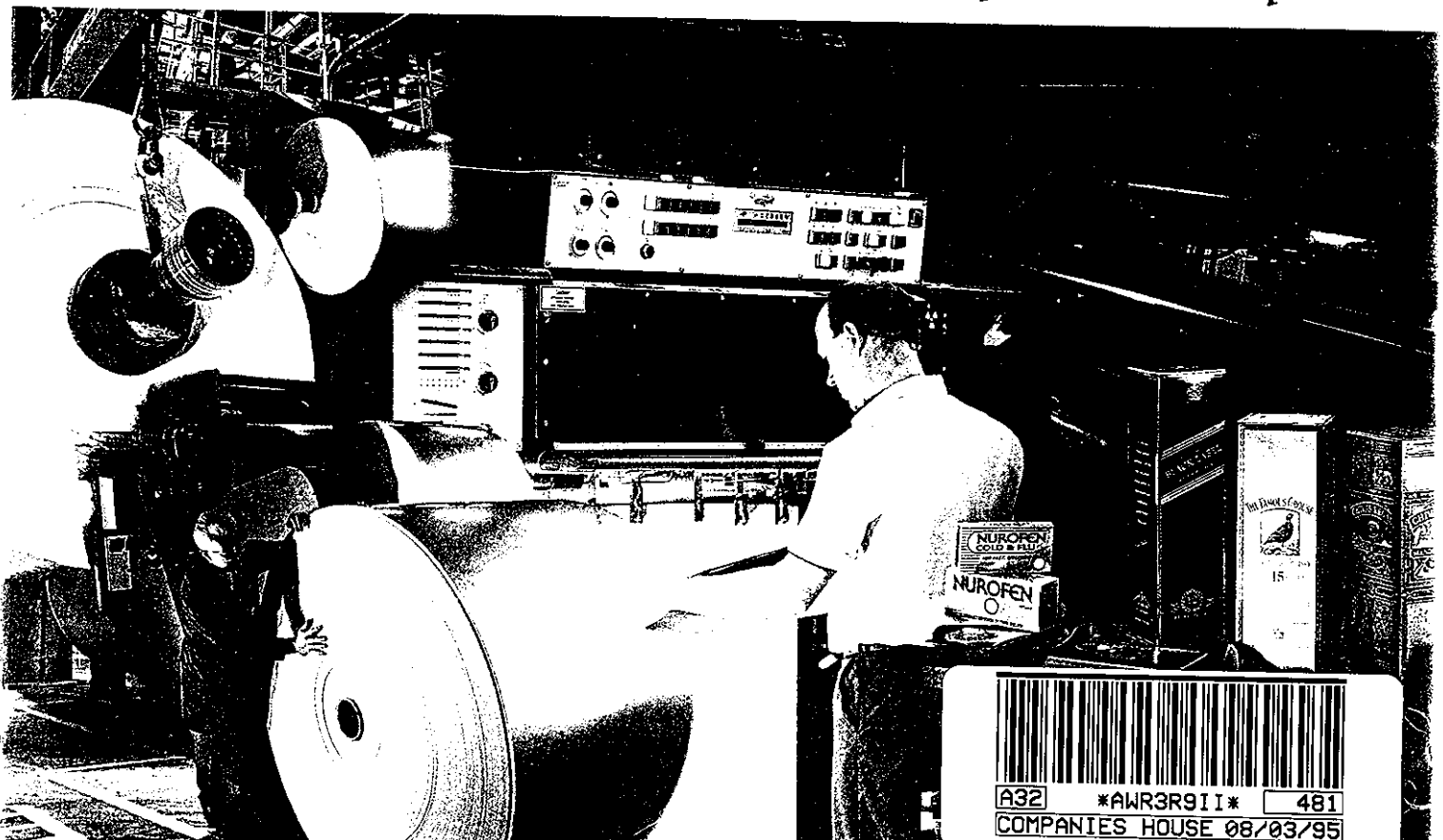


COMPANY N° 169249



Annual Report and Accounts 1994

*encouraging growth through partnerships*



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THE FRONT COVER ILLUSTRATES ONE OF THE SUPPLY CHAINS IN WHICH THE GROUP OPERATE.

IT TRACES THE PROGRESS OF MATERIAL FROM THE SUPPLIER, THE BOARD MILL, THROUGH TO API'S FACILITY WHERE THE BOARD IS LAMINATED AND THEN DESPATCHED TO THE CUSTOMERS WHO CONVERT IT INTO CARTONS.

THESE CUSTOMERS SUPPLY THE FINISHED PRODUCT TO THEIR OWN CUSTOMERS WITH WHOM THEY IN TURN OFTEN HAVE PARTNERSHIP ARRANGEMENTS, THUS COMPLETING THE CHAIN.

OUR GRATEFUL THANKS GO TO OUR OWN PARTNERS FEATURED IN THE PHOTOGRAPHS FOR THEIR KIND PERMISSION AND CO-OPERATION.

## MISSION STATEMENT

THE ABSOLUTE OBJECTIVE OF THE API GROUP PLC AND ITS SUBSIDIARY COMPANIES IS TO SELL AND SUPPLY TO OUR CUSTOMERS PRODUCTS THAT COMPLY WITH THEIR REQUIREMENTS, ON TIME AND AT A COMPETITIVE PRICE.

THIS WILL BE ACCOMPLISHED BY CONTINUOUS IMPROVEMENT IN OUR PROCESSES, TECHNOLOGY, PRODUCTS AND SERVICES. WE ARE COMMITTED TO OPERATING WITH THE HIGHEST STANDARD OF ETHICS IN A TEAM-LIKE MANNER, BRINGING CREDIT TO OURSELVES, OUR SHAREHOLDERS AND THE COMMUNITY. WE ARE CONSCIOUS OF THE VITAL IMPORTANCE OF MANUFACTURING OUR PRODUCTS IN A MANNER BENEFICIAL TO THE ENVIRONMENT.

### Financial highlights

	1994	1993
Turnover (£m)	79.6	73.4
Operating profit (£m)	6.8	5.1
Profit before taxation (£m)	7.0	5.4
Earnings per share (p)	21.8	16.8
Dividend per share (p)	9.08	8.25

- Turnover increased 8% to £79.6m
- Profit before taxation up 30% to £7m
- Earnings per share improved 30% to 21.8p
- Dividend up 10% to 9.08p, covered 2.4 times by earnings
- Net cash position improved from £3.6m to £6.4m

## A PROFILE OF THE API GROUP

API Group plc is the holding company of six principal subsidiaries which manufacture and supply packaging, specialist coatings and office consumables. Originally founded in 1920, the API Group plc is now a world-wide industrial organisation whose objectives are to grow profitability year on year, both organically and by acquisition.

### Foils and Laminates

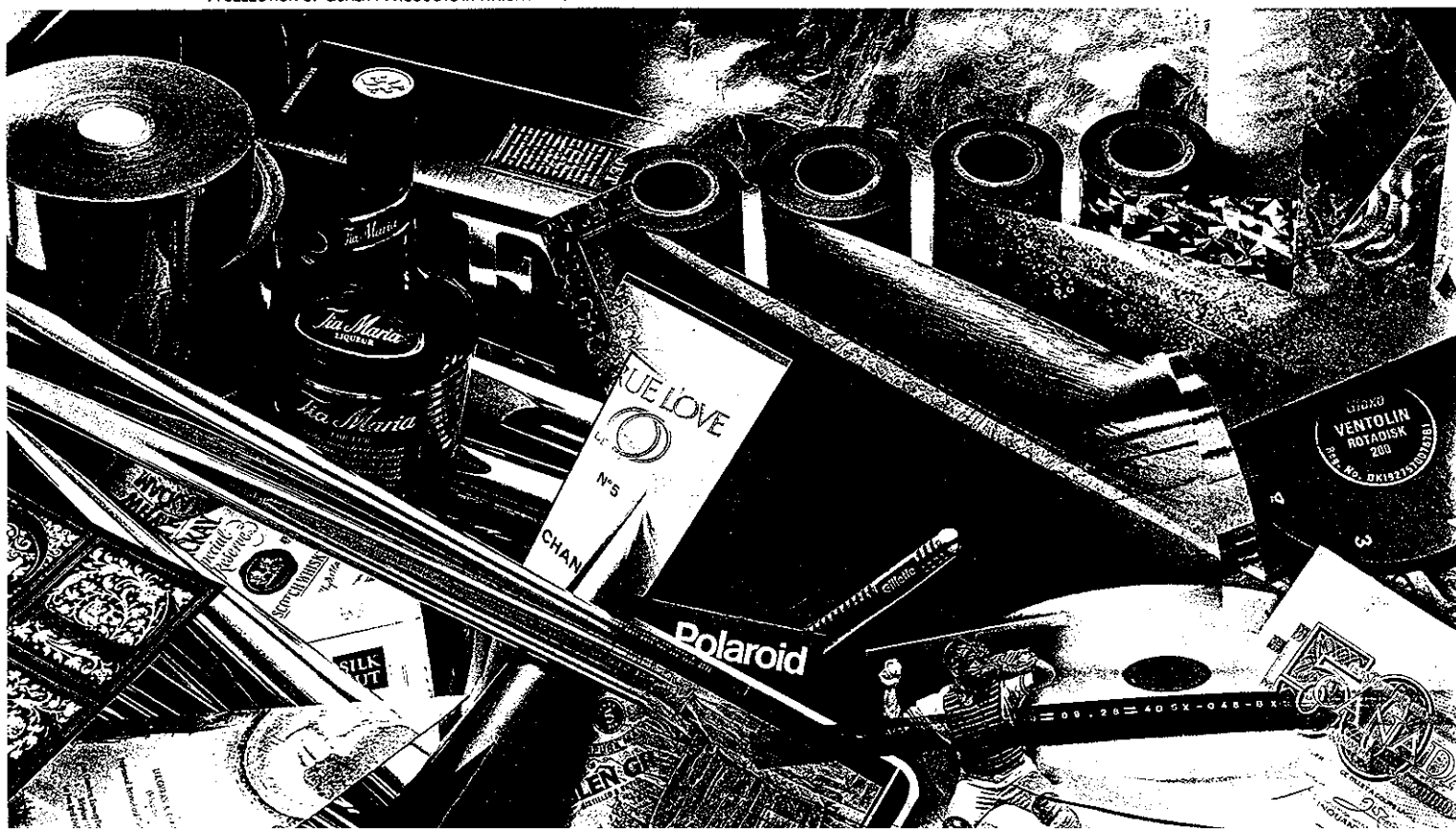
Four companies within the Group operate in the foils and laminates division manufacturing hot stamping foil and metallised laminated board for the print and packaging industry. These are as follows:

**Whiley Foils Ltd** produces a wide range of metallic and pigment stamping foils for both the UK and European markets. These foils are predominantly used to achieve an attractive quality image for carton packaging, labels, greeting cards, brochures and promotional literature.

**Peerless Foils Ltd** runs an advanced pigment coating plant and is a global supplier of mainly pigment hot stamping foils. These foils are used for coding and labelling product information and identification in many businesses, from food and pharmaceuticals to electrical cable and pipe marking. Peerless also produces pigment foils for the decorative labelling of toiletries such as shampoo and liquid soap containers. The company has also introduced thermal transfer ribbon for bar coding and other high definition variable information applications.

**Dri-Print Foils, Inc.** operates from its facility in Rahway, New Jersey, USA, where it manufactures an extensive range of specialised coatings. Dri-Print produces a variety of hot stamping foils for the graphics, book

A SELECTION OF QUALITY PRODUCTS IN WHICH API'S MATERIALS FEATURE.



binding and security markets. They also supply decorative coatings for products such as cosmetic packaging, vertical window blinds and picture frames, as well as barrier coatings for high technology applications.

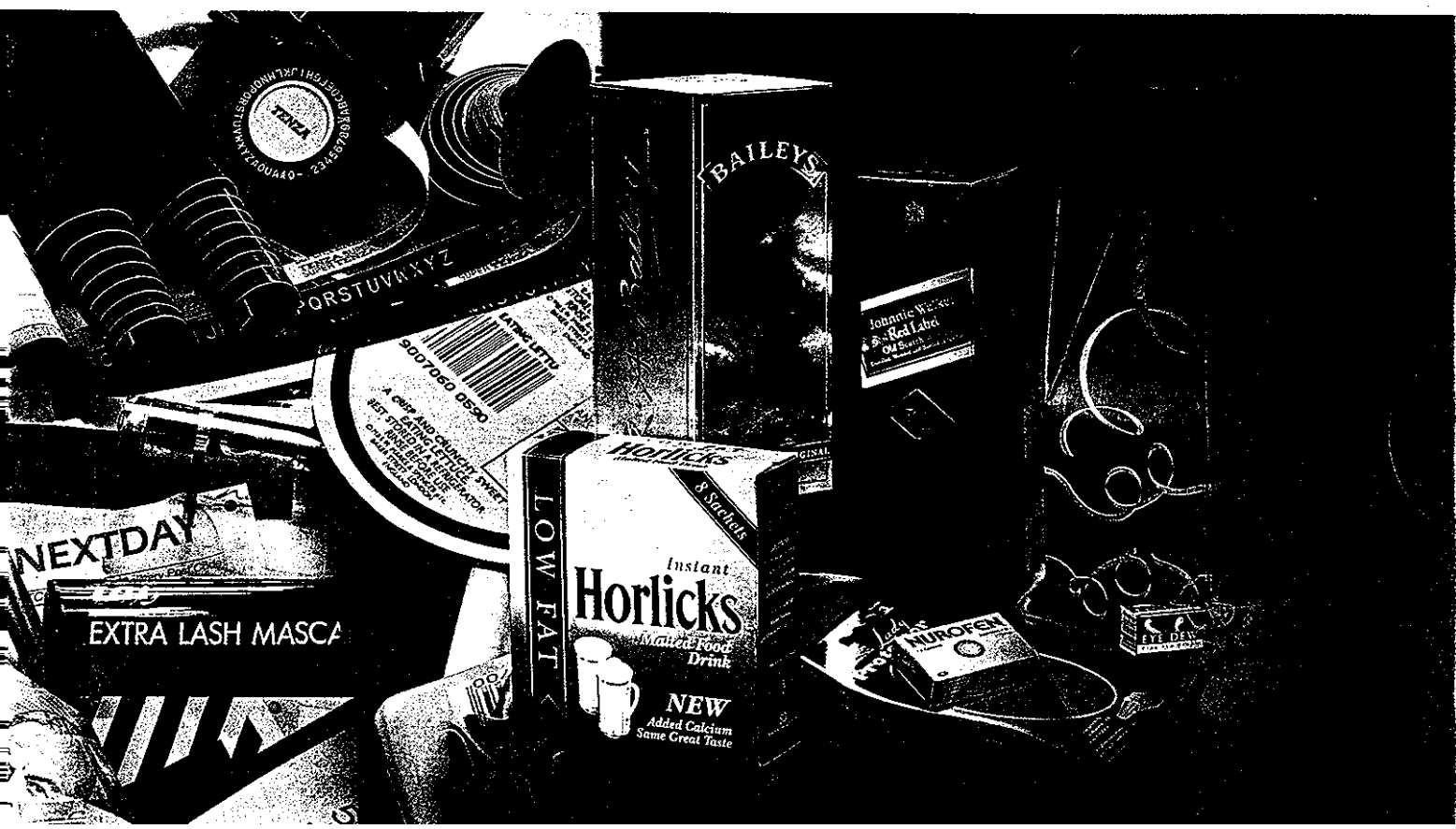
**Henry & Leigh Slater Ltd** provides decorative and functional laminated board for the packaging industry, which includes wine and spirits, tobacco, confectionery, pharmaceuticals and cosmetics, while holographic boards are produced for the gift box and general packaging markets. The company also produces barrier coatings and microwaveable materials for the food packaging industry.

