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# ASSOCIATED PAPER INDUSTRIES LIMITED

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Cover foil blocked using stamping foil manufactured by George M. Whaley Limited



## Notice of meeting

Notice is hereby given that the sixtieth Annual General Meeting of the company will be held at The Howard Hotel, Temple Place, London WC2R 2PR on Thursday, the fourth day of March, 1982, at 12.30 p.m., for the following purposes:

- 1 To receive the report of the directors and the audited accounts for the 53 weeks ended 3rd October, 1981.
- 2 To declare a dividend.
- 3 To re-elect directors.
- 4 To re-appoint the auditors.
- 5 To authorise the directors to fix the remuneration of the auditors.
- 6 To transact any ordinary general business of the company.

By order of the board

A. SENTANCE  
Secretary



Dated 29th January, 1982

Silk House, Park Green, Macclesfield, Cheshire SK11 7NU

## Notes

- 1 A member entitled to attend and vote is entitled to appoint a proxy to vote instead of him and that proxy need not also be a member. A form of proxy is enclosed with this notice for use in connection with the business set out above. This form of proxy must reach the registrars of the company not later than 48 hours before the time of the meeting.
- 2 The following documents, which are available for inspection during business hours at the company's registered office, will, on the day of the Annual General Meeting, be available for inspection at The Howard Hotel, Temple Place, London WC2 from 12.15 p.m. until the close of the meeting.
  - a) A statement for the period 27th February, 1981 to 3rd March, 1982, of all transactions of each director and, so far as he can reasonably ascertain, of his family interests in the share capital of the company
  - b) A copy of all contracts of service of the directors with the company or any of its subsidiaries

# Directors and secretary

## DIRECTORS

C. F. M. Rawlinson, F.C.A., Chairman  
J. A. Graham, Managing  
J. G. Adams, F.C.A., A.C.M.A.  
P. R. Armitage  
B. R. Hall  
W. Q. C. Mackenzie, F.C.A.  
I. D. McKechnie

## SECRETARY

A. Sentance, F.C.I.S.

## REGISTERED OFFICE

Silk House, Park Green, Macclosfield, Cheshire SK11 7NU  
Registered number 169249

## BANKERS

Lloyds Bank Limited  
Morgan Grenfell & Co. Limited  
Royal Bank of Scotland Limited

## REGISTRARS AND TRANSFER AGENTS

Ravenabourne Registration Services Limited,  
Beurno House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

## AUDITORS

Ernst & Whinney, Chartered Accountants,  
Lowry House, 17 Marble Street, Manchester M2 3AW

## SOLICITORS

Thoderer Goddard & Co.,  
16 St. Martin's-in-the-Grand, London EC1A 4EJ

## STOCKBROKERS

Laing & Crutchshank,  
The Stock Exchange, London EC2N 1HA  
Henry Cooke, Lumsden & Co.,  
Parsonage Gardens, Manchester M60 3AH

## Chairman's statement

The accounts for the year ended on 3rd October, 1981, which accompany this statement, cover a period in which we have begun to see good results from the work which we have been doing in recent times to improve our productivity and efficiency. In 1979/80 we had to close two paper mills and we sold our corrugated case business; we also closed two uneconomic overseas selling subsidiaries. In 1980/81 we have been able to concentrate on improving efficiency in our continuing businesses by increasing sales and productivity in our factories, and we have disposed of a further overseas selling subsidiary. As a result, we ended our year with a greatly improved and indeed strong balance sheet, a much better level of sales and profit and with confidence about the future.

The profit and loss account set out on page 10 shows a trading profit for 1981 as a whole lower than that of 1980; moreover there are substantial charges in 1981 for consultants' fees and redundancies. Although half-year figures have been published I think it would nevertheless be helpful to summarise some of the principal figures of the last four half-years in order to demonstrate the trend of earnings and to show clearly the improvement shown in the second half of 1980/81. See the table below.

As can be seen, sales fell in the first half of 1980/81 but recovered well in the second half. Trading profits of the continuing businesses fell away rapidly in the second half of 1979/80 and declined further in the first half of 1980/81. During this period we were spending heavily on improving efficiency and as a result our pre-tax profit for the first half of 1980/81 was reduced to a nominal figure. In the second half, however, we began to see some of the benefits and the figures speak for

themselves. Whilst we continue to look very carefully at our efficiency and productivity, the major work in this area has we believe been done and our total employment numbers have stabilised at just over 900.

Enclosed with the Report and Accounts this year is a colour brochure which describes the principal products and businesses of A.P.I., illustrating the diversity of industries which we serve and the strong position which we hold in a number of markets. It may be helpful, however, if I comment briefly on what has been happening in our group companies in the last year.

In our paper converting companies, Henry & Leigh Slater and Leonard Stace, the full effect of the recession was felt during the early months of 1980/81 when profits were badly affected. Action was taken to reduce costs and a number of fundamental changes were made in operating and sales methods which have resulted in significant savings. Sales improved during the second half-year and this, coupled with the work done earlier, resulted in greatly improved profitability which is continuing.

At the paper mill of P. Garnett & Son in Olley, sales were depressed in the first half-year, particularly in the envelope paper market where stationery manufacturers were reducing stocks. Activity improved in the second half-year, but the year ended with profits well down compared with 1979/80. Considerable savings were made during the year and lower costs have also been achieved by capital expenditure on process instrumentation and steam raising plant. A major effort is being made to broaden the product range and to sell speciality products in overseas markets. Conditions for Garnett's remain difficult.

	Year £000	1981 Second half £000	First half £000	Year £000	1980 Second half £000	First half £000
Turnover						
Continuing operations	32,630	17,551	14,079	32,124	18,412	16,542
Discontinued operations	1,152	14	1,138	11,215	4,161	7,552
	<u>33,782</u>	<u>17,565</u>	<u>15,217</u>	<u>43,339</u>	<u>22,573</u>	<u>24,094</u>
Trading profit less interest	1,353	1,093	260	1,598	409	1,654
Discontinued operations losses	(308)	(119)	(249)	(1,011)	(253)	(765)
Consultants' fees and redundancies						
	<u>985</u>	<u>974</u>	<u>11</u>	<u>587</u>	<u>156</u>	<u>889</u>
Profit before tax						

In our stamping foil companies, Peerless Foils and George M. Whiley, sales were low in the second quarter but since then there has been a gradual improvement. During the year productivity has been improved and at Whiley substantial energy savings were made from work which started in 1979/80 and continued throughout 1980/81. Although 1980/81 was a difficult year a great deal of progress was made and we are now beginning to see a return on our investment.

We ended 1981 with a pre-tax profit of £985,000. After a relatively low tax charge, of which a considerable part is attributable to advance corporation tax, we were left with £705,000 to which we are able to add £264,000 arising from net reductions in the provisions which we made last year against the costs of closure of two companies. We have, therefore, £969,000 available for appropriation.

The balance sheet at 3rd October, 1981, shows a marked improvement in our financial position. Fixed assets held for realisation have been reduced to £405,000 against which we retained provisions for continuing costs and the repayment of certain government grants, leaving a net balance of only £109,000. We have also still to receive £400,000 in respect of the sale of Mallowdale Corrugated Containers Limited, which is payable in two equal instalments in August, 1982 and August, 1983.

