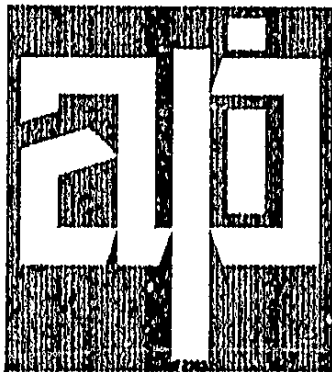


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Associated Paper Industries plc



REPORT AND ACCOUNTS · 1983

ASSOCIATED PAPER INDUSTRIES plc

Contents

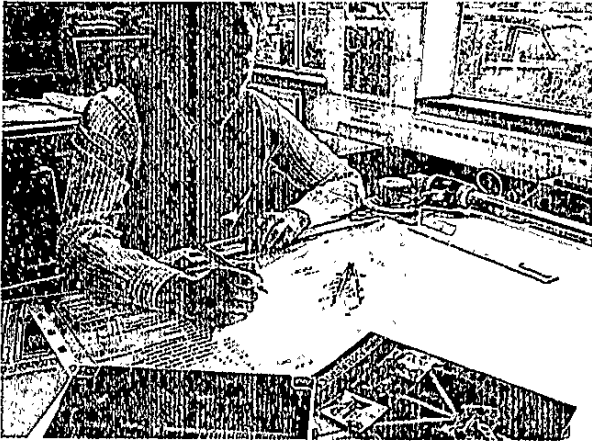
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AIRPEL FILTRATION LIMITED

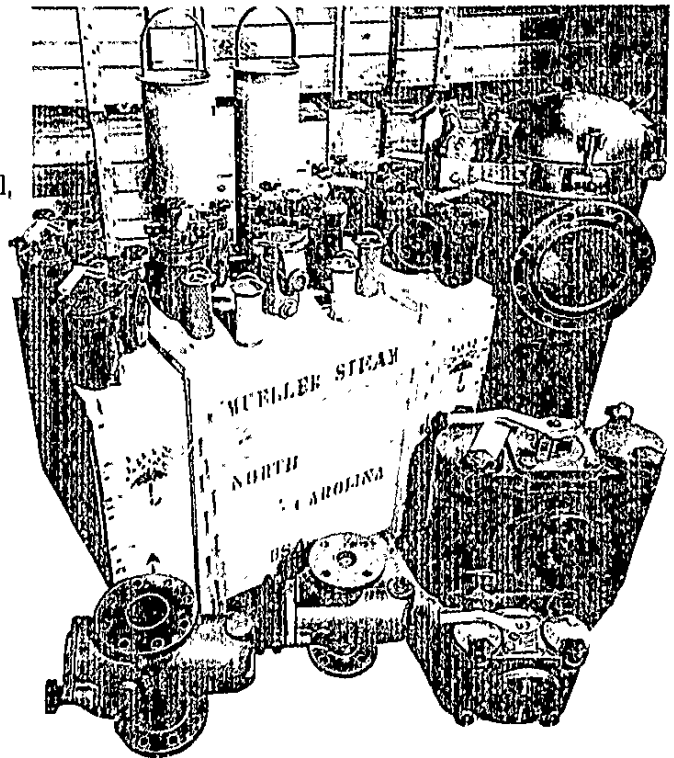
Airpel Filtration Limited manufacture a comprehensive range of liquid filters in cast iron, steel, bronze and stainless steel, making them suitable for handling most liquids.

Filters which are available in pipe sizes up to 12" diameter are used extensively in all liquid handling industries, including water treatment, petro-chemical, off-shore oil, process plant and environmental engineering.

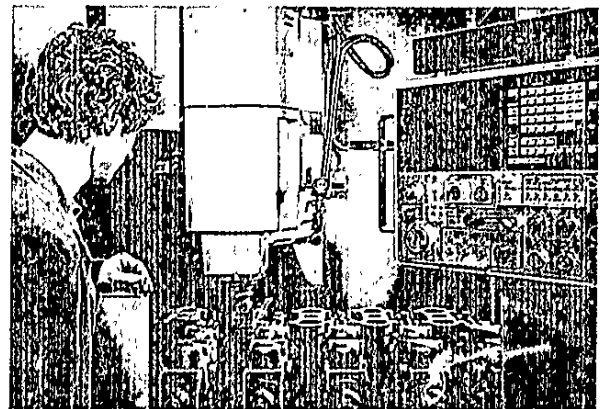
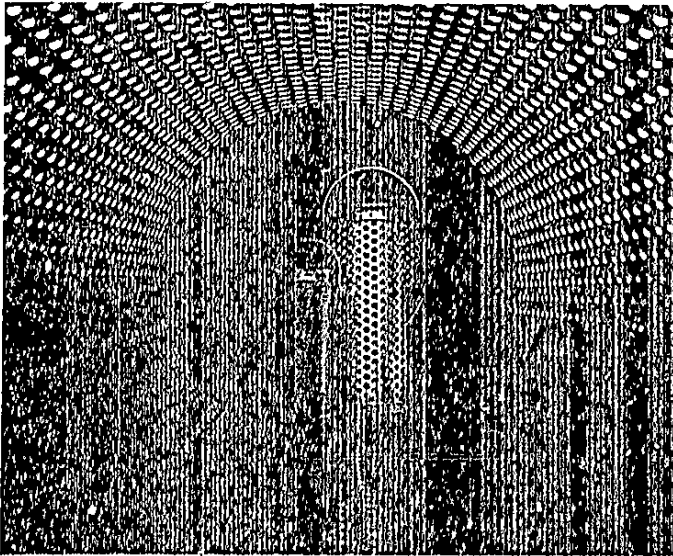
Airpel products are sold worldwide through a network of distributors.



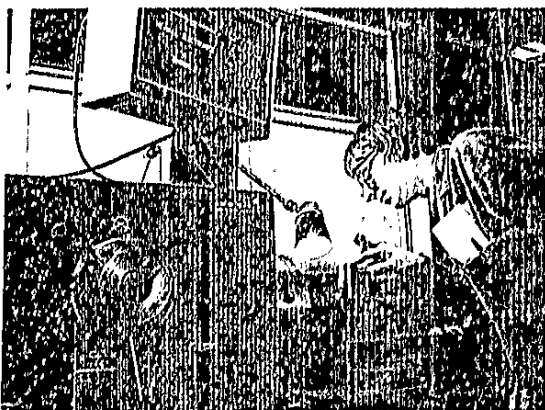
Product designs embody the latest techniques.



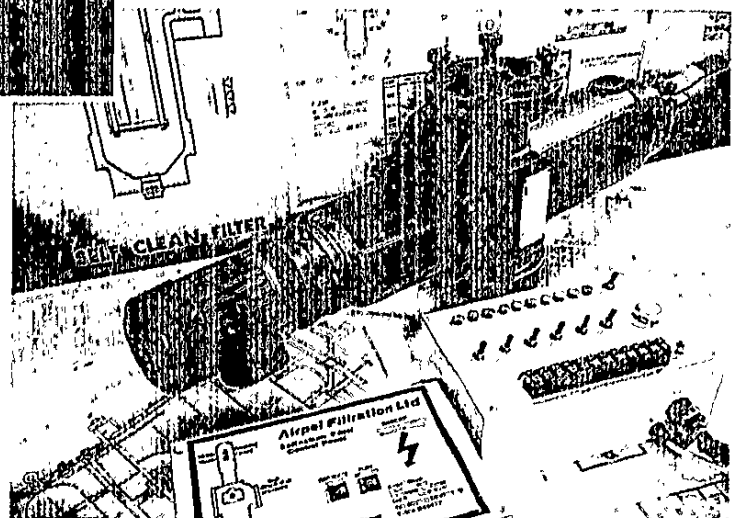
Representative selection of standard basket type filters, over 40% of which are exported worldwide.



