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HORSELL GRAPHIC INDUSTRIES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 DECEMBER 1988

PEAT MARWICK McLINTOCK  
City Square House, 7 Wellington Street,  
LEEDS LS1 4DW



HORSELL GRAPHIC INDUSTRIES LIMITEDDIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1988.

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacturing of offset plates, associated equipment and the supplying of other printing consumables to the printing trade.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

Turnover has increased by 34% over the previous year and further progress is expected in 1989 in association with the continued expansion and reorganisation of the group, both in the UK and overseas.

PROFIT AND DIVIDENDS

£

Profit on ordinary activities before taxation	2,702,574
Taxation	(1,117,914)

Profit on ordinary activities after taxation	1,584,660
	=====

The directors recommend that the profit for the year be transferred to retained profits which, after a transfer from revaluation reserve of £3,878, makes £10,273,881 to be carried forward to next year.

On 1 May 1988 the Graphic Equipment Manufacturing Division was transferred to a fellow subsidiary.

On 27 May 1988 the company acquired the business and certain assets and liabilities of the Graphic Products Division of Coates Brothers plc for a consideration of £ 2,514,240.

In October 1988 the company reached terms of settlement with a third party in respect of the third party's claims to infringement of patents. In consideration of the payment of £ 1,600,000 (excluding costs), the patentees claim for back damages and interest were satisfied and licence to use the patented process was granted to the company for the remainder of the life of the patents. Together with the related legal costs of £ 752,799, £ 2,352,799 has been charged as an exceptional item to the profit and loss account.

HORSELL GRAPHIC INDUSTRIES LIMITEDDIRECTORS' REPORT  
(continued)DIRECTORS

The directors of the company at 31 December 1988, all of whom had been directors for the whole of the financial year, unless otherwise stated, were:-

Mr H M Green	
Mr E Frankland	
Mr C F Phillips	
Mr D F Coltart	
Mr P Garth	
Mr D M Heywood	
Mr D Thompson	(appointed 1 July 1988)
Mr D Lamb	(appointed 1 July 1988)
Mr S Simpson	(appointed 1 July 1988)
Mr A G McDowell	(appointed 1 July 1988)

Messrs D Thompson, D Lamb, S Simpson and A G McDowell retire in accordance with the articles of association and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

The interests of the directors in the shares of group companies at 31 December 1988, were as follows:-

	Cookson Group plc	
	Ordinary shares of 50p each	
	<u>1988</u>	<u>1987</u>
		(or date of appointment if later)
Mr H M Green	90,058	90,058
Mr E Frankland	2,740	7,898
Mr C F Phillips	31,814	31,814
Mr D F Coltart	-	-
Mr P Garth	** 56,348	** 56,348
Mr D M Heywood	2,458	2,458
Mr D Thompson	2,922	2,922
Mr D Lamb	2,296	2,296
Mr S Simpson	1,334	1,334
Mr A G McDowell	-	-

\*\* includes non-beneficial interest in 37,800 (1987:37,800) ordinary shares

In addition the following directors had options for ordinary shares in Cookson Group plc as follows:

	Ordinary shares of 50p each	
	<u>1988</u>	<u>1987</u>
		(or date of appointment if later)
Mr H M Green	69,483	43,776
Mr C F Phillips	16,026	8,244
Mr D F Coltart	47,362	26,290
Mr P Garth	12,174	6,174
Mr D M Heywood	9,145	1,672
Mr D Thompson	959	347
Mr D Lamb	-	-
Mr S Simpson	3,796	1,652
Mr A G McDowell	-	-

HORSELL GRAPHIC INDUSTRIES LIMITED

DIRECTORS' REPORT  
(continued)

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in note 10 to the accounts. In the opinion of the directors there is no material difference between the book value and the market value of interests in land and buildings.

RESEARCH AND DEVELOPMENT

The board consider that research and development continues to play a vital role in the company's success.

EMPLOYEES

The company is committed to the development of employee consultation so that the views of employees can be taken into account in making decisions which are likely to affect their interests.