Net current assets increased by 50 per cent (to a 1.7:1 ratio) and short-term borrowings, net of cash, more than halved in the year. Total borrowings, including the future instalments due on finance leases, declined in the year from 39 per cent of shareholders' funds to 29 per cent, notwithstanding capital expenditure of £563,000 in the year after grants. Since the end of the year borrowings have declined further and are now not only at a comfortable level but also carry an average interest rate well below current levels. Shareholders' funds, at £10.1 million, represent 67.1p per ordinary share after deducting £540,000 preference capital.

Last year, with the closures we made and the continuing deep recession, your board felt that it had to reduce the level of dividend to a total of 2.0p per share for the year. In 1980/81 we reduced the interim dividend to 0.6p, whilst expressing the hope that we could maintain the total for the year at 2.0p. In the event, we have bettered our expectations of May last year and the board has therefore felt it right to recommend a final dividend of 1.8p per share, making a total of 2.4p per share for the year, covered exactly twice by historical cost earnings per share excluding extraordinary items.

In October, 1981, Mr. W. H. C. Bailey, C.B.E., who had been a director for nine years, retired from the board and I am grateful to him for his contribution. At the Annual General Meeting resolutions will be proposed for the re-election to the board of Mr. J. G. Adams and Mr. I. D. McKechnie. Mr. Adams, who was formerly chairman of George M. Whiley Limited, joined the API board in 1978 as a non-executive director. Mr. McKechnie has been an executive director since 1966 and oversees our papermaking operations, in which he is an acknowledged expert. I warmly commend to shareholders the re-election of these two directors who have played a major role in the developments of the last two years.

The revitalisation of API has been achieved against the background of some of the toughest conditions the United Kingdom papermaking and converting industry has known. The success of our efforts has been in no small measure due to the willing support of all the employees of the group and I would like to thank them on behalf of the shareholders.

The current year has started well and we are looking for new ways of exploiting our skills and assets so as to make API a rewarding investment both for its shareholders and for its employees. The group has been through an exceptionally testing period but it is a lot better for the experience and feels healthy enough to face the future with confidence and enthusiasm.

Charles Dawson

Charles Dawson

## Report of the directors

The directors present their report and the audited accounts for the 53 weeks ended 3rd October, 1981.

### RESULTS AND DIVIDENDS

The group results for the year, together with appropriations made and proposed are set out in the group profit and loss account on page 10.

Profit after taxation before extraordinary items amounted to £705,605 (1980 £306,446).

Extraordinary items arising from the discontinuance or sale of parts of the group's operations £263,673 surplus (1980 £3,902,949 deficit) are dealt with by separate transfers to or from reserves.

The directors recommend a final dividend of 1.8p per share making a total for the year of 2.4p (1980 2.0p). If approved the final dividend will be paid on the 5th March, 1982 to shareholders on the register on 4th February, 1982.

### ACTIVITIES

The group converts paper, film and aluminium foil by coating and laminating and manufactures paper and stamping foils. The principal group companies and products are listed on page 9, together with turnover figures for each company.

The geographical analysis of turnover is as follows:—

	Continuing operations		Discontinued operations	
	1981	1980	1981	1980
	£	£	£	£
United Kingdom	26,801,342	29,370,039	1,152,309	11,420,502
Western Europe	3,438,286	4,037,990	—	177,860
Eastern Europe	342,659	413,240	—	803
Australasia and Far East	868,507	873,760	—	13,916
Africa	820,728	842,561	—	65,202
Americas	459,650	616,671	—	18,820
<b>Total turnover</b>	<b>£32,030,072</b>	<b>£32,984,173</b>	<b>£1,152,309</b>	<b>£11,713,003</b>

Direct exports from the United Kingdom were £5,450,373 (1980 £6,276,974).

The fixed assets and stock of George M. Whiley (South Africa) (Proprietary) Limited as at 3rd October, 1981 were sold to a partnership in which the former managing director Mr. K. Aitken is a partner. The consideration was Rands 152,122 (£88,877) made up of:—

Net book value of assets sold plus interest (R2,018)	Rands 114,322	Sterling equivalent 65,289	paid 16th November, 1981
Goodwill plus interest (R2,800)	37,800	21,588	payable 31st March, 1982
	<b>R152,122</b>	<b>£86,877</b>	

### FIXED ASSETS

Changes in fixed assets are set out in note 13. Equipment financed by leases is included under this heading in accordance with Exposure Draft 29 published by the Accounting Standards Committee in October 1981.

The freehold and long leasehold properties were professionally valued on 26th September, 1979 at an expected realisation in existing use basis. This valuation so far as it applied to properties not subsequently sold or held for realisation, exceeded the net book value at that date, after deducting Government grants, by £573,107.

The remaining fixed assets of The Vale Board Mills Limited and Coske & Nuttall Limited whose production ceased on 9th May, 1980 and 12th December, 1980 respectively are shown separately in the accounts. These assets are included at their net realisable value as determined by the directors after taking professional advice.

## DIRECTORS

The directors of the company are shown on page 3. Mr. P. R. Armitage was appointed to the board on 13th January, 1981 and Mr. W. H. C. Bailey, C.B.E., retired on 13th October, 1981, after serving the company for 9 years.

The directors retiring by rotation are Mr. J. G. Adams and Mr. I. D. McKechnie who, being eligible, offer themselves for re-election:—

Mr. J. G. Adams, F.C.A., A.C.M.A., is aged 51 and joined the board in April 1978, following the acquisition of George M. Whiley Limited of which he was chairman. He is a non-executive director and holds a number of other non-executive directorships in industrial and commercial companies.

Mr. I. D. McKechnie is aged 58 and joined the board in February 1986. He was appointed managing director of P. Garnett & Son Limited in December 1977. Mr. McKechnie's contract of service is for a fixed term until 31st December, 1984 and, thereafter, provides for termination by either party by six months notice.

## DIRECTORS' INTERESTS

The interests of the directors, as defined by the Companies Act 1967, in the issued shares and share options of the company were as follows:—

Ordinary 25p Shares	15,182	3,10.81	28,9.80
C. F. M. Rawlinson	11,000	11,000	11,000
as trustee	6,400	6,400	6,400
J. A. Graham	38,718	38,718	38,718
J. G. Adams	23,333	23,333	23,333
P. R. Armitage	2,000	2,000	* —
W. H. C. Bailey (retired 13.10.81)	—	1,100	1,100
B. R. Hall	11,527	11,527	11,527
W. Q. C. Mackenzie	7,720	7,720	7,720
I. D. McKechnie	17,091	17,091	17,091

\*At date of appointment.

Mr. I. D. McKechnie holds options over 33,600 ordinary 25p shares granted by the company in May 1975 under the share option scheme. Apart from Mr. McKechnie no director has any options outstanding.

Except as otherwise stated all the above interests were beneficial. No director had any interest in the issued preference shares of the company or the shares of any subsidiary at the above dates.