Modern vertical machining centre with Computer Numerical Control.



Centre lathe with Digital Read Out accuracy.



Methods employed range from the simplest perforated metal baskets to sophisticated fully automated "self-clean" filters, complete with electronic control panel.

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
**non-executive*

SECRETARY

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

REGISTERED OFFICE

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

BANKERS

Lloyds Bank Plc
Morgan Grenfell & Co. Limited
The Royal Bank of Scotland plc

REGISTRARS AND TRANSFER AGENTS

Ravensbourne Registration Services Limited,
Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU

AUDITORS

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

SOLICITORS

Theodore Goddard & Co.,
16 St. Martin's-le-Grand, London EC1A 4EJ

STOCKBROKERS

Laing & Cruickshank,
Piercy House, Copthall Avenue, London EC2R 7BE
Henry Cooke, Lumsden & Co.,
Parsonage Gardens, Manchester M60 3AH

Notice of meeting

Notice is hereby given that the sixty-second Annual General Meeting of the company will be held at The Waldorf Hotel, Aldwych, London WC2B 4DD on Thursday, the ninth day of February, 1984, at 12.30 p.m., for the following purposes:—

- 1 To receive the report of the directors and the audited accounts for the year ended 1st October, 1983.
- 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.

By order of the board

A. SENTANCE

Secretary

Dated 10th January, 1984

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 (white card) 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 normal business hours at the company's registered office, will, on the day of the Annual General Meeting, be available for inspection at The Waldorf Hotel, Aldwych, London WC2 from 12.15 p.m. until the close of the meeting:—
 - a) The register of directors' interests and transactions.
 - b) A copy of all contracts of service of the directors with the company or any of its subsidiaries.

Chairman's statement

The accounts for the year ended on 1st October, 1983 show a further improvement in the results and financial position of API. Profit before taxation increased from £2,269,000 to £2,515,000 and borrowings were reduced. The charge for taxation increased from the exceptionally low level in the previous year to a more normal 23 per cent.

The first quarter of the year was difficult, with a downward trend in orders at some of our units; although there was a marked improvement in the second quarter, the results for the first half year were below those for the corresponding period of the previous year. The better trend of the second quarter continued, however, and in the second half-year we saw a significant increase in the profits by comparison with the same period in 1982. The closing weeks of the year produced particularly good results and the final outcome was slightly better than we had been able to forecast in September.

The directors' report contains a review of operations, but I think a few points are worthy of special mention. Our paper converting business had a particularly difficult time at the beginning of the year, but the development of new products, major efforts to increase export sales and a lot of hard work have achieved a marked improvement in the results in recent weeks and months. Papermaking continues to be a tough and competitive business but P. Garnett & Son increased its profits.

Our stamping foil business had a very good year. Sales and profits increased substantially at Peerless Foils, and George M. Whiley consolidated its position and successfully brought major new plant into full operation in September 1983. Both companies have a promising future in a growing market where exports accounted for some 85 per cent of their sales last year.

Building on the considerable success of Purification Products, a company which we established in 1982 to exploit products which we had been developing over a period of years for filtration, desiccation and odour absorption, we have invested further in purification, filtration and air conditioning. We intend to continue to increase our involvement in these businesses which we believe offer considerable potential and use management skills which we already have.

We ended 1983 in a strong financial position. Despite the payment of £710,000 in cash for Diffusion our borrowings fell during the year by £280,000 notwithstanding a requirement for additional working capital to finance the increased level of sales and activity towards the end of the year. In September 1983, however, we had agreed to acquire Airpel, involving a cash outlay of £442,000 and the repayment of Airpel's overdraft and group indebtedness totalling £631,000. This, coupled with our desire to be able to finance further growth and investment led us to make a successful rights issue of ordinary shares which raised about £2,740,000.

The directors' report contains a pro-forma group balance sheet showing the group's position as if the rights issue and the acquisition of Airpel had taken place on 1st October. This shows that we have no net borrowings and the resources to continue investing in new plant, financing increased sales and making further acquisitions. Your board devotes a high proportion of its time to these matters and I hope for further progress this year.

When we announced the rights issue in September 1983 we forecast a final dividend of 3 pence net per share, making a total of 4.2 pence per share for the year, an increase of 10½ per cent over the previous year. The final dividend, which is now recommended by the board as forecast, is payable on the new shares issued by way of rights but not those issued on the acquisition of Airpel. Taking account of this, the total dividend for the year was covered 2.7 times by historical cost profits and 1.8 times by current cost profits.

There have been no changes in the membership of the board in the past year, though Mr. B. R. Hall, who had served the group with great distinction for many years, latterly as an executive director, retired in January 1983. The board was delighted that he was willing to continue as a non-executive director. On their retirement by rotation Mr. Hall and Mr. W. Q. C. Mackenzie offer themselves for re-election. Mr. Mackenzie has handled the financial affairs of API very well on your behalf and I warmly commend to shareholders the re-election of both Mr. Hall and Mr. Mackenzie.

The year was not without its problems and everyone has worked very hard to achieve these results. I am glad to say that we have been able to make some modest increases in the number of people we employ and we now have over a thousand enthusiastic and willing people in API to whom I would like to express my thanks, on behalf of shareholders, for their efforts.

The last few years have seen a transformation of API, involving many changes, some of them painful. We have made good progress and are now able to concentrate on the growth of the business, developing new products, investing in the latest plant and pushing out the frontiers. We have a strong financial position, an excellent team and good products.

The opening weeks of the current year show overall orders and sales at higher levels than last year and the results are in line with our expectations. We are hopeful that we shall have a good year and we are looking ahead with confidence.

Charles Dawson
Charles Dawson

Report of the directors

The directors present their report and the audited accounts for the year ended 1st October, 1983.

RESULTS AND DIVIDENDS

The group results for the year, together with the appropriations made and proposed, are set out in the group profit and loss account on page 10. The results include Diffusion Radiator Co. Limited ("Diffusion") for three months from acquisition in July, 1983 and do not include Airpel Filtration Limited and Airpel Hydraulics Limited (together "Airpel") which were acquired on 10th October, 1983.

Profit before taxation was £2,515,000 (1982 £2,269,000). After taxation, and extraordinary surplus in 1982, distributable profits amounted to £1,927,000 (1982 £2,041,000) and from this amount dividends of £21,000 (1982 £21,000) have been paid on the preference share capital of the company.

Earnings per ordinary 25p share have increased from 13.2p in 1982 to 13.3p in 1983 and the directors recommend a final dividend of 3.0p per ordinary share making a total for the year of 4.2p (1982 3.8p). If approved the final dividend will be paid on 10th February, 1984 to shareholders on the register on 6th January, 1984.

ACTIVITIES

The group operates in the following markets:

Papermaking and converting
Stamping foils
Air conditioning, filtration and purification

The principal group companies and products are listed under the above headings on page 30 together with sales figures for each company.

A geographical analysis of sales is shown on page 15 and colour pictures of Airpel and Diffusion are shown on pages 2 and 31.

OPERATIONS REVIEW

Papermaking and converting

The paper and board converting companies, Henry & Leigh Slater Limited and Leonard Stace Limited, operated in very competitive market conditions which affected profits particularly in the first half year. Work on new products and markets continued and some positive results were starting to appear in the second half. The use of computerised systems continues to expand and the current programme is due for completion in early 1984. The paper manufacturing company, P. Garnett & Son Limited, increased sales of papers containing higher proportions of re-cycled fibres and in this connection further capital was invested in plant. Profitability improved and a good result was achieved.

Stamping foils

The stamping foil companies, Peerless Foils Limited and George M. Whitley Limited, made further progress. At Peerless a number of plant improvements were completed during the year which have been very effective. Whitley completed the installation of a new coating line costing £600,000. Regular production commenced in September.

