
	2002 £000	2001 £000
Freehold	**9,465**	9,476
Short leasehold	**62**	81
	9,527	9,557

Included in freehold land and buildings is an amount of £2,197,000 (2001 £2,197,000) relating to land which is not depreciated.

Included in plant and machinery are assets held under finance leases or hire purchase contracts as follows:

	Group	
	2002 £000	2001 £000
Net book value	**1,449**	1,837
Depreciation charge for year	**176**	315

13. Investments

Fixed asset investments at cost	Group Own shares £000	Group Shares in subsidiaries £000	Group Total £000	Company Own shares £000	Company Shares in subsidiaries £000	Company Total £000
At 29 December 2001	419	–	419	419	19,136	19,555
Coutts Precision Plastics in solvent liquidation (see note 32)	–	174	174	–	174	174
At 28 December 2002	**419**	**174**	**593**	**419**	**19,310**	**19,729**

a) Principal subsidiaries included in the Group financial statements and held at the end of the financial year are as follows:

Company name	*Principal activity*	*Equity %*	*Country of incorporation*
Coutts Arken Display Ltd	Permanent point of purchase displays	100%	England
Coutts Display GmbH	Permanent point of purchase displays	100%	Germany
Coutts Eddag Display BV	Permanent point of purchase displays	100%	Netherlands
Coutts Retail Communications Ltd	Retail design merchandising and advertising	100%	England
Essex Corrugated Containers Company Ltd	Corrugated fibreboard packaging	100%	England

b) The holding of own shares represents purchases by the C.A. Coutts Holdings plc Employees Trust, the Company's employee share ownership plan (ESOP). The shares are held for the purpose of funding certain liabilities under the Group's share option schemes. All administration costs of the ESOP are accounted for in the profit and loss account of the Company in the year they arise. At 28 December 2002 the ESOP owned 284,652 (2001 284,652) shares which had a nominal value of £56,930 (2001 £56,930) and a market value of £217,759 (2001 £199,256). Dividends on these shares have been waived.

14. Stocks

	Group **2002 £000**	Group 2001 £000	Company **2002 £000**	Company 2001 £000
Raw materials	**417**	517	**–**	–
Work in progress	**388**	593	**–**	–
Finished goods	**415**	432	**–**	–
	1,220	1,542	**–**	–

15. Debtors

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Trade debtors	**8,289**	8,864	**–**	–
Other debtors	**620**	154	**13**	14
Prepayments and accrued income	**433**	459	**25**	56
Corporation tax prepayment	**–**	–	**401**	50
Group debtors	**–**	–	**1,399**	1,689
	9,342	9,477	**1,838**	1,809

16. Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank overdrafts	**438**	1,197	**1,700**	–
Current instalments due on bank loans	**402**	909	**60**	300
Trade creditors	**5,778**	5,983	**27**	72
Group creditors	**–**	–	**3,177**	5,922
Corporation tax	**162**	66	**–**	–
Other taxation and social security costs	**778**	958	**50**	42
Accruals	**1,245**	1,060	**154**	104
Proposed dividend	**408**	376	**408**	376
Finance leases	**410**	397	**–**	–
Other creditors	**1,049**	112	**720**	–
	10,670	11,058	**6,296**	6,816

The £720,000 other creditor of the Company is a balance with the deconsolidated subsidiary Coutts Precision Plastics (see note 32). This balance is also included in the Group other creditors.

The Group's loans and overdrafts are secured on the Group's freehold land and buildings. In addition overdraft facilities amounting to £1,994,000 (2001 £1,800,000) which were granted to subsidiary undertakings, are secured by debentures on all the assets of those subsidiary undertakings and guarantees amounting to £1,490,000 (2001 £1,186,000) given by the Company.

17. Creditors: amounts falling due after more than one year

	Group		*Company*	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank loans (note 18)	**2,950**	3,289	**540**	600
Finance leases (note 19)	**513**	586	**–**	–
	3,463	3,875	**540**	600

18. Loans

	Group		*Company*	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Payments due after more than five years	**1,570**	1,072	**300**	–
Payments due between two and five years	**1,001**	1,316	**180**	300
Payments due between one and two years	**379**	901	**60**	300
	2,950	3,289	**540**	600
Payments due within one year	**402**	909	**60**	300
	3,352	4,198	**600**	900

The loans are secured by legal mortgages on certain of the Group's freehold land and buildings.