Apart from service contracts and share options, no contracts subsisted at any time during the year between the company or its subsidiaries and any of the directors or their families which would require disclosure.

## EMPLOYEES

The average number of employees of the group in the United Kingdom in each week during the year was 1,011 and their aggregate remuneration was £9,615,724 (1980 1,380 employees £7,923,604 remuneration). The average number of employees in each of the companies in the group is shown on page 6.

## PENSIONS

The funded pension scheme introduced on 1st April, 1974, known as Associated Paper Industries Limited Pension and Life Assurance Fund had assets on 28th March, 1981, of £9,533,144 (1980 £4,420,099) at market value. An actuarial valuation of this fund as at 28th March, 1981, was undertaken by G. D. Cooper, M.A., F.I.A., A.S.A., an employee of Willis Faber Advisory Services Limited. The valuation showed that the assets of the Fund at 28th March, 1981 were sufficient to secure the benefits that would have arisen had the Fund been wound up at that date. Contributions continue to be made to the fund in accordance with the advice of the actuary.

Prior to 1st April, 1974, the group had two unfunded non-contributory pension schemes and consequently pensions payable under these schemes are still being charged in arriving at the trading result for the year together with those of George M. Whiley Limited acquired since. This charge, in the year to 3rd October, 1981, amounted to £100,302 (1980 £98,989)

## Report of the directors continued

### DISABLED PERSONS

In compliance with current legislation a policy is in existence for encouraging the employment of disabled persons wherever this is practicable in group companies. Every endeavour is made to ensure that disabled employees benefit from training and career development programmes in common with all employees.

### SHARES ISSUED IN THE YEAR

In accordance with the rules of the company's share option scheme the company issued 19,200 ordinary 25p shares at 27½p to an option holder who exercised his options in the year to 3rd October, 1981. Options remain outstanding in respect of £13,500 ordinary share capital, made up of 54,000 shares at 27½p.

### SUBSTANTIAL INTERESTS IN SHARES OF THE COMPANY AND CLOSE COMPANY PROVISIONS

In accordance with the Companies Acts 1967 and 1976, the directors have been notified that Perelle Nominees Limited hold 41.79% of the issued preference shares of the company.

In addition, the directors have been informed that funds managed or advised by M & G Investment Management Limited hold 14.6% of the ordinary shares of the company, and Throgmorton Trust hold 5.54% of the ordinary shares of the company. Except as disclosed above, to the best of the directors' knowledge there are no interests amounting to 5% or more in any class of share of the company.

So far as the directors are aware the close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.

### EXTRAORDINARY GENERAL MEETING

An Extraordinary General Meeting will follow the Annual General Meeting on 4th March, 1982. The business of this meeting will be :-

- 1 To amend the objects clause in the memorandum of association.
- 2 To approve an increase in the authorised share capital of the company.
- 3 To adopt new articles of association.

The company intends to register as a public limited company under the provisions of the Companies Act 1980. There is a separate notice and circular relating to this business.

### CHARITABLE AND POLITICAL DONATIONS

Charitable contributions made by the group during the year amounted to £1,355. There were no political donations.

### AUDITORS

Ernst & Whinney have expressed their willingness to continue in office as auditors and in accordance with Section 14 (1) of the Companies Act 1976 a resolution proposing their reappointment will be put to the members at the Annual General Meeting.

By order of the Board  
A. SINTANCE  
Secretary

Macclesfield, 21st January, 1982

## Principal Companies and Products

	Average No. of U.K. employees	Turnover £000
Associated Paper Industries Limited, Macclosfield, Cheshire Telephone: 0625 610334	15	—
Subsidiary companies:—		
P. Garnett & Son Limited, Otley, Yorkshire Telephone: 0943 466511 Poster and envelope papers and laminated manillas.	250	8,672
Peerless Foils Limited, Bow, London Telephone: 01-981 2626 Stamping foils for the plastics, packaging and bookbinding industries.	26	601
Henry & Leigh Slater Limited, Bollington & Poynton, Cheshire Telephone: 0625 730511 Coated and laminated papers and boards for packaging, labelling and advertising.	352	15,388
Leonard Staco Limited, Cheltenham, Gloucestershire Telephone: 0242 614081 Specialised coated and impregnated papers for a wide range of industries.	97	3,399
George M. Whitley Limited, Livingston, West Lothian Telephone: 0506 93011 Stamping foils for all industrial marking and decorating purposes.	213	4,485
	<hr/>	<hr/>
Loss Intra group sales (continuing operations)	963	32,843 (213)
Total Sales to third parties (continuing operations)		<hr/> 32,630
Discontinued operations	48	1,152
	<hr/>	<hr/>
	1,011	33,782
	<hr/>	<hr/>

All the subsidiary companies above are wholly owned subsidiaries of Associated Paper Industries Limited and all are registered in England.

George M. Whitley Ltd. has the following wholly owned overseas selling subsidiaries: George M. Whitley (Australia) (Pty.) Ltd.; George M. Whitley (New Zealand) Ltd.

**Group profit and loss account**  
for the 53 weeks ended 3rd October 1981

	Note	1981 £	1980 £
<b>TURNOVER</b>	2		
Continuing operations		32,630,072	32,954,173
Discontinued operations	3	1,152,309	11,713,003
		<u>£33,782,381</u>	<u>£44,667,176</u>
<b>TRADING PROFIT—Continuing operations before special consultancy fees and related redundancy payments</b>		1,943,334	2,162,029
Interest payable	4	(590,505)	(768,472)
		<u>1,352,828</u>	<u>1,393,557</u>
Discontinued operations loss		—	(1,041,468)
Special consultancy fees and related redundancy payments	5	(387,838)	—
<b>PROFIT BEFORE TAXATION</b>	6	964,990	352,089
Taxation	8	(279,385)	(45,643)
		<u>705,605</u>	<u>306,446</u>
<b>PROFIT AFTER TAXATION BEFORE EXTRAORDINARY ITEMS</b>		705,605	306,446
Extraordinary items	9	263,673	(3,992,949)
<b>PROFIT (LOSS) AFTER EXTRAORDINARY ITEMS</b>	10	969,278	(3,596,503)
Transfer (to) from reserves equal to extraordinary items		(263,673)	3,992,949
Preference dividends	11	(21,136)	(21,136)
Ordinary dividends	11	(342,756)	(264,997)
		<u>£341,713</u>	<u>£312</u>
<b>BALANCE TRANSFERRED TO RESERVES</b>			
<b>EARNINGS PER ORDINARY 28p SHARE</b>	12		
Basic and fully diluted earnings		4.8p	2.6p
Basic earnings with taxation charge on a nil distribution basis		5.8p	2.9p

