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The East Lancashire Paper Mill Company
Limited

Annual report

for the year ended 31 December 1993

Registered no: 1156146



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The East Lancashire Paper Mill Company Limited

Annual report for the year ended 31 December 1993

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The East Lancashire Paper Mill Company Limited

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Directors and advisers

Executive directors

D B Macgregor
(Chairman)

T J Coffey

R Marsden

Registered Auditors

Coopers & Lybrand
Abacus Court
6 Minshull Street
Manchester
M1 3ED

Secretary and registered office

R Marsden
Church Street East
Radcliffe
Manchester
M26 2EL

Bankers

Midland Bank PLC
25 Deansgate
Bolton
BL1 1HG

Solicitors

Davies Wallis Foyster
5 Castle Street
Liverpool
L2 4XE

**Directors' report
for the year ended 31 December 1993**

The directors present their report and the audited financial statements for the year ended 31 December 1993.

Principal activities

The company's principal activities are the manufacture and processing of paper.

Review of business

The company continued to progress during the year despite the difficult economic position in the United Kingdom and near Europe. Further steps were taken to concentrate the Printings and Writings sector on added-value products and to expand the company's position in the Case Materials sector. This was mainly achieved by the conversion of No 2 machine to recycled grades over the 1992/93 Christmas and New Year period.

A detailed review of the business, its prospects and planned future developments, is included in the Chairman's Report in the annual report of the holding company, Blue Thane Limited.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No 3, 'Reporting Financial Performance', the following changes in the presentation of the financial statements have been made to conform with the new requirements.

- (a) Turnover and operating profit have been analysed between continuing and discontinued operations.
- (b) A note of historical cost profits and losses has been presented in order to show profits calculated on a pure historical cost basis.

Results and dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 1993. The profit for the financial year of £1,088,000 will be transferred to reserves.

Post balance sheet events

On 24 June 1994, the whole of the issued share capital of Blue Thane Limited, the holding company of The East Lancashire Paper Mill Company Limited, was acquired by Glentarget Limited in a management buy-out which was arranged by Hambros Bank.

The East Lancashire Paper Mill Company Limited is the only trading subsidiary in the new Glentarget Limited group and the directors consider that the restructuring of the group's equity and debt will improve the trading prospects of the company by enabling a vigorous capital expenditure programme to be pursued. Equity funding was supplied by 3i plc with Midland Bank plc providing debt facilities.

Changes in fixed assets

Particulars of changes in fixed assets of the company are given in note 10 to the financial statements.

Directors

The directors of the company at 31 December 1993, all of whom have been directors for the whole of the year ended on that date, are listed on page 1 with the exception of P J Collins who resigned on 31 March 1994.

M Coulson, who was a director at 1 January 1993, resigned on 30 September 1993.

Directors' interests in shares of the company

At 31 December 1993 all the directors were directors of the ultimate holding company, Blue Thane Limited, and details of their interests in the group can be found in the financial statements of that company.

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 profit or loss of the company 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, subject to any material departures disclosed and explained in the financial statements, and to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The East Lancashire Paper Mill Company Limited

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Charitable contributions

The contributions made by the company during the year for charitable purposes amounted to £3,000.

Employment of disabled persons

It is the policy of the company to give full and fair consideration to applications for employment by disabled persons, having full regard for their capabilities, and to encourage the continued employment, training and career development of any disabled employees and of those who become disabled.

Employee involvement

The company recognises the need for good communications and employees are generally and regularly kept informed of, and consulted and encouraged to express their views on, matters which are likely to affect their interest in and contribution to the company and its performance.

Employee involvement in the company's performance is encouraged through an employee share ownership plan which is administered by Blue Thane Limited, the ultimate holding company.