#### **Converted Film, Paper Products and Office Consumables**

Leonard Stace and Tenza, the two principal companies in this division, operate as independent businesses although they have significant mutual interests. In 1994 Tenza represented more than 20% of Leonard Stace's business purchasing siliconised base paper for its wide variety of self-adhesive products.

**Leonard Stace Ltd** specialises in silicone coating providing release properties to a variety of base materials. These siliconised papers and films are used as release liners in the building, stationery, medical, bakery and other diverse industries. The company also produces anti-corrosion papers for the automotive and engineering industries under the 'Corotex' trade name. Arnold Belford, acquired during 1994, manufactures mainly siliconised release products for bakeries and corrosion inhibitor products for the engineering industry. The acquisition of Arnold Belford will complement the activities of Leonard Stace.

**Tenza Ltd** is one of the UK's leading manufacturers of self-adhesive products for the stationery, packaging and logistics markets. Tenza products include computer and laser labels, document protection envelopes, book covering film, embossing tape and laminates sold through distribution channels and direct to the end user. These products are supplied to over 70 countries world-wide.



## DIRECTORS, SECRETARY AND ADVISERS



FROM LEFT TO RIGHT: JOHN ADEY, MICHAEL SMITH, MOGER WOOLLEY, DENNIS HOLT.

### Directors

J. M. Woolley, *Chairman\**  
 M. J. Smith, *Chief Executive*  
 D. J. Holt, A.C.M.A., *Finance*  
 J. F. Adey, M.A., M.B.A.\*

\* *non-executive*

### Secretary

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

### Registered office

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

Registered number 169249

### Bankers

Barclays Bank PLC,  
 Park Green,  
 Macclesfield,  
 Cheshire SK11 7ND

The Royal Bank of Scotland plc,  
 Sidlaw House,  
 Almondvale North,  
 Livingston,  
 West Lothian EH45 6QA

### Registrars and transfer agents

Barclays Registrars,  
 Bourne House,  
 34 Beckenham Road,  
 Beckenham,  
 Kent BR3 4TU

### Auditors

Ernst & Young, Chartered Accountants,  
 Commercial Union House,  
 Albert Square,  
 Manchester M2 6LP

### Solicitors

Addleshaw Sons & Latham,  
 Dennis House, Marsden Street,  
 Manchester M2 1JD

### Stockbrokers

Credit Lyonnais Laing,  
 Broadwalk House, 5 Appold Street,  
 London EC2A 2DA  
 Henry Cook, Lumsden & Co.,  
 1 King Street, Manchester M2 6AW

### Merchant bankers

Baring Brothers & Co., Limited,  
 8 Bishopsgate,  
 London EC2N 4AE

## CHAIRMAN'S STATEMENT

I am pleased to report another excellent year of progress with pre-tax profits of £7.0m, an increase over last year of 30%. Turnover increased by 8% to £79.6m; but turnover from continuing operations, including three months from the Arnold Belford acquisition, increased by 13%.

Earnings per share rose 30% to 21.8p (1993: 16.8p). The board is recommending an increase in the final dividend to 5.38p (1993: 4.9p) making a total for the year of 9.08p (1993: 8.25p) an increase of 10%. The dividend is 2.4 times covered by earnings compared with 2 times last year.

Strong cash flow and strict financial controls have further strengthened the balance sheet. Return on capital increased to 30% (1993: 21%) while net cash balances improved by £2.8m to £6.4m.

The Group operating profit from continuing operations at £6.6m, shows an improvement of 35% over the £4.9m earned in the previous year.

The foils and laminates division generated an increase in sales of 14% to £50.9m (£44.8m) with operating profits improving by 30% to £4.7m (£3.6m).

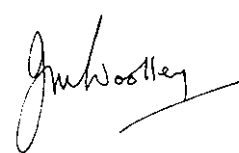
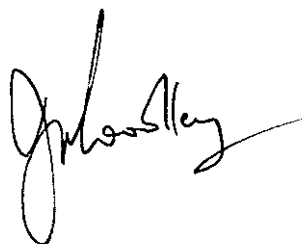
The converted film, paper products and office consumables division performed well with an 11% increase in sales to £27.3m (£24.7m) and a 28% rise in operating profits to £3.2m (£2.5m).

In June, the Group acquired the coatings company Arnold Belford for a cash consideration of £1.7m. Arnold Belford, prior to acquisition, had annual sales of approximately £3m and profits of over £0.3m before tax and group management charges. The business will complement the activities of Leonard Stace and under API management, operating margins are expected to rise during the year.

Diffusion, the Group's only remaining business in heating and ventilating, was sold in February 1994 to the Benson Group plc for a cash consideration of £1.5m, producing a surplus over net assets and after other costs of £0.8m.

The company has accepted the principles of the Cadbury Code and as we have been operating with only two non-executive directors since last year's AGM, we have been actively pursuing a further appointment and I am pleased to announce that Mr. John Sheldrick has agreed to join the board and will be appointed a director at the conclusion of the Annual General Meeting on 10 February 1995. Mr. Sheldrick, 45, is a main board executive director of Johnson Matthey plc and is responsible for all aspects of finance, technology, planning and systems. With his experience in large international groups he will, as an independent director, make a valuable contribution in the future growth of API.

Finally, our thanks are due to all our employees without whose dedicated involvement and flexibility we would not have achieved another year of profitable growth.



J. Moger Woolley, Chairman  
23 December 1994

## GROUP CHIEF EXECUTIVE'S REVIEW

### *introduction*

I am very happy to announce that the API Group plc has followed its progress of the previous two years with another year of growth. Pre-tax profits rose by 30% to £7.0m (£5.4m) on increased turnover of £79.6m (£73.4m). Turnover of the continuing businesses improved by 14% in foils and laminates and 11% in converted film, paper products and office consumables, including three months of Arnold Belford's turnover. These results demonstrate the success of our programme of managing for continuous improvement in all aspects of the business.

While price pressure has occurred in all of API's markets and raw material prices have increased above inflation, the Group's ability to react quickly to such circumstances supported by its cost-effective operations has resulted in operating margins advancing 20% to 8.5%.

Forging more alliances with key suppliers and customers continues to improve the quality of earnings. New product introductions, the broadening of a focused product portfolio, with tight controls on all aspects of operations, have enhanced the effectiveness of the Group.

Strong cash flow and strict financial controls have further strengthened the balance sheet. Return on capital increased to 30% (1993: 21%) while net cash balances improved by £2.8m to £6.4m.

The average number of employees during the year was 708 (1993: 704), productivity has continued to grow with operating profit per employee increasing from £7,300 to £9,600, an increase of 31.5%.

The Group's commitment to R&D is paying dividends, for example the introduction by Whiley of the universal foil which is able to perform on a wide variety of substrates will result in improved productivity and reduce the number of foil variants that need to be offered.

The ongoing environmental programme has prioritised the transfer to environmentally friendly water based adhesives, lacquers and coatings. This process reduces costly containment and can also produce cost effective substitutes. This programme forms part of API's objective to be recognised as an environmentally responsible business, which has also set its sights on achieving the British Standards Institute's environmental accreditation BS7750 by the end of the next calendar year.

I will now turn to the individual subsidiaries to review their activities in detail.

### *foils and laminates*

The division has achieved an increase in market share through its strong alliances with key customers where the ability to work with and react positively to customer requirements is vital.

Productivity gains supporting volume growth along with the continuing cost improvement programmes have mitigated the strong pricing pressure allowing the operating margin to increase to 9.3% from 8.1% last year and 3% in 1991.

Overall sales increased by 14% to £50.9m (£44.8m), while operating profit improved by 30% to £4.72m (£3.62m).



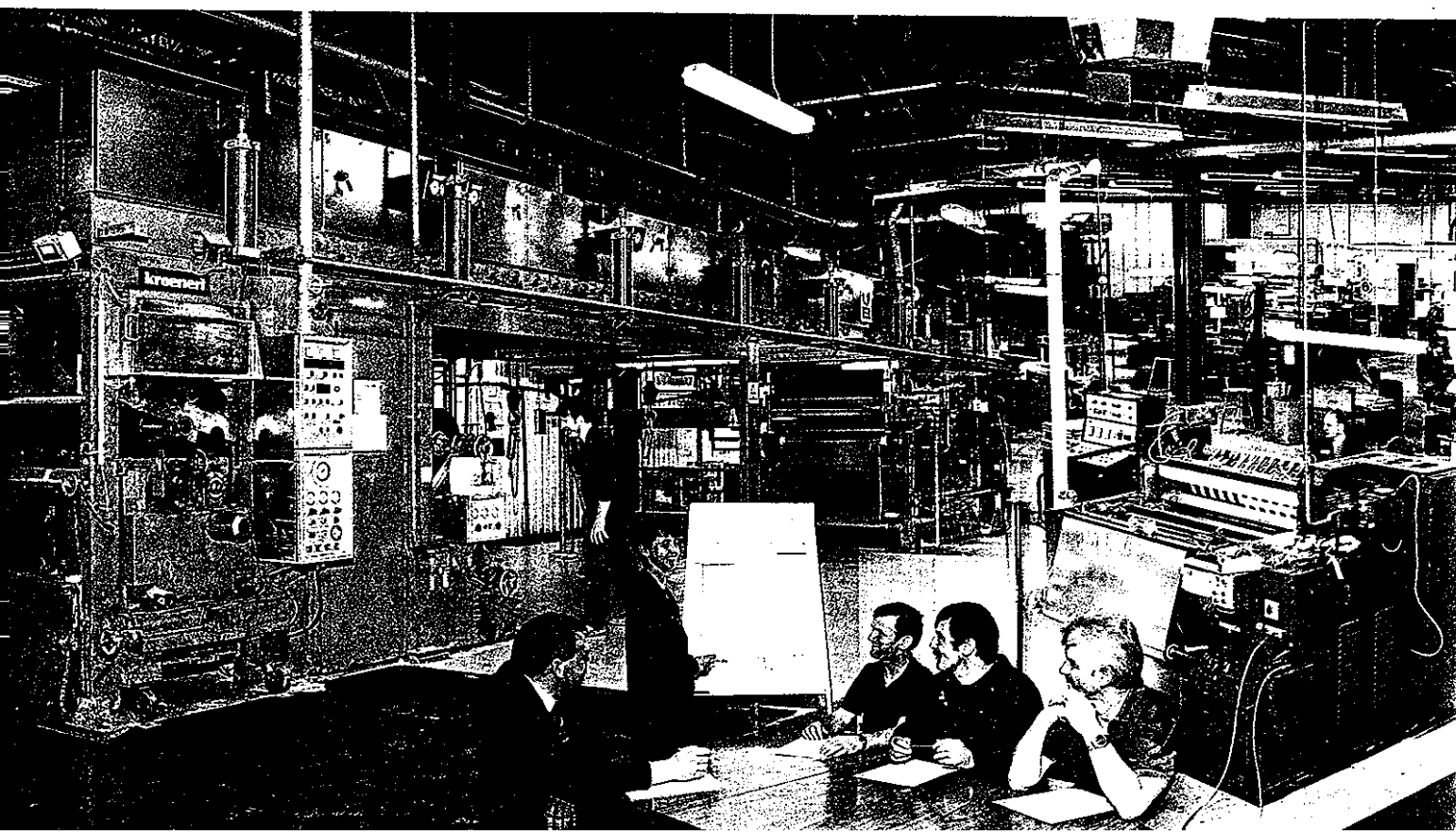
## GROUP CHIEF EXECUTIVE'S REVIEW

*foils and laminates* continued**Whiley Foils Ltd**

The company experienced solid growth and progress throughout 1994, gaining share in all major sectors within the graphics industry. Volume increased by 18% over that of 1993, although pressure on margins reduced the increase in sales value to 12%. Despite pressure on margins, Whiley showed a marked profit improvement.

Throughout 1994, Whiley expanded its markets mainly as a result of forming a number of important partnerships with major new customers both in the UK and in Europe. During the year the structure of the senior management team was completed with appointments in key roles of technical, logistics and sales management. These new appointments bring to Whiley significant new skills and will further improve the ability to contribute to effective collaborations.

Whiley continues to explore new markets and investigate new technologies – especially those which help customers improve product presentation and added value.