19. Obligations under finance leases

	Group		*Company*	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Payments due between one and five years	**513**	586	**–**	–
Payments due within one year	**410**	397	**–**	–
	923	983	**–**	–

Finance lease obligations are secured on the individual assets acquired under the agreements.

20. Financial instruments

Management policy in respect of financial instruments is set out in the directors' report. The financial assets and liabilities of the Group comprise cash at bank, bank loans, bank overdrafts and finance leases. The directors consider that the fair values and book values of these assets and liabilities, including those for the fixed rate borrowings, are not materially different.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group was as follows:

	2002			2001		
	Fixed rate financial liabilities	**Floating rate financial liabilities**	**Total**	Fixed rate financial liabilities	Floating rate financial liabilities	Total
	£000	**£000**	**£000**	£000	£000	£000
Sterling	**405**	**3,249**	**3,654**	653	4,648	5,301
Euro	**–**	**1,059**	**1,059**	–	1,077	1,077
	405	**4,308**	**4,713**	653	5,725	6,378

The fixed rate financial liabilities comprise bank loans bearing an average interest rate of 8.7% (2001 9.1%) and an average period to maturity of 3.9 years (2001 4.9 years).

The floating rate financial liabilities comprise bank loans, overdrafts and finance leases that bear interest at a margin above LIBOR and bank base rates.

Financial assets

Financial assets comprise cash balances which earn interest at standard bank rates applicable at the time.

Currency exposures

The group has no material exposure arising from foreign currency assets and liabilities under FRS 13.
Gains and losses arising from currency exposures from net investments overseas are recognised in the statement of total recognised gains and losses.

Bank loans not wholly repayable within five years are as follows:

	2002	2001
	£000	£000
Fixed rate repayable in instalments 10.25%	**–**	128
Variable rate 2% above bank base rates repayable in instalments	**730**	1,077
Variable rate 1.25% above LIBOR repayable in instalments	**1,332**	–

On 31 October 2002, existing loans totalling £1,332,000 repayable between July 2004 and April 2005 were replaced with 10 year loans repayable in instalments.

At 28 December 2002 there were no undrawn committed loan facilities.

At 28 December 2002 overdraft facilities amounting to £3,700,000 (2001 £3,756,000) had been granted to the Group, of which £3,262,000 were undrawn (2001 £2,562,000). Overdraft facilities are renewable on an annual basis and repayable on demand.

21. Provisions

	Deferred taxation £000	Other provisions £000	Total £000
Amounts provided			
At 29 December 2001 as restated (see below)	863	475	1,338
Charge to profit and loss account	33	184	217
Deconsolidation of Coutts Precision Plastics in solvent liquidation	–	(509)	(509)
At 28 December 2002	**896**	**150**	**1,046**

a) Deferred taxation

The Company has applied FRS 19, deferred tax, in computing the current year taxation charge. The Company has therefore provided for all timing differences, and made a prior year adjustment to the results for the year ended 29 December 2001. The effect of adopting FRS 19 was to increase the deferred tax liability by £896,000 in the current year (2001 £860,000) and to increase the tax charge by £33,000 (2001 decrease by £80,000).

Provision for deferred tax	£000
At 29 December 2001	3
FRS 19 prior year adjustment	860
At 29 December 2001 as restated	863
Charge to profit and loss account	33
At 28 December 2002	**896**

The deferred tax consists of

	2002 £000	2001 £000
Accelerated capital allowances	**917**	884
Other timing differences	**(21)**	(21)
Total deferred tax liabilities	**896**	863

The deferred tax liabilities are not discounted

b) Other provisions
The provision made in the year is for professional fees connected with the pension liability in the discontinued operation of Coutts (formerly Alltek) Precision Plastics. £150,000 of this provision was made in the parent company. An adjustment to the Group provisions of £509,000 arose on deconsolidation of Coutts Precision Plastics, see note 32.

