

ARTHUR  
ANDERSEN

ARTHUR ANDERSEN & CO, SC

## Horsell Graphic Industries Limited

Accounts 31 December 1995

together with directors' and auditors' reports

Registered number: 31919



## Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1995.

### Principal activity and business review

The principal activity of the company continues to be the supply and manufacture of printing consumables and equipment. In addition, the company is the holding company for certain overseas selling companies which market these products.

The directors consider the results for the year to be satisfactory and expect the general level of activity to continue in the future.

### Results and dividends

Results and recommended transfers to reserves are as follows:

	£'000
Accumulated deficit, beginning of year	(7,992)
Transfer from other reserves	7,992
Retained profit for the year	5,357
Realised revaluation surplus on disposal of investment property	285
Transfer from revaluation reserve	3
Retained profit, end of year	<u>5,645</u>

The directors do not recommend the payment of a dividend (1994 - £nil).

### Directors and their interests

The directors who served during the year were as follows:

A.P. Copley	(Chairman from 1 July 1995)
C.F. Phillips	(Chairman until 30 June 1995 ) (resigned 30 June 1995)
D. Thompson	
C. Greenberg	(USA)
D. Foley	(USA) (resigned 30 April 1996)
J.F. Hickie	
J.W. Vickers	(resigned 20 June 1995)
G. Turton	(appointed 24 October 1996)
D. Barnfield	(appointed 24 October 1996)
D. Edwards	(appointed 24 October 1996)
L. Powell	(appointed 24 October 1996)

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

## Directors' report (continued)

### Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the accounts.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

### Capital reorganisation of special ordinary shares

On 27 February 1995 the company passed a Special Resolution to reduce the authorised share capital of the company by £11,349,798 by cancelling and extinguishing 30p of the amount paid up or credited as paid up on each of the 37,372,182 issued special ordinary shares of £1 each and by reducing the nominal value of all ordinary shares, whether issued or unissued, from £1 to 70p.

The High Court confirmed the reduction of share capital on 22 March 1995 and the order of the court and the minute approved by the court were registered at Companies House on 23 March 1995. On that date, the sum of £11,211,655 was transferred to other reserves.

The deficit on the profit and loss account at 31 December 1994 of £7,992,000 has been offset against the other reserve created.

## Directors' report (continued)

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

### Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

By order of the Board,

A.M. Cook



Secretary

Howley Park Estate  
Morley  
Leeds  
LS27 0QT

28 October 1996

## Auditors' report

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Manchester

### To the Shareholders of Horsell Graphic Industries Limited:

We have audited the accounts on pages 5 to 25 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 to 10.

### Respective responsibilities of directors and auditors

As described on page 3 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 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 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 company's state of affairs at 31 December 1995 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

Arthur Andersen

Chartered Accountants and Registered Auditors

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

28 October 1996

## Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
<b>Turnover</b>	2	101,853	93,609
<b>Cost of sales</b>		(75,403)	(66,145)
<b>Gross profit</b>		26,450	27,464
<b>Other operating expenses</b>	3	(19,348)	(18,429)
<b>Exceptional costs</b>	4	(2,004)	-
<b>Operating profit</b>		5,098	9,035
<b>Profit on sale of fixed asset investment</b>	11	1,135	-
<b>Profit on sale of investment property</b>		435	-
<b>Other interest receivable and similar income</b>		536	87
<b>Amounts written back to investments</b>	5	774	1,283
<b>Interest payable and similar charges</b>	6	(1,360)	(1,590)
<b>Profit on ordinary activities before taxation</b>	7	6,618	8,815
<b>Tax on profit on ordinary activities</b>	9	(1,261)	(2,412)
<b>Retained profit for the year</b>	18	5,357	6,403

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the retained profit for the year. A statement of movement on reserves is given in note 18.

The accompanying notes are an integral part of these statements.