## GROUP CHIEF EXECUTIVE'S REVIEW

1994-1995 Financial Review continued



### Peerless Foils Ltd

During 1994 Peerless achieved a 9% increase in sales over the previous year, despite difficult conditions in world-wide markets. The cost base was controlled by a modest investment in new equipment and refurbishment which helped generate an 8% increase in productivity.

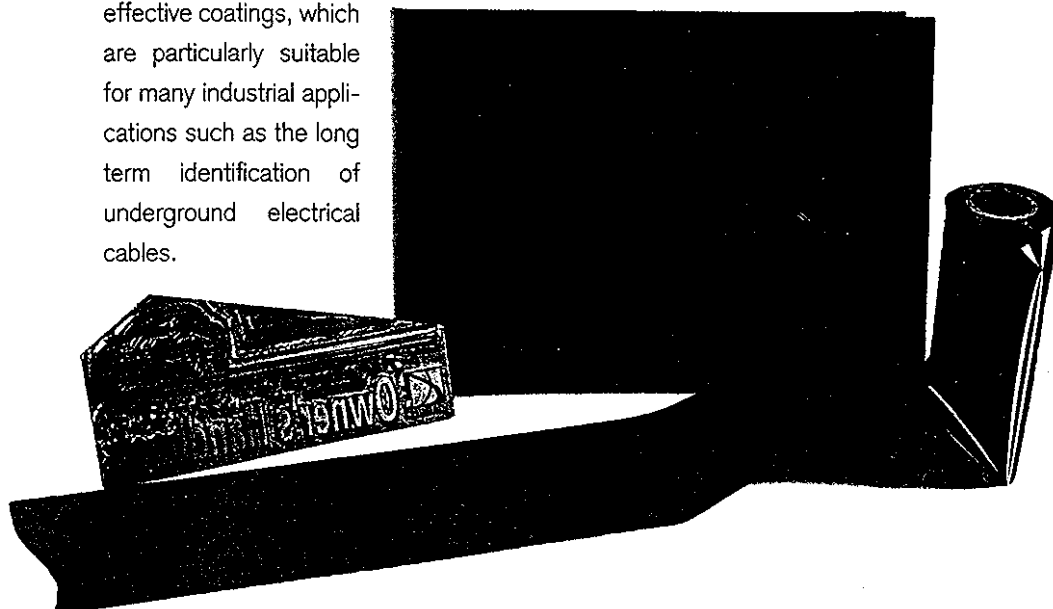
The Group's on-going improvement programme was recognised at Peerless by the Post Office, one of the company's major customers, who presented Peerless with a Supplier of the Year Award. The Award recognised Peerless's commitment to quality and customer service.

Following the launch of thermal transfer ribbon, 1994 saw the installation of a sophisticated narrow coil slitting machine enabling the company to supply high quality product, within short lead times.

### Dri-Print Foils, Inc.

Market conditions forced a decline in unit prices in several key markets during 1994. This was offset by increases in Dri-Print's unit volume, thanks to the development of strong working partnerships with a number of major customers. The volume increase was supported by notable increases in productivity. Significant opportunities for further growth have been identified in the security sector on a world-wide basis and considerable technical resources are being devoted to customer focused products.

In addition, Dri-Print has identified for its products, uses in innovative architectural applications such as window frames and door frames. This has arisen as a result of the introduction of a number of new robust cost effective coatings, which are particularly suitable for many industrial applications such as the long term identification of underground electrical cables.

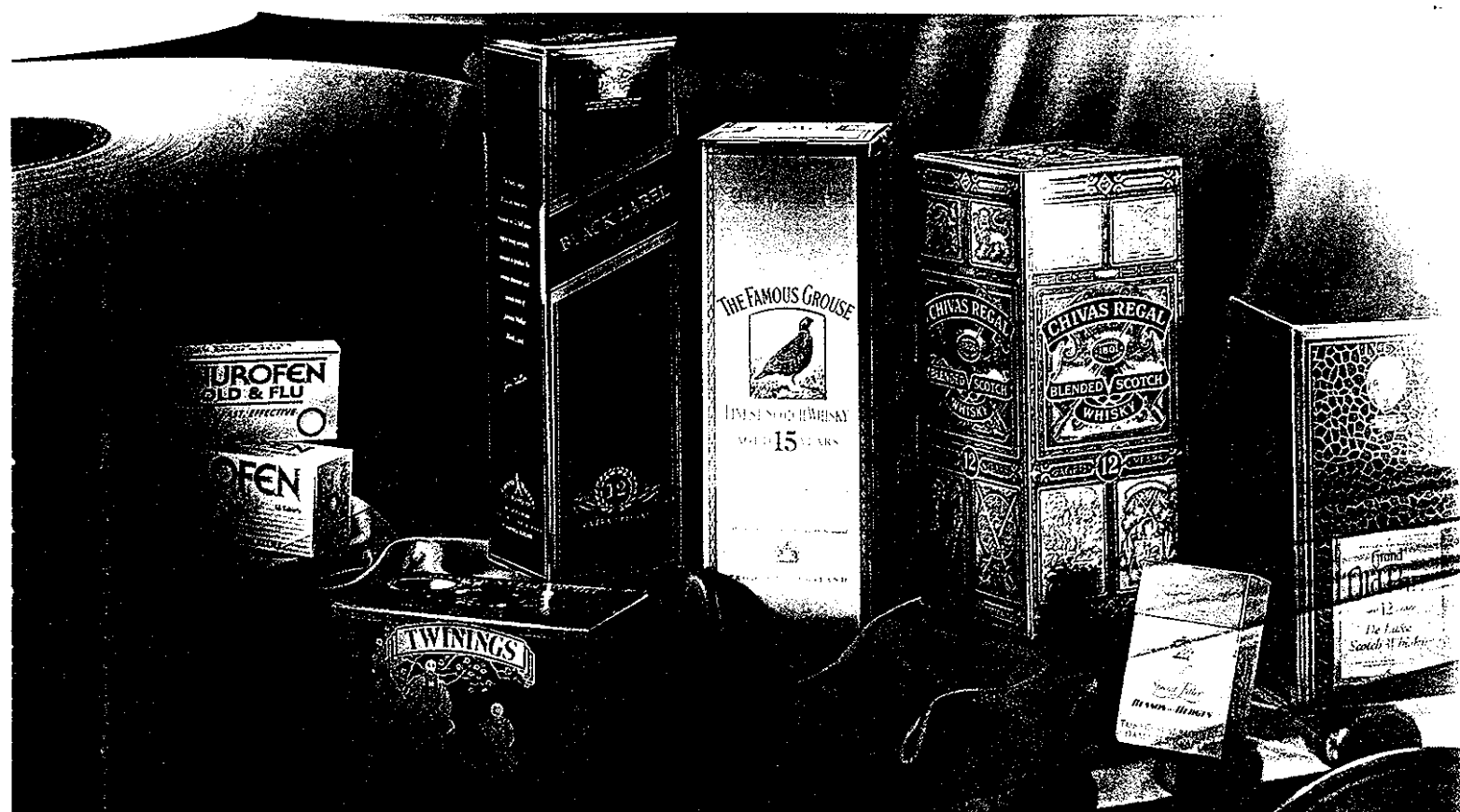


## GROUP CHIEF EXECUTIVE'S REVIEW

*foils and laminates* continued**Henry & Leigh Slater Ltd**

Henry & Leigh Slater has continued to be highly competitive throughout 1994 as a result of cost effective, quality based partnerships with key customers. Slater has gained significant market share which has resulted in a 30% volume increase, achieved by responding to customers with competitive quality products. Margins have improved through productivity gains thanks to increases in efficiency by a dedicated and enthusiastic workforce, and as a result of rising skill levels which are being developed through continuous improvement and 'Investors in People' programmes.

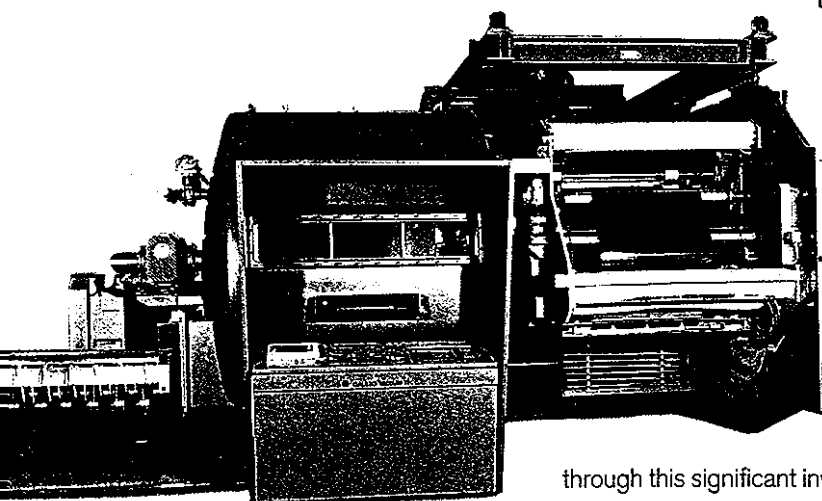
A number of new products were launched during the year, which included a new water resistant label laminate, a recyclable coated board for use in the bakery industry and a new range of laminates for the stationery market. Capital expenditure of £1m was spent on upgrading existing machinery and the installation of new equipment. These investments, along with other planned improvements, will reinforce the company's competitiveness and strengthen alliances through superior levels of service.



## GROUP CHIEF EXECUTIVE'S REVIEW

*foils and laminates* continued**£8m investment in new metallised paper plant**

Through its subsidiary, Henry & Leigh Slater, the API Group has embarked on a major project for the future, with an announcement in September of an £8m investment in a purpose-built plant for the metallisation of paper for the packaging market.



Detailed research into markets and technology preceded this decision. The project offers an excellent opportunity for Henry & Leigh Slater and the API Group to move into a high growth area of the packaging industry.

Already Europe's leading laminator of metallic paper and board for distinctive packaging, API has realised that the market will continue to expand and diversify, not only within Europe, but world-wide. The European market for metallised products is an estimated £300m and API is determined,

through this significant investment, to build on its position as a major supplier of metallic paper and board.

Market sectors utilising metallised paper include the drinks and tobacco industries, for which API is already a major supplier. Further growth in the market is expected from new products, new and existing customers, and a change for environmental reasons of certain laminates to metallised paper.

The construction of the new metallising plant is close to Henry & Leigh Slater's existing manufacturing facility in Poynton, Cheshire. The factory, due for completion in 1995, will employ over 50 people and will produce more than 120 million square metres of metallised paper per annum. This project reflects commitment to organic investment as well as growth by acquisition.

▲ A VACUUM METALLISER — ONE OF THE MAIN ITEMS OF EQUIPMENT USED IN THE NEW PROCESS, IN WHICH A THIN LAYER OF ALUMINIUM IS DEPOSITED ON THE PAPER UNDER VACUUM.

OTHER KEY ITEMS OF EQUIPMENT INCLUDE A HIGH-SPEED COATER AND ADVANCED CURING FACILITIES.

## GROUP CHIEF EXECUTIVE'S REVIEW

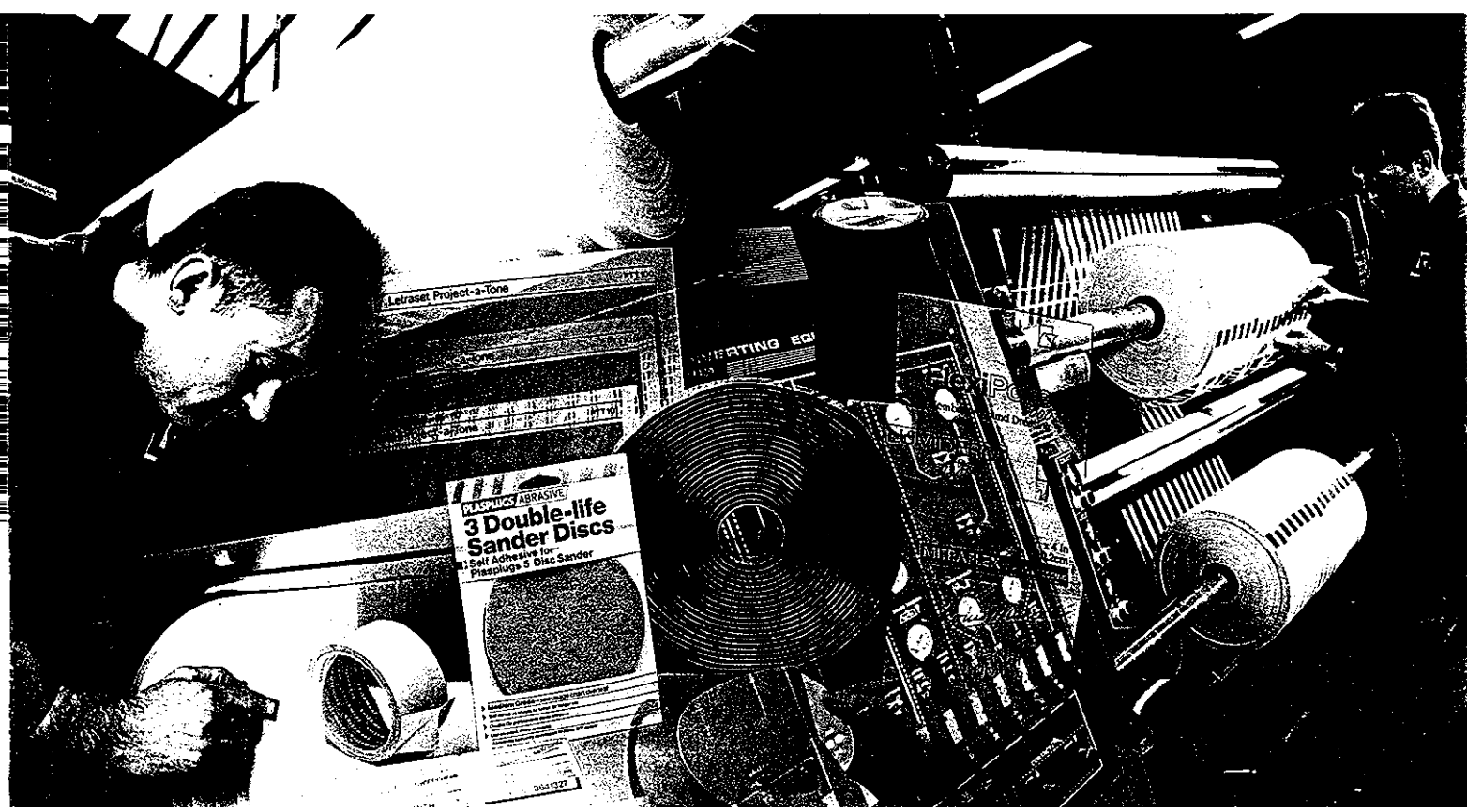
*converted film, paper products  
and office consumables*

Within Leonard Stace and Tenza, a number of factors contributed to a healthy performance throughout the year. Strong international sales, vigorous product marketing, a balanced product mix and new production methods resulted in overall sales of £27.3m (£24.7m) and operating profits of £3.2m (£2.5m), an increase in profits of 28% from an 11% growth in sales. Operating margins increased from 10.1% to 11.7%, more than double the margin of 5.4% in 1991.