DISABLED PERSONS

The company has an established policy of encouraging the employment of disabled persons wherever this is practicable. In compliance with current legislation the company seeks to employ at least the quota of disabled persons required. The company endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of Peat Marwick McLintock as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board,

D M Heywood

Secretary

LEEDS

21 August 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF

HORSELL GRAPHIC INDUSTRIES LIMITED

We have audited the accounts on pages 5 to 23 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 December 1988 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Peat Marwick McLintock*

Chartered Accountants

City Square House  
7 Wellington Street  
Leeds  
LS1 4DW

21 August 1989

HORSSELL GRAPHIC INDUSTRIES LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1988

	Notes	<u>1988</u> £	<u>1987</u> £
TURNOVER	2	58,098,023	43,212,781
Cost of sales		(41,606,001)	(30,272,151)
GROSS PROFIT		16,492,022	12,940,630
Other operating expenses	3	(9,379,139)	(6,176,967)
OPERATING PROFIT		7,112,883	6,763,663
Exceptional item	4	(2,352,799)	-
Investment income	5	188,737	180,890
Interest payable and similar charges	6	(2,246,247)	(2,340,401)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	2,702,574	4,604,152
Tax on profit on ordinary activities	9	(1,117,914)	(1,694,301)
RETAINED PROFIT FOR THE FINANCIAL YEAR	19	<u>1,584,660</u>	<u>2,909,851</u>

The notes on pages 9 to 23 form part of these accounts.

BORSKELL GRAPHIC INDUSTRIES LIMITEDBALANCE SHEET AT 31 DECEMBER 1988

	Notes	£	1988	£	£	1987	£
<b>FIXED ASSETS</b>							
Tangible	10		11,139,678			9,743,421	
Investments	11		<u>929,935</u>			<u>804,982</u>	
			12,069,613			10,548,403	
<b>CURRENT ASSETS</b>							
Stocks	12	9,516,655			7,771,794		
Debtors	13	36,367,305			21,325,770		
Cash at bank and in hand		<u>2,527,804</u>			<u>6,145</u>		
		48,411,764			29,103,709		
CREDITORS: Amounts falling due within one year	14	(49,068,086)			(27,904,758)		
NET CURRENT (LIABILITIES)/ASSETS			<u>(656,322)</u>			<u>1,198,951</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			11,413,291			11,747,354	
CREDITORS: Amounts falling due after more than one year	15		(482,009)			(1,514,841)	
PROVISIONS FOR LIABILITIES AND CHARGES	17		<u>-</u>			<u>(30,000)</u>	
			<u>10,931,282</u>			<u>10,202,513</u>	
<b>CAPITAL AND RESERVES</b>							
Share capital	18		62,620			62,620	
Share premium account			1,380			1,380	
Revaluation reserve	19		593,401			597,279	
Profit and loss account	19		<u>10,273,881</u>			<u>9,541,234</u>	
			<u>10,931,282</u>			<u>10,202,513</u>	

These accounts were approved by  
the board of directors on 21 August 1989

H M Green

D M Heywood

DIRECTORS

The notes on pages 9 to 23 form part of these accounts.

MORSELL GRAPHIC INDUSTRIES LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1988

	£	<u>1988</u>	£	£	<u>1987</u>	£
SOURCE OF FUNDS						
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			2,702,574			4,604,152
Deduct currency losses transferred directly to reserves			<u>(327,781)</u>			<u>-</u>
			2,374,593			4,604,152
ADJUSTMENTS FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS						
Depreciation	1,583,983			1,274,546		
Loss on sale of associated company	-			16,882		
Profit on sale of tangible fixed assets	(833)			(11,307)		
Amounts written off investments	26,594			55,009		
Other provisions	(30,000)			30,000		
			<u>1,579,744</u>			<u>1,365,130</u>
TOTAL GENERATED FROM OPERATIONS			3,954,337			5,969,282
FUNDS FROM OTHER SOURCES						
Increase in Creditors: Amounts falling due after more than one year	-			351,353		
Tax repaid	-			466,208		
Proceeds of sale of tangible fixed assets	<u>265,312</u>			<u>225,277</u>		
			<u>265,312</u>			<u>1,042,838</u>
Carried forward			4,219,649			7,012,120