22. Share capital

	Ordinary 20p shares Number	Ordinary 20p shares £000
Authorised		
At 29 December 2001 and 28 December 2002	**16,000,000**	**3,200**
Issued, called up and fully paid at 29 December 2001 and 28 December 2002	**12,823,276**	**2,564**

Details of share option schemes active for directors and employees are shown in the report of the Remuneration Committee on pages 24 and 25.

23. Reserves

	Share premium account £000	Merger reserve account £000	Profit and loss account £000	Total £000
Group				
At 29 December 2001	2,912	990	4,099	8,001
FRS 19 adjustment for restatement of deferred tax provisions	–	–	(621)	(621)
At 29 December 2001 as restated	**2,912**	**990**	**3,478**	**7,380**
Retained profit for the year	–	–	668	668
Currency exchange loss	–	–	(9)	(9)
At 28 December 2002	**2,912**	**990**	**4,137**	**8,039**
Company				
At 29 December 2001	2,912	990	7,590	11,492
Retained profit for the year	–	–	537	537
At 28 December 2002	**2,912**	**990**	**8,127**	**12,029**

Cumulative negative goodwill, net of positive goodwill, taken to reserves amounted to £2,277,000 (2001 £2,277,000).

24. Reconciliation of operating profit to operating cash flow

	2002 £000	2001 £000
Operating profit	**758**	852
Exceptional charge on termination of discontinued operations	**(296)**	(395)
Amortisation of goodwill	**51**	47
Depreciation charge	**1,108**	1,199
Profit on sale of fixed assets	**(17)**	(20)
Increase in provisions	**184**	228
Decrease in stocks	**324**	71
Decrease in debtors	**649**	1,692
Decrease in creditors	**(247)**	(1,147)
Net cash flow from operating activities	**2,514**	2,527

25. Analysis of cash flows for headings netted in the cash flow statement

	2002 £000	2001 £000
Returns on investments and servicing of finance		
Interest received	**4**	8
Interest paid	**(342)**	(446)
Interest element of finance lease payments	**(38)**	(75)
Net cash flow	**(376)**	(513)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(811)**	(350)
Sale of property net of costs	**–**	686
Sale of plant and machinery	**60**	50
Net cash flow	**(751)**	386
Acquisitions and disposals		
Purchase of shares in subsidiary including costs	**(79)**	–
Proceeds on sale of Stationery unit net of costs	**1,335**	–
Net cash flow	**1,256**	–
Financing		
Issue of ordinary share capital net of expenses	**–**	4
Receipt of debt due within one year	**133**	–
Receipt of debt due after more than one year	**1,515**	–
Repayment of debt due within one year	**(962)**	(938)
Repayment of debt due after more than one year	**(1,574)**	–
Finance lease receipts	**231**	–
Capital element of finance lease payments	**(395)**	(435)
Net cash flow	**(1,052)**	(1,369)

26. Analysis of net debt

	At 29 December 2001 £000	Cash flow £000	Non cash £000	Currency translation difference £000	**At 28 December 2002 £000**
Cash at bank	431	(18)	–	–	**413**
Overdrafts	(1,197)	776	–	(17)	**(438)**
	(766)	758	–	(17)	**(25)**
Debt due within one year	(909)	830	(321)	(2)	**(402)**
Debt due after one year	(3,289)	58	321	(40)	**(2,950)**
Finance leases	(983)	164	(104)	–	**(923)**
	(5,181)	1,052	(104)	(42)	**(4,275)**
	(5,947)	1,810	(104)	(59)	**(4,300)**

27. Commitments

a) Operating lease commitments payable in the following year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Land and buildings				
Expiring within one year	**–**	1	**–**	–
Expiring in years two to five	**37**	81	**–**	–
Expiring after five years	**18**	18	**–**	–
	55	100	**–**	–
Other				
Expiring within one year	**54**	115	**9**	–
Expiring in years two to five	**280**	276	**18**	8
	334	391	**27**	8

b) Contracts for expenditure on fixed assets

There were contracts for expenditure of £305,000 on fixed assets in respect of the Group and none in respect of the Company.

28. Pensions

The pension costs to the Group are analysed in notes 4 and 6 and pension contributions on behalf of directors are set out in the report of the Remuneration Committee.