Air conditioning, filtration and purification

Plans to create a significant business in the air and liquid treatment markets were developed towards the end of the year when Diffusion was acquired in July. Immediate action was taken to increase the production capacity of this company by ordering additional equipment which was installed in October. Purification Products Limited increased sales significantly in the year and this growth is continuing with particularly good prospects in the United States. The acquisition of Airpel in October 1983 is a further step into these markets which offer considerable opportunities.

Throughout the group each company devotes resources to product development. Attention is also given to market investigations to find opportunities for the development of new products and processes.

ACQUISITION OF DIFFUSION

On 13th July, 1983 the company acquired the whole of the issued share capital of Diffusion Radiator Co. Limited. The consideration including expenses was £710,000 after payment of a dividend of £114,500 by Diffusion prior to acquisition and was paid in cash.

Diffusion manufactures air conditioning, ventilation and heating equipment for offices and shop premises, specialising in fan coil air conditioning units.

In the year to 30th November, 1982 Diffusion's profit before tax and management charges was £238,000 on a turnover of £1,253,000 and net assets at that date were £172,000.

Report of the directors continued

ACQUISITION OF AIRPEL

By an agreement dated 9th September, 1983 the company agreed to acquire the entire issued share capitals of Airpel Filtration Limited and Airpel Hydraulics Limited with completion taking place on 10th October, 1983. The consideration for the acquisition of Airpel was £736,246 of which £441,771 was paid in cash and the balance of £294,475 by the issue of 327,194 ordinary shares of 25p each of the company at a price of 90p. These shares will not rank for the final dividend in respect of the year ended 1st October, 1983.

Airpel manufactures industrial filters and distributes hydraulic pumps, valves, winches and motors.

In the year to 30th April, 1983 profit before taxation and management charges was £233,000 on a turnover of £1,970,000 and net assets at that date were £243,000.

RIGHTS ISSUE

On 13th September, 1983 the company announced a one for four rights issue of 3,585,080 new ordinary shares of 25p each at 80p per share to existing shareholders. The latest date for acceptance was 7th October, 1983 by which time 93% of the shares had been taken up. The remaining shares were sold in the open market at 90p. The net proceeds of the issue are approximately £2,740,000.

POST BALANCE SHEET EVENTS

The rights issue and acquisition of Airpel referred to above were both completed after 1st October, 1983 and so are not reflected in the balance sheet shown on page 11. The following summarised pro-forma balance sheet, which is unaudited, demonstrates the group's position as if these events had taken place on 1st October, 1983.

	Pro-forma		Actual at 1st October, 1983	
	£'000	£'000	£'000	£'000
TANGIBLE FIXED ASSETS		8,829		8,579
CURRENT ASSETS				
Cash	1,765		97	
Stocks and debtors	14,021		12,856	
	<u>15,786</u>		<u>12,953</u>	
CREDITORS—due within one year				
Short term borrowings	396		396	
Other	7,464		6,859	
	<u>7,860</u>		<u>7,355</u>	
NET CURRENT ASSETS		7,926		5,598
TOTAL ASSETS LESS CURRENT LIABILITIES		16,755		14,177
CREDITORS—due after more than one year				
Loans	(783)		(783)	
Other	(419)		(419)	
		(1,202)		(1,202)
DEFERRED CREDIT—government grants		(756)		(756)
		<u>14,797</u>		<u>12,219</u>
SHARE CAPITAL		5,112		4,134
RESERVES		9,685		8,085
		<u>14,797</u>		<u>12,219</u>

Report of the directors continued

FIXED ASSETS

Changes in fixed assets are set out in note 13. Gross expenditure in the year amounted to £1,168,000.

The freehold and long leasehold properties were professionally valued on 29th September, 1979 on an expected realisation in existing use basis. This valuation, so far as it applied to properties not subsequently sold, exceeded the net book value after deducting government grants by £556,000.

DIRECTORS

The directors of the company are shown on page 3.

The directors retiring by rotation are Mr. B. R. Hall and Mr. W. Q. C. Mackenzie who, being eligible, offer themselves for re-election:

Mr. B. R. Hall is aged 67 and joined the board in February, 1971. He has held a number of executive positions in the group including managing director of George M. Whiley Limited. Mr. Hall has a total of 52 years experience in the paper industry and continues as a non-executive director following his retirement in January, 1983.

Mr. W. Q. C. Mackenzie, F.C.A., is aged 39 and was appointed to the board in May, 1977 as financial director. He was formerly chief accountant and joined the group in 1972. Mr. Mackenzie's contract of service provides for termination by either party giving 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			Ordinary 25p Share Options	
	18.12.83	1.10.83	3.10.82	1.10.83	3.10.82
C. F. M. Rawlinson	15,000	11,000	11,000	—	—
as trustee	—	—	6,400	—	—
J. A. Graham	28,718	28,718	38,718	50,800	50,800
J. G. Adams	26,000	23,333	23,333	—	—
P. R. Armitage	2,800	2,000	2,000	—	—
B. R. Hall	10,000	11,527	11,527	—	—
W. Q. C. Mackenzie	8,300	7,720	7,720	26,800	26,800
I. D. McKechnie	38,091	38,091	38,091	39,600	39,600

The ordinary share options outstanding at 1st October, 1983 were granted at 60p per share in March, 1982, which price was adjusted to 57p as a result of the rights issue.

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.

Mr. C. F. M. Rawlinson is also joint deputy chairman of Morgan Grenfell & Co. Limited which company received a fee and under-writing commission in connection with the rights issue. In addition a subsidiary of Morgan Grenfell & Co. Limited was the principal vendor of Diffusion Radiator Co. Limited.

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

PENSIONS

The funded pension scheme introduced on 1st April, 1974, known as Associated Paper Industries plc Pension and Life Assurance Fund, had assets on 2nd April, 1983 of £8,671,498 (1982 £8,305,000) at market value. Because of the healthy state of the fund, it was agreed on actuarial advice, to improve certain benefits for members and contributions continue to be made to the fund in accordance with the advice of the actuary.

The George M. Whiley Limited Pension and Assurance Scheme has been maintained separately with Legal & General Assurance (Pensions Management) Limited since Whiley was acquired in 1978. The scheme operates on a managed fund basis and contributions continue to be made to the scheme in accordance with the advice of the actuary.

Prior to 1st April, 1974 the group had two unfunded non-contributory 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 1st October, 1983, amounted to £137,000 (1982 £128,000).

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.

SHARE OPTIONS GRANTED IN THE YEAR

During the year options were granted under the Group Executive Share Option Scheme on 59,200 ordinary 25p shares at 74p, which price was adjusted to 71p as a result of the rights issue.

EXTRAORDINARY GENERAL MEETING

An extraordinary general meeting will follow the annual general meeting on 9th February, 1984. The business of this meeting will be:

1. To approve a group profit sharing scheme.
2. To approve an increase in the authorised share capital of the company.
3. To renew the authority to allot certain securities.

There is a separate notice and circular relating to this business.

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 25.57% 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 12.55% of the company's ordinary shares. 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.

CHARITABLE AND POLITICAL DONATIONS

Charitable contributions made by the group during the year amounted to £4,000. A donation of £8,000 was made to the Conservative Party.