MORSHILL GRAPHIC INDUSTRIES LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 DECEMBER 1988

(Continued)

	<u>1988</u>	<u>1987</u>
	£	£
Brought forward	4,219,649	7,012,120
APPLICATION OF FUNDS		
Purchase of shares in subsidiary companies	151,547	771,737
Tax paid	1,065,880	-
Decrease in creditors:		
Amounts falling due after more than one year	1,032,832	-
Purchase of tangible fixed assets	2,617,226	2,049,601
Capital reserve	527,910	-
Fixed assets purchased in respect of business acquired	<u>627,493</u>	-
	(6,022,888)	(2,821,428)
(DECREASE)/INCREASE IN WORKING CAPITAL	<u>(1,803,239)</u>	<u>4,190,692</u>
COMPONENTS OF (DECREASE)/INCREASE IN WORKING CAPITAL		
Stocks	1,744,861	1,611,297
Debtors	15,041,535	6,454,625
Creditors	<u>(19,680,510)</u>	<u>(9,308,750)</u>
	(2,894,114)	(1,242,828)
Movement in net liquid funds (Increase)/decrease in net bank borrowing	(1,430,784)	5,427,375
Increase in cash at bank and in hand	<u>2,521,659</u>	<u>6,145</u>
	<u>1,090,875</u>	<u>5,433,520</u>
	<u>(1,803,239)</u>	<u>4,190,692</u>

Summary of the net effect of the acquisition of the business and certain assets and liabilities of the Graphic Products Division of Coates Brothers plc.

<u>Net assets acquired</u>	<u>Discharged by</u>
£	£
Fixed assets	Cash paid
628,316	2,514,240
Stocks	
667,715	
Debtors	
730,093	
Cash	
451	
Sundry creditors	
(40,245)	
Know-how	
574,897	
Capital reserve	
(46,987)	
<u>2,514,240</u>	<u>2,514,240</u>

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS1. ACCOUNTING POLICIES

The company has adopted the following accounting policies which should be read in conjunction with the accounts set out on pages 5 to 23 which have been prepared under the historical cost convention (as modified by the revaluation of certain assets).

Group Accounts

Group accounts are not prepared as the company is itself a wholly-owned subsidiary of a company incorporated in England.

Turnover

Turnover represents the invoice value of goods and services sold, less returns and allowances, excluding value added tax.

Fixed Assets and Depreciation

Fixed assets are stated at purchase price, cost of production or professional valuation, less depreciation and amounts written off. Depreciation is calculated to write down the cost, revalued amount or written down value of tangible fixed assets to their estimated residual values over their estimated useful lives at the following annual rates:

Freehold land	Nil
Freehold buildings	2% straight line
Short term leasehold property	Straight line over unexpired term of lease
Plant, machinery fixtures and fittings	Straight line over estimated life of asset varying between 3 and 10 years
Motor vehicles	33.33% on reducing balance

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided on investment properties.

Goodwill

Goodwill arising on the acquisition of businesses is written off directly against reserves.

Research and Development

Expenditure on research and development is charged against profits in the year in which it is incurred.

Deferred Taxation

Provision is made, using the liability method, for taxation at the current rate of corporation tax in respect of items where there is a material timing difference between their treatment for accounts and taxation purposes if, in the opinion of the directors, it is probable that a tax liability will crystallise in the foreseeable future.

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)1. ACCOUNTING POLICIES (continued)Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises the cost of direct materials, direct labour and attributable overheads.