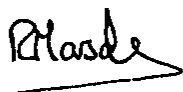
Insurance of directors

The company maintains insurance for The East Lancashire Paper Mill Company Limited's directors in respect of their duties as directors of the company.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



R Marsden
Secretary
15 September 1994

Report of the auditors to the members of The East Lancashire Paper Mill Company Limited

We have audited the financial statements on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
15 September 1994

**Profit and loss account
for the year ended 31 December 1993**

	Notes	1993 £'000	1992 £'000
Turnover - continuing operations	2	29,203	30,588
Cost of sales - continuing operations		(24,213)	(25,722)
Gross profit		4,990	4,866
Other operating expenses - continuing operations	3	(3,141)	(3,666)
Operating profit - continuing operations		1,849	1,200
Exceptional item - continuing operations	6	-	(760)
Interest receivable and similar income		6	27
Interest payable and similar charges	7	(767)	(1,186)
Profit/(loss) on ordinary activities before taxation	8	1,088	(719)
Tax on profit/(loss) on ordinary activities	9	-	238
Retained profit/(loss) for the year	19	1,088	(481)

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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Note of historical cost profits and losses

	1993 £'000	1992 £'000
Reported profit/(loss) on ordinary activities before taxation	1,088	(719)
Difference between historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>97</u>	<u>121</u>
Historical cost profit/(loss) on ordinary activities before taxation	<u>1,185</u>	<u>(598)</u>
Historical cost profit/(loss) for the year retained after taxation, and dividends	<u>1,185</u>	<u>(360)</u>

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Balance sheet at 31 December 1993

	Notes	1993 £'000	1992 £'000
Fixed assets			
Tangible assets	10	18,317	16,894
Current assets			
Stocks	11	2,995	3,467
Debtors	12	7,036	6,779
Cash at bank and in hand		7	8
		10,038	10,254
Creditors: amounts falling due within one year	13	11,192	10,847
Net current liabilities		(1,154)	(593)
Total assets less current liabilities		17,163	16,301
Creditors: amounts falling due after more than one year	14	5,056	5,312
Accruals and deferred income	16	30	-
		5,086	5,312
Net assets		12,077	10,989
Capital and reserves			
Called up share capital	18	1	1
Revaluation reserve	19	7,790	7,790
Profit and loss account	19	4,286	3,198
Equity shareholders' funds	20	12,077	10,989

The financial statements on pages 6 to 19 were approved by the board of directors on 15 September 1994 and were signed on its behalf by:



D B Macgregor
Director

**Notes to the financial statements
for the year ended 31 December 1993**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold and long leasehold properties and plant.

Research and development

Research and development expenditure is charged against profits in the year in which it is incurred.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual lives, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2
Plant and machinery	5 or 10
Fixtures and fittings	10
Computers	25
Motor cars	33
Other motor vehicles	10

Freehold land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants which are not based on the incurring of specific expenditure, but rather the meeting of specified criteria, are recognised in the profit and loss account so as to match the revenue as closely as possible with the costs of meeting the specified criteria.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates ruling at the balance sheet date. Exchange differences arising, together with exchange differences on trading transactions, are dealt with in the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

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 a liability or asset will crystallise.

Pension costs

The company operates defined contribution pension schemes. Contributions are made in accordance with scheme rules, and are charged to operating profit as incurred.

Cash flow statement

The company is a wholly owned subsidiary of Blue Thane Limited and the cash flows of the company are included in the consolidated group cash flow statement of Blue Thane Limited. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

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2 Turnover

	1993 £'000	1992 £'000
Geographical segment		
United Kingdom	26,174	26,902
Europe	2,997	3,336
Far and Middle East	32	350
	<u>29,203</u>	<u>30,588</u>

3 Other operating expenses

	1993 £'000	1992 £'000
Continuing operations		
Selling and distribution costs	1,696	1,870
Administrative expenses	1,445	1,796
	<u>3,141</u>	<u>3,666</u>

4 Directors' emoluments

The remuneration paid to the directors of The East Lancashire Paper Mill Company Limited was:

	1993 £'000	1992 £'000
Emoluments (including pension contributions and benefits in kind)	433	425
Compensation for loss of office	26	49
	<u>459</u>	<u>474</u>

Emoluments (excluding pension contributions) include amounts paid to:

	1993 £'000	1992 £'000
The chairman and highest paid director	<u>163</u>	<u>143</u>