**Leonard Stace Ltd**

A particularly strong performance in the second half with sales increasing by 22% over the first half, resulted in a 10% increase in volume and a 7% increase in value over 1993. Following upgrades of the coating machines output rates were increased by over 20% during the year, contributing to the margin improvement.

Principal growth areas were the label and graphics sectors and these benefited from long term development projects, which achieved significant market penetration. The projects arose from progressive co-operation between the company, its suppliers and its customers, who pooled their collective knowledge and experience in the development of new products. For example, a clay-coated label release paper with improved processing properties was



## GROUP CHIEF EXECUTIVE'S REVIEW

*converted film, paper products and  
office consumables* continued

developed, together with a premium quality release liner for pipeline insulation material, whose properties enabled a Leonard Stace customer to win large export orders.

The final stage of the filmic release liner project included the upgrade of the coating machine which now incorporates a state of the art UV curing station. An improved version of 'Corotex Plus', a multi-metal anti-corrosion product, was completed during the year. The investment in our continuous improvement programme has assisted in the development of product quality and customer service and, together, these factors indicate that 1995 will continue to witness the successful growth and profitability of the company.

**Arnold Belford Ltd**

Arnold Belford was acquired by the API Group in June 1994. Prior to acquisition, Arnold Belford had annual sales of approximately £3m, with profits of over £0.3m before tax and group management charges. It is anticipated that the acquisition of Arnold Belford will enhance Group earnings through economies of scale, broadening API's product range and increasing the Group's overall market share.

**Tenza Ltd**

Tenza's sales volume grew strongly throughout the year, with an overall increase of 14%. In addition, profits grew significantly with a 30% increase, reflecting



efficient use of manufacturing resources. A £0.5m investment in a manufacturing line producing packing list envelopes (Tenzalopes) has significantly

## GROUP CHIEF EXECUTIVE'S REVIEW

improved productivity and material utilisation compared with previous technology.

With export markets accounting for over 50% of turnover, major new business developments helped to strengthen the company's position. Significant account gains in self adhesive covering products were made in South America, South Africa and the Middle East. *Tenzalopes* generated new business in France, Australia and Spain, and new accounts for labels were also gained in France. Tenza's ability to compete in these markets against domestic manufacturers reflects the company's determination to be a world class low cost producer, while providing high levels of service and product quality.

Well established trading partnerships with main customers and suppliers provide considerable opportunity for continued growth within existing markets, and new product developments are aimed at opening up new markets in 1995 and beyond.

### Diffusion Environmental Systems Ltd

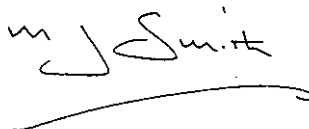
This discontinued operation of the API Group produced profits of £0.185m on sales of £1.4m prior to disposal in February 1994.

### Future Prospects

We are committed to exploring new opportunities for growth, and this fact has underlined our acquisition of Arnold Belford, which will benefit through economies of scale, the business of Leonard Stace. Furthermore, the £8m metallised paper investment, due to be completed during the fourth quarter of 1995, will enable API to be a competitive participant in the growing £300m metallised products market.

The API management team is dedicated to continuous improvement at all levels of the Group's operations and, with our strong balance sheet, we are well positioned to secure further successful organic and acquisitive growth.

I anticipate another year of pressure on margins in all market sectors and geographical regions. However, sales and orders entered for all our core products are well ahead of the same time last year.



Michael J. Smith, Group Chief Executive  
23 December 1994



## FIVE YEAR RECORD

	1994	1993	1992	1991	1990
GROUP PROFIT AND LOSS ACCOUNT	£'000	£'000	£'000	£'000	£'000
Continuing operations	78,164	69,431	57,789	57,242	59,495
Discontinued operations	1,393	3,934	4,151	5,229	12,939
<b>TURNOVER</b>	<b>79,557</b>	<b>73,365</b>	<b>61,940</b>	<b>62,471</b>	<b>72,434</b>
Continuing operations	6,618	4,902	3,481	1,146	2,449
Discontinued operations	185	208	230	554	646
<b>OPERATING PROFIT</b>	<b>6,803</b>	<b>5,110</b>	<b>3,711</b>	<b>1,700</b>	<b>3,095</b>
Exceptional items	203	291	-	(1,743)	(1,377)
<b>TRADING PROFIT</b>	<b>7,006</b>	<b>5,401</b>	<b>3,711</b>	<b>(43)</b>	<b>1,718</b>
Finance income (costs)	9	13	(179)	(427)	(945)
Exchange gain on repayment of borrowings	-	-	321	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>7,015</b>	<b>5,414</b>	<b>3,853</b>	<b>(470)</b>	<b>773</b>
Taxation	(2,350)	(1,814)	(1,118)	(18)	(562)
<b>PROFIT AFTER TAXATION</b>	<b>4,665</b>	<b>3,600</b>	<b>2,735</b>	<b>(488)</b>	<b>211</b>
Preference dividends	(21)	(21)	(21)	(21)	(21)
Ordinary dividends	4,644 (1,938)	3,579 (1,753)	2,714 (1,584)	(509) (1,426)	190 (1,426)
<b>TRANSFERRED TO/(FROM) RESERVES</b>	<b>2,706</b>	<b>1,826</b>	<b>1,130</b>	<b>(1,935)</b>	<b>(1,236)</b>
<b>GROUP BALANCE SHEET</b>					
<b>NET ASSETS</b>					
Fixed assets	20,232	20,519	20,272	21,206	22,156
Net current assets	12,014	11,831	10,495	9,645	10,984
	32,246	32,350	30,767	30,851	33,140
Creditors over one year	(1,442)	(2,076)	(2,462)	(3,954)	(4,381)
Provision for liabilities and charges	(712)	(645)	(794)	(672)	(784)
Government grants	(237)	(265)	(292)	(322)	(454)
	29,855	29,364	27,219	25,903	27,521
<b>CAPITAL EMPLOYED</b>					
Ordinary capital	5,341	5,320	5,281	5,281	5,281
Reserves	23,965	23,495	21,389	20,073	21,691
Ordinary shareholders' equity	29,306	28,815	26,670	25,354	26,972
Preference capital	549	549	549	549	549
	29,855	29,364	27,219	25,903	27,521
<b>STATISTICS RELATING TO ORDINARY SHAREHOLDERS</b>					
Earnings per share	21.8p	16.8p	12.8p	(2.4p)	0.9p
Dividend per ordinary share	9.08p	8.25p	7.50p	6.75p	6.75p
Dividend cover (times)	2.4	2.0	1.7	Nil	0.1
Ordinary shareholders' equity per share	137.2p	135.4p	126.3p	120.0p	127.7p
Net (cash)/borrowings as a percentage of shareholders' funds	(21.3%)	(12.3%)	(3.0%)	5.4%	3.8%
Average number of employees	708	704	701	830	1,008
£000's turnover per employee	112	104	88	75	72



## FINANCIAL REVIEW

The financial management of the Group continues to focus on the development of systems to provide speedy and accurate information with emphasis on product line and customer profitability, including variance analysis, working capital management and overall financial control.

### Cash Flow

The cash flow statement is set out on page 27 and shows another year of strong cash inflow from operating activities of £8.8m compared with £7.1m last year.

The overall improvement in the net cash inflow during the year was £2.8m, a 78% increase on the balance at the end of 1993. This was achieved after taking account of payments for, dividend £1.9m, tax £1.7m, net fixed assets purchased £2.0m and acquisitions less disposals of £0.6m.

The borrowing requirement for working capital was negligible.

Cash deposits and borrowings can be analysed as follows:

	1994	1993
	£m	£m
Cash and deposits	8.5	6.7
Borrowings repayable within one year	(1.7)	(1.0)
Loans repayable after more than one year	(0.4)	(2.1)
<b>Net Cash Balance</b>	<b>6.4</b>	<b>3.6</b>

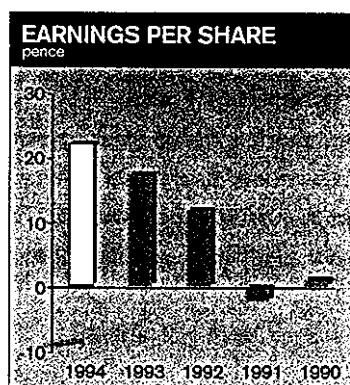
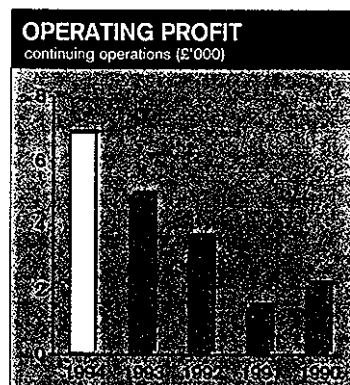
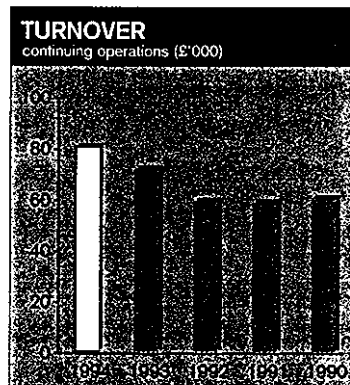
### Working Capital

Working capital management and control is a priority. Stock value has reduced by £0.14m with stock turnover improving by 11% and the increase in debtors is virtually offset by the increase in creditors.

Debtors have increased year on year by 17%, most of which can be accounted for by the growth in sales in the three months to September 1994 compared with the same period in 1993. The Group also protects most of its exposure to potential bad debts by credit insurance.

### Treasury

Surplus cash is invested in short term deposits. The selection of deposit takers is based on their ability to support a first class credit rating with no speculative transactions being undertaken.



**FINANCIAL REVIEW** continued

Modest net interest income is shown for the year in relation to the cash balance at the year end. This is due to the seasonality of the cash flow, low interest rates applying to overseas deposits and surplus cash being used during the year to take advantage of supplier discounts.

Sales in overseas currencies are hedged by six month rolling currency contracts and where appropriate a proportion of foreign currency assets are covered by borrowings in local currency.

**Taxation**

The Group tax rate for the last two years has been running at approximately 34% of pre tax profit. The planned increase in capital expenditure mainly as a result of the investment in the metallisation project will significantly increase capital allowances and as a result the tax rate is forecast to reduce to a range of 28–30% over the next three years.

**Financial Control**

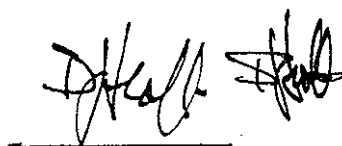
API has Group policies in place for financial control, compliance with which is monitored by the subsidiaries completing a comprehensive reporting pack on a monthly basis, supported by internal audit controls and structured levels of authority. These procedures provide a pro-active element in the control of subsidiary finance which is monitored by Group management.

**Cadbury Committee – Going Concern**

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

**Shareholders' Funds**

Shareholders' funds have increased over the year by £0.5m to £29.9m (the reconciliation of movements in shareholders' funds is shown on page 29). The increase in shareholders' funds is less than the £2.2m achieved last year because goodwill of £2.5m has been written off in the year on the acquisition of Arnold Belford Limited and the outright purchase of the customer base of Gold Impressions.



Dennis J. Holt, Group Finance Director  
23 December 1994

## DIRECTORS' REPORT

### Directors' report

The directors present their annual report and the audited accounts for the year ended 1 October 1994.

### 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 24. Profit before taxation was £7.0m (1993: £5.4m). After taxation distributable profit amounted to £4.7m (1993: £3.6m) and from this amount dividends of £21,000 (1993: £21,000) have been paid on the Preference Share capital of the company. The earnings per Ordinary 25p Share have increased from 16.8p in 1993 to 21.8p in 1994 and the directors recommend a final dividend of 5.38p per Ordinary Share making a total for the year of 9.08p (1993: 8.25p). If approved the final dividend will be paid on 13 February 1995 to shareholders on the register on 17 January 1995.

### Group profit sharing scheme

Following the introduction into all the operating companies in the Group of cash bonus schemes for all employees the directors have not appropriated any profit this year to the Group profit sharing scheme and have no plans to do so in the foreseeable future (1993: nil).

### Activities

API Group plc is a holding company.

The Group operates in the following markets: foils and laminates and converted film, paper products and office consumables. The Group operated in the heating and ventilating market during the year ended 1 October 1994 but announced the disposal on 22 December 1993 of its only activity in this sector.

A review of activities is contained in the Group Chief Executive's Review on pages 6 to 13. An analysis of turnover, profit and net operating assets by geographical area and by activity is set out in note 2 on pages 31 to 33. The principal companies are listed on page 45.

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

### Fixed assets

Changes in tangible fixed assets are set out in note 11 on pages 36 and 37. Gross expenditure in the year amounted to £2.3m (1993: £1.6m). Capital commitments at 1 October 1994 amounted to £6.4m (1993: £1.1m).