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. SENTANCE
Secretary



Macclesfield, 16th December, 1983

Group profit and loss account
for the year ended 1st October 1983

	Note	1983 £'000	1982 £'000
SALES	2	37,273	35,029
Cost of sales	3	<u>(30,331)</u>	<u>(28,269)</u>
GROSS PROFIT		6,942	6,760
Distribution costs	3	(876)	(812)
Selling and administrative expenses	3	<u>(3,322)</u>	<u>(3,348)</u>
TRADING PROFIT		2,744	2,600
Interest payable	4	<u>(229)</u>	<u>(331)</u>
PROFIT BEFORE TAXATION	5	2,515	2,269
Taxation	5	<u>(588)</u>	<u>(367)</u>
PROFIT AFTER TAXATION BEFORE EXTRAORDINARY SURPLUS		1,927	1,902
Extraordinary surplus	9	<u>—</u>	<u>139</u>
PROFIT AFTER EXTRAORDINARY SURPLUS	10	1,927	2,041
Preference dividends	11	(21)	(21)
Ordinary dividends	11	<u>(710)</u>	<u>(545)</u>
BALANCE TRANSFERRED TO RESERVES		<u>1,196</u>	<u>1,475</u>
EARNINGS PER ORDINARY 28p SHARE	12		
Basic and fully diluted earnings		13.3p	13.2p
Basic earnings with taxation charge on a nil distribution basis		12.8p	14.0p

Group balance sheet

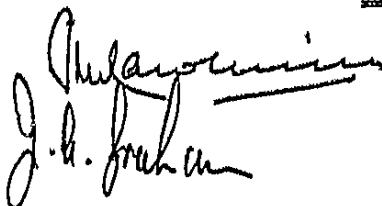
at 1st October 1983

		1983	1982
	Note	£'000	£'000
TANGIBLE FIXED ASSETS	13	8,579	8,179
CURRENT ASSETS			
Stocks	15	4,631	4,369
Debtors	16	8,225	7,613
Cash		97	60
		<u>12,953</u>	<u>12,042</u>
CREDITORS—amounts falling due within one year			
Creditors	17	5,817	5,340
Short term borrowings	18	396	939
Current taxation		519	257
Dividends		538	401
Finance leases	19	85	78
		<u>7,355</u>	<u>7,015</u>
NET CURRENT ASSETS		5,598	5,027
TOTAL ASSETS LESS CURRENT LIABILITIES		14,177	13,208
CREDITORS—amounts falling due after more than one year			
Loans	18	(783)	(483)
Finance leases	19	(167)	(253)
Taxation		<u>(252)</u>	<u>(73)</u>
		(1,202)	(809)
DEFERRED CREDIT—government grants		<u>(756)</u>	<u>(748)</u>
		<u>12,219</u>	<u>11,649</u>
SHARE CAPITAL AND RESERVES			
Called up share capital	20	4,134	4,134
Share premium	21	1,335	1,335
Capital reserve	21	155	155
Profit and loss account	21	<u>6,598</u>	<u>6,000</u>
		8,035	7,490
SHAREHOLDERS' FUNDS		12,219	11,624
MINORITY INTERESTS	22	<u>—</u>	<u>25</u>
		<u>12,219</u>	<u>11,649</u>

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

Chairman
Managing Director

16th December, 1983



Company balance sheet

at 1st October 1983

	Note	1983 £'000	1983 £'000	1982 £'000	1982 £'000
FIXED ASSETS					
Tangible fixed assets	13		140		142
Subsidiary companies	14		12,340		11,102
			<u>12,480</u>		<u>11,244</u>
CURRENT ASSETS					
Debtors	18	<u>243</u>		<u>222</u>	
CREDITORS—amounts falling due within one year					
Creditors	17	500		541	
Short term borrowings	18	196		739	
Current taxation		304		239	
Dividends		<u>638</u>		<u>401</u>	
		<u>1,538</u>		<u>1,920</u>	
NET CURRENT LIABILITIES			<u>(1,295)</u>		<u>(1,698)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>11,185</u>		<u>9,546</u>
CREDITORS—amounts falling due after more than one year					
Loans	18		<u>(509)</u>		<u>—</u>
			<u>10,685</u>		<u>9,546</u>
SHARE CAPITAL AND RESERVES					
Called up share capital	20		4,134		4,134
Share premium	21	1,335		1,335	
Profit and loss account	21	<u>5,216</u>	<u>6,551</u>	<u>4,077</u>	<u>5,412</u>
			<u>10,685</u>		<u>9,546</u>

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

Chairman
Managing Director

16th December, 1983

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

Source and application of funds for the year ended 1st October 1983

	1983		1982	
	£'000	£'000	£'000	£'000
GENERATED FROM OPERATIONS				
Profit before taxation and extraordinary surplus		2,515		2,269
Adjustment for items not involving the movement of funds:—				
Depreciation less grants		725		603
		<u>3,240</u>		<u>2,872</u>
(INCREASE) DECREASE IN WORKING CAPITAL				
Stocks (increase) decrease	(262)		324	
Debtors (increase) decrease excluding due on sale of subsidiary	(812)		215	
	<u>(1,074)</u>		<u>539</u>	
Creditors increase (decrease)	477	(597)	(525)	74
		<u>2,643</u>		<u>2,946</u>
OTHER SOURCES				
Instalment proceeds on sale of subsidiary company	200		200	
Net book value of fixed assets sold	74		118	
Extraordinary surplus	—		99	
Proceeds of shares issued	—		14	
		<u>274</u>		<u>431</u>
TOTAL SOURCES		<u>2,917</u>		<u>3,377</u>
APPLICATIONS				
Purchase of fixed assets less grants	(1,191)		(1,626)	
Goodwill paid for Diffusion Radiator Co. Limited	(612)		—	
Purchase of minority interest	(14)		—	
Finance lease (repayments) net	(79)		7	
Dividends paid	(694)		(422)	
Taxation paid	(147)		(176)	
		<u>(2,637)</u>		<u>(2,217)</u>
DECREASE IN BORROWINGS		<u>280</u>		<u>1,160</u>

Summary of the effects of the acquisition of Diffusion Radiator Co. Limited:

	£'000
Net assets acquired:	
Fixed Assets	88
Stock	167
Debtors	186
Bank	234
Creditors	(444)
Taxation	(130)
	<u>98</u>
Goodwill	612
Cash paid	<u>710</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 the inclusion of certain assets which are at valuation.

Basis of consolidation

The accounting dates of all companies in the group are co-terminous, and results for the year 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 properties	—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	—5 to 10 years

Government grants

Government grants, being investment and development grants and energy conservation 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 year. Admission to the schemes has ceased, the principal ones ceasing admission on 31st March, 1974.

Pension and Life Assurance Funds

Annual contributions are charged in arriving at the trading results for the year at rates advised by the companies' actuaries to be sufficient to secure the benefits under the rules of the schemes.

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.

1 ACCOUNTING POLICIES—continued

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 SALES

Sales are amounts invoiced to third parties excluding value added tax.

The geographical analysis of sales is as follows:

	1983 £'000	1982 £'000
United Kingdom	30,395	28,669
Western Europe	5,135	4,426
Eastern Europe	146	167
Asia and Australasia	739	1,023
Africa	412	477
Americas	446	267
Total sales	<u>37,273</u>	<u>35,029</u>

Direct exports from the United Kingdom were £6,443,000 (1982 £6,116,000).

3 COSTS

Cost of sales are all costs allocated to production including packing materials.

Distribution costs are costs incurred in distributing the goods from the production site to the customer.

Selling and administrative expenses are costs other than cost of sales and distribution costs.