Leased Assets and Obligations

Tangible fixed assets operated under the terms of finance leases are capitalised at a value equal to the cost incurred by the lessor in acquiring the relevant assets and depreciated in the same manner as owned assets. Leases are regarded as finance leases where their terms transfer to the lessee substantially all the benefits and burdens of ownership other than the right to title. The capital element of future lease payments is included under creditors. In the case of operating leases, the annual rentals are charged to trading profit on a straight line basis over the terms of the lease.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet except where there are related or matching forward contracts in respect of trading transactions in which case the rates of exchange specified in the contracts are used. Trading activities denominated in foreign currencies are recorded in sterling at the rates of exchange ruling at the date of the transaction.

Loans to and deferred trading balances with overseas trading subsidiaries are treated as part of the company's net investment in the foreign enterprises. Exchange differences arising on such loans and inter-company balances are dealt with as adjustments to reserves. All other exchange differences are taken into account as part of the profit on ordinary activities.

Contributions to Pension Fund

The company is party to a group pension scheme under which contributions by employees and the companies are administered by trustees in a fund independent from the companies' assets.

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
2. <u>TURNOVER</u>		
By geographical area:		
EEC	47,592,549	35,662,367
Americas	5,510,087	5,082,300
Other	<u>4,995,387</u>	<u>2,468,114</u>
	<u>58,098,023</u>	<u>43,212,781</u>
3. <u>OTHER OPERATING EXPENSES</u>		
Distribution costs	5,694,360	4,509,426
Administrative expenses	3,658,185	1,612,532
Amounts written off		
investments in subsidiary		
companies	<u>26,594</u>	<u>55,009</u>
	<u>9,379,139</u>	<u>6,176,967</u>
4. <u>EXCEPTIONAL ITEM</u>		
In October 1988 the company reached terms of settlement with a third party in respect of the third party's claims to infringement of patents. In consideration of £ 1,600,000 (excluding costs), the patentees claim for back damages and interest were satisfied and license to use the patented process was granted to the company for the remainder of the life of the patents. Together with the related legal costs of £ 752,799, £ 2,352,799 has been charged as an exceptional item to the profit and loss account.		
5. <u>INVESTMENT INCOME</u>		
Interest receivable from		
subsidiary	100,917	82,254
Other interest receivable	995	25,573
Rents receivable	<u>86,825</u>	<u>73,063</u>
	<u>188,737</u>	<u>180,890</u>

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)

6.	<u>INTEREST PAYABLE AND SIMILAR CHARGES</u>	<u>1988</u> £	<u>1987</u> £
	On bank loans, overdrafts and other loans:		
	- repayable within five years by instalments	-	1,002
	- repayable within five years not by instalments	<u>306,688</u>	<u>1,350,077</u>
		306,688	1,351,079
	Group interest charged	<u>1,939,559</u>	<u>989,322</u>
		<u>2,246,247</u>	<u>2,340,401</u>

7. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

Depreciation - owned tangible fixed assets	1,581,781	1,243,132
- tangible fixed assets held under finance leases	2,202	31,414
Operating lease rentals in respect of:		
- Plant and machinery	155,194	148,500
- Land and buildings	216,259	202,372
Auditors' remuneration	25,000	21,100
Finance charges payable in respect of finance leases	<u>1,958</u>	<u>6,771</u>

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)

8.	<u>STAFF COSTS</u>	<u>1988</u> £	<u>1987</u> £
	Wages and salaries	7,211,207	5,866,349
	Social security costs	715,059	599,247
	Other pension costs	<u>193,330</u>	<u>170,045</u>
		<u>8,119,596</u>	<u>6,636,141</u>

The average weekly number of persons employed by the company during the year was as follows:

	Number	Number
Production	393	352
Selling and distribution	146	131
Administration	<u>52</u>	<u>45</u>
	<u>591</u>	<u>528</u>
<u>Directors' remuneration:</u>		
	£	£
Fees as directors	-	-
Other emoluments (including pension contributions)	<u>370,957</u>	<u>265,789</u>
	<u>370,957</u>	<u>265,789</u>

Excluding pension contributions, the emoluments of the chairman and highest paid director were £ 72,009 (1987: £ 49,041); the emoluments of the other directors were within the following ranges:-