## Note of historical cost profits and losses

For the year ended 31 December 1995

	1995 £'000	1994 £'000
Reported profit on ordinary activities before taxation	6,618	8,815
Realisation of property gains from prior years	285	-
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	3	3
Historical cost profit on ordinary activities before taxation	6,906	8,818
Historical cost profit for the year retained after taxation	5,645	6,406

# Balance sheet

31 December 1995

	Notes	1995 £'000	1994 £'000
<b>Fixed assets</b>			
Tangible assets	10	16,479	15,339
Investments	11	6,814	6,115
		<u>23,293</u>	<u>21,454</u>
<b>Current assets</b>			
Stocks	12	13,539	11,907
Debtors: due after more than one year	13	2,397	5,106
Debtors: due within one year	13	27,889	23,090
Cash at bank and in hand		4,363	2,714
		<u>48,188</u>	<u>42,817</u>
Creditors: Amounts falling due within one year	14	(31,373)	(31,008)
<b>Net current assets</b>		<u>16,815</u>	<u>11,809</u>
<b>Total assets less current liabilities</b>		<u>40,108</u>	<u>33,263</u>
Creditors: Amounts falling due after more than one year	15	(723)	(1,185)
Provisions for liabilities and charges	16	(3,602)	(1,652)
<b>Net assets</b>		<u>35,783</u>	<u>30,426</u>
<b>Capital and reserves</b>			
Called-up share capital	17	26,223	37,435
Share premium account	18	1	1
Revaluation reserve	18	694	982
Other reserves	18	3,220	-
Profit and loss account	18	5,645	(7,992)
<b>Equity shareholders' funds</b>		<u>35,783</u>	<u>30,426</u>

Signed on behalf of the Board

J.F. Hickie

Director



28 October 1996

The accompanying notes are an integral part of this balance sheet.

# Cash flow statement

For the year ended 31 December 1995

	Notes	1995		1994	
		£'000	£'000	£'000	£'000
<b>Net cash inflow from continuing operating activities</b>	20a		7,373		13,725
<b>Returns on investments and servicing of finance</b>					
Interest received		536		87	
Interest paid		(1,313)		(1,575)	
Interest element of finance lease rental payments		(47)		-	
<b>Net cash outflow from returns on investments and servicing of finance</b>			(824)		(1,488)
<b>Taxation</b>					
UK corporation tax paid		(2,202)		(1,894)	
ACT repaid		448		-	
<b>Taxation paid</b>			(1,754)		(1,894)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(3,330)		(2,918)	
Capital injection to subsidiary undertaking		-		(2,054)	
Sale of tangible fixed assets		569		7	
Sale of subsidiary undertakings		-		930	
Sale of fixed asset investment		1,210		-	
<b>Net cash outflow from investing activities</b>			(1,551)		(4,035)
<b>Net cash inflow before financing</b>			3,244		6,308
<b>Financing</b>					
Repayment of loans by group undertaking		1,929		4,072	
<b>Net cash inflow from financing</b>	20b		1,929		4,072
<b>Increase in cash and cash equivalents</b>	20c		5,173		10,380

The accompanying notes are an integral part of this statement.



## Notes to accounts

31 December 1995

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

#### *a) Basis of accounting*

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards. Assets and liabilities are recognised where, as a result of past transactions or events, the company has rights or other access to future economic benefits controlled by the company, or obligations to transfer economic benefits.

The company has taken advantage of Section 228 of the Companies Act 1985 not to prepare group accounts since it is a subsidiary undertaking of International Paper Holdings (U.K.) Limited, a company incorporated in Great Britain and registered in England and Wales, and no request for consolidated accounts has been received from the minority interests.

#### *b) Tangible fixed assets*

Land and buildings are shown at original historical cost or subsequent valuation as set out in note 10. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	2% per annum
Leasehold land and buildings	over the term of the lease
Plant and machinery	10%-33% per annum

Investment properties are revalued annually. Surpluses or deficits on individual properties are transferred to the investment revaluation reserve. Depreciation is not provided in respect of freehold investment properties or of leasehold investment properties where the unexpired term of the lease is more than 20 years. The directors consider that this accounting policy, which represents a departure from the statutory accounting rules, is necessary to provide a true and fair view as required under SSAP 19. The financial effect of the departure from the statutory accounting rules is not material to the accounts.