4 INTEREST PAYABLE

	1983 £'000	1982 £'000
Bank overdrafts and loans and other loans repayable within 5 years and interest on bills discounted	199	295
Interest on loan secured by mortgage	7	7
Interest on finance leases	23	29
	<u>229</u>	<u>331</u>

5 PROFIT BEFORE TAXATION

	1983 £'000	1982 £'000
The profit before taxation is stated after charging (crediting):		
Depreciation—less government grants of £65,000 (1982 £42,000)	725	603
Operating leases and plant hire	134	124
Directors' emoluments (note 6)	179	180
Auditors' remuneration	73	68
(Profit) loss on sale of fixed assets	(91)	12

Notes to the accounts continued

6 DIRECTORS' EMOLUMENTS

	1983 £'000	1982 £'000
Chairman	13	13
Highest paid	40	36
Other	78	85
Management remuneration	131	134
Pension contributions	22	20
Past directors' pensions	26	26
	<u>179</u>	<u>180</u>

Number of directors whose emoluments were within the range:

Up to £5,000	2	2
£5,001—£10,000	—	—
£10,001—£15,000	2	1
£15,001—£20,000	—	1
£20,001—£25,000	1	—
£25,001—£30,000	—	2
£30,001—£35,000	1	—
£35,001—£40,000	1	1

7 EMPLOYMENT COSTS—including directors

The total group employment costs were:

	1983 £'000	1982 £'000
Wages and salaries	6,058	5,559
Employers' national insurance	522	553
Pensions		
Paid under non-contributory pension schemes	137	128
Contributions to the pension and life assurance funds	386	472
	<u>7,103</u>	<u>6,712</u>

The average number of employees in each week in the year is shown on page 30.

8 TAXATION

	1983 £'000	1982 £'000
Corporation tax payable at 52%	633	235
Overseas taxation	20	13
Advance corporation tax	(65)	119
	<u>588</u>	<u>367</u>

The principal factors reducing the taxation charge for the year below 52% are:

	£'000	£'000
Timing differences		
Deferred taxation not provided	367	272
Tax losses not previously recognised	130	229
Advance corporation tax not previously recognised	23	116
	<u>520</u>	<u>617</u>
Stock appreciation relief	158	142
	<u>678</u>	<u>759</u>

8 TAXATION—continued

Deferred taxation

No provision for deferred taxation is considered necessary (1982 £ nil).

	1983	1982
	£'000	£'000
There is a net potential deferred taxation liability as follows:		
Accelerated capital allowances	2,796	2,643
Chargeable gains	69	36
Losses carried forward	(372)	(439)
Advance corporation tax unrelieved	(1,186)	(1,226)
	<u>1,307</u>	<u>1,014</u>
Movement in the year	<u>293</u>	<u>272</u>

The movement of £293,000 comprises £367,000 for this year less £74,000 adjustments in respect of previous years.

9 EXTRAORDINARY SURPLUS

In 1980 full provisions were made for all closure costs, including estimated losses arising on future sales of assets, in respect of operations discontinued in that year. The surplus in 1982, which includes tax relief of £40,000, arose from disposals made and reductions in the provisions estimated to be required. All these assets have now been realised.

10 PROFIT ATTRIBUTABLE TO MEMBERS

£1,870,000 (1982 £1,959,000) of the profit for the year attributable to members has been dealt with in the accounts of the company.

11 DIVIDENDS

	1983	1982
	£'000	£'000
Preference		
Paid 31st March, 1983	10	10
Paid 30th September, 1983	11	11
	<u>21</u>	<u>21</u>

	Per share			
	1983	1982		
	p	p		
Ordinary				
Interim paid 7th July, 1983	1.2	1.0	172	144
Proposed final payable 10th February, 1984	3.0	2.8	538	401
Total ordinary dividend	<u>4.2p</u>	<u>3.8p</u>	<u>710</u>	<u>545</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 after taxation before extraordinary surplus and after preference dividends by 14,340,318 being the weighted average number of shares in issue during the year (1982 divisor 14,316,918).

Notes to the accounts continued

13 TANGIBLE FIXED ASSETS—GROUP

	Freehold land and buildings		Leasehold land and buildings		Plant and equipment		Total £'000
	Land £'000	Buildings £'000	Long £'000	Short £'000	Owned £'000	Finance leases £'000	
Cost or valuation							
At 3rd October, 1982	521	1,586	1,479	203	8,414	479	12,682
Additions	—	12	—	—	1,156	—	1,168
On acquisition	—	—	—	—	154	—	154
Disposals	—	(8)	—	—	(203)	—	(211)
At 1st October, 1983	<u>521</u>	<u>1,590</u>	<u>1,479</u>	<u>203</u>	<u>9,521</u>	<u>479</u>	<u>13,793</u>
Being:							
Cost	25	1,340	1,479	203	9,521	479	13,047
Professional valuation 1971	—	250	—	—	—	—	250
Professional valuation 1979	496	—	—	—	—	—	496
	<u>521</u>	<u>1,590</u>	<u>1,479</u>	<u>203</u>	<u>9,521</u>	<u>479</u>	<u>13,793</u>
Depreciation							
At 3rd October, 1982	—	212	235	88	3,911	56	4,502
Provided during period	—	57	39	24	600	60	780
On acquisition	—	—	—	—	69	—	69
Disposals	—	—	—	—	(137)	—	(137)
At 1st October, 1983	<u>—</u>	<u>269</u>	<u>274</u>	<u>112</u>	<u>4,443</u>	<u>116</u>	<u>5,214</u>
Net book value							
at 1st October, 1983	<u>521</u>	<u>1,321</u>	<u>1,205</u>	<u>91</u>	<u>5,078</u>	<u>363</u>	<u>8,579</u>

TANGIBLE FIXED ASSETS—COMPANY

Cost							
At 3rd October, 1982	14	8	28	25	106	—	181
Additions	—	—	—	—	55	—	55
Transfer inter group	—	—	—	—	(6)	—	(6)
Disposals	—	(8)	—	—	(34)	—	(42)
At 1st October, 1983	<u>14</u>	<u>—</u>	<u>28</u>	<u>25</u>	<u>121</u>	<u>—</u>	<u>188</u>
Depreciation							
At 3rd October, 1982	—	—	4	7	28	—	37
Provided during period	—	—	1	3	28	—	30
Transfer inter group	—	—	—	—	(3)	—	(3)
Disposals	—	—	—	—	(16)	—	(16)
At 1st October, 1983	<u>—</u>	<u>—</u>	<u>5</u>	<u>10</u>	<u>33</u>	<u>—</u>	<u>48</u>
Net book value							
at 1st October, 1983	<u>14</u>	<u>—</u>	<u>23</u>	<u>15</u>	<u>88</u>	<u>—</u>	<u>140</u>

The 1979 valuation was on an expected realisation in existing use basis, the 1971 valuation was on an estimated realisation basis. The valuations are not materially different from the historic net book value.

14 SUBSIDIARY COMPANIES

	1983 £'000	1982 £'000
Investments at cost	4,033	3,309
Amounts due from subsidiaries	11,924	11,476
Amounts due to subsidiaries	(441)	(423)
	<u>15,516</u>	<u>14,362</u>
Less provisions	(3,176)	(3,260)
	<u>12,340</u>	<u>11,102</u>

The company's principal subsidiaries are listed on page 30.

15 STOCKS

	1983 £'000	1982 £'000
Raw materials	1,821	1,370
Finished goods and work in progress	2,542	2,659
Stores	268	340
	<u>4,631</u>	<u>4,369</u>

The estimated replacement cost of stock does not exceed the balance sheet value by a material amount.

16 DEBTORS

	Group		Company	
	1983 £'000	1982 £'000	1983 £'000	1982 £'000
Under one year				
Trade debtors	7,537	6,812	—	—
Prepayments	224	236	10	1
Other debtors	292	309	131	16
VAT	29	16	2	5
Due on sale of subsidiary	—	200	—	200
	<u>8,082</u>	<u>7,573</u>	<u>143</u>	<u>222</u>
Over one year				
Life assurance policy (note 18)	43	40	—	—
Other debtors	100	—	100	—
	<u>8,225</u>	<u>7,613</u>	<u>243</u>	<u>222</u>

Other debtors includes £140,000 due in under one year and £100,000 due in over one year, relating to the sale of the remaining assets of Cooke & Nuttall Limited, which ceased production in 1980.