	Number	Number
£10,001 - £15,000	2	-
£15,001 - £20,000	2	-
£25,001 - £30,000	-	1
£30,001 - £35,000	1	2
£40,001 - £45,000	1	1
£45,001 - £50,000	2	1
£55,001 - £60,000	<u>1</u>	<u>-</u>

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)9. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1988</u>	<u>1987</u>
The tax charge comprises:	£	£
Corporation tax at 35%	1,014,588	1,700,000
Deferred taxation	-	(5,699)
Adjustment in respect of prior years:		
Corporation tax	<u>103,326</u>	<u>-</u>
	<u>1,117,914</u>	<u>1,694,301</u>

The tax charge has been reduced by accelerated capital allowances and other timing differences not deferred amounting to £ 64,142 (1987: £ 14,904).

## HORSELL GRAPHIC INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS  
(continued)10. TANGIBLE FIXED ASSETS

	<u>Land and Buildings</u>			Plant and machinery	Total
	Investment properties £	Freehold £	Short leases £	£	£
Cost or valuation:					
At 1 January 1988	600,000	2,405,892	129,875	10,950,279	14,086,046
Transfers from group companies	-	-	-	9,332	9,332
Business acquired	-	250,000	-	377,493	627,493
Additions	-	933,395	10,526	1,665,241	2,609,162
Disposals	-	-	(716)	(680,116)	(680,832)
Disposals to fellow subsidiaries	-	-	-	(123,406)	(123,406)
At 31 December 1988	600,000	3,589,287	139,685	12,198,823	16,527,795
Being: Cost	-	2,289,287	139,685	12,198,823	14,627,795
Valuation	600,000	1,300,000	-	-	1,900,000
	=====	=====	=====	=====	=====
Depreciation:					
At 1 January 1988	-	212,875	14,976	4,114,774	4,342,625
Depreciation charge	-	47,921	5,523	1,530,539	1,583,983
Transfers from group companies	-	-	-	1,268	1,268
Disposals	-	-	(112)	(514,586)	(514,698)
Disposals to fellow subsidiaries	-	-	-	(25,061)	(25,061)
At 31 December 1988	-	260,796	20,387	5,106,934	5,388,117
Net book value at January 1988	600,000	2,193,017	114,899	6,835,505	9,743,421
	=====	=====	=====	=====	=====
Net book value at 31 December 1988	600,000	3,328,491	119,292	7,091,889	11,139,678
	=====	=====	=====	=====	=====

Peat Marwick McLintock

Plant and machinery (including fixtures and fittings and motor vehicles) is shown at cost and includes an amount of £ 21,000 (1987: £ 186,297) and related depreciation of £ 16,590 (1987: £ 98,708) in respect of assets held under finance leases. With the exception of investment properties, land and buildings are included at the valuation on the basis of market value with vacant possession for existing use made in 1980 with subsequent additions at cost.

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)10. TANGIBLE FIXED ASSETS (continued)

Investment properties were valued by the directors at £600,000 on 31 December 1988 on the basis of open market value.

Original cost and depreciation of land and buildings included at a valuation:

	<u>1988</u>		<u>1987</u>	
	Investment properties £	Freehold £	Investment properties £	Freehold £
Original cost	215,224	2,243,937	215,224	1,060,542
Depreciation	(68,870)	(201,968)	(64,566)	(157,089)
	<u>146,354</u>	<u>2,041,969</u>	<u>150,658</u>	<u>903,453</u>

11. FIXED ASSET INVESTMENTS

	<u>1988</u> £	<u>1987</u> £
Subsidiaries	929,935	804,981
Shares in associated companies	<u>-</u>	<u>1</u>
	<u>929,935</u>	<u>804,982</u>

Subsidiary companies are:

Suppliers to the printing industry:

Horsell Graphic Industries B.V. (Incorporated in the Netherlands)  
Horsell International Limited

ENK Repro Copy Systems A/S (Incorporated in Denmark)

Horsell Industries Graphiques Sarl (Incorporated in France)

Horsell Industries Graficas S.A. (Incorporated in Spain)

Horsell Graphic Industries GmbH (Incorporated in Karlsruhe, West Germany)

Horsell Italia Industrie Grafiche Srl (Incorporated in Italy)

Horsell Grafiska AB (Incorporated in Sweden)

Jorgen Signer Grafiska AB (Interest 90%) (Incorporated in Sweden)

Horsell Norge A/S (Incorporated in Norway)

Horsell Systems Limited (Interest 90%, previously an associated company).