# Group balance sheet

at 3rd October 1981

	Note	1981 £	1980 £
<b>FIXED ASSETS</b>	13		7,233,924
<b>DISCONTINUED OPERATIONS</b>	14		
Fixed assets held for realisation		405,448	1,050,650
Less net current liabilities		(296,925)	(197,798)
		108,523	852,852
<b>AMOUNT DUE ON SALE OF SUBSIDIARY</b>	15		600,000
<b>CURRENT ASSETS</b>			
Stocks	18	4,893,151	5,213,898
Debtors		7,579,970	8,890,873
Cash		70,873	73,790
		12,343,994	12,178,561
<b>CURRENT LIABILITIES</b>			
Creditors	22	5,865,273	6,757,568
Short-term borrowings		910,400	1,798,101
Current taxation		179,240	113,441
Dividends		257,150	123,278
Current obligations under finance leases	23	58,708	—
		7,270,771	8,790,388
<b>NET CURRENT ASSETS</b>		5,073,223	3,388,173
		<u>£12,681,996</u>	<u>£12,074,949</u>
<b>SHARE CAPITAL</b>	19	4,120,580	4,115,779
<b>RESERVES</b>	20	6,013,795	5,407,924
<b>SHAREHOLDERS' FUNDS</b>		10,134,375	9,523,703
<b>DEFERRED TAXATION</b>	21	—	42,037
<b>MINORITY INTERESTS</b>		25,000	25,000
<b>GOVERNMENT GRANTS</b>		675,261	691,709
<b>LOANS</b>	22	1,682,500	1,682,500
<b>NON-CURRENT OBLIGATIONS UNDER FINANCE LEASES</b>	23	294,860	—
		<u>£12,681,996</u>	<u>£12,074,949</u>

C. F. M. RAWLINSON  
J. A. GRAHAM

Chairman  
Managing Director

*C. F. M. Rawlinson*  
*J. A. Graham*

21st January, 1982

# Company balance sheet

at 3rd October 1981

	Note	1981		1980	
		£	£		£
FIXED ASSETS	13		106,936		125,968
SUBSIDIARY COMPANIES	16		10,501,427		10,484,155
AMOUNT DUE ON SALE OF SUBSIDIARY	15		400,000		600,000
ADVANCE CORPORATION TAX	17		14,432		48,322
<b>CURRENT ASSET</b>					
Debtors			<u>213,992</u>		<u>280,732</u>
<b>CURRENT LIABILITIES</b>					
Creditors		979,875		1,121,035	
Short-term borrowings		710,400		1,598,101	
Current taxation		150,435		127,800	
Dividends		257,150		123,278	
			<u>2,097,860</u>		<u>2,969,214</u>
<b>NET CURRENT LIABILITIES</b>			<u>(1,883,868)</u>		<u>(2,707,482)</u>
			<u>£9,138,927</u>		<u>£8,550,963</u>
<b>SHARE CAPITAL</b>	19		4,120,580		4,115,779
<b>RESERVES</b>	20		4,018,347		3,435,184
<b>SHAREHOLDERS' FUNDS</b>			<u>8,138,927</u>		<u>7,550,963</u>
<b>LOANS</b>	22		1,000,000		1,000,000
			<u>£9,138,927</u>		<u>£8,550,963</u>

C. F. M. RAWLINSON  
J. A. GRAHAM

Chairman  
Managing Director

*C. F. M. Rawlinson*  
*J. A. Graham*

21st January, 1982

# Source and application of funds

for the 53 weeks ended 3rd October 1981

	1981		1980	
	£	£	£	£
<b>CONTINUING OPERATIONS</b>				
Profit before taxation and extraordinary items		984,990		1,393,557
Adjustment for items not involving the movement of funds:—				
Depreciation less grants		539,240		508,095
		<u>1,524,230</u>		<u>1,899,652</u>
<b>DECREASE (INCREASE) IN WORKING CAPITAL</b>				
Stocks decrease	520,747		401,074	
Debtors (increase) decrease	(689,097)		54,795	
	<u>(168,350)</u>		<u>455,869</u>	
Creditors (decrease)	(892,295)		(805,366)	
		<u>(1,060,645)</u>		<u>(349,497)</u>
		463,585		1,550,155
<b>DISCONTINUED OPERATIONS</b>				
Loss before taxation and extraordinary items	—		(1,041,468)	
Extraordinary items before taxation	161,616		(3,911,892)	
	<u>161,616</u>		<u>(4,953,360)</u>	
Adjustment for items not involving the movement of funds:—				
Depreciation	—		166,826	
Government grants released to profit and loss account	—		(121,423)	
Decrease on revaluation of fixed assets	148,234		1,558,009	
	<u>307,850</u>		<u>(3,049,948)</u>	
Increase in net current liabilities	99,127		1,216,280	
Not book value of fixed assets sold	498,968		372,885	
	<u>905,945</u>		<u>(1,460,783)</u>	
		1,369,530		89,372
<b>OTHER SOURCES</b>				
Settlement of proceeds of sale of subsidiary company	200,000		256,211	
Not book value of fixed assets sold	131,168		215,954	
Finance leases capitalised net of repayments	323,568		—	
Increase in loans	—		300,000	
Issue of ordinary shares at par	4,801		1,050	
Premium on shares issued during year	485		447	
	<u>660,022</u>		<u>781,662</u>	
<b>OTHER APPLICATIONS</b>				
Purchase of fixed assets less grants	(563,182)		(1,149,327)	
Dividends paid	(230,020)		(520,255)	
Taxation paid	(153,568)		(235,670)	
Loans discharged	(200,000)		(200,000)	
	<u>(1,146,768)</u>		<u>(2,275,282)</u>	
<b>DECREASE (INCREASE) IN SHORT TERM BORROWINGS NET</b>				
		<u>£882,784</u>		<u>(£1,404,248)</u>

## Notes to the accounts

### 1 ACCOUNTING POLICIES

The following are the more important accounting policies adopted by the group :

#### Accounting convention

The accounts have been prepared under the historical cost convention except for :

- (a) the inclusion of certain assets which are at valuation ;
- (b) the accounts of the discontinued companies, The Vale Board Mills Limited, Cooke & Nuttall Limited and two overseas operations of George M. Whiley Limited which have been prepared using anticipated realisable values of assets and providing for all liabilities and closure costs.

#### Basis of consolidation

The accounting dates of all companies in the group are co-terminous, and results for the period ended on the accounting date are included in the group results in full except where subsidiaries are acquired or sold during the year when results are included from or to the date of acquisition or sale.

#### Fixed Assets

Fixed assets are included in the accounts at valuations or cost.

#### Depreciation

Freehold and long leasehold land is not depreciated. The cost or valuation of other fixed assets is written off in equal annual instalments over the expected useful lives as follows:—

Freehold and long leasehold buildings	—18 to 37 years from 1st October, 1978
Short leasehold properties	—over period of lease
Plant	—8 to 20 years
Vehicles	—4 to 5 years
Furniture and equipment	—8 to 10 years

#### Government grants

Government grants, being investment and development grants and paper industry scheme grants, received and receivable are credited to the government grants account and are released to profit and loss account over the estimated lives of the assets concerned.

#### Stock and work in progress

Stocks are stated at the lower of cost and estimated net realisable value. Cost is determined on a first in first out basis. Cost of work in progress and finished goods comprises the cost of raw materials, direct labour and overheads attributable to the production of stock. Net realisable value comprises the estimated selling value less selling costs.

#### Deferred taxation

Provision is made for deferred taxation, using the liability method, on short-term timing differences and all other material timing differences which are not expected to continue in the future.