#### *c) Investments*

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value. Provisions for temporary fluctuations in value are made if material. Income is included (together with the related tax credit) in the accounts of the year in which it is receivable.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress	-	cost of direct materials and labour, plus a reasonable proportion
and finished goods		of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### e) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

#### f) Pension costs

The company provides pensions and other benefits to certain employees through a funded defined benefit pension scheme and a funded defined contribution pension scheme.

The assets of the schemes are held independently of the company by trustees.

The amount charged to the profit and loss account for the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### *f) Pension costs (continued)*

The amount charged to the profit and loss account for the defined contribution scheme represents amounts payable in the year.

Any difference between amounts charged to the profit and loss account and contributions paid is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in note 21d.

#### *g) Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### *h) Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business.

#### *i) Finance and operating leases*

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Further information on charges in the year and future commitments is given in note 21c.

#### *j) Revaluation reserve*

Surpluses arising on the revaluation of individual fixed assets other than investment properties are credited to a non-distributable reserve known as the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses on the same asset are charged to the profit and loss account. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account below the profit for the financial year. On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

## Notes to accounts (continued)

### 2 Segment information

Turnover and profit on ordinary activities before taxation arose entirely from the principal activity of the company.

Contributions to turnover by geographical segment were as follows:

	1995 £'000	1994 £'000
United Kingdom	44,162	42,144
Rest of Europe	29,513	25,455
Americas	5,382	4,278
Other	22,796	21,732
	<u>101,853</u>	<u>93,609</u>

### 3 Other operating expenses

	1995 £'000	1994 £'000
Distribution costs	10,144	11,017
Administrative expenses	9,204	7,412
	<u>19,348</u>	<u>18,429</u>

### 4 Exceptional costs

Exceptional costs charged in the year of £2,004,000 relate to reorganisation provisions made in connection with the commitment termination costs on a number of leased premises.

### 5 Amounts written off (back to) investments

	1995 £'000	1994 £'000
Fixed assets		
- due to permanent fluctuations in value	-	1,124
- due to temporary fluctuations in value	(774)	(1,237)
	<u>(774)</u>	<u>(113)</u>
Long term loans		
- due to permanent reductions in value	-	472
- provisions no longer required and written back	-	(1,642)
	<u>(774)</u>	<u>(1,283)</u>

## Notes to accounts (continued)

### 6 Interest payable and similar charges

	1995 £'000	1994 £'000
On bank loans, overdrafts and other loans		
- repayable within five years, not by instalments	758	631
- repayable after five years	47	-
On group loans	555	959
	<u>1,360</u>	<u>1,590</u>

The above includes finance charges payable under finance leases of £47,000 (1994 - £Nil).

### 7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting) charging:

	1995 £'000	1994 £'000
Rent receivable (net)	(92)	(89)
Depreciation and amounts written off owned tangible fixed assets	2,196	2,300
Hire of plant and machinery under operating lease rentals	686	850
Other operating lease rentals	768	677
Auditors' remuneration		
- audit fees	60	60
- other	82	34
Staff costs (see note 8)	15,697	14,336
Research and development expenditure	<u>1,660</u>	<u>1,348</u>

## Notes to accounts (continued)

### 8 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1995 £'000	1994 £'000
Employee costs during the year amounted to:		
Wages and salaries	13,692	12,561
Social security costs	1,249	1,147
Other pension costs (see note 21d)	756	628
	<u>15,697</u>	<u>14,336</u>

The average number of employees (including executive directors) was:

	1995 Number	1994 Number
Processing	465	425
Selling and distribution	186	181
Administration	77	71
	<u>728</u>	<u>677</u>

Directors' remuneration:

Directors' remuneration in respect of directors of the company was as follows:

	1995 £'000	1994 £'000
Emoluments for management services (including pension contributions)	<u>361</u>	<u>379</u>

The directors' remuneration shown above (excluding pension contributions) included:

	1995 £'000	1994 £'000
Chairman	<u>110</u>	<u>95</u>
Highest paid director	<u>74</u>	<u>95</u>

## Notes to accounts (continued)

### 8 Staff costs (continued)

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1995 Number	1994 Number
Up to £ 5,000	3	3
£ 40,001 - £ 45,000	-	1
£ 45,001 - £ 50,000	-	1
£ 60,001 - £ 65,000	-	3
£ 65,001 - £ 70,000	2	-
£ 70,001 - £ 75,000	2	-
£ 95,001 - £ 100,000	-	1
	<hr/>	<hr/>

### 9 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1995 £'000	1994 £'000
Corporation tax at 33% (1994 - 33%)	1,205	2,328
Deferred taxation arising from		
- capital allowances	139	(32)
- other timing differences	(80)	116
	<hr/>	<hr/>
	1,264	2,412
Adjustment in respect of prior years		
- corporation tax	-	(174)
- deferred tax	(3)	174
	<hr/>	<hr/>
	1,261	2,412
	<hr/>	<hr/>

The corporation tax charge for the year has been reduced by £1,106,000 (1994 - £108,000) due to group relief received free of charge from fellow group undertakings of £3,350,000 (1994 - £327,000).

## Notes to accounts (continued)

### 10 Tangible fixed assets

a) The movement in the year was as follows:

	Land and buildings				Plant and machinery	Total
	Investment properties £'000	Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000	£'000
<b>Cost or valuation</b>						
Beginning of year	500	3,646	1,315	702	23,013	29,176
Additions	-	86	613	11	3,233	3,943
Disposals	(500)	-	-	-	(531)	(1,031)
End of year	-	3,732	1,928	713	25,715	32,088
<b>Depreciation</b>						
Beginning of year	-	378	121	266	13,072	13,837
Charge	-	75	27	33	2,061	2,196
Disposals	-	-	-	-	(424)	(424)
End of year	-	453	148	299	14,709	15,609
<b>Net book value</b>						
Beginning of year	500	3,268	1,194	436	9,941	15,339
End of year	-	3,279	1,780	414	11,006	16,479

Leased assets included in the above:

<b>Net book value</b>						
Beginning of year	-	-	-	-	-	-
End of year	-	-	613	-	-	613

Long leasehold land amounting to £613,000 (1994 - £Nil) has not been depreciated. Freehold land amounting to £1,400,000 (1994- £1,400,000) has not been depreciated. Plant and machinery includes fixtures and fittings and assets in construction.



## Notes to accounts (continued)

### 10 Tangible fixed assets (continued)

#### b) Basis of valuation

Plant and machinery (including fixtures and fittings) and short leasehold land and buildings are shown at cost.

Freehold and long leasehold land and buildings are shown at a 1989 open market basis valuation with additions at cost as shown below:

	1995			1994	
	Freehold £'000	Long leasehold £'000	Investment properties £'000	Freehold £'000	Long leasehold £'000
Professionally valued					
- existing use	3,300	1,200	-	3,300	1,200
Valued by the directors					
- alternative use	-	613	500	-	-
Total at valuation	3,300	1,813	500	3,300	1,200
Additions at cost	432	115	-	346	115
Cost/valuation end of year	3,732	1,928	500	3,646	1,315

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

	1995			1994	
	Freehold £'000	Long leasehold £'000	Investment properties £'000	Freehold £'000	Long leasehold £'000
Original cost	2,274	1,599	215	2,274	986
Depreciation based on cost	(421)	(122)	(97)	(376)	(102)
Net book value	1,853	1,477	118	1,898	884

### 11 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	1995 £'000	1994 £'000
Subsidiary undertakings	6,814	6,040
Other significant investments	-	75
	6,814	6,115