The land and buildings were last professionally valued as at 30 September 1989 on the basis of open market value for existing use. The valuation of the U.K. properties was carried out by Edward Rushton Son & Kenyon in accordance with the Guidance Notes issued by the Royal Institution of Chartered Surveyors and The Institute of Chartered Accountants in England and Wales. The directors consider that the valuation of the Group's properties remains appropriate.

### Acquisitions and disposals

On 21 December 1993 an agreement was signed for the sale of the share capital of Diffusion Environmental Systems Limited to the Benson Group plc. The consideration was £1.5 million paid in cash on completion on 14 February 1994.

On 30 June 1994 the share capital of Arnold Belford Limited, a subsidiary of Graystone plc, was purchased for a consideration of £1.715 million (including costs of acquisition), paid in cash.

**DIRECTORS' REPORT** continued**Share capital**

Details of shares issued during the year are shown in note 18 on page 41.

**Directors**

The directors of the company are shown on page 4. Mr. P. J. Bishop retired as a director on 11 February 1994.

The director retiring by rotation is Mr. J. F. Adey who, being eligible, offers himself for re-election.

The non-executive directors of the company are Mr. J. M. Woolley and Mr. J. F. Adey.

Some information about the directors is set out below:

Moger Woolley, 59, was until 1989 Chief Executive of DRG plc, and he joined the board on 6 February 1992. He is Chairman of B M Group plc, and a Director of Staveley Industries plc, Avon Rubber plc and Bristol Water Holdings plc. He is a Board and Council member of Bristol University. Mr Woolley's contract of service provides for termination by either party giving 1 years' notice to expire at any time.

Michael Smith, 48, has held key senior Chief Executive positions for 20 years. At 28 he became Managing Director of the U.S. listed multinational Dennison Company, with responsibility for their European office products activities. For 12 years he worked for Avery International, a Fortune 500 Corporation, ultimately becoming Vice President/General Manager and main Board Corporate Officer of their labelling, machinery, office products and licensee operations. Prior to joining API on 1 June 1992 he was Chief Executive of the Jefferson Smurfit Group plc U.K. print, packaging and converting companies. Mr. Smith's contract of service provides for his employment to continue until expiry of not less than 3 years' notice of termination by either party.

Dennis Holt is aged 50, a Chartered Management Accountant and joined the board on 17 September 1990 as Group Financial Director. Prior to joining API he was formerly Finance Director of The East Lancashire Paper Group plc from 1975-1985 and Microvitec plc from 1985-1990, both public quoted companies. Mr. Holt's contract of service provides for termination by either the company giving 2 years' notice or by Mr. Holt giving 1 years' notice and in either case such notice can expire at any time.

John Adey is aged 53 and joined the board on 13 October 1987. He has an M.A. from Oxford University, an M.B.A. from Harvard University and is a qualified mechanical and electrical engineer. He has had wide experience of industrial and manufacturing companies. He was formerly Chairman of Baxter Healthcare Limited, the U.K. subsidiary of Baxter International Inc. and is now Chief Executive of the National Blood Authority. Mr. Adey does not have a contract of service.

The company has maintained insurance for its directors and officers against liabilities in relation to the company.

**Directors' interests**

The interests of the directors, as defined by the Companies Act 1985, in the issued shares and share options of the company were as follows:

	Ordinary Shares			Ordinary 25p Share Options		
	23.12.94	1.10.94	3.10.93	23.12.94	1.10.94	3.10.93
J. M. Woolley	40,000	40,000	40,000	-	-	-
M. J. Smith	3,000	3,000	-	206,000	206,000	206,000
D. J. Holt	18,000	18,000	3,000	48,800	48,800	78,800
J. F. Adey	56,000	56,000	74,500	-	-	-

Mr. M. J. Smith has been granted the following options:

- (a) On 15 June 1992 an option for 150,000 ordinary shares at an exercise price of 200p per share which is exercisable from 15 June 1995 and expires on 15 June 2002.

## DIRECTORS' REPORT

(b) On 25 December 1992 an option for 56,000 ordinary shares at an exercise price of 211p per share which is exercisable from 25 December 1995 and expires on 25 December 2002.

Mr. D. J. Holt has been granted the following options:

(a) On 1 April 1991 an option for 30,000 ordinary shares at an exercise price of 106p per share and which was exercised in full on 16 May 1994. The market price at the date of exercise was 392p.

(b) On 13 July 1992 an option for 24,800 ordinary shares at an exercise price of 183p per share which is exercisable from 13 July 1995 and expires on 13 July 2002.

(c) On 25 December 1992 an option for 24,000 ordinary shares at an exercise price of 211p per share which is exercisable from 25 December 1995 and expires on 25 December 2002.

No options lapsed during the year. The market price of the ordinary shares at 30 September 1994 (1 October being a Saturday) was 367p and the range during the period 3 October 1993 to 30 September 1994 was 329p to 444p.

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 undertaking at the above dates.

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

### Pensions

The Group had two funded pension schemes during the year in the U.K., the API Group plc Pension and Life Assurance Fund and the Tenza Limited Pension and Life Assurance Fund, the latter commencing with effect from 6 April 1988. A full actuarial valuation of the API Fund was undertaken as at 3 April 1993 and reviewed as at 2 April 1994 by R. Watson & Sons, independent consulting actuaries. This valuation and review confirmed that, on an ongoing basis, the assets of the API Fund exceeded its liabilities and that company contributions into the API Fund could remain suspended in accordance with the advice of the actuaries.

A full actuarial valuation was also undertaken as at 3 April 1993 and reviewed as at 2 April 1994 by R Watson & Sons in respect of the Tenza Fund. This valuation and review confirmed that, on an ongoing basis, the assets of the Tenza Fund exceeded its liabilities. Company contributions were paid in accordance with the advice of the actuaries.

With effect from 3 October 1994 the Tenza Fund merged with the API Fund. Company contributions into the API Fund continue to remain suspended with the exception of company contributions in respect of members of the former Tenza Fund which continue to be paid into the API Fund in accordance with the advice of the actuaries.

The Group also still pays pensions under three unfunded non-contributory pension schemes, membership of which is now closed. The charge to profits for the year to 1 October 1994 amounted to £37,000 (1993: £40,000).

Dri-Print Foils, Inc. has three funded pension plans. Total contributions for the period ended 1 October 1994 were £230,000 (1993: £176,000) and contributions continue to be paid in accordance with the advice of the actuary.

### Share option schemes

During the year options were granted under the Group Executive Share Option Schemes for 40,000 Ordinary Shares at 394p per share.

### Employees

The Group continues to recognise that good relationships and clear communications with employees are important elements of Group affairs and every effort is made to carry out this policy regularly during the year.

**DIRECTORS' REPORT** continued

The Group's management policy is one of decentralisation and so all companies encourage their employees to be involved in their company's performance through managing for continuous improvement and participation in company bonus schemes.

Management Resource Planning has been introduced throughout the Group which, together with employee personal development and training, is designed to fit the qualifications, aptitude and ability of each individual employee to the appropriate job and to provide equal opportunity for personal development regardless of sex, religion or ethnic origin.

The Group endeavours to employ and train disabled people whenever their aptitudes and abilities allow and suitable vacancies are available.

**Group environmental policy**

It is the policy of the Group that in the operation of its subsidiary undertakings due regard and care is taken of the effects on the environment of each company's products and manufacturing processes.

**Board committees**

A Remuneration Committee of the board, comprising the Chairman, the Group Chief Executive and the non-executive director, reviews remuneration and terms of employment of the executive directors and senior executives of the company and chief executives of the subsidiary undertakings, and authorises the issue of offers of grant of options under the Executive Share Option Schemes. Where appropriate the Chairman of the Committee asks the Group Chief Executive to withdraw from the meeting where matters personal to him are discussed.

An Audit Committee of the board, comprising the Chairman, the non-executive director, and normally with the Group Chief Executive and Group Finance Director in attendance, meet with the auditors to review matters of a financial, audit and general nature relating to the affairs of the Group. Where appropriate the Chairman of the Committee asks the executive directors to withdraw from the meeting in order to hold independent discussions with or without the auditors.

A Nomination Committee of the board, comprising the Chairman, the Group Chief Executive and the non-executive director, is responsible for nominating candidates (both executive and non-executive) for the approval of the board to fill vacancies or appoint additional persons to the board and to consider and recommend the composition and balance of the board.

The Group Company Secretary acts as Secretary to the Committees and keeps appropriate records of their proceedings.

**Substantial interests in shares of the company and close company provisions**

In accordance with Section 198 of the Companies Act 1985 as amended by section 134 of the Companies Act 1989 the directors have been notified of the following substantial interests in the issued Preference and Ordinary Shares of the company.

Preference	%
Jove Investment Trust plc	34.61
Danae Investment Trust plc	18.21
The Investment Company plc	15.85
Aboyne-Clyde Rubber Estates of Ceylon plc	7.48
Trustees of the Chandris (England) Limited Staff Pension Fund	5.74
Premium Management Limited	4.55

## DIRECTORS' REPORT

Ordinary	%
M & G Group plc (including M & G Investment Management Limited which is the investment management subsidiary)*	14.97
Edinburgh Fund Managers plc*	14.84
Scottish Amicable Investment Managers Limited*	7.72
Standard Life Assurance Company and subsidiaries	6.93
Framlington Group plc and subsidiaries (including the Throgmorton Trust plc interest mentioned below to which Framlington act as discretionary investment managers)*	6.64
Sun Life Holdings plc and subsidiaries	4.04
General Consolidated Investment Trust plc	3.46
Moorgate Smaller Companies Income Trust plc	3.46
Norwich Union Life Insurance Society	3.43
Lloyds Investment Managers Limited*	3.40
The Throgmorton Trust plc	3.30
ESN Investment Management Limited*	3.09

\*Funds managed or advised by

Except as disclosed above, to the best of the directors' knowledge there are no interests amounting to 3% 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 1988 do not apply to the company.

#### Corporate governance – cadbury report

The company complied throughout the year ended 1 October 1994 with the Code of Best Practice in the Report of the Committee on the Financial Aspects of Corporate Governance with the exceptions of paragraphs 1.3 and 4.3 (three non-executive directors) and paragraph 4.5 which cannot be pursued without further guidance from the accounting profession.

For the period up to 11 February 1994 the company complied with the requirement for three non-executive directors but the number reduced to two following the retirement of Mr. P. J. Bishop. The board will be appointing another non-executive director which is referred to in the Chairman's Statement on page 5.

Details of committees of the board are shown on page 20.

The company's auditors, Ernst & Young, have reviewed this statement in accordance with guidance issued by the Auditing Practices Board. They have confirmed that, based upon their review, they are satisfied that the statement appropriately reflects the company's compliance with the relevant paragraphs of the Cadbury Committee's Code of Best Practice specified for their review. In respect of paragraph 4.6 of the Code they have confirmed that the directors comments on going concern are consistent with the information of which they are aware based on their normal audit work on the accounts.

#### Authorities to allot shares

The existing directors' authorities to allot shares in the company will expire on 10 February 1995. An ordinary resolution (resolution 6) will be proposed at the Annual General Meeting to renew the directors' general authority to allot shares until the conclusion of the 1996 Annual General Meeting. If passed at the meeting, the number of shares authorised to be allotted which remain unissued will be 6,633,930 being 31.05% of the current issued ordinary share capital. The directors have no present intention of issuing any part of the unissued share capital other than for the purpose of the Executive Share Option Schemes.

**DIRECTORS' REPORT** continued

A special resolution (resolution 7) will also be proposed at the Annual General Meeting to renew for a period of 15 months or, if earlier, until the conclusion of the Annual General Meeting in 1996, the company's general powers to disapply the statutory pre-emption rights under Section 95 of the Companies Act 1985 to allow shares to be issued for cash other than pro-rata. If passed at the meeting, the resolution will give to the directors the power to issue shares in connection with a rights issue and shares for cash up to an aggregate nominal value of £267,076 being 5% of the issued ordinary share capital. The directors believe it is in the interests of the shareholders that they should be given this limited authority, providing them with a prudent measure of flexibility to act in the company's interest.

**Charitable and political donations**

Charitable donations made by the Group during the year amounted to £4,881 (1993: £3,876). There were no political donations.

**Auditors**

Ernst & Young have expressed their willingness to continue in office as auditors and in accordance with Section 384(1) of the Companies Act 1985 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

23 December 1994





## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors also have a general responsibility at law for taking such steps that are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

## AUDITORS' REPORT TO THE MEMBERS OF API GROUP PLC

We have audited the accounts on pages 24 to 45 which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings and on the basis of the accounting policies set out on pages 30 and 31.