Unrelieved advance corporation tax is carried forward to the extent that it is considered to be recoverable in future periods.

#### Pensions

##### Non-contributory Pension Schemes

Pensions paid under these schemes are charged in arriving at the trading results for the period. Admission to the schemes has ceased, the principal ones ceasing admission on 31st March, 1974.

##### Pension and Life Assurance Funds

The liability for funding the benefits for certain employees based on service prior to 1st April, 1974, the date of commencement of one of the funds, is being charged against profit over the remaining working lives of the members involved, together with annual contributions for current service.

## 1 ACCOUNTING POLICIES CONTINUED

### Foreign currencies

Assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date and trading items at the average rate for the period. Differences arising are charged against trading profit.

### Goodwill

Goodwill arising on consolidation is written off against reserves as it arises.

### Leases

Leases are treated in accordance with the provisions of Exposure Draft 29 "Accounting for leases and hire purchase contracts". Fixed assets leased under finance leases are capitalised and depreciated over their anticipated useful lives. The finance charges are allocated over the primary lease period having regard to the capital element outstanding. The costs of operating leases are charged to the profit and loss account in equal annual instalments over the period of the lease.

## 2 TURNOVER

Turnover represents amounts invoiced to third parties excluding value added tax.

## 3 DISCONTINUED OPERATIONS

Discontinued operations turnover for 1981 relates to operations discontinued during 1980 the subsequent trading losses of which had been provided as an extraordinary item at 27th September 1980.

## 4 INTEREST PAYABLE

	1981 £	1980 £
Bank overdrafts and loans and other loans repayable within 5 years and interest on bills discounted	573,970	761,610
Interest on loan secured by mortgage	6,882	6,882
Interest on finance leases	9,674	—
	<u>£590,508</u>	<u>£768,472</u>

## 5 SPECIAL CONSULTANCY FEES AND RELATED REDUNDANCY PAYMENTS

These comprise the cost of major consultancy exercises and related redundancies at two subsidiary companies.

## 6 PROFIT BEFORE TAXATION

	1981 £	1980 £
The profit before taxation is stated after charging (crediting):—		
Pensions paid under non-contributory pension schemes	100,302	98,988
Contributions to pension and life assurance funds	423,822	779,083
Depreciation—less government grants of £30,717 (1980 £57,527)	539,240	655,065
Operating leases and plant hire	119,882	200,901
Directors' emoluments (note 7)	165,282	150,750
Auditors' remuneration	79,559	60,126
(Profit) losses on exchange	(73,281)	62,761
Dividends to minorities	1,225	1,225

## Notes to the accounts continued

7 DIRECTORS' EMOLUMENTS	1981	1980
	£	£
Chairman	10,550	10,550
Highest paid	27,419	23,116
Other	80,971	69,699
	<u>118,940</u>	<u>103,365</u>
Management remuneration	19,843	21,772
Pension contributions	26,469	25,613
Past directors pensions	<u>£165,252</u>	<u>£150,750</u>

Number of directors whose emoluments were within the range:—

Up to £5000	2	1
£5001—£10,000	1	1
£10,001—£15,000	1	1
£15,001—£20,000	1	1
£20,001—£25,000	—	3
£25,001—£30,000	3	—

One director waived the right to emoluments of £3,425 (1980 £6,128).

8 TAXATION	£	1981 £	1980 £
Corporation tax on the result of the period calculated at the rate of 52%:—			
Payable (Recoverable)		181,070	(83,903)
Deferred (Credit)	(84,927)		
Loss related advance corporation tax	<u>42,690</u>	(42,037)	(109,846)
Advance corporation tax		112,107	213,642
Overseas taxation		28,245	24,755
		<u>£279,385</u>	<u>£45,643</u>

The charge for the period has been reduced by £215,370 in respect of stock relief, and increased (reduced) by the aggregate amount shown below being the effect of timing differences for which no deferred taxation provision is considered necessary.

Accelerated capital allowances	325,763	(181,375)
Stock relief	—	(257,712)
Losses	(15,633)	(294,074)
Advance corporation tax	(11,811)	362,069
Other	(6,163)	—
	<u>£292,131</u>	<u>£(421,092)</u>

## 9 EXTRAORDINARY ITEMS

The 1980 extraordinary item comprises full provision for all closure costs, and trading losses after the dates of announcement of closure, in respect of operations discontinued during 1980 less the surplus arising on the sale of a subsidiary. The 1981 surplus arises because of revisions made to these estimates during the year.

	1981 £	1980 £
Discontinued operations surplus (deficit)	161,616	(4,285,890)
Surplus on sale Mallandain Corrugated Containers Limited	—	373,798
	<u>161,616</u>	<u>(3,911,892)</u>
Tax relief	102,057	8,943
	<u>£263,673</u>	<u>£(3,902,949)</u>

## 10 PROFIT ATTRIBUTABLE TO MEMBERS

£946,575 (1980 £2,857,262 loss) of the profit for the 53 weeks attributable to members has been dealt with in the accounts of the Company.

## 11 DIVIDENDS

	1981 £	1980 £
Preference—paid 31st March, 1981	10,568	10,568
—paid 30th September, 1981	10,568	10,568
	<u>£21,136</u>	<u>£21,136</u>

	Per share			
	1981 p	1980 p		
Ordinary:				
Interim paid 0th July, 1981	0.60	1.21	85,606	172,290
Proposed final payable 6th March, 1982 (1981 2nd March)	1.80	0.70	<u>257,150</u>	<u>112,707</u>
Total ordinary dividend	<u>2.40p</u>	<u>2.00p</u>	<u>£342,756</u>	<u>£284,997</u>

## 12 EARNINGS PER SHARE

The basic earnings per share is not materially different from the fully diluted earnings per share, and is calculated by dividing the profit before extraordinary items and after preference dividends by 14,267,118 being the weighted average number of shares in issue during the year (1980 divisor 14,245,968).