Horsell Graaфинен OY (Incorporated in Finland)

Non-trading:

Horsell Repro Supplies Limited

N.L.K. Offset Supplies Limited

United Ink Industries Limited

Coates Graphic Products Limited

The company has not prepared group accounts on the basis that it is a wholly owned subsidiary of a company incorporated in Great Britain.

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNT  
(continued)11. FIXED ASSET INVESTMENTS (continued)

Except as otherwise stated the above companies are all wholly-owned and incorporated in Great Britain.

	<u>1988</u> £	<u>1987</u> £
Investment in shares in subsidiaries:		
Cost:		
At 1 January 1988	1,756,825	985,088
Additions	151,547	771,737
Transfer from investment in associated companies	<u>1</u>	<u>-</u>
At 31 December 1988	<u>1,908,373</u>	<u>1,756,825</u>
Amounts written off:		
At 1 January 1988	951,844	896,835
Provided in year	<u>26,594</u>	<u>55,009</u>
	<u>978,438</u>	<u>951,844</u>
Net book value at 31 December 1988	<u>929,935</u>	<u>804,981</u>

In the opinion of the directors, the value of the company's investments is not less than the amount at which it is stated in the balance sheet.

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)11. FIXED ASSET INVESTMENTS (continued)

Investment in shares in associated companies:

	<u>1988</u> £	<u>1987</u> £
Cost:		
At 1 January 1988	1	24,132
Transfer to investment in subsidiaries	(1)	-
Disposals	-	(24,131)
At 31 December 1988	-	1
Amounts written off:		
At 1 January 1988	-	7,249
Disposals	-	(7,249)
At 31 December 1988	-	-
Net book value at 31 December 1988	- ===	1 =====

12. STOCKS

Raw materials and consumables	2,938,654	2,910,845
Work in progress	745,856	73,152
Finished goods and goods for resale	<u>5,832,145</u>	<u>4,787,797</u>
	<u>9,516,655</u> =====	<u>7,771,794</u> =====

NOTES TO THE ACCOUNTS  
(continued)

13. DEBTORS

	<u>1988</u> £	<u>1987</u> £
Amounts falling due within one year:		
Trade debtors	11,422,352	8,208,113
Amounts owed by subsidiaries	17,760,504	11,905,415
Amounts owed by associated companies	-	218,570
Net investment in finance leases	-	13,101
Other debtors	157,334	135,752
Prepayments and accrued income	<u>264,280</u>	<u>338,225</u>
	29,604,470	20,819,176
Amounts falling due after more than one year:		
Trade debtors	739,774	506,594
Other debtors	4,200	-
Amounts owed by subsidiaries	<u>6,018,861</u>	<u>-</u>
	<u>36,367,305</u>	<u>21,325,770</u>

14. CREDITORS: Amounts falling due within one year

Bank overdrafts (secured - note 22)	3,793,296	2,362,512
Trade creditors	9,412,212	7,471,959
Amounts owed to ultimate holding company	29,824,219	13,612,269
Amounts owed to fellow subsidiary companies	1,581,642	731,832
Other creditors	32,072	107,362
Corporation tax payable	2,369,428	2,317,394
Other taxes and social security	1,431,313	804,343
Accruals and deferred income	619,809	467,263
Obligations under finance leases (see note 16)	<u>4,095</u>	<u>29,824</u>
	<u>49,068,086</u>	<u>27,904,758</u>

MORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)15. CREDITORS: Amounts falling due after more than one year

	<u>1988</u>	<u>1987</u>
	<u>£</u>	<u>£</u>
Amounts owed to ultimate holding company	-	910,000
Other creditors	<u>482,009</u>	<u>604,841</u>
	<u>482,009</u>	<u>1,514,841</u>
	<u>=====</u>	<u>=====</u>