Defined contribution scheme
The Group operates a defined contribution scheme, the C.A. Coutts Holdings plc Retirement and Death Benefits Scheme. The assets of the scheme are held separately from those of the Group in independently administered funds. Contributions to the scheme are charged to the profit and loss account as they become payable.

Defined benefit scheme
The Alltek Retirement and Death Benefits Plan began winding up on the 14 March 2002 resulting in a crystallised liability in Coutts (formerly Alltek) Precision Plastics. The liability is provided in that company, see note 32.

FRS 17 disclosures
The valuation prepared as at 27 April 2001 has been updated to 29 December 2001 by a qualified independent actuary in accordance with the requirements of FRS 17.

The principal actuarial assumptions used were:

Rate of increase in salaries	n/a
Rate of increase in pensions	2.70%
Rate of increase in deferred pensions	2.70%
Discount rate	5.75%

The assets of the scheme and the expected rate of return were:

	Value at 29 December 2001 £000	Expected long term rate of return %
Assets		
UK equities	489	7%
UK gilts	1,099	5%
	1,588	
Present value of scheme liabilities	(2,673)	
Deficit in scheme	(1,085)	
Related deferred tax	326	
Net deficit	(759)	

28. Pensions continued

No figures are given as at 28 December 2002 for the assets of the scheme or the expected rate of return as the scheme commenced winding up on 14 March 2002.

An analysis of the defined benefit cost for the period to 14 March 2002 is as follows:

	£000
Current service cost	–
Past service cost	–
Total operating charge	–
Gain on settlement of pension fund liability	604
Expected return on pension fund assets	26
Interest on pension scheme liabilities	(45)
Total other finance expense	(19)
Actual return less expected return on pension scheme assets	19
Experience losses arising on scheme liabilities	–
Gain arising from changes in assumptions underlying the present value of scheme liabilities	–
Actuarial gain recognised in the statement of total recognised gains and losses	19
Analysis of movements in defecit during the period	
At 29 December 2001	(1,085)
Total operating charge	–
Gains on settlement of pension fund liability	604
Total other finance expense	(19)
Actuarial gain	19
Contributions	20
	(461)
Deconsolidation	461
At 28 December 2002	–

Until March 2002, contributions were paid at the rate of £6,500 per month under a schedule that had been agreed between the scheme actuary, the employer and the trustee in accordance with the requirements of the Pensions Act 1995.

29. Equity minority interests

	2002 £000	2001 £000
Equity minority interests in loss after taxation	**80**	123

	£000
Minority interest in net assets at 29 December 2001	62
Minority interest in loss after taxation	(80)
Minority interest purchased (see note 11)	18
Minority interest in net assets at 28 December 2002	–

30. Disposal

On 22 August 2002 the Stationery unit, part of the packaging operation, was sold to Smurfit UK Ltd for £2,250,000 in cash, of which £1,750,000 had been received at 28 December 2002, and £500,000 is receivable on 22 August 2003. A clawback to a maximum of £750,000 could apply in the event that turnover of the Stationery unit during the year following disposal falls short of £5,000,000.

The unit disposed consisted of fixed assets and client goodwill. Assets disposed had a net book value of £186,000, and costs relating to the disposal were £570,000. An exceptional profit of £1,494,000 was realised on the sale. The Stationery unit made an operating cashflow contribution of £36,000 in the year up to the date of disposal.

31. Contingent liabilities

a) The Company has granted a composite guarantee to National Westminster Bank plc to indemnify that bank in respect of all monies owing to the bank by the Company and subsidiary undertakings. At the balance sheet date the Group had loans and overdrafts owing to the bank amounting to £1,481,000 (2001 £2,771,000).

b) On 19 September 2002 a court attachment was made to the Group's freehold premises in Vaassen, Holland preventing those premises being sold until a legal dispute over the ownership of the premises is settled. The dispute is currently being heard before a Dutch court and the directors, acting on legal advice, expect to win the case and thereby reinstate the Group's full rights over the property. Accordingly, the premises remain classified as freehold land and buildings. If the Group were to lose the legal case, it could be required to sell the premises to a third party at a price in excess of their carrying value at 28 December 2002.

c) The Alltek Precision Plastics defined benefit pension scheme began winding up on 14 March 2002 and Coutts (formerly Alltek) Precision Plastics was put into solvent member's voluntary liquidation on 18 March 2002. Legal advice indicates that the pension debt on the employer crystallised on 17 March 2002 at the minimum funding requirement, amounting to £0.48 million calculated at that date. A provisional calculation has been prepared by the scheme actuary which indicates that the debt on the employer would be £1.04 million in the event that the applicable calculation date would be after 18 March 2002. The directors expect the date of crystallisation and calculation to fall before that date so the financial statements reflect the lower figure.