## Notes to the accounts continued

### 13 FIXED ASSETS—GROUP

	Freehold land and buildings		Leasehold land and buildings		Plant and equipment		Total
	Land £	Buildings £	Long £	Short £	Owned £	Finance leases £	
Cost or valuation							
At 28th September, 1980	516,000	1,530,177	1,413,857	202,190	6,881,001	—	10,543,225
Additions	—	27,038	245	850	196,955	342,363	567,451
Disposals	—	—	(1,039)	—	(218,341)	—	(219,380)
Adjustment	—	(27,706)	66,538	—	215,104	—	253,936
At 3rd October, 1981	<u>£516,000</u>	<u>£1,529,509</u>	<u>£1,479,601</u>	<u>£203,040</u>	<u>£7,074,719</u>	<u>£342,363</u>	<u>£11,145,232</u>
Being:—							
Cost	10,000	1,271,769	1,479,601	203,040	7,074,719	342,363	10,381,482
Professional valuation 1971	—	257,750	—	—	—	—	257,750
Professional valuation 1979	606,000	—	—	—	—	—	606,000
	<u>516,000</u>	<u>1,529,509</u>	<u>1,479,601</u>	<u>203,040</u>	<u>7,074,719</u>	<u>342,363</u>	<u>11,145,232</u>
Depreciation							
At 28th September, 1980	—	108,858	116,072	39,424	3,047,947	—	3,309,301
Provided during period	—	51,231	39,488	24,138	450,858	4,242	569,957
Disposals	—	—	(1,039)	—	(87,173)	—	(88,212)
Adjustment	—	(2,216)	41,346	—	214,806	—	253,936
At 3rd October, 1981	—	<u>154,873</u>	<u>195,667</u>	<u>63,562</u>	<u>3,626,438</u>	<u>4,242</u>	<u>4,044,982</u>
Net book value at 3rd October, 1981	<u>£516,000</u>	<u>£1,374,636</u>	<u>£1,283,934</u>	<u>£139,478</u>	<u>£3,448,281</u>	<u>£338,121</u>	<u>£7,100,250</u>
<b>FIXED ASSETS—COMPANY</b>							
Cost or valuation							
At 28th September, 1980	—	35,200	—	24,991	91,255	—	151,452
Additions	—	—	—	—	23,564	—	23,564
Disposals/adjustment	—	(27,706)	27,706	—	(32,740)	—	(32,740)
At 3rd October, 1981	—	<u>£7,500</u>	<u>£27,706</u>	<u>£24,991</u>	<u>£82,079</u>	—	<u>£142,276</u>
Being:—							
Cost	—	—	27,706	24,991	82,079	—	134,776
Professional valuation 1971	—	7,500	—	—	—	—	7,500
	—	<u>7,500</u>	<u>27,706</u>	<u>24,991</u>	<u>82,079</u>	—	<u>142,276</u>
Depreciation							
At 28th September, 1980	—	2,216	—	2,022	21,246	—	25,484
Provided during period	—	—	1,108	2,499	18,390	—	21,997
Disposals/adjustment	—	(2,216)	2,216	—	(12,141)	—	(12,141)
At 3rd October, 1981	—	—	<u>3,324</u>	<u>4,521</u>	<u>27,495</u>	—	<u>35,340</u>
Net book value at 3rd October, 1981	—	<u>£7,500</u>	<u>£24,382</u>	<u>£20,470</u>	<u>£54,584</u>	—	<u>£106,936</u>

Plant and equipment with a net book value of £34,127 has been transferred to fixed assets from assets held for realisation and included in the additions and disposals accordingly. The 1979 valuation was on an expected realisation in existing use basis, the 1971 valuation was on an estimated realisation basis.

#### 14 DISCONTINUED OPERATIONS

Assets held for realisation include the remaining fixed assets of The Vale Board Mills Limited and Cooke & Nuttall Limited whose production ceased on 9th May, 1980 and 12th December, 1980 respectively. These fixed assets are:—

	Freehold land and buildings £	Plant and equipment £	Total £
Estimated realisable value at 28th September 1980	328,806	721,744	1,050,650
Revaluation (decrease)	(64,808)	(81,328)	(146,234)
Disposals	(150,000)	(348,968)	(498,968)
Estimated realisable value at 3rd October, 1981	<u>£114,000</u>	<u>£291,448</u>	<u>£405,448</u>

The estimated realisable value of land and buildings is at or below valuations given since 27th September, 1980 by Messrs Dacre Son & Hartley, chartered surveyors. In the case of plant and machinery the values used are those given since 27th September, 1980 by Kilkie Paper Mill Services Limited and Paper Mill Plant Exchange Limited as discounted by the directors in respect of assets which may prove unsaleable.

The summarised balance sheets of The Vale Board Mills Limited and Cooke & Nuttall Limited were as follows:—

	1981 £	1980 £
Fixed assets held for realisation	405,448	1,050,650
Net current liabilities—Stocks	—	1,042,047
—Debtors	26,238	1,322,498
—Creditors—including provisions £129,320 (1980 £1,181,097)	(323,163)	(2,562,341)
	<u>(296,925)</u>	<u>(197,799)</u>
	<u>£108,523</u>	<u>£852,852</u>

#### 15 AMOUNT DUE ON SALE OF SUBSIDIARY

The amount due on sale of subsidiary of £400,000 is payable in two equal annual instalments, interest free, the last payment being due on 10th August, 1983.

#### 16 SUBSIDIARY COMPANIES

	1981 £	1980 £
Investments at cost	3,308,618	3,445,765
Amounts due from subsidiaries	10,985,275	11,304,157
Amounts due to subsidiaries	(380,772)	(577,295)
Loss provisions	13,913,119	14,172,627
	<u>(3,411,692)</u>	<u>(3,688,472)</u>
	<u>£10,501,427</u>	<u>£10,484,165</u>

The company's principal subsidiaries are listed on page 9.

#### 17 ADVANCE CORPORATION TAX—COMPANY

The balance carried forward represents unrelieved advance corporation tax which will be offset against corporation tax liabilities and deferred taxation balances of subsidiaries.

ASSOCIATED PAPER INDUSTRIES LIMITED

Notes to the accounts continued

18 STOCKS	1981 £	1980 £
Raw materials	2,358,340	2,109,209
Finished goods and work in progress	1,948,826	2,664,243
Stores	385,985	440,446
	<u>£4,693,151</u>	<u>£5,213,898</u>

19 SHARE CAPITAL	Authorised		Issued and fully paid	
	1981 £	1980 £	1981 £	1980 £
549,000 3.85% (formerly 5½%) Cumulative Preference Shares of £1 each	549,000	549,000	549,000	549,000
Ordinary Shares of 25p each:				
At 28th September, 1980 (14,267,118 issued)	4,000,000	4,000,000	3,666,778	3,559,729
Issued during period			4,801	7,050
On exercise of options under share option scheme				
At 3rd October, 1981 (14,286,318 issued)	4,000,000	4,000,000	3,671,580	3,566,779
	<u>£4,549,000</u>	<u>£4,549,000</u>	<u>£4,120,580</u>	<u>£4,119,779</u>

Full exercise of the options granted under the company's share option scheme would result in the issue, not later than June, 1982, of a further £13,500 Ordinary Share Capital, made up to 54,000 shares at 27½p.

20 RESERVES	Group		Company	
	1981 £	1980 £	1981 £	1980 £
Share Premium Account				
At 28th September, 1980	1,332,887	1,332,449	1,332,887	1,332,449
Premium on shares issued during period	485	447	485	447
At 3rd October, 1981	<u>1,333,372</u>	<u>1,332,897</u>	<u>1,333,372</u>	<u>1,332,897</u>
Capital Reserve				
At 28th September, 1980	716,021	738,338	—	—
Transfer from (to) revenue reserve—released on sale of land	11,097	(22,337)	—	—
At 3rd October, 1981	<u>726,978</u>	<u>716,001</u>	—	—
Retained Profit				
At 28th September, 1980	3,259,116	3,000,000	2,102,297	2,215,543
Transfer from capital reserve	(11,097)	—	—	—
Profit and loss account—Extraordinary Items	263,673	67,220	—	10,124,769
Balance from profit and loss account	341,713	—	582,678	61,313
At 3rd October, 1981	<u>3,953,445</u>	<u>3,067,220</u>	<u>2,684,975</u>	<u>2,287,297</u>
Total Reserves	<u>£6,043,795</u>	<u>£4,715,118</u>	<u>£4,018,347</u>	<u>£4,147,194</u>
Available for distribution	£4,531,272	£4,549,000	£2,684,975	£4,119,779
Not available for distribution	£1,492,523	£1,166,118	£1,333,372	£1,027,415