### Respective responsibilities of directors and auditors

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

### Basis of opinion

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

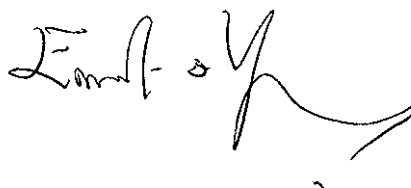
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 1 October 1994 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Ernst & Young**, Chartered Accountants, Registered Auditor  
Manchester

23 December 1994



# **GROUP PROFIT AND LOSS ACCOUNT** for the year ended 1 October 1994

	Note	1994 £'000	1993 £'000
<b>TURNOVER</b>			
Continuing operations		77,365	69,431
Acquisitions		799	—
		<b>78,164</b>	<b>69,431</b>
Discontinued operations		1,393	3,934
<b>TOTAL</b>	2	<b>79,557</b>	<b>73,365</b>
Cost of sales	3	(58,147)	(53,677)
Gross profit		<b>21,410</b>	19,688
Distribution costs	3	(2,895)	(2,521)
Selling and administrative expenses	3	(11,712)	(12,057)
<b>OPERATING PROFIT</b>		<b>6,545</b>	<b>4,902</b>
Continuing operations		73	—
Acquisitions		73	—
	2	<b>6,618</b>	<b>4,902</b>
Discontinued operations	2	185	208
<b>TOTAL</b>		<b>6,803</b>	<b>5,110</b>
<b>EXCEPTIONAL ITEMS:</b>			
Profit on disposal of discontinued operations:			
Excess of net proceeds over net book value of assets		815	—
Goodwill on acquisition in 1983		(612)	—
Profit on sale of fixed assets		—	291
		<b>203</b>	<b>291</b>
<b>TRADING PROFIT</b>		<b>7,006</b>	<b>5,401</b>
Net finance income	5	9	13
<b>PROFIT BEFORE TAXATION</b>		<b>7,015</b>	<b>5,414</b>
Taxation	8	(2,350)	(1,814)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>4,665</b>	<b>3,600</b>
Preference dividends	9	(21)	(21)
<b>PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>		<b>4,644</b>	<b>3,579</b>
Ordinary dividends	9	(1,938)	(1,753)
<b>BALANCE TRANSFERRED TO RESERVES</b>	19	<b>2,706</b>	<b>1,826</b>
<b>EARNINGS PER ORDINARY 25P SHARE</b>	10	<b>21.8p</b>	<b>16.8p</b>
Adjustment for exceptional items		(1.0)p	(1.3)p
Adjustment for discontinued operations		(0.8)p	(1.0)p
<b>Adjusted earnings per ordinary 25p share</b>		<b>20.0p</b>	<b>14.5p</b>

## **NOTE ON HISTORICAL COST PROFIT**

The difference between the historical cost depreciation charge and the actual charge for the year, calculated on revalued amounts, is insignificant in terms of the reported profit for the year.

**GROUP BALANCE SHEET**  
at 1 October 1994

	Note	1994 £'000	1994 £'000	1993 £'000	1993 £'000
<b>TANGIBLE FIXED ASSETS</b>	11		20,232		20,519
<b>CURRENT ASSETS</b>					
Stocks	13	5,653		5,792	
Debtors	14	20,736		17,706	
Cash at bank and in hand		8,462		6,698	
		34,851		30,196	
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
Creditors	15	17,613		14,782	
Short term borrowings	16	1,704		1,022	
Current taxation		2,371		1,518	
Dividends		1,149		1,043	
		22,837		18,365	
<b>NET CURRENT ASSETS</b>			12,014		11,831
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			32,246		32,350
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
Loans	16	(396)		(2,076)	
Other creditors	23	(1,046)		–	
			(1,442)		(2,076)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17		(712)		(645)
<b>DEFERRED CREDIT – GOVERNMENT GRANTS</b>			(237)		(265)
<b>TOTAL NET ASSETS</b>			29,855		29,364
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	18		5,890		5,869
Share premium account	19	4,404		4,301	
Other reserves	19	1,871		1,871	
Profit and loss account	19	17,690		17,323	
			23,965		23,495
<b>NON-EQUITY SHAREHOLDERS' FUNDS</b>		549		549	
<b>EQUITY SHAREHOLDERS' FUNDS</b>		29,306		28,815	
			29,855		29,364

M. J. Smith, Group Chief Executive

D. J. Holt, Finance Director

23 December 1994

**COMPANY BALANCE SHEET**

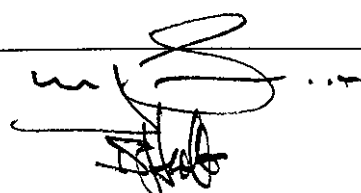
at 1 October 1994

	Note	1994 £'000	1994 £'000	1993 £'000	1993 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	11		6,878		6,865
Subsidiary undertakings	12		16,249		14,787
			23,127		21,652
<b>CURRENT ASSETS</b>					
Debtors	14	609		397	
Amounts due from subsidiary undertakings		6,936		9,674	
Cash at bank and in hand		4,068		591	
		11,613		10,662	
<b>CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR</b>					
Creditors	15	315		291	
Amounts due to subsidiary undertakings		1,600		2,376	
Short term borrowings	16	6,294		747	
Current taxation		464		371	
Dividends		1,149		1,043	
		9,822		4,828	
<b>NET CURRENT ASSETS</b>			1,791		5,834
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			24,918		27,486
<b>CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>					
Loans	16		(396)		(2,076)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17		(588)		(617)
<b>TOTAL NET ASSETS</b>			23,934		24,793
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	18		5,890		5,869
Share premium account	19	4,404		4,301	
Other reserves	19	4,368		4,368	
Profit and loss account	19	9,272		10,255	
			18,044		18,924
<b>NON-EQUITY SHAREHOLDERS' FUNDS</b>		549		549	
<b>EQUITY SHAREHOLDERS' FUNDS</b>		23,385		24,244	
<b>SHAREHOLDERS' FUNDS</b>			23,934		24,793

M. J. Smith, Group Chief Executive

D. J. Holt, Finance Director

23 December 1994



**CASH FLOW STATEMENT**  
for the year ended 1 October 1994

	1994 £'000	1994 £'000	1993 £'000	1993 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES (note A)</b>		<b>8,775</b>		<b>7,128</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
Interest received	132		201	
Interest paid	(123)		(188)	
Dividends paid	(1,853)		(1,671)	
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		<b>(1,844)</b>		<b>(1,658)</b>
<b>TAXATION</b>				
Corporation tax paid (including advance corporation tax)		(1,670)		(806)
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of business (note D)	(1,793)		(658)	
Disposal of business (note E)	1,127		—	
Payments to acquire tangible fixed assets	(2,252)		(1,635)	
Receipts from sales of tangible fixed assets	274		407	
<b>NET OUTFLOW FROM INVESTMENT ACTIVITIES</b>		<b>(2,644)</b>		<b>(1,886)</b>
<b>NET INFLOW BEFORE FINANCING</b>		<b>2,617</b>		<b>2,778</b>
<b>FINANCING</b>				
Issue of shares (notes 18 and 19)	124		262	
Repayment of short and medium term loans (note C)	(713)		(1,000)	
<b>NET OUTFLOW FROM FINANCING</b>		<b>(589)</b>		<b>(738)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS (note B)</b>		<b>2,028</b>		<b>2,040</b>

<b>NOTES TO THE CASH FLOW STATEMENT</b>	1994 £'000	1993 £'000
<b>A RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES</b>		
Operating profit	6,618	4,902
Depreciation less government grants	1,972	1,940
(Loss)/profit on replacement of tangible fixed assets	(11)	7
Decrease in stocks	159	202
Increase in debtors	(3,041)	(3,792)
Increase in creditors	2,882	4,033
Decrease in pension scheme provision	(29)	(35)
Net cash inflow from continuing operating activities	8,550	7,257
Net cash inflow/(outflow) in respect of discontinued activities	225	(129)
	<b>8,775</b>	<b>7,128</b>

**CASH FLOW STATEMENT** continued**B ANALYSIS OF INCREASE IN CASH AND CASH EQUIVALENTS**

	1994 £'000	1993 £'000	Change in year £'000
Cash at bank and in hand	8,462	6,698	1,764
Short term borrowings	(119)	(275)	156
	8,343	6,423	1,920
	1993 £'000	1992 £'000	Change in year £'000
Cash at bank and in hand	6,698	4,394	2,304
Short term borrowings	(275)	(126)	(149)
	6,423	4,268	2,155
		1994 £'000	1993 £'000
Balance at start of year		6,423	4,268
Increase in cash and cash equivalents before adjustments for the effect of foreign exchange rates		2,028	2,040
Effect of foreign exchange rates		(108)	115
Change in year		1,920	2,155
Balance at end of year		8,343	6,423

**C ANALYSIS OF CHANGES IN GROUP LOAN FINANCING DURING THE YEAR**

	1994 £'000	1993 £'000
Balance at start of year	2,823	3,462
Net cash outflow from financing	(713)	(1,000)
Effect of foreign exchange rates	(129)	361
Balance at end of year	1,981	2,823

**D ANALYSIS OF THE NET OUTFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE ACQUISITION OF SUBSIDIARY UNDERTAKINGS AND BUSINESSES**

	Arnold Belford Ltd. £'000	Gold Impres- sions £'000	T-APF £'000	Total £'000
Cash consideration paid (note 23)	1,715	95	346	2,156
Cash at bank and in hand acquired	(363)	-	-	(363)
Net outflow in respect of acquisitions	1,352	95	346	1,793

The T-APF consideration is a deferred payment resulting from a business acquired in 1992/3. The payment was fully provided for in the 1992/3 statutory accounts.

The Gold Impressions payment relates to an ongoing agreement, the contractual terms of which have changed during the current year (note 23).

**E ANALYSIS OF THE NET INFLOW OF CASH AND CASH EQUIVALENTS IN RESPECT OF THE SALE OF SUBSIDIARY UNDERTAKINGS**

	Diffusion Environmental Systems Limited £'000
Cash consideration received (note 24)	1,500
Cash at bank and in hand disposed of	(338)
Other costs of disposal	(35)
Net inflow of cash and cash equivalents in respect of the sale of subsidiary undertaking	1,127

## OTHER STATEMENTS

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	1994	1993
	£'000	£'000
Profit for the financial year	4,665	3,600
Currency translation differences on foreign currency net investments	(449)	757
Total gains and losses recognised since last annual report and accounts	4,216	4,357
RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	1994	1993
	£'000	£'000
Profit for the financial year	4,665	3,600
New shares issued	21	39
Premium on shares issued	103	223
Dividends	(1,959)	(1,774)
Currency translation differences on foreign currency net investments	(449)	757
Goodwill realised on sale of subsidiary undertaking	612	-
Goodwill written off	(2,502)	(700)
Net addition to shareholders' funds	491	2,145
Opening shareholders' funds	29,364	27,219
Closing shareholders' funds	29,855	29,364

## NOTES TO THE ACCOUNTS

### 1 Accounting policies

The following are the more important 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 and have been prepared in accordance with applicable accounting standards.

#### Basis of consolidation

The accounting dates of all companies in the Group are coterminous, and results for the year ended on the accounting date are included in the Group results in full except where subsidiary undertakings are acquired or sold during the year when results are included from or to the date of acquisition or sale. No transfer to share premium account is made on account of premiums on shares issued in consideration for the acquisition of companies which fulfil the conditions of Section 131 of the Companies Act 1985 in respect of merger relief.

#### Fixed assets

Fixed assets are included in the accounts at valuation 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	- 14 to 50 years
Short leasehold properties	- over period of lease
Plant	- 5 to 20 years
Vehicles	- 4 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.

#### Research and development

Expenditure in respect of pure and applied research is charged in the profit and loss account in the year in which it is incurred.

#### 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 all material timing differences to the extent that it is probable that the liability will crystallise. Deferred taxation is not provided in respect of the effects of remitting overseas earnings to the United Kingdom.

#### Pensions

##### *Non-contributory pension schemes*

Admission to the Group's non-contributory schemes has now ceased, the principal ones ceasing admission on 31 March 1974. The provision for future payments under the schemes is shown in the balance sheet at their net present value as estimated by the Group's actuary. The profit and loss account is charged with the change in the estimated net present value over the financial year, together with interest on the provision at the commencement of the year.



## 1 Accounting policies continued

### *Pension and Life Assurance Funds*

Pension costs are recognised on a systematic basis so that the cost of providing retirement benefits to members are evenly matched, so far as possible, to the service lives of the members concerned. Any excess or deficiency of the actuarial value of assets over the actuarial value of liabilities of the pension funds is allocated over the average remaining service lives of current members.

### **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. Exchange differences arising in individual companies' accounts are taken to the profit and loss account. Those unrealised exchange differences arising on consolidation on the translation of foreign manufacturing subsidiary undertakings' accounts and of related foreign currency loans are dealt with in retained profit. Realised exchange gains and losses arising on the repayment of foreign currency borrowings are dealt with through the profit and loss account.

### **Goodwill**

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

### **Leases**

The costs of operating leases are charged to the profit and loss account in equal annual instalments over the periods of the leases.

<b>2 Segmental analysis</b>	<b>1994</b>	<b>1993</b>
<b>TURNOVER BY DESTINATION</b>	<b>£'000</b>	<b>£'000</b>
United Kingdom	40,959	34,318
France	5,362	2,374
Germany	3,049	3,137
Scandinavia	3,769	3,084
Other European countries	7,182	10,661
Asia and Australasia	5,728	5,301
Americas	12,115	10,556
	<b>78,164</b>	<b>69,431</b>
Discontinued operations	1,393	3,934
	<b>79,557</b>	<b>73,365</b>
	<b>1994</b>	<b>1993</b>
<b>TURNOVER BY ORIGIN</b>	<b>£'000</b>	<b>£'000</b>
United Kingdom		
– sales in the UK	40,434	34,267
– sales overseas	20,084	18,768
	<b>60,518</b>	<b>53,035</b>
Continental Europe	3,081	2,276
Asia and Australasia	297	214
Americas	14,268	13,906
	<b>78,164</b>	<b>69,431</b>
Discontinued operations	1,393	3,934
	<b>79,557</b>	<b>73,365</b>

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

## NOTES TO THE ACCOUNTS continued

2 Segmental analysis continued	1994	1994	1994	1993	1993	1993
	Operating	Exceptional	Trading	Operating	Exceptional	Trading
	profit	item	profit	profit	item	profit
PROFIT BY ORIGIN	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	6,298		6,298	4,911		4,911
Continental Europe	(223)		(223)	(199)		(199)
Asia and Australasia	108		108	75		75
Americas	1,736		1,736	1,330	291	1,621
Group costs	(1,301)	203	(1,098)	(1,215)		(1,215)
	6,618	203	6,821	4,902	291	5,193
Discontinued operations	185		185	208		208
	6,803	203	7,006	5,110	291	5,401

	1994	1993
NET OPERATING ASSETS BY ORIGIN	£'000	£'000
United Kingdom	20,342	19,940
Continental Europe	972	796
Asia and Australasia	284	227
Americas	6,978	7,968
	28,576	28,931
Discontinued operations	-	740
Net operating assets	28,576	29,671
Non operating assets	1,279	(307)
Total net assets	29,855	29,364

The comparative figures for net operating assets by origin have been amended to provide a more appropriate comparison (Continental Europe increased by £714,000 and United Kingdom reduced by the same value).