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The number of directors (including the chairman and highest paid director) who received emoluments (excluding pension contributions) in the following ranges was:

	1993 Number	1992 Number
£30,001 to £35,000	-	1
£35,001 to £40,000	-	1
£45,001 to £50,000	-	1
£55,001 to £60,000	-	1
£60,001 to £65,000	2	-
£65,001 to £70,000	1	1
£70,001 to £75,000	1	-
£140,001 to £145,000	-	1
£160,001 to £165,000	1	-
	<u>1</u>	<u>-</u>

5 Employee information

The average weekly number of persons (including executive directors) employed during the year was:

	1993 Number	1992 Number
By activity		
Manufacturing	229	265
Management and administration	83	93
	<u>312</u>	<u>358</u>

	1993 £'000	1992 £'000
Staff costs (for the above persons)		
Wages and salaries	4,635	4,997
Social security costs	429	431
Other pension costs (note 17)	166	169
	<u>5,230</u>	<u>5,597</u>

6 Exceptional item

	1993 £'000	1992 £'000
Reorganisation costs owing to business rationalisation	-	760
	<u>-</u>	<u>760</u>

7 Interest payable and similar charges

	1993 £'000	1992 £'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	231	280
Repayable within 5 years, by instalments	399	759
Group interest payable	89	141
	<hr/>	<hr/>
	719	1,180
On finance leases and hire purchase contracts	48	6
	<hr/>	<hr/>
	767	1,186
	<hr/>	<hr/>

8 Profit/(loss) on ordinary activities before taxation

	1993 £'000	1992 £'000
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	876	832
Tangible fixed assets held under finance leases	32	30
Auditors' remuneration for audit	19	19
Auditors' remuneration for other services	15	16
Hire of plant and machinery - operating leases	674	611
Hire of other assets - operating leases	28	79
Profit on disposal of fixed assets	-	75
	<hr/>	<hr/>

9 Tax on profit/(loss) on ordinary activities

	1993 £'000	1992 £'000
Payment received from former holding company for prior years' tax losses surrendered under group relief arrangements	-	238
	<hr/>	<hr/>

There is no corporation taxation charge on the profit for the year as this has been eliminated by the offset of losses arising in earlier periods. Losses which are available for relief against future profits amount to approximately £3,500,000(1992: £3,780,000).

10 Tangible fixed assets

	Freehold land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation				
At 1 January 1993	9,481	16,925	150	26,556
Additions	171	2,157	3	2,331
At 31 December 1993	9,652	19,082	153	28,887
Depreciation				
At 1 January 1993	237	9,292	133	9,662
Charge for year	139	762	7	908
At 31 December 1993	376	10,054	140	10,570
Net book value				
At 31 December 1993	9,276	9,028	13	18,317
Net book value				
At 31 December 1992	9,244	7,633	17	16,894
Cost or valuation at 31 December 1993 is represented by:				
Valuation in 1990	8,250	-	-	8,250
Cost	1,402	19,082	153	20,637
	9,652	19,082	153	28,887

If land and buildings had not been revalued they would have been included at the following amounts:

	Land and buildings	
	1993 £'000	1992 £'000
Cost	2,504	2,333
Aggregate depreciation based on cost	536	494
Net book value based on cost	1,968	1,839

Freehold land and buildings includes long leasehold properties with more than 800 years of the leases to run.

The net book value of plant and machinery includes an amount of £1,238,000 (1992: £60,000) in respect of assets held under finance leases and hire purchase contracts.