## 21 DEFERRED TAXATION

	1981 £	1980 £
Deferred taxation provided:		
Accelerated capital allowances	—	553,999
Stock relief	—	375,263
Losses carried forward	—	(829,903)
Unrelieved advance corporation tax	(14,432)	(57,322)
UK tax on overseas dividend receivable	14,432	—
	<u>—</u>	<u>£42,037</u>
Potential deferred taxation liabilities not provided:		
Accelerated capital allowances	2,133,822	2,451,065
Stock relief	—	847,535
Chargeable gains rolled over	38,220	38,230
Losses carried forward	(439,389)	(626,219)
Unrelieved advance corporation tax	(978,491)	(945,412)
Other	(12,432)	—
	<u>£741,730</u>	<u>£1,765,199</u>

The reduction in the potential provision for deferred taxation on stock relief arises from the enactment of the Finance Act 1981.

A subsidiary has corporation tax losses to carry forward in excess of amounts offset against deferred taxation, actual and potential, estimated at £522,000 (1980 £306,000) and advance corporation tax amounting to £98,000 (1980 £88,000) which is available to reduce corporation tax payable on future profits.

The parent company has corporation tax losses to carry forward in excess of amounts offset against deferred taxation, actual and potential, estimated at £27,000 (1980 £304,000) and additional advance corporation tax amounting to £115,000 (1980 £Nil).

The total amount of advance corporation tax within the group available to reduce corporation tax payable on future taxable profits is £1,202,000 (1980 £1,092,000).

## 22 LOANS AND SHORT TERM BORROWINGS

	Group		Company	
	1981 £	1980 £	1981 £	1980 £
Secretary of State for Scotland loan (£700,000 secured, balance guaranteed by company) repayable in equal half-yearly instalments of £100,000 bearing interest at 7½% per annum	800,000	1,000,000	—	—
Bank loans	1,000,000	7,000,000	1,000,000	1,000,000
Mortgage on freehold property repayable from 1st March, 1980 to 25th February, 1995, at interest rates from 7% to 11½% per annum, secured on life assurance policy	82,500	82,500	—	—
Bank overdrafts	710,400	1,399,101	710,400	1,399,101
<b>Total loans and short term borrowings</b>	<u>£2,682,900</u>	<u>£9,481,601</u>	<u>£1,710,400</u>	<u>£2,399,101</u>
Comprising:				
Short term borrowing				
Secretary of State for Scotland loan	200,000	1,000,000	—	—
Bank overdraft	710,400	1,399,101	710,400	1,399,101
	<u>£910,400</u>	<u>£2,399,101</u>	<u>£710,400</u>	<u>£1,399,101</u>
Loans	<u>£1,682,500</u>	<u>£7,082,500</u>	<u>£1,000,000</u>	<u>£1,000,000</u>

## Notes to the accounts continued

### 22 LOANS AND SHORT TERM BORROWINGS CONTINUED

Loans repayable in years ending September	1983 £	1984 to 1986 £	1987 and later £
Bank loans	200,000	700,000	100,000
Other loans	200,000	400,000	82,500
	<u>£400,000</u>	<u>£1,100,000</u>	<u>£182,500</u>

### 23 LEASING COMMITMENTS

The future minimum lease payments to which the company is committed as at 3rd October, 1981 under finance leases and non-cancellable operating leases are as follows:

Years ending September:	Group		Company	
	Finance leases £	Operating leases £	Finance leases £	Operating leases £
1982	82,568	117,372	—	1,690
1983	82,568	98,651	—	1,690
1984	82,568	64,551	—	1,690
1985	82,568	27,967	—	1,690
1986	54,096	4,177	—	1,690
1987 and after	—	855	—	584
	<u>384,360</u>	<u>313,573</u>	<u>—</u>	<u>9,014</u>
Less finance charges allocated to future periods	60,792	—	—	—
	<u>£323,568</u>	<u>£313,573</u>	<u>—</u>	<u>£9,014</u>

### 24 CAPITAL COMMITMENTS

Amounts not provided for in these accounts are:

	Group		Company	
	1981 £	1980 £	1981 £	1980 £
Contracted	£299,328	£307,653	—	—
Authorised but not contracted	£66,650	£121,247	—	—
	<u>£365,978</u>	<u>£428,900</u>	<u>—</u>	<u>—</u>

# Current cost accounts

Group profit and loss account  
for the 53 weeks ended 3rd October 1981

	Note	1981		1980	
		£000	£000	£000	£000
Turnover			<u>33,782</u>		<u>44,667</u>
Operating profit under historical convention			1,576		1,121
Cost of sales adjustment	2	(612)		(424)	
Monetary working capital adjustment	3	(146)		(43)	
Additional depreciation	4	(399)		(656)	
			<u>(1,157)</u>		<u>(1,123)</u>
Current cost operating profit (loss)			419		(2)
Interest payable		(591)		(769)	
Gearing adjustment	5	171		188	
			<u>(420)</u>		<u>(581)</u>
Current cost loss before taxation			(1)		(583)
Taxation charge			<u>(279)</u>		<u>(46)</u>
Current cost loss after taxation before extraordinary items			(280)		(629)
Extraordinary items	6		<u>264</u>		<u>(4,686)</u>
Current cost loss after extraordinary items			(16)		(5,315)
Transfer (to) from reserves equal to extraordinary items	10		(264)		4,686
Preference dividends			(21)		(21)
Ordinary dividends			<u>(343)</u>		<u>(285)</u>
Adjusted balance transferred from retained profit	10		<u>(644)</u>		<u>(935)</u>
Current cost loss per ordinary 28p share					
Basic			(2.1p)		(4.5p)
With taxation charge on a nil distribution basis			(1.1p)		(3.7p)

## Current cost accounts continued

Group balance sheet  
at 3rd October 1981

	Note	1981		1980	
		£000	£000	£000	£000
<b>Fixed Assets</b>	7				
Land and buildings (less grants £216,000)		3,628		3,448	
Plant and machinery (less grants £185,000)		<u>6,209</u>		<u>6,114</u>	
			9,837		9,562
<b>Discontinued operations</b>			109		853
Amount due on sale of subsidiary			400		600
<b>Stocks</b>	8		4,791		5,408
<b>Current monetary assets</b>					
Debtors		7,580		6,891	
Cash		<u>71</u>		<u>74</u>	
		<u>7,651</u>		<u>6,965</u>	
<b>Current monetary liabilities</b>					
Creditors		5,865		6,758	
Short-term borrowings		910		1,796	
Current taxation		180		112	
Dividends		258		123	
Current obligations under finance leases		<u>59</u>		<u>—</u>	
		<u>7,272</u>		<u>8,790</u>	
<b>Net current monetary assets (liabilities)</b>			379		(1,825)
			<u>15,516</u>		<u>14,598</u>
<b>Share capital including minority interest</b>			4,148		4,141
Share premium			1,332		1,332
Current cost reserve	9		7,351		6,081
Retained profit	10		<u>739</u>		<u>1,119</u>
<b>Shareholders' funds</b>			13,568		12,673
Deferred taxation			—		42
Loan capital			1,683		1,883
Non-current obligations under finance leases			<u>265</u>		<u>—</u>
			<u>15,516</u>		<u>14,598</u>

# Notes to the current cost accounts

## 1 Basis

The group historical cost accounts have been adjusted in accordance with the provisions of Statement of Standard Accounting Practice 16 to give the current cost accounts. These accounts are provided to show the results and net assets of the group after adjusting for the effects of price changes specific to the Group's business. Comparative figures have not been restated. The bases used in calculating the adjustments are set out below. Indices used are those issued by the Government Statistical Service for paper and board industry stocks and for relevant categories of fixed assets.