## Notes to accounts (continued)

### 11 Fixed asset investments (continued)

#### a) Principal investments

The company has investments in the following subsidiary undertakings:

	Country of incorporation or registration	Principal activity	Proportion of ordinary shares held by the company
Subsidiary undertakings:			
Ilford Anitec OY	Finland	Supplier to printing industry.	100%
Ilford Anitec Iberica S.A.	Spain	Supplier to printing industry.	100%
Horsell Systems Limited	Great Britain	Supplier of computer systems.	90%
Horsell International Limited	Great Britain	Overseas selling agent for printing equipment and consumables.	100%
Anitec Image (Great Britain) Limited	Great Britain	Supplier to the printing industry.	100%

#### b) Movement during the year

	Other investments £'000	Subsidiary undertakings £'000	Total £'000
<b>Cost</b>			
Beginning of year	75	11,270	11,345
Disposals	(75)	-	(75)
End of year	-	11,270	11,270
<b>Amounts written off</b>			
Beginning of year	-	5,230	5,230
Written back during the period	-	(774)	(774)
End of year	-	4,456	4,456
Net book value, beginning of year	-	6,040	6,040
Net book value, end of year	-	6,814	6,814

During the year, Masonite Europe BV made a repayment out of capital and as a consequence the company received £1,210,000. In addition, the carrying value of the investment has been fully written down.

## Notes to accounts (continued)

### 12 Stocks

	1995 £'000	1994 £'000
Raw materials and consumables	3,995	2,577
Work-in-progress	2,053	2,089
Finished goods and goods for resale	7,491	7,241
	<u>13,539</u>	<u>11,907</u>

The estimated replacement cost of stocks is not materially different from their balance sheet value.

### 13 Debtors

	1995 £'000	1994 £'000
Amounts falling due after more than one year:		
Trade debtors	2,397	3,177
Amounts owed by other group undertakings	-	1,929
	<u>2,397</u>	<u>5,106</u>

Amounts falling due within one year:

Trade debtors	18,726	14,779
Amounts owed by immediate parent company	2,532	2,068
Amounts owed by subsidiary undertakings	287	1,243
Amounts owed by other group undertakings	4,554	3,056
VAT	267	244
- ACT recoverable	-	448
Other debtors	1,268	827
Prepayments and accrued income	255	425
	<u>27,889</u>	<u>23,090</u>

## Notes to accounts (continued)

### 14 Creditors: Amounts falling due within one year

	1995 £'000	1994 £'000
Bank loans and overdrafts	432	3,956
Trade creditors	9,235	5,912
Amounts owed to immediate parent company	5,962	5,962
Amounts owed to subsidiary undertakings	1,551	1,620
Amounts owed to other group undertakings	8,756	7,975
Other creditors		
- UK corporation tax payable	1,167	2,164
- social security and PAYE	681	593
- other	1,225	510
Accruals and deferred income	2,364	2,316
	<u>31,373</u>	<u>31,008</u>

### 15 Creditors: Amounts falling due after more than one year

	1995 £'000	1994 £'000
Obligations under finance leases - due after five years	613	-
Amounts owed to other group undertakings	-	1,185
Accruals and deferred income	110	-
	<u>723</u>	<u>1,185</u>

### 16 Provisions for liabilities and charges

	1995 £'000	1994 £'000
Deferred taxation	935	879
Provision for warranty costs	65	20
Other provisions	2,602	753
	<u>3,602</u>	<u>1,652</u>

# Notes to accounts (continued)

## 16 Provisions for liabilities and charges (continued)

	Deferred taxation £'000	Warranty provision £'000	Reorganisation provision £'000	Total £'000
Beginning of year	879	20	753	1,652
Charged to profit and loss account	56	45	2,004	2,105
Utilised in year	-	-	(155)	(155)
	<u>935</u>	<u>65</u>	<u>2,602</u>	<u>3,602</u>

*Deferred taxation provided is as follows:*

	1995 £'000	1994 £'000
Excess of tax allowances over book depreciation of fixed assets	1,301	1,126
Other timing differences related to		
- current assets and liabilities	(169)	(81)
- non-current assets and liabilities	(197)	(166)
	<u>935</u>	<u>879</u>

No provision for deferred taxation is considered necessary on the surplus arising from the revaluation of land and buildings as there is no current intention of disposing of them. In addition it is considered that the tax on any capital gains would be deferred indefinitely by means of a rollover relief claim.