32. Subsidiary in solvent liquidation

A subsidiary company, Coutts (formerly Alltek) Precision Plastics was put into a solvent member's voluntary liquidation during the year with consequent restrictions on Group control. Accordingly, Coutts Precision Plastics is no longer consolidated in the Group financial statements and the Group interest in that company is recorded as an investment at a valuation equal to the expected final distribution receivable by the Group.

Assets and liabilities of the subsidiary at 28 December 2002 were as follows:

	2002 £000
Debtor balance with CA Coutts Holdings Plc	720
Other debtors	2
Corporation tax liability	(39)
Provision for pension fund liability	(509)
Net assets	174

Notice is hereby given that the Annual General Meeting of C. A. Coutts Holdings plc (the "Company") will be held at the Company's registered office, Violet Road, London E3 3QL on 29 April 2003 at 12.00 noon for the following purposes:

Ordinary Business

1. To receive and adopt the report of the directors and the audited financial statements for the year ended 28 December 2002.

2. To confirm the interim dividend paid in the year and to authorise the payment of a final dividend for the year of 3.25p per ordinary share of 20p each in the capital of the Company ("Ordinary Share").

3. To re-elect J. H. Cubbon, who retires by rotation, as a director of the Company.

4. To re-elect W. E. Whitehorn, who retires by rotation, as a director of the Company.

5. To re-elect as a director of the Company, R. G. Saysell who was appointed on 18 September 2002.

6. To re-elect as a director of the Company, N. D. Stern who was appointed on 18 September 2002.

7. To re-appoint Ernst & Young LLP as auditors and to authorise the directors to agree their remuneration.

Special Business

To consider, and if thought fit, to pass the following resolutions which will be proposed as to resolution 8 as an ordinary resolution and as to resolutions 9 and 10 as special resolutions:

8. That the directors be and are hereby authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise all powers of the Company to allot and make offers or agreements to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £635,345 provided that this authority expires on 28 July 2004 or the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever is earlier, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

9. That subject to resolution 8 being passed and pursuant to and in accordance with the authority thereby granted, the directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to such authority as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited:

a) to the allotment of equity securities in connection with a rights issue or other pro rata offer in favour of holders of Ordinary Shares where the equity securities respectively attributable to the interests of all the holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them, subject in each case to such exclusions as the directors may deem necessary or expedient to deal with legal difficulties under the laws of any territory or the requirements of a regulatory body, in connection with fractional entitlements or otherwise; and

b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of the equity securities up to an aggregate nominal value of £128,232; and

c) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or on 28 July 2004, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

10. That the Company be and is hereby generally and unconditionally authorised, in accordance with Article 9 of its Articles of Association and Chapter VII of the Act to make market purchases (within the meaning of Section 163 of the Act) on the London Stock Exchange plc ("London Stock Exchange") of Ordinary Shares, provided that:

a) the maximum number of Ordinary Shares hereby authorised to be so acquired is 1,282,327;

b) the minimum price which may be paid for each Ordinary Share is 20p per share (exclusive of expenses);

c) the maximum price which may be paid for each Ordinary Share is in respect of an Ordinary Share contracted to be purchased on any day, an amount equal to 105% of the average of the middle market quotations of the Ordinary Shares of the Company derived from the AIM appendix to the Daily Official List of the London Stock Exchange during the period of five business days immediately preceding the day on which the Ordinary Shares are contracted to be purchased (exclusive of expenses);

d) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company; and the Company may, under the authority hereby conferred and prior to the expiry of that authority, make a contract to purchase its own Ordinary Shares which will or may be executed wholly or partly after the expiry of that authority and may make a purchase of its own Ordinary Shares in pursuance of any such contract.