16. OBLIGATIONS UNDER FINANCE LEASES

Within one year	4,345	33,383
Less future finance charges	<u>(250)</u>	<u>(3,559)</u>
	<u>4,095</u>	<u>29,824</u>
	<u>=====</u>	<u>=====</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities comprise:

Provision for future costs	-	<u>30,000</u>
	-	<u>30,000</u>
	<u>=====</u>	<u>=====</u>

Contingent taxation liabilities for which no provision has been made, calculated at expected long term rates are as follows:

Accelerated capital allowances	1,414,675	1,590,650
Sundry timing differences	<u>(22,750)</u>	<u>(22,750)</u>
	<u>1,391,925</u>	<u>1,567,900</u>
	<u>=====</u>	<u>=====</u>

HORSFALL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)18. SHARE CAPITAL

	1988 Number	and 1987 £
Authorised:		
Deferred ordinary £1 shares	65,000	65,000
7.5% (now 5.25% plus tax credit) lp preference shares	5,000	50
7.5% (now 5.25% plus tax credit) lp "A" cumulative participating preference shares	11,600	116
7.5% (now 5.25% plus tax credit) lp "B" cumulative participating preference shares	7,400	74
Ordinary lp shares	38,000	380
	=====	
		65,620
		=====

Allotted, called up and  
fully paid:

	1988 Number	and 1987 £
Deferred ordinary £1 shares	62,000	62,000
7.5% (now 5.25% plus tax credit) lp preference shares	5,000	50
7.5% (now 5.25% plus tax credit) lp "A" cumulative participating preference shares	11,600	116
7.5% (now 5.25% plus tax credit) lp "B" cumulative participating preference shares	7,400	74
Ordinary lp shares	38,000	380
	=====	
		62,620
		=====

19. RESERVES

	Revaluation £	Revenue £	Total £
At 1 January 1988	597,279	9,541,234	10,138,513
Retained profits for the year	-	1,584,660	1,584,660
Goodwill written-off	-	(527,910)	(527,910)
Exchange adjustment	-	(327,981)	(327,981)
Transfer	(3,878)	3,878	-
	=====	=====	=====
At 31 December 1988	593,401	10,273,881	10,867,282
	=====	=====	=====

HORSELL GRAPHIC INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS  
(continued)20. OBLIGATIONS UNDER NON-CANCELLABLE OPERATING LEASES

At 31 December 1988 the company had annual commitments under non-cancellable operating leases as follows:-

	<u>1988</u>		<u>1987</u>	
	Land and Buildings £	Plant and Machinery £	Land and Buildings £	Plant and Machinery £
Operating leases which expire:				
Within 1 year	-	127,400	-	29,315
Within 2-5 years	25,300	102,907	35,850	65,111
In more than 5 years	<u>277,717</u>	<u>6,907</u>	<u>184,953</u>	<u>3,408</u>
	<u>303,017</u>	<u>237,214</u>	<u>220,803</u>	<u>97,834</u>

21. CAPITAL COMMITMENTS

Capital commitments at 31 December 1988 not provided for in these accounts are as follows:

	<u>1988</u> £	<u>1987</u> £
Contracted	<u>128,000</u>	<u>-</u>
Authorised but not contracted	<u>337,000</u>	<u>1,405,000</u>

22. SECURITY

Lloyds Bank plc have a floating charge on the current assets and a charge on all the other assets to secure the outstanding balance of the company's and certain other group companies' borrowings plus interest and charges. A second legal charge exists over the freehold premises of Howley Park Industrial Estate, Morley.

HORSELL GRAPHIC INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS  
(continued)

23. CONTINGENT LIABILITIES

The company has given guarantees in respect of liabilities of a foreign subsidiary company to the amount of £295,000 (1987:£240,918)

24. HOLDING COMPANY

The company's ultimate holding company is Cookson Group plc, a company incorporated in Great Britain.