## Notes to accounts (continued)

### 17 Called-up share capital

	1995 £	1994 £
<i>Authorised</i>		
37,832,661 special ordinary shares of 70p (1994 - £1) each	26,482,863	37,832,661
65,000 deferred ordinary shares of £1 each	65,000	65,000
5,000 7.5% (now 5.25% plus tax credit) preference shares of 1p each	50	50
11,567 7.5% (now 5.25% plus tax credit) "A" cumulative participating preference shares of 1p each	116	116
7,433 7.5% (now 5.25% plus tax credit) "B" cumulative participating preference shares of 1p each	74	74
38,000 ordinary shares of 1p each	380	380
	<u>26,548,483</u>	<u>37,898,281</u>
	1995 £	1994 £
<i>Allotted, called-up and fully-paid</i>		
37,372,182 special ordinary shares of 70p (1994 - £1) each	26,160,527	37,372,182
62,000 deferred ordinary shares of £1 each	62,000	62,000
5,000 7.5% (now 5.25% plus tax credit) preference shares of 1p each	50	50
11,567 7.5% (now 5.25% plus tax credit) "A" cumulative participating preference shares of 1p each	116	116
7,433 7.5% (now 5.25% plus tax credit) "B" cumulative participating preference shares of 1p each	74	74
38,000 ordinary shares of 1p each	380	380
	<u>26,223,147</u>	<u>37,434,802</u>

All shares are held by the ultimate parent company, International Paper Company, who rank all shares as holding the same rights.

#### Capital reorganisation of special ordinary shares

On 27 February 1995 the company passed a Special Resolution to reduce the authorised share capital of the company by £11,349,798 by cancelling and extinguishing 30p of the amount paid up or credited as paid up on each of the 37,372,182 issued special ordinary shares of £1 each and by reducing the nominal value of all ordinary shares, whether issued or unissued, from £1 to 70p.

The High Court confirmed the reduction of share capital on 22 March 1995 and the order of the court and the minute approved by the court were registered at Companies House on 23 March 1995. On that date, the sum of £11,211,655 was transferred to other reserves.

The deficit on the profit and loss account at 31 December 1994 of £7,992,000 has been offset against the other reserve created.

## Notes to accounts (continued)

### 18 Reserves

	Share premium account £'000	Revaluation reserves £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Beginning of year	1	982	-	(7,992)	(7,009)
Capital reorganisation (see note 17)	-	-	11,212	-	11,212
Elimination of profit and loss account deficit	-	-	(7,992)	7,992	-
Realised revaluation surplus on disposal of investment property	-	(285)	-	285	-
Transfer from revaluation reserve	-	(3)	-	3	-
Profit and loss account	-	-	-	5,357	5,357
End of year	<u>1</u>	<u>694</u>	<u>3,220</u>	<u>5,645</u>	<u>9,560</u>

Of the above reserves, only the other reserves and the profit and loss account are distributable.

### 19 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
Retained profit for the year	5,357	6,403
Opening shareholders' funds	<u>30,426</u>	<u>24,023</u>
Closing shareholders' funds	<u>35,783</u>	<u>30,426</u>

### 20 Cash flow information

#### a) Reconciliation of operating profit to net cash inflow from continuing operating activities

	1995 £'000	1994 £'000
Operating profit	5,098	9,035
Depreciation	2,196	2,300
(Profit) loss on sale of tangible fixed assets	(22)	319
(Increase) decrease in stocks	(1,632)	315
(Increase) decrease in debtors	(3,972)	864
Increase in creditors	3,811	1,102
Increase (decrease) in provisions	1,894	(210)
Net cash inflow from continuing operating activities	<u>7,373</u>	<u>13,725</u>