	1994	1993
TURNOVER BY ACTIVITY	£'000	£'000
Foils and laminates	50,910	44,777
Converted film, paper products and office consumables	27,254	24,654
	78,164	69,431
Discontinued operations	1,393	3,934
	79,557	73,365

2 Segmental analysis continued	1994	1994	1994	1993	1993	1993
	Operating	Exceptional	Trading	Operating	Exceptional	Trading
	profit	item	profit	profit	item	profit
PROFIT BY ACTIVITY	£'000	£'000	£'000	£'000	£'000	£'000
Foils and laminates	4,721		4,721	3,617	291	3,908
Converted film, paper products and office consumables	3,198		3,198	2,500		2,500
Group costs	(1,301)	203	(1,098)	(1,215)		(1,215)
	6,618	203	6,821	4,902	291	5,193
Discontinued operations	185		185	208		208
	6,803	203	7,006	5,110	291	5,401

NET OPERATING ASSETS BY ACTIVITY	1994	1993
	£'000	£'000
Foils and laminates	16,105	17,593
Converted film, paper products and office consumables	6,988	5,882
Group company	5,483	5,456
	28,576	28,931
Discontinued operations	-	740
Net operating assets	28,576	29,671
Non operating assets	1,279	(307)
Total net assets	29,855	29,364

Net operating assets comprise total assets less current liabilities and exclude all assets and liabilities of a financing nature.  
Discontinued operations relates to the heating and ventilating division based wholly in the United Kingdom.

### 3 Analysis of cost of sales and operating expenses

Cost of sales are all costs allocated to production.

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.

The analysis of cost of sales and operating expenses between continuing and discontinued businesses is as follows:

	1994	1994	1994	1993	1993	1993
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost of sales	57,277	870	58,147	51,155	2,522	53,677
Distribution costs	2,869	26	2,895	2,457	64	2,521
Selling and administrative expenses	11,400	312	11,712	10,917	1,140	12,057
	71,546	1,208	72,754	64,529	3,726	68,255

Continuing operations in 1994 include the following relating to acquisitions; cost of sales £642,000, distribution costs £25,000, selling and administrative expenses £59,000.

## NOTES TO THE ACCOUNTS continued

<b>4 Trading profit</b>	<b>1994</b>	<b>1993</b>
Trading profit is stated after charging (crediting):	<b>£'000</b>	<b>£'000</b>
Depreciation – less government grants of £28,000 (1993: £27,000)	1,993	2,009
Hire of plant	24	54
Other operating lease costs	552	689
Research and development costs written off	330	180
(Gains)/losses on exchange	(31)	(29)
Auditors' remuneration – audit services	118	123
– non-audit services	52	22

<b>5 Net finance income (costs)</b>	<b>1994</b>	<b>1993</b>
Interest payable on:	<b>£'000</b>	<b>£'000</b>
Bank overdrafts, loans and other loans repayable within five years	(123)	(188)
Interest receivable	132	201
Net interest	9	13

<b>6 Directors' emoluments</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>
Chairman	46	40
Highest paid director	194	173
Other directors	121	123
Management remuneration	361	336

Management remuneration includes bonuses of £47,966 (1993: £58,500) of which the highest paid director received £32,349 (1993: £32,500) which were payable based on the achievement of both personal objectives and profit performance. The chairman did not receive a bonus. The pension contribution for the highest paid director was £8,850. No other contributions were made (1993: £Nil). Under the executive share option schemes certain directors and senior executives are granted options to subscribe for ordinary shares in the company after a period of three years from the date of grant. The exercise of options granted before 8 February 1993 is not conditional on any performance criteria, but options granted subsequent to 8 February 1993 are conditional. Only Class 1 options have been granted since 8 February 1993 and such options can normally only be exercised if in any period of three consecutive financial years commencing no earlier than the beginning of the financial year in which the option is granted the earnings per share of the company has increased by a percentage being no less than the percentage increase in the Retail Price Index during such three financial years and as determined by the auditors of the company. Details of options granted to directors during the year, if any, are given in the directors' report on pages 18 and 19.

Number of directors whose emoluments were within the range:	<b>1994</b>	<b>1993</b>
£5,001 – £10,000	1*	–
£10,001 – £15,000	1	2
£35,001 – £40,000	–	1
£45,001 – £50,000	1	–
£95,001 – £100,000	1	1
£170,001 – £175,000	–	1
£185,001 – £190,000	1	–

\*until date of resignation

**7 Employment costs – including directors**

	1994	1993
	£'000	£'000
The total group employment costs were:		
Wages and salaries	14,312	13,924
Employers' national insurance and similar costs	1,781	1,782
Pensions (note 17):		
Provided under non-contributory pension schemes	37	40
Contributions provided under pension and life assurance funds	293	228
	16,423	15,974

No distribution will be made under the Group Profit Sharing Scheme in 1994 (1993: £Nil)

Average number of persons employed:	1994	1993
Foils and laminates	415	395
Converted film, paper products and office consumables	267	247
API Group plc	9	8
	691	650
Discontinued operations	17	54
	708	704

**8 Taxation**

	1994	1993
	£'000	£'000
Corporation tax payable at 33% (1993: 33%)	1,867	1,417
Overseas taxation	621	549
Prior year adjustments	50	(38)
Deferred taxation	(188)	(114)
	2,350	1,814
The taxation charge has been (increased)/reduced by:		
Accelerated capital allowances	76	115
Decrease in deferred taxation provision	188	114
Prior year adjustments	(50)	38
Other factors	(249)	(294)
	(35)	(27)
A full taxation charge at 33% (1993: 33%) on the profit before taxation would be	2,315	1,787

## NOTES TO THE ACCOUNTS continued

<b>9 Dividends</b>	<b>1994</b>	<b>1993</b>
Preference	£'000	£'000
Paid 31 March 1994	11	11
Paid 30 September 1994	10	10
	<b>21</b>	<b>21</b>

	<b>Per share</b>	<b>Per share</b>	<b>1994</b>	<b>1993</b>
	<b>1994</b>	<b>1993</b>	<b>£'000</b>	<b>£'000</b>
Ordinary	pence	pence		
Interim paid 1 July 1994	3.70	3.35	789	710
Proposed final payable 13 February 1995	5.38	4.90	1,149	1,043
	<b>9.08</b>	<b>8.25</b>	<b>1,938</b>	<b>1,753</b>

**10 Earnings per share**

The basic earnings per share, the fully diluted earnings per share and the basic earnings with taxation charge on a nil distribution basis are not materially different. They are calculated by dividing the profit after taxation and after preference dividends by 21,322,870, being the weighted average number of shares in issue during the year (1993: divisor 21,240,847). The adjusted earnings per share figure shown on the face of the profit and loss account provides a more meaningful comparison on an ongoing basis.

**11 Tangible fixed assets**

<b>GROUP</b>	<b>Freehold</b>	<b>Freehold</b>	<b>Leasehold</b>	<b>Leasehold</b>	<b>Plant and</b>	<b>Total</b>
<b>COST OR VALUATION</b>	<b>land</b>	<b>buildings</b>	<b>land and</b>	<b>land and</b>	<b>equip-</b>	
	<b>£'000</b>	<b>£'000</b>	<b>buildings</b>	<b>buildings</b>	<b>ment</b>	<b>£'000</b>
			<b>long</b>	<b>short</b>	<b>£'000</b>	
At 3 October 1993	3,251	6,756	1,548	63	27,339	38,957
Acquisition of businesses	-	-	-	4	208	212
Additions	-	69	-	-	2,183	2,252
Foreign exchange movement	(86)	(116)	-	-	(384)	(586)
Disposals	(3)	-	-	(63)	(957)	(1,023)
<b>At 1 October 1994</b>	<b>3,162</b>	<b>6,709</b>	<b>1,548</b>	<b>4</b>	<b>28,389</b>	<b>39,812</b>
<b>BEING:</b>						
Cost	281	6,583	1,448	4	28,389	36,705
Professional valuation 1971	-	126	-	-	-	126
Professional valuation 1989	2,881	-	100	-	-	2,981
	3,162	6,709	1,548	4	28,389	39,812
<b>DEPRECIATION:</b>						
At 3 October 1993	-	3,061	621	51	14,705	18,438
Acquisition of businesses	-	-	-	4	199	203
Provided during period	-	164	31	4	1,822	2,021
Foreign exchange movement	-	(97)	-	-	(227)	(324)
Disposals	-	-	-	(55)	(703)	(758)
<b>At 1 October 1994</b>	<b>-</b>	<b>3,128</b>	<b>652</b>	<b>4</b>	<b>15,796</b>	<b>19,580</b>
<b>NET BOOK VALUE</b>						
<b>At 1 October 1994</b>	<b>3,162</b>	<b>3,581</b>	<b>896</b>	<b>-</b>	<b>12,593</b>	<b>20,232</b>

### 11 Tangible fixed assets continued

The 1989 valuation was on the basis of open market value for existing use, the 1971 valuation was on an estimated realisation basis. The potential liability for deferred taxation on the revaluation reserve is regarded as remote and therefore not quantified.

COMPANY	Freehold land	Freehold buildings	Leasehold		Plant and equip- ment	Total
			land and buildings long	land and buildings short		
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000
At 3 October 1993	1,589	4,358	1,100	63	190	7,300
Additions	-	-	-	-	232	232
Disposals	-	-	-	(63)	(131)	(194)
<b>At 1 October 1994</b>	<b>1,589</b>	<b>4,358</b>	<b>1,100</b>	<b>-</b>	<b>291</b>	<b>7,338</b>
<b>DEPRECIATION</b>						
At 3 October 1993	-	202	62	51	120	435
Provided during period	-	101	31	4	51	187
Disposals	-	-	-	(55)	(107)	(162)
<b>At 1 October 1994</b>	<b>-</b>	<b>303</b>	<b>93</b>	<b>-</b>	<b>64</b>	<b>460</b>
<b>NET BOOK VALUE</b>						
<b>At 1 October 1994</b>	<b>1,589</b>	<b>4,055</b>	<b>1,007</b>	<b>-</b>	<b>227</b>	<b>6,878</b>

12 Subsidiary undertakings	1994	1993
	£'000	£'000
Investments at cost 1 October 1994	12,442	11,436
Amount due from subsidiary undertakings – non-trading balances	6,966	6,510
	<b>19,408</b>	17,946
Provisions 1 October 1994	<b>(3,159)</b>	(3,159)
Net book value 1 October 1994	<b>16,249</b>	14,787

The movement on investments at cost of £1,006,000 reflects the acquisition of subsidiary undertakings (£1,715,000) netted off against the disposal of subsidiary undertakings (£709,000).

The company's principal subsidiary undertakings are listed on page 45.

All the subsidiary undertakings are wholly owned by the company except Dri-Print Foils, Inc. which is wholly owned by a subsidiary undertaking of the company. All the companies are incorporated in England and Wales and operate principally in the United Kingdom except for Dri-Print Foils, Inc. which is incorporated and operates principally in the United States of America.

## NOTES TO THE ACCOUNTS continued

<b>13 Stocks</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	2,056	1,730
Finished goods and work in progress	3,561	4,011
Stores	36	51
	<b>5,653</b>	<b>5,792</b>

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

<b>14 Debtors</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>UNDER ONE YEAR</b>				
Trade debtors	19,014	16,753	–	–
Prepayments	597	373	231	87
Other debtors	668	278	91	8
VAT	10	–	–	–
	<b>20,289</b>	<b>17,404</b>	<b>322</b>	<b>95</b>
<b>OVER ONE YEAR</b>				
Deferred taxation (see note 17)	160	–	–	–
Advance corporation tax recoverable	287	302	287	302
	<b>20,736</b>	<b>17,706</b>	<b>609</b>	<b>397</b>

<b>15 Creditors – amounts falling due within one year</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade creditors	12,956	10,202	–	–
Bills of exchange	33	86	–	–
Accruals	3,153	2,515	298	244
Other creditors	354	1,153	3	15
National insurance and income tax	338	341	14	15
VAT	779	485	–	17
	<b>17,613</b>	<b>14,782</b>	<b>315</b>	<b>291</b>



<b>16 Borrowings</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>SHORT TERM BORROWINGS</b>				
Bank overdrafts	119	275	4,709	–
Short term loan	1,585	747	1,585	747
	<b>1,704</b>	<b>1,022</b>	<b>6,294</b>	<b>747</b>
<b>LOANS – FALLING DUE AFTER MORE THAN ONE YEAR</b>				
Royal Bank of Scotland plc revolving loan at $\frac{7}{8}\%$ above London Interbank Euro-currency Rate repayable in instalments				
– due between 1 to 2 years	396	1,660	396	1,660
– due between 2 to 5 years	–	416	–	416
	<b>396</b>	<b>2,076</b>	<b>396</b>	<b>2,076</b>

<b>17 Provisions for liabilities and charges</b>	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reorganisation costs (note 23)	124	–	–	–
Deferred taxation	–	28	–	–
Pension scheme provision	588	617	588	617
	<b>712</b>	<b>645</b>	<b>588</b>	<b>617</b>

**DEFERRED TAXATION**

The major components of the provision for deferred taxation  
and the amounts not provided for are as follows:

	<b>Provided</b>	<b>Provided</b>	<b>Not</b>	<b>Not</b>
	<b>1994</b>	<b>1993</b>	<b>provided</b>	<b>provided</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	–	208	2,616	2,709
Future pension payments	(194)	(206)	–	–
Other timing differences	34	26	(147)	(98)
	<b>(160)</b>	<b>28</b>	<b>2,469</b>	<b>2,611</b>

Current year deferred taxation is shown within debtors (note 14).