Notes to the accounts continued

17 CREDITORS—amounts falling due within one year

	Group		Company	
	1983 £'000	1982 £'000	1983 £'000	1982 £'000
Trade creditors	3,949	3,343	—	—
Bills of exchange	31	443	—	—
Accruals	813	611	75	55
Other creditors	156	164	1	32
National insurance and income tax	291	198	65	51
VAT	577	581	359	403
	<u>5,817</u>	<u>5,340</u>	<u>500</u>	<u>541</u>

18 BORROWINGS

Short term borrowings

Secretary of State for Scotland loan (secured, £300,000 guaranteed by company) repayable in equal half-yearly instalments of £100,000 bearing interest at 7½% per annum

Bank overdrafts

	Group		Company	
	1983 £'000	1982 £'000	1983 £'000	1982 £'000
Secretary of State for Scotland loan	200	200	—	—
Bank overdrafts	196	739	196	739
	<u>396</u>	<u>939</u>	<u>196</u>	<u>739</u>

Loans—falling due after more than one year

Secretary of State for Scotland loan (secured, £300,000 guaranteed by company) repayable in equal half-yearly instalments of £100,000 bearing interest at 7½% per annum

Bank loans

Mortgage on freehold property repayable from 1st March, 1990 to 28th February, 1995, at interest rates from 7% to 11½% per annum, secured on life assurance policy

	Group		Company	
	1983 £'000	1982 £'000	1983 £'000	1982 £'000
Secretary of State for Scotland loan	200	400	—	—
Bank loans	800	—	500	—
Mortgage on freehold property	83	83	—	—
	<u>783</u>	<u>483</u>	<u>500</u>	<u>—</u>

Repayable:

1985
1986
1987
1990 and later

Group 1983 £'000
400
200
100
83
<u>783</u>

19 LEASING COMMITMENTS

The future minimum lease payments to which the company's subsidiaries are committed at 1st October, 1983 under finance leases and non-cancellable operating leases are as follows:

	Finance leases £'000	Group Operating leases £'000
Years ending September:		
1984	101	91
1985	101	54
1986	73	26
1987	4	19
1988 and after	—	8
	<u>279</u>	<u>198</u>
Less finance charges allocated to future periods	<u>27</u>	<u>—</u>
	<u>252</u>	<u>198</u>

	Group 1983 £'000	1982 £'000
Finance leases payable:		
Within one year	85	78
After more than one year	167	253
	<u>252</u>	<u>331</u>

The company has no finance leases or non-cancellable operating leases but has guaranteed the future commitments on the finance leases of its subsidiaries as shown above.

20 SHARE CAPITAL

	Authorised		Issued and fully paid	
	1983 £'000	1982 £'000	1983 £'000	1982 £'000
849,000 3.85% (formerly 8½%) Cumulative Preference Shares of £1 each	<u>849</u>	<u>849</u>	<u>849</u>	<u>849</u>
Ordinary Shares of 25p each:				
At 3rd October, 1982	4,750	4,000	3,585	3,572
Authorised during the year	—	750	—	—
Issued during year	—	—	—	—
On exercise of options under share option scheme	—	—	—	13
At 1st October, 1983	<u>4,750</u>	<u>4,750</u>	<u>3,585</u>	<u>3,585</u>
	<u>5,299</u>	<u>5,299</u>	<u>4,134</u>	<u>4,134</u>

Full exercise of the options granted under the company's share option scheme would result in the issue, not earlier than March 1985 or later than February 1990, of a further £88,500 Ordinary Share Capital, made up of 270,800 shares at 57p, 12,000 shares at 60p and 89,200 shares at 71p.

ASSOCIATED PAPER INDUSTRIES plc

Notes to the accounts continued

21 RESERVES

	Group		Company	
	1983	1982	1983	1982
	£'000	£'000	£'000	£'000
Share premium account				
At 3rd October, 1982	1,335	1,334	1,335	1,334
Premium on shares issued during the year	—	1	—	1
At 1st October, 1983	<u>1,335</u>	<u>1,335</u>	<u>1,335</u>	<u>1,335</u>
Capital reserve				
At 3rd October, 1982	155	727	—	—
Transfer (to) revenue reserve	—	(572)	—	—
At 1st October, 1983	<u>155</u>	<u>155</u>	<u>—</u>	<u>—</u>
Profit and loss account				
At 3rd October, 1982	6,000	3,953	4,077	2,684
Goodwill written off on acquisition of				
Diffusion Radiator Co. Limited	(612)	—	—	—
Reserve arising from purchase of minority interest	11	—	—	—
Transfer from capital reserve	—	572	—	—
Balance from profit and loss account	<u>1,196</u>	<u>1,475</u>	<u>1,139</u>	<u>1,393</u>
At 1st October, 1983	<u>6,595</u>	<u>6,000</u>	<u>5,216</u>	<u>4,077</u>
Total reserves	<u>8,085</u>	<u>7,490</u>	<u>6,551</u>	<u>5,412</u>
Available for distribution	6,595	6,000	5,216	4,077
Not available for distribution	<u>1,508</u>	<u>1,494</u>	<u>1,335</u>	<u>1,335</u>
Total reserves	<u>8,085</u>	<u>7,490</u>	<u>6,551</u>	<u>5,412</u>

22 MINORITY INTERESTS

In April, 1983 the company purchased the minority holdings of 25,000 4.9% (formerly 7%) cumulative preference shares of £1 each in Watsons of Bullionfield Limited for the sum of £14,000.

23 CAPITAL COMMITMENTS

	Group		Company	
	1983	1982	1983	1982
	£'000	£'000	£'000	£'000
Amounts not provided for in these accounts are:				
Contracted	413	237	—	18
Authorised but not contracted	<u>115</u>	<u>133</u>	<u>18</u>	<u>—</u>

Current cost accounts

Group profit and loss account for the year ended 1st October 1983

	Note	1983		1982	
		£'000	£'000	£'000	£'000
Sales			<u>37,273</u>		<u>36,029</u>
Trading profit under historical convention			2,744		2,600
Cost of sales adjustment	2	(113)		(228)	
Monetary working capital adjustment	3	(114)		(128)	
Additional depreciation	4	<u>(480)</u>	<u>(707)</u>	<u>(440)</u>	<u>(796)</u>
Current cost trading profit			2,037		1,804
Interest payable		(229)		(331)	
Gearing adjustment	5	<u>69</u>	<u>(160)</u>	<u>98</u>	<u>(233)</u>
Current cost profit before taxation			1,877		1,571
Taxation			<u>(588)</u>		<u>(367)</u>
Current cost profit after taxation before extraordinary surplus			1,289		1,204
Extraordinary surplus	6		<u>—</u>		<u>139</u>
Current cost profit after extraordinary surplus			1,289		1,343
Preference dividends			(21)		(21)
Ordinary dividends			<u>(710)</u>		<u>(545)</u>
Adjusted balance transferred to retained profit	10		<u>558</u>		<u>777</u>
Current cost profit per ordinary 25p share					
Basic			8.8p		8.2p
With taxation charge on a nil distribution basis			8.4p		8.1p

Current cost accounts continued**Group balance sheet
at 1st October 1983**

	Note	1983 £'000	1982 £'000
Fixed assets	7		
Land and buildings (less grants £203,000)		3,418	3,558
Plant and machinery (less grants £311,000)		<u>7,817</u>	<u>7,166</u>
		11,235	10,724
Stocks	8	4,689	4,372
Monetary assets			
Debtors		8,225	7,613
Cash		<u>97</u>	<u>80</u>
		<u>8,322</u>	<u>7,693</u>
Monetary liabilities—under one year			
Creditors		5,817	5,340
Short term borrowings		398	939
Current taxation		519	257
Dividends		538	401
Finance leases		<u>80</u>	<u>78</u>
		<u>7,355</u>	<u>7,015</u>
Net current monetary assets		967	658
Monetary liabilities—over one year			
Loans		(783)	(483)
Finance leases		(167)	(253)
Taxation		<u>(252)</u>	<u>(74)</u>
		<u>(1,202)</u>	<u>(810)</u>
		<u>15,689</u>	<u>14,944</u>
Share capital and reserves			
Share capital		4,134	4,134
Share premium		1,335	1,335
Current cost reserve	9	8,747	7,934
Retained profit	10	<u>1,473</u>	<u>1,516</u>
		<u>15,689</u>	<u>14,919</u>
Minority interests		—	25
		<u>15,689</u>	<u>14,944</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.