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11 Stocks

	1993 £'000	1992 £'000
Raw materials and consumables	1,203	1,586
Work in progress	176	180
Finished goods and goods for resale	1,616	1,701
	<u>2,995</u>	<u>3,467</u>

12 Debtors

	1993 £'000	1992 £'000
Amounts falling due within one year		
Trade debtors	6,860	6,626
Other debtors	72	74
Prepayments and accrued income	104	79
	<u>7,036</u>	<u>6,779</u>

13 Creditors: amounts falling due within one year

	1993 £'000	1992 £'000
Bank loans (secured)	2,136	1,591
Bank overdrafts	665	565
Obligations under finance leases and hire purchase contracts	357	20
Trade creditors	4,331	4,508
Bills of exchange payable	657	904
Amounts owed to parent company	2,079	2,132
Other taxation and social security	525	481
Other creditors	69	108
Accruals	373	538
	<u>11,192</u>	<u>10,847</u>

14 Creditors: amounts falling due after more than one year

	1993 £'000	1992 £'000
Bank loans (secured)	4,184	5,273
Obligations under finance leases and hire purchase contracts payable within two to five years	872	39
	<u>5,056</u>	<u>5,312</u>

Bank loans

	1993 £'000	1992 £'000
Bank loans are repayable as follows		
In one year	2,136	1,591
Between one and five years	4,184	5,273
	<u>6,320</u>	<u>6,864</u>

The bank loans are secured by a fixed and floating charge over all the assets of the company.

15 Deferred taxation

Deferred taxation provided in the financial statements, and the amount unprovided of the total potential liability, are as follows:

	Amount provided		Amount unprovided	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Tax effect of timing differences because of:				
Accelerated capital allowances	-	1,379	1,562	-
Other	-	(331)	(188)	-
	<u>-</u>	<u>1,048</u>	<u>1,374</u>	<u>-</u>
Unutilised tax losses carried forward	-	(1,048)	(1,177)	-
	<u>-</u>	<u>-</u>	<u>197</u>	<u>-</u>
Tax effect of timing differences on revaluation of:				
Land and buildings	-	-	620	827
	<u>-</u>	<u>-</u>	<u>817</u>	<u>827</u>

16 Accruals and deferred income

	£'000
Government grants	
At 1 January 1993	-
Receipt in year	75
Amortisation in year	(45)
	<u>30</u>
At 31 December 1993	<u>30</u>

17 Pension and similar obligations

The company operates pension schemes which are of the defined contribution type. Their assets are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £166,000 (1992: £169,000). Contributions totalling £27,000 (1992: £21,000) were owed to the funds at the year end and are included in creditors.

18 Called up share capital

	1993 £	1992 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

19 Reserves

	Revaluation reserve £'000	Profit and loss account £'000
At 1 January 1993	7,790	3,198
Profit for the financial year	-	1,088
At 31 December 1993	<u>7,790</u>	<u>4,286</u>

20 Reconciliation of movements in shareholders' funds

	1993 £'000	1992 £'000
Profit/(loss) for the financial year	1,088	(481)
Opening shareholders' funds	<u>10,989</u>	<u>11,470</u>
Closing shareholders' funds	<u>12,077</u>	<u>10,989</u>

21 Post balance sheet events

Details of post balance sheet events are given in the directors' report.

22 Capital commitments

	1993 £'000	1992 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	216	117
Capital expenditure that has been authorised by the directors but has not yet been contracted for	.	301

23 Contingent liabilities

	1993 £	1992 £
VAT deferment bond	40,000	40,000
Intervention Board for Agricultural Produce Bond	50,000	50,000
	90,000	90,000

24 Financial commitments

At 31 December 1993 the company had annual commitments under non cancellable operating leases as follows:

	1993 Plant and machinery £'000	1992 Plant and machinery £'000
Expiring within one year	56	463
Expiring between two and five years inclusive	153	184
	209	647

The company has contracted to purchase minimum quantities of gas from British Gas plc commencing during the twelve months from 1 November 1995. It is the company's intention to use this gas in a new power plant for which capital authority has yet to be given.

25 Ultimate and immediate parent company

The directors regard Glentarget Limited and Blue Thane Limited as the ultimate and immediate holding company respectively. Both companies are registered in England and Wales. According to the register kept by the company, Blue Thane Limited has a 100% interest in the equity share capital of The East Lancashire Paper Mill Company Limited at 31 December 1993. The consolidated financial statements of Blue Thane Limited are available at Church Street East, Radcliffe, Manchester, M26 2EL. Glentarget Limited was incorporated on 28 March 1994 and consequently no financial statements are currently available.