## 2 Cost of sales adjustment

This has been calculated using the averaging method to charge the profit and loss account with the current cost of stocks at the time sales were made.

## 3 Monetary working capital adjustment

This has been calculated using the averaging method to charge the current cost profit and loss account with the effect of price changes on the average amount by which credit extended to customers has exceeded credit taken from suppliers in the year.

## 4 Additional depreciation

This has been calculated on the plant, machinery and equipment by applying price indices to the historical cost depreciation in order to charge profit and loss account with depreciation at a rate which reflects current costs. No revision in estimated asset lives has been made from those used in the historical cost accounts. The majority of the group's buildings, other than those held for realisation, are non specialised buildings and on the basis that no increase or permanent diminution in value has taken place since the professional valuation at 29th September, 1979, current cost depreciation continues to be calculated on that valuation.

## 5 Gearing adjustment

This represents the part of the adjustments made in calculating the current cost operating profit, detailed in notes 2, 3 and 4 above, which is financed by borrowings as distinct from shareholders' funds including minority interests. It is calculated by applying to those adjustments the proportion by which net borrowings (1981 £2,517,000; 1980 £2,307,000) finance the net operating assets (1981 £18,343,000; 1980 £18,146,000) averaged for the year. Interest paid to finance non-operating assets is estimated at £150,000.

## 6 Extraordinary items

The extraordinary surplus in 1981 shows no change from the historic cost accounts. The 1980 extraordinary loss represented the historical cost extraordinary item as adjusted for the additional losses arising from the disposals and writedown of assets from current cost values.

## 7 Fixed assets

Land and buildings are valued at an expected realisation value in existing use, based on a professional valuation at 29th September, 1979 (gross current replacement cost £4,082,000).

Plant and machinery is shown at net current replacement cost calculated by applying indices to the historical cost net book amount (gross current replacement cost £17,721,000).

Grants are included for those companies which are still eligible for grants and have been based on expected realisation values for land and building and net current replacement cost for plant and machinery.

ASSOCIATED PAPER INDUSTRIES LIMITED

Notes to the current cost accounts continued

8 Stocks

These are included at the lower of current replacement cost, calculated by applying price indices and net realisable value.

9 Current cost reserve	1981		1980	
	£000	£000	£000	£000
At 28th September, 1980		6,081		4,599
Net surplus on revaluation of assets				
Land and buildings	277		—	
Plant and machinery	504		1,091	
Fixed assets	781		1,091	
Stocks—revaluation	(98)		112	
Cost of sales adjustment	612		424	
Monetary working capital adjustment	146		43	
	1,441		1,670	
Gearing adjustment	(171)		(188)	
		1,270		1,482
At 3rd October, 1981		7,351		6,081

10 Retained profit	1981		1980	
	£000	£000	£000	£000
At 28th September, 1980		1,119		6,740
Transfer of extraordinary item		284		(4,686)
Retained loss for period		(644)		(935)
At 3rd October, 1981		739		1,119

# Report of the auditors to the members

We have examined the accounts of Associated Paper Industries Limited set out on pages 9 to 22. These have been prepared under the historical cost convention as explained in note 1. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group, so far as concerns members of the company, at 3rd October, 1981 and of the profit, changes in retained profits and source and application of funds of the group for the 53 weeks then ended and comply with the Companies Acts 1948 to 1981.

In our opinion the current cost accounts set out on pages 23 to 26 have been properly prepared in accordance with the policies and methods described in notes 1 to 10 to give the information required by Statement of Standard Accounting Practice No. 16.

ERNST & WHINNEY,  
*Ernst Whinney*  
Chartered Accountants  
Manchester

21st January, 1982

## Group financial statistics

	1981 £'000	1980 £'000	1979 £'000	1978 £'000	1977 £'000
<b>TURNOVER—outside group</b>	33,782	44,667	44,590	36,673	32,461
<b>TRADING PROFIT</b>	1,576	1,120	2,312	2,137	2,151
Interest payable	591	768	365	236	353
<b>PROFIT BEFORE TAXATION</b>	985	352	1,947	1,901	1,798
Taxation	279	46	287	283	324
<b>PROFIT AFTER TAXATION</b>	706	306	1,660	1,618	1,474
Preference dividends	21	21	21	21	21
Extraordinary profit (loss)	264	(3,903)	—	—	—
Ordinary dividends	949	(3,618)	1,639	1,597	1,453
	343	285	520	392	259
<b>RETAINED PROFIT (LOSS)</b>	606	(3,903)	1,119	1,205	1,194
<b>NET ASSETS</b>					
Fixed assets	7,606	8,285	10,541	8,514	5,532
Amount due on sale of subsidiary	400	800	—	—	—
Net current assets	4,776	3,190	6,146	5,886	4,295
	12,682	12,075	16,687	14,400	9,827
<b>CAPITAL EMPLOYED</b>					
Ordinary capital	3,572	3,587	3,560	3,020	2,228
Reserves	6,014	5,408	9,310	7,269	4,993
Ordinary shareholders equity	9,586	8,975	12,870	10,289	7,221
Preference capital	549	549	549	549	549
Loans	1,682	1,882	1,882	2,544	1,467
Minority interests	25	25	25	25	25
Deferred taxation and government grants	576	644	1,381	993	565
Non current obligations under finance leases	266	—	—	—	—
	12,682	12,075	16,687	14,400	9,827
<b>STATISTICS RELATING TO ORDINARY SHAREHOLDERS</b>					
Earnings per share—Fully diluted	4.8p	2.0p	11.54p	13.45p	12.7p
—Basic	4.8p	2.0p	12.53p	15.26p	16.3p
Dividend per ordinary share	2.4p	2.0p	3.65p	3.478p	2.904p
Dividend cover (times)	2.0	1.0	3.2	4.1	5.6
Net assets per share	67.1p	62.9p	90.4p	85.2p	81.0p
Borrowings as a percentage of shareholders' funds	28.8%	38.6%	16.8%	27.1%	27.0%
Return on opening shareholders' funds (pre-tax)	10.3%	2.6%	18.0%	24.5%	33.7%
Average number of employees	1,011	1,586	1,798	1,605	1,429
£000's sales per employee	33	28	25	23	23