## Notes to accounts (continued)

### 20 Cash flow information (continued)

#### b) Analysis of changes in financing during the year

	Share capital (including premium) £'000	Loans and finance lease obligations £'000
Balance at 31 December 1993	37,435	4,831
Net cash inflow from financing	-	(4,072)
Write back of provisions from financing	-	1,170
Balance at 31 December 1994	37,435	1,929
Net cash inflow from financing	-	(1,929)
Inception of finance leases	-	613
Capital reorganisation (see note 17)	(11,212)	-
Balance at 31 December 1995	26,223	613

#### c) Analysis of changes in cash and cash equivalents during the year

	Cash at bank and in hand £'000	Bank overdrafts £'000	Net £'000
Balance at 31 December 1993	329	(11,951)	(11,622)
Net cash inflow	2,385	7,995	10,380
Balance at 31 December 1994	2,714	(3,956)	(1,242)
Net cash inflow	1,649	3,524	5,173
Balance at 31 December 1995	4,363	(432)	3,931

### 21 Guarantees and other financial commitments

#### a) Capital commitments

Capital commitments are as follows:

	1995 £'000	1994 £'000
Contracted for but not provided for	55	849
Authorised but not contracted for	318	230
	373	1,079



## Notes to accounts (continued)

### 22 Guarantees and other financial commitments (continued)

#### b) *Contingent liabilities*

The company has cross-guaranteed overdrafts and other liabilities of certain subsidiary undertakings of International Paper Company. The directors are of the opinion that no liability on the guarantees will crystallise.

#### c) *Lease commitments*

The company has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to 5 years. The total annual rental (including interest) for 1995 was £685,611 (1994 - £850,405). The lease agreements provide that the company will pay all insurance, maintenance and repairs. The company may continue, at its option, to use the plant and machinery after the expiration of the initial lease period at a nominal rental.

In addition, the company leases certain land and buildings on short-term and long-term operating leases. The annual rental on these leases was £768,170 (1994 - £677,020). The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties.

The minimum annual rentals under the foregoing leases are as follows:

	1995		1994	
	Property £'000	Plant and machinery £'000	Property £'000	Plant and machinery £'000
Operating leases which expire				
- within one year	-	553	-	180
- within two to five years	-	432	-	573
- after five years	768	-	666	-
	<u>768</u>	<u>985</u>	<u>666</u>	<u>753</u>

## Notes to accounts (continued)

### 21 Guarantees and other financial commitments (continued)

#### *d) Pension arrangements*

The company operates a defined contribution pension scheme for its employees. The pension cost for the year was £725,000 (1994 - £568,000).

The company also operates a defined benefit scheme for certain employees. The pension cost for the year was £30,906 (1994 - £59,743). The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method.

The most recent formal actuarial valuations of this scheme was at 1 April 1995 and was based on the projected unit method. Details of this valuation are as follows:

#### Main assumptions (% pa)

- rate of increase in salaries	7.0
- rate of increase in pensions in payment	3.0
- return on scheme investments	8.5

#### Results:

- market value of scheme assets	£765,000
- level of funding (%)	107
- regular contribution rate (%)	16.2

The actual contribution rate based on the advise of the actuary is 14.8%. Based on this contribution rate it is expected that the surplus will be eliminated over a period of 20 years.

### 22 Ultimate parent company

The company is a subsidiary undertaking of International Paper Company, incorporated in the state of New York, USA.

The largest group of which Horsell Graphic Industries Limited is a member and for which group accounts are drawn up is that headed by International Paper Company, whose principal place of business is at 2 Manhattanville Road, Purchase, New York 10577, USA. The smallest such group is that headed by International Paper Holdings (U.K.) Limited, incorporated in Great Britain and registered in England and Wales, whose principal place of business is Town Lane, Mobberley, Knutsford, Cheshire, WA16 7JL.