## NOTES TO THE ACCOUNTS continued

### 17 Provisions for liabilities and charges continued

#### PENSION SCHEME PROVISION

The Group operates two funded pension schemes for the company and its U.K. subsidiaries, providing benefits based on final pensionable earnings. The assets of the schemes are held separately from those of the Group, being invested in a number of U.K. and overseas equities, unit trusts and other securities. Contributions to the schemes are charged to the profit and loss account so as to spread the cost of pensions over members' working lives with the Group. The contributions charged are determined by a qualified actuary. The assets and liabilities of the Group's U.K. pension schemes were reviewed as at 2 April 1994 using a Projected Unit Costing method. The assumptions which have the most significant effect on the results of the reviews are those relating to the rate of return on investments, the rate of growth of dividends and the rate of increase in salaries and pensions. It was assumed that investment returns will be 10% per annum, dividends will grow on average by 5.5% per annum, salary increases will average 7.5% per annum and that present and future pensions will increase at the rate of 5% per annum.

The main U.K. pension scheme is the API Group plc Pension and Life Assurance Fund. The actuarial review as at 2 April 1994 showed that the market value of its assets was £26,569,000 and that the actuarial value of those assets represented 106% of the benefits which had accrued to members on an ongoing basis.

The surplus revealed by the review and the provision in the balance sheet in respect of the API Group plc Pension and Life Assurance Fund are being amortised over 15 years in equal instalments. After taking account of interest credits on the balance of unamortised surplus and interest charges on the pensions provision, the pensions charge taken for 1994 is £nil with the exception of £8,850 charged for specific purposes. (1993: £nil). The other U.K. pension scheme is the Tenza Limited Pension and Life Assurance Fund. An actuarial review as at 2 April 1994 showed that the market value of its assets was £951,000 and that the actuarial value of those assets represented 120% of the benefits which had accrued to members on an ongoing basis. The charge for this scheme for 1994 is £54,000 (1993: £52,000).

The Group still pays pensions under three unfunded, non-contributory pension schemes, membership of which is now closed. A provision of £339,000 stood at 1 October 1994 (1993: £368,000) for the present value of future payments under these schemes and the charge to the accounts in the year ended 1 October 1994 was £37,000 (1993: £40,000). The amount amortised from the provision for the year was £29,000 (1993: £35,000).

Dri-Print Foils, Inc. has three funded pension plans. In the context of the Group, none of these funds has a material deficiency or surplus of assets and there is believed by the directors to be no material difference between the funding rate as recommended by the actuaries and charged in the accounts and the charge which would have been required under the provisions of SSAP24.

**18 Share capital**

	<b>Authorised 1994 £'000</b>	<b>Authorised 1993 £'000</b>	<b>Allotted, called up and fully paid 1994 £'000</b>	<b>Allotted, called up and fully paid 1993 £'000</b>
549,000 3.85% (formerly 5.5%) Cumulative Preference Shares of £1 each	<b>549</b>	549	<b>549</b>	549
Ordinary shares of 25p each				
At 3 October 1993	<b>7,000</b>	7,000	<b>5,320</b>	5,281
Shares issued – options exercised	–	–	<b>21</b>	39
At 1 October 1994 (21,366,070 shares in issue – 1993: 21,279,670)	<b>7,000</b>	7,000	<b>5,341</b>	5,320
<b>Total shares</b>	<b>7,549</b>	7,549	<b>5,890</b>	5,869

The holders of non-equity shares have the following rights:-

- i) to a cumulative preferential dividend at the rate of 3.85% (formerly 5.5%) per annum.
- ii) on a return of assets whether in a winding up, reduction of capital or otherwise in priority to all other shares in the capital of the company, to a return of the nominal amount paid up on each share together with any arrears and accruals of dividend if any. In addition, a premium is also payable calculated as the difference between the average quoted price of each such share on the London Stock Exchange during the period of 6 months preceding a notice of a meeting for the winding up, reduction of capital or otherwise and the nominal amount paid up on each such share.

In the event of a repayment of capital involving the payment of a part only of the amount paid up on each such share the aforementioned premium shall be paid in proportion to the amount of capital repaid.

- iii) one vote for every share held whether on a show of hands or on a poll.

Full exercise of the options granted under the company's share option schemes would result in the issue, not later than May 2004, of a further £157,200 Ordinary Share Capital made up of 15,200 shares at 218p, 12,000 shares at 264p, 13,600 shares at 308p, 10,400 shares at 143p, 10,000 shares at 77p, 112,400 shares at 183p, 150,000 shares at 200p, 209,200 shares at 211p, 16,000 shares at 321p, 40,000 shares at 328p and 40,000 shares at 394p.

<b>19 Reserves</b>	<b>Group 1994 £'000</b>	<b>Group 1993 £'000</b>	<b>Company 1994 £'000</b>	<b>Company 1993 £'000</b>
<b>SHARE PREMIUM ACCOUNT</b>				
At 3 October 1993	<b>4,301</b>	4,078	<b>4,301</b>	4,078
Premium on shares issued	<b>103</b>	223	<b>103</b>	223
At 1 October 1994	<b>4,404</b>	4,301	<b>4,404</b>	4,301
<b>OTHER RESERVES</b>				
<b>REVALUATION RESERVE</b>				
At 1 October 1994 and 3 October 1993	<b>1,871</b>	1,871	<b>6</b>	6
<b>MERGER RESERVE</b>				
Merger reserve arising on acquisition of subsidiary undertakings	<b>4,946</b>	4,946	<b>4,362</b>	4,362
Elimination of goodwill	<b>(4,946)</b>	(4,946)	–	–
At 1 October 1994 and 3 October 1993	<b>1,871</b>	1,871	<b>4,368</b>	4,368

## NOTES TO THE ACCOUNTS continued

## 19 Reserves continued

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
<b>PROFIT AND LOSS ACCOUNT</b>				
At 3 October 1993	17,323	15,440	10,255	11,313
Goodwill realised on sale of subsidiary undertaking (notes 24 and 25)	612	-	-	-
Goodwill written off (note 25)	(2,502)	(700)	-	-
Foreign exchange translation differences	(449)	757	15	(197)
Balance from profit and loss account	2,706	1,826	(998)	(861)
At 1 October 1994	17,690	17,323	9,272	10,255
<b>TOTAL RESERVES</b>	<b>23,965</b>	<b>23,495</b>	<b>18,044</b>	<b>18,924</b>

The foreign exchange translation differences are stated after a gain of £128,000 (1993: £361,000 charge) in respect of current year exchange differences from foreign currency borrowings financing foreign equity investments. The cumulative amount of goodwill written off against reserves cannot be easily ascertained.

## 20 Profit attributable to members

A profit of £960,000 (1993: £913,000) included in the Group profit for the year attributable to members has been dealt with in the accounts of the company. In accordance with section 230 of the Companies Act 1985 the company is not required to publish its own profit and loss account.

## 21 Leasing commitments

Leasing commitments under non-cancellable operating leases were as follows:

	Group Land and buildings leases		Group Other operating leases	
	1994 £'000	1993 £'000	1994 £'000	1993 £'000
<b>PAYABLE IN THE FOLLOWING YEAR AND RELATING TO LEASES TERMINATING:</b>				
Within one year	21	9	46	139
Two to five years	21	67	314	335
After five years	19	30	26	3
	61	106	386	477

**22 Capital commitments**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>1994</b>	<b>1993</b>	<b>1994</b>	<b>1993</b>
<b>AMOUNTS NOT PROVIDED FOR IN THESE ACCOUNTS ARE:</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contracted	439	601	-	135
Authorised but not contracted	6,001	517	-	-

**23 Acquisition of businesses**

In 1993 a provision of £442,000 was made for deferred consideration payable in respect of the acquisition of T-APF. Of this provision a further payment of £346,000 was made during the year. The balance of £96,000 has been carried forward in creditors.

Agreement was reached during the year to purchase all rights relating to the Gold Impressions customer base for a fixed consideration. This new agreement replaces the previous variable commission based arrangements. Of the amount payable under this new agreement, £1,046,000 is payable after more than 1 year.

**ACQUISITION OF ARNOLD BELFORD LIMITED**

With effect from 30 June 1994 the Group acquired the entire shareholding of Arnold Belford Limited, a company primarily engaged in paper conversion for the food industry. This has been accounted for by the acquisition method. Details of assets acquired and consideration are set out below.

	<b>Book</b>	<b>Re-</b>	<b>Fair value</b>
	<b>value</b>	<b>organisation</b>	<b>to the</b>
	<b>£'000</b>	<b>£'000</b>	<b>Group</b>
			<b>£'000</b>
Tangible fixed assets	9		9
Current assets:			
Stocks	311		311
Debtors	571		571
Cash at bank and in hand	363		363
Creditors	(649)	(124)	(773)
Net assets	605	(124)	481
Goodwill			1,234
Satisfied by cash			1,715

The contribution of the acquired business to the Group result is shown in the Group profit and loss account on page 24. The subsidiary undertaking contributed £33,000 to the Group's net operating cash flows.

Arnold Belford Limited made a profit on ordinary activities before tax of £54,000 from 1 May 1994, the beginning of the subsidiary undertaking's financial year, to the date of acquisition, and made a profit before tax of £363,000 in the previous financial period (16 months ended 30 April 1994).

## NOTES TO THE ACCOUNTS continued

**24 Disposal of businesses****DISPOSAL OF DIFFUSION ENVIRONMENTAL SYSTEMS LIMITED**

With effect from 14 February 1994 the Group disposed of Diffusion Environmental Systems Limited, a company involved in the heating and ventilating systems industry.

	£'000
<b>NET ASSETS DISPOSED OF:</b>	
Fixed assets	145
Net current assets	505
	650
Cost of disposal	35
Goodwill realised (previously written off to reserves)	612
Profit on disposal	203
	1,500
Satisfied by cash	1,500

The impact of the disposal on the Group result is shown in the Group profit and loss account on page 24. The impact on operating cash flows is shown in the Group cash flow statement on page 27.

**25 Reconciliation of goodwill movement in the year**

	£'000
Acquisition of Arnold Belford Limited	(1,234)
Conversion of Gold Impressions agreement	(1,268)
	(2,502)
Disposal of Diffusion Environmental Systems Limited	612
Goodwill write off against reserves	(1,890)

## FINANCIAL CALENDAR

### Annual General Meeting

To be held 12.30 p.m., 10 February 1995  
The Howard Hotel, Temple Place, London WC2R 2PR

### Reports

Interim report for 6 months to 1 April 1995, circulated May 1995. Preliminary Announcement for year to 30 September 1995, issued December 1995  
Report and accounts for year to 30 September 1995, circulated January 1996

### Dividends on Ordinary Shares

Proposed final 1993/94, announced 12 December 1994, payable 13 February 1995  
Interim 1994/95, announced May 1995, payable July 1995  
Proposed final 1994/95, announced December 1995, payable February 1996

### Dividends on Preference Shares

Half yearly, 31 March 1995 and 30 September 1995

### Capital Gains Tax

The market value of an Ordinary and Preference Share on 31 March 1982 was Ordinary 60.5p, Preference 28.5p.

## PRINCIPAL COMPANIES

### Dri-Print Foils, Inc

PO Box 1251 D,  
329 New Brunswick Avenue,  
Rahway, New Jersey 07065, USA  
Telephone: 0101 908 382 6800  
Fax: 0101 908 382 8760

### Peerless Foils Limited

Hillcroft Road, London Industrial Park,  
Beckton, London, E6 4LW  
Telephone: 071 511 0405  
Fax: 071 511 2445

### Whiley Foils Limited

Firth Road, Houstoun Industrial Estate,  
Livingston, West Lothian, EH54 5DJ  
Telephone: 0506 438611  
Fax: 0506 438262

### Leonard Stace Limited

Gloucester Road, Cheltenham, GL51 8NH  
Telephone: 0242 514081  
Fax: 0242 226422

### Tenza Limited

Carlton Park Industrial Estate,  
Saxmundham, Suffolk, IP17 1NL  
Telephone: 0728 602811  
Fax: 0728 604108

### Henry & Leigh Slater Limited

Second Avenue, Poynton Industrial Estate,  
Poynton, Cheshire, SK12 1ND  
Telephone: 0625 877700  
Fax: 0625 879469

## NOTICE OF MEETING

Notice is hereby given that the seventy-third Annual General Meeting of the company will be held at The Howard Hotel, Temple Place, London WC2R 2PR on Friday the tenth day of February 1995, 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 1 October 1994.
- 2 To declare a dividend.
- 3 To re-elect Mr. J. F. Adey, a director retiring by rotation.
- 4 To re-appoint the auditors.
- 5 To authorise the directors to establish the remuneration of the auditors.

As special business to consider and, if thought fit, to pass the following Resolutions of which that numbered 6 will be proposed as an Ordinary Resolution and that numbered 7 will be proposed as a Special Resolution.

### Resolutions

- 6 That, for the purposes of section 80 of the Companies Act 1985, the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot relevant securities (within the meaning of the said section 80) up to an aggregate nominal amount of £1,658,483, provided that this authority shall expire at the conclusion of the next Annual General Meeting of the company after the passing of this resolution except that the company may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.
- 7 That, subject to the passing of the preceding resolution, the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 until the conclusion of the next Annual General Meeting (or, if sooner, the expiry of fifteen months after the passing of this resolution) to allot equity securities (as defined in Section 94 of the said Act) pursuant to the authority given by the preceding resolution, as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall enable the company to make offers or agreements before the expiry of this authority which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offers or agreements as if the authority hereby conferred had not expired and shall be limited to the allotment of equity securities;
  - (a) in connection with a rights issue in favour of the holders of Ordinary Shares but subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with problems under the laws of any territory or the requirements of any regulatory body or any stock exchange in any territory or in connection with fractional entitlements or otherwise;
  - (b) pursuant to an offer to the holders of Ordinary Shares to elect to receive additional shares in lieu of a cash dividend;
  - (c) otherwise than pursuant to sub-paragraphs (a) and (b) above, up to an aggregate nominal amount of £267,076, being 5% of the issued ordinary share capital.

By Order of the Board

**A. Sentance**

Secretary

Dated the 13 day of January 1995



Silk House  
Park Green  
Macclesfield  
Cheshire SK11 7NU



### Notes

- 1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A 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. A 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 Howard Hotel, Temple Place, London WC2R 2PR 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.
  - (c) A copy of the current Memorandum and Articles of Association of the company.