By Order of the Board

C. S. Alexander Ll.B, FCA

Secretary
26 March 2003
Registered Office: Violet Road London E3 3QL

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and on a poll, vote instead of him. Completion and return of the enclosed form of proxy will not preclude shareholders from attending and voting at the Annual General Meeting. A proxy need not be a member of the Company. A form of proxy is enclosed. To be valid, proxies, together with the power of attorney, if any, under which they are signed, or a notarially certified copy thereof must be lodged with the Company's registrars, Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time for holding the meeting.

2. The Company pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 specifies that only those shareholders registered in the Register of Members of the Company as at 12.00 noon on 27 April 2003 shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time and changes to the Register after that time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

3. There will be available for inspection at the registered office during normal business hours from the date of this notice to the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting, the following:
   a. The register of directors' interests in Ordinary Shares of the Company;
   b. Copies of the directors' contracts of services and every variation thereof.

Form of proxy C.A. Coutts Holdings plc (the "Company")

Form of proxy for use at the Annual General Meeting at Violet Road, London E3 3QL
on 29 April 2003 at 12.00 noon.

I/We ____ (full name(s)) (block letters please)

of ____ (address(es)) being (a) holder(s) of ordinary shares of 20p each in the capital of the Company ("Ordinary Shares"), hereby appoint the Chairman of the Annual General Meeting (see Note 1 below)

____

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of C. A. Coutts Holdings plc to be held on 29 April 2003 at 12.00 noon and at any adjournment thereof. I/We direct my/our votes to be cast on the resolutions to be proposed at the Annual General Meeting as set out in the Notice thereof dated 26 March 2003 as follows (see Note 2 below).

Ordinary Resolutions	For	Against
1. To receive and adopt the report of the directors and the audited financial statements for the year ended 28 December 2002.		
2. To confirm the interim dividend paid in the year and to authorise the payment of a final dividend for the year of 3.25p per Ordinary Share.		
3. To re-elect J. H. Cubbon, who retires by rotation, as a director of the Company.		
4. To re-elect W. E. Whitehorn, who retires by rotation, as a director of the Company.		
5. To re-elect as a director of the Company, R. G. Saysell who was appointed on 18 September 2002.		
6. To re-elect as a director of the Company, N. D. Stern who was appointed on 18 September 2002.		
7. To re-appoint Ernst & Young LLP as auditors and to authorise the directors to agree their remuneration.		
8. To authorise the directors of the Company, pursuant to Section 80 of the Companies Act 1985 ("Act"), to allot relevant securities (as defined in the Act)		
Special Resolutions		
9. To empower the directors, on a limited basis, pursuant to Section 95 of the Act, to allot equity securities (as defined in the Act) otherwise than to shareholders on a pre-emptive basis, as if Section 89(1) of the Act did not apply.		
10. To authorise the Company to purchase its own Ordinary Shares.		

Signature(s)____________________________________ Date ______________ 2003

Notes

1. If you wish to appoint a proxy other than the Chairman of the Annual General Meeting, please insert the name of your proxy in the space provided and delete the words "the Chairman of the Annual General Meeting"; please initial the alterations. A proxy need not be a member of the Company.
2. Please indicate by an "X" in the space provided how you wish your votes to be cast. If you do not do so, the proxy will vote as he thinks fit in respect of the member's total holding or abstain from voting at his discretion.
3. To be valid, this form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney or authority, must be deposited at the office of Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 48 hours before the time appointed for holding the Annual General Meeting.
4. In the case of an individual, this form of proxy must be signed by the appointor or by his duly constituted attorney.
5. In the case of a corporation, this form of proxy must be given either under its common seal or signed on its behalf by two directors, a director and the company secretary or a duly authorised officer of the corporation.
6. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding. The names of all joint holders should be stated.
7. Completion and return of this form of proxy will not preclude you from attending and voting at the Annual General Meeting in person if you wish. You may appoint more than one proxy to attend at the Annual General Meeting.

SECOND FOLD

BUSINESS REPLY SERVICE
Licence No. MB 122

1

Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

THIRD FOLD

FIRST FOLD

COUTTS
C.A.COUTTS HOLDINGS PLC

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