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 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 (£1,888,000; 1982 £1,564,000) finance the net operating assets (£18,112,000; 1982 £16,912,000) averaged for the year. Interest paid to finance non-operating assets is estimated at £41,000 (1982 £80,000).

6 Extraordinary surplus

The extraordinary surplus shows no change from the historic cost accounts.

7 Fixed assets

Land and buildings are valued on an expected realisation value in existing use, based on a professional valuation at 29th September, 1979 (gross current replacement cost £4,110,000 net of grants £229,000). 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 £23,112,000 net of grants £1,182,000). Grants are included for those companies which are still eligible for grants and have been based on expected realisation values for land and buildings and net current replacement cost for plant and machinery.

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

	1983		1982	
	£'000	£'000	£'000	£'000
At 3rd October, 1982		7,934		7,351
Net surplus on revaluation of assets				
Land and buildings	(13)		—	
Plant and machinery	613		419	
Fixed assets	600		419	
Stocks—revaluation	55		(94)	
Cost of sales adjustment	113		228	
Monetary working capital adjustment	114		128	
Gearing adjustment	882		681	
	(69)		(98)	
At 1st October, 1983		813		583
		8,747		7,934

10 Retained profit

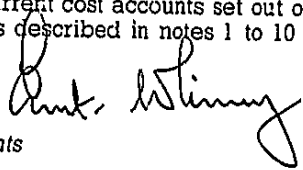
	1983	1982
	£'000	£'000
At 3rd October, 1982		
Profit retained for year	1,516	739
Goodwill on acquisition of Diffusion Radiator Co. Limited	558	777
Reserve on purchase of minority interest	(612)	—
At 1st October, 1983	11	—
	1,473	1,516

Report of the auditors to the members

We have examined the accounts of Associated Paper Industries plc set out on pages 10 to 22 and 30. 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 1st October, 1983 and of the profit, changes in retained profits and source and application of funds of the group for the year 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, 
Chartered Accountants

Manchester

16th December, 1983

ASSOCIATED PAPER INDUSTRIES plc

Statement of value added
in the year ended 1st October 1983

	£'000	1983 £'000	%	£'000	1982 £'000	%
SALES		37,273	100.0		35,029	100.0
BOUGHT-IN MATERIALS AND SERVICES		26,424	70.9		24,860	71.0
VALUE ADDED		<u>10,849</u>	<u>29.1</u>		<u>10,169</u>	<u>29.0</u>
APPLIED THE FOLLOWING WAY:						
To pay employees						
Wages, salaries and pensions		7,103	65.5		6,712	66.0
To pay providers of capital						
Interest on loans	229			331		
Preference dividends	21			21		
Ordinary dividends	<u>710</u>	960	8.8	<u>645</u>	897	8.8
To pay government						
Corporation tax payable	588			367		
Rates	<u>277</u>	865	8.0	<u>254</u>	621	6.1
To provide for maintenance and expansion of assets*						
Depreciation less government grants	725			603		
Retained profits	<u>1,198</u>	1,921	17.7	<u>1,475</u>	2,078	20.5
Extraordinary surplus		—	—		(139)	(1.4)
VALUE ADDED		<u>10,849</u>	<u>100.0%</u>		<u>10,169</u>	<u>100.0%</u>

*Group expenditure on fixed assets purchased in the year was £1,168,000 (1982 £1,841,000) before grants, and Diffusion Radiator Co. Limited was purchased at a cost of £710,000.

Group financial statistics

	1983	1982	1981	1980	1979
	£'000	£'000	£'000	£'000	£'000
TURNOVER —outside group	37,273	35,029	33,782	44,667	44,590
TRADING PROFIT	2,744	2,600	1,576	1,120	2,312
Interest payable	(229)	(331)	(591)	(768)	(365)
PROFIT BEFORE TAXATION	2,515	2,269	985	352	1,947
Taxation	(588)	(367)	(279)	(46)	(287)
PROFIT AFTER TAXATION	1,927	1,902	706	306	1,660
Preference dividends,	(21)	(21)	(21)	(21)	(21)
Extraordinary profit (loss)	—	139	264	(3,903)	—
Ordinary dividends	1,906	2,020	949	(3,618)	1,639
	(710)	(545)	(343)	(285)	(520)
RETAINED PROFIT (LOSS)	1,196	1,475	606	(3,903)	1,119
NET ASSETS					
Fixed assets	8,579	8,179	7,100	7,234	10,541
Assets held for realisation	(12)	14	82	853	—
Amount due on sale of subsidiary	—	200	400	600	—
Net current assets less taxation	5,358	4,740	5,100	3,388	6,146
	13,925	13,133	12,682	12,075	16,687
LOANS —over one year	(783)	(483)	(1,682)	(1,882)	(1,882)
DEFERRED TAX AND GOVERNMENT GRANTS	(756)	(748)	(575)	(644)	(1,361)
FINANCE LEASES —over one year	(167)	(253)	(265)	—	—
	12,219	11,649	10,160	9,549	13,444
CAPITAL EMPLOYED					
Ordinary capital	3,588	3,588	3,572	3,567	3,560
Reserves	8,085	7,490	6,014	5,408	9,310
Ordinary shareholders' equity	11,870	11,075	9,586	8,975	12,870
Preference capital	549	549	549	549	549
Minority interests	—	25	25	25	25
	12,219	11,649	10,160	9,549	13,444
STATISTICS RELATING TO ORDINARY SHAREHOLDERS					
Earnings per share—Fully diluted	13.3p	13.2p	4.8p	2.0p	11.8p
Dividend per ordinary share	4.2p	3.8p	2.4p	2.0p	3.65p
Dividend cover (times)	2.7	3.5	2.0	1.0	3.2
Ordinary shareholders' equity per share	81.4p	77.2p	67.1p	62.9p	90.4p
Borrowings as a percentage of shareholders' funds	11.7%	15.1%	28.8%	38.6%	16.8%
Return on opening shareholders' funds (pre-tax)	21.6%	22.4%	10.3%	2.6%	18.0%
Average number of employees	943	913	1,011	1,586	1,798
£000's sales per employee	40	38	33	28	25

ASSOCIATED PAPER INDUSTRIES plc

Principal companies and products

	Average No. of employees		Turnover	
	1983	1982	1983 £'000	1982 £'000
Associated Paper Industries plc, Macclesfield, Cheshire Telephone: 0625 610334	15	16	—	—
Subsidiary companies:				
PAPERMAKING AND CONVERTING				
P. Garnett & Son Limited, Otley, Yorkshire Telephone: 0943 466511	236	238	10,145	9,091
Poster and envelope papers and laminated manillas.				
Henry & Leigh Slater Limited, Bollington & Poynton, Cheshire Telephone: 0625 73051	321	323	15,844	16,287
Coated and laminated papers and boards for packaging, labelling and advertising.				
Leonard Stace Limited, Cheltenham, Gloucestershire Telephone: 0242 514081	97	97	3,700	3,690
Specialised coated and impregnated papers for a wide range of industries.				
STAMPING FOILS				
Peerless Foils Limited, Bow, London Telephone: 01-981 2825	40	35	1,747	1,315
Stamping foils for the plastics, packaging and bookbinding industries.				
George M. Whitley Limited, Livingston, West Lothian Telephone: 0506 38611	183	192	5,316	4,682
Stamping foils for industrial marking, packaging and decorating purposes.				
AIR CONDITIONING, FILTRATION AND PURIFICATION				
Purification Products Limited, Otley, Yorkshire Telephone: 0943 466511	19	12	400	250*
Materials for use in filtration, desiccation and odour absorption—as agents for P. Garnett & Son Limited				
Diffusion Radiator Co. Limited (acquired July 1983) Telephone: 0932 240197	32	—	362 (3 months)	—
Air conditioning, ventilating and heating equipment.				
Less intra group sales	<u>943</u>	<u>913</u>	<u>37,514</u>	<u>35,315</u>
Sales to third parties			<u>(241)</u>	<u>(286)</u>
			<u>37,273</u>	<u>35,029</u>

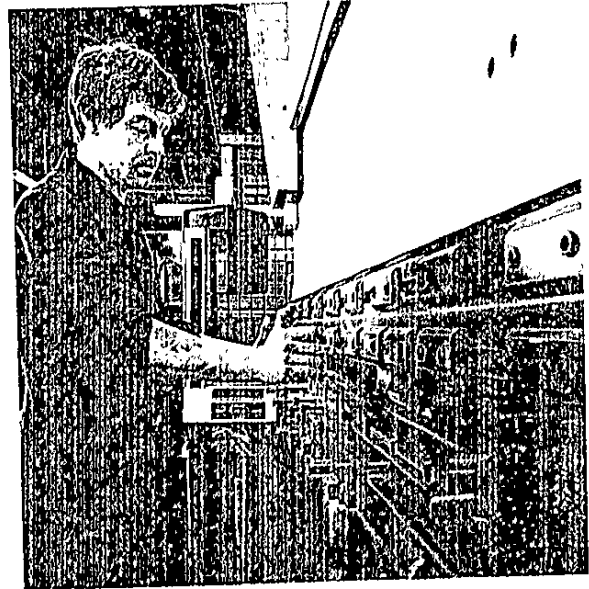
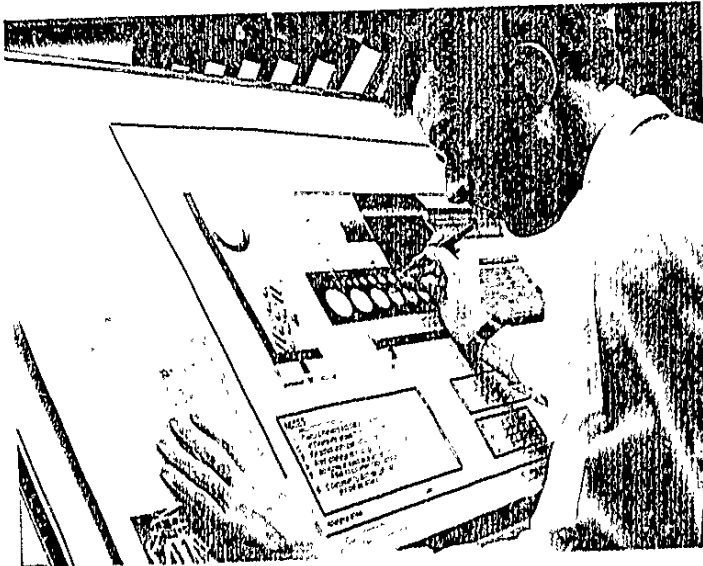
All the subsidiary companies above are wholly owned subsidiaries of Associated Paper Industries plc, except Purification Products Limited which is a wholly owned subsidiary of P. Garnett & Son Limited. All the companies are registered in England.

*Includes the sales of the speciality products division of P. Garnett & Son Limited for the six months prior to Purification Products Limited being established as a separate company on 5th April, 1982.

DIFFUSION RADIATOR CO. LIMITED

Diffusion Radiator Co. Limited, manufactures warm air door curtains which are supplied to many retail stores including Marks & Spencer, F.W. Woolworth and Boots.

Diffusion also supplies a range of air conditioning equipment to hotels, banks and commercial premises and their equipment is installed in the Palace of Westminster.

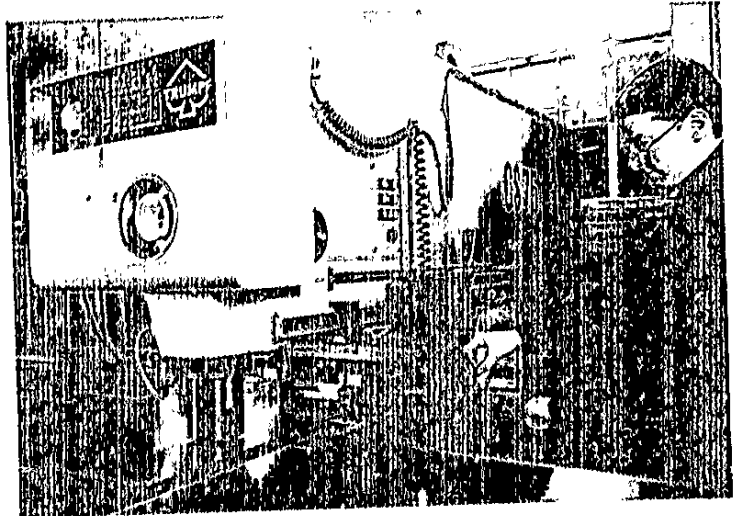


New KB computer controlled hydraulic press.

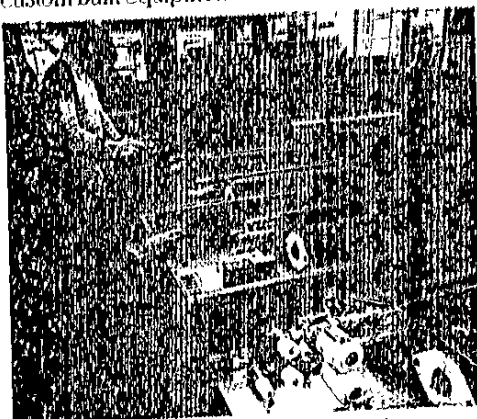
Our drawing office prepares design information for the Production Department prior to manufacture.



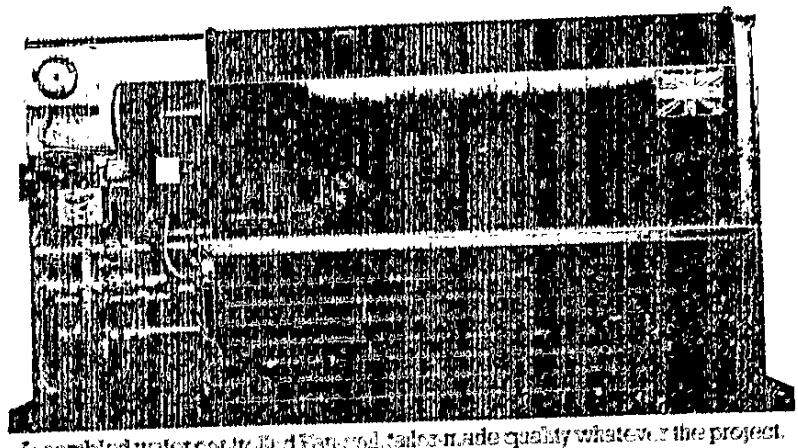
Fans are an integral part of all Diffusion's range of custom built equipment.



Recently installed 16375cup7 punch press



The main assembly area showing FGW equipment in the final stage of manufacture prior to inspection and dispatch



Assembled water controlled Fan-coil, tailor-made quality whatever the project.