

COMPANY NO. 169249

API Group plc | *Annual Report & Accounts 1995*

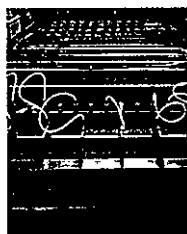


Developing the core business

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H I G H L I G H T S O F T H E Y E A R

Financial Highlights

- Sales advance 33% to £104.0m (£78.2m)
- Operating profit up 28% to £8.44m (£6.62m)
- Earnings per share up 37% to 27.4p (20.0p)
- Acquisitions contribute £740k (before £222k redundancy)
- Full year dividend increased by over 10% to 10.00p (9.08p)
- Roce 29.9% before acquisitions and the new paper metallising plant

Including discontinued operations:

- Sales advance 31% from £79.6m
- Operating profit up 24% from £6.8m
- Earnings per share rise 26% from 21.8p
- Pre-tax profit improved 19% from £7.0m

Operational Highlights

- Paper metallising plant on target for start up early 1996
- Three acquisitions successfully integrated
- Effects of unprecedented material price increases contained
- Good reception for new products
- Progress in developing overseas markets
- Environmental good practice award



MISSION STATEMENT

"The absolute objective of the APF 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."



THE API GROUP PROFILE

The API Group plc is a world-wide industrial organisation whose objectives are to grow profitability year on year, both organically and by acquisition.

API is a holding company, managing its operations through two divisions; FOILS AND LAMINATES and CONVERTED FILM, PAPER PRODUCTS AND OFFICE CONSUMABLES.



Foils and Laminates

The principal activity is the manufacture and supply of hot stamping foil, metallised laminated board and thermal transfer ribbon to the print and packaging industry. Uses for the division's products are diverse, ranging from high quality image packaging to specialist coatings for medical and security applications.



Converted Film, Paper Products and Office Consumables

Operations include silicone coating to provide release properties to a variety of base materials and the manufacture of a wide range of self adhesive products. The two businesses are complementary with a significant proportion of the silicone release materials being consumed in the conversion of self adhesive labels and laminates, document protection envelopes and book covering film.



DIRECTORS, SECRETARY & ADVISERS

Directors

J.M. Woolley, Chairman*
M.J. Smith, Group Chief Executive
D.J. Holt A.C.M.A., Finance
J.F. Adey, M.A., M.B.A.*
J.N. Sheldrick, M.A., M.Sc., F.C.M.A.*
*non-executive**

Secretary

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

Registered Office

Silk House
 Park Green
 Macclesfield
 Cheshire
 SK12 7RG
 Registered Number 169249

Bankers

Barclays Bank PLC
 Park Green
 Macclesfield
 Cheshire
 SK12 7RG

HM Royal Bank
 Scotland
 Silk House
 Alnwick North
 Livingston
 West Lothian
 EH45 6DZ

NM Rothschild & Sons Limited
 Trinity Court
 16 John Dalton Street
 Manchester
 M2 6HY

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 Cooke
 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 announce another year of strong performance resulting in record pre-tax profits for the Group of £8.35m. Earnings per share have increased by 26% from 21.8p to 27.4p and by 37% from continuing operations.

The Board is recommending an increase in the final ordinary dividend to 5.93p (5.38p), making a total for the year of 10.00p (9.08p), a 10.1% increase on last year. Dividend cover has improved to 2.7x compared with 2.4x last year.

Operating profit of £8.44m on continuing operations is 28% up on the previous year, although margins have slightly reduced from 8.5% to 8.1% due to the inevitable time lag in passing on cost increases and effects of sales mix. Raw material price movements have been a significant factor during the year and all API's employees have done well to contain them.

Cash balances of £6.4m last year have been utilised on acquisitions and internal investment. Capital expenditure of £7.2m includes £5.1m on progress payments for the Group's new paper metallising plant, which will serve a £300m European market. The sum of £6.7m has been spent on acquisitions in API's core markets and the purchase of J & J Makin, Data-Label and NMC Coatings in the second half have already been successfully integrated. Of this amount £3.3m was

for working capital excluded from the original J & J Makin transaction. Borrowings as at 30 September of £2.6m equate to gearing of 8%, reflecting the strong operational cash flow of the Group.

Foils and Laminates

The division increased operating profits by 38% to £6.5m (£4.7m) on a 38% advance in sales to £70.3m (£50.9m).

Converted Film, Paper Products and Office Consumables

The division increased operating profits by 15% to £3.7m (£3.2m) on sales up 24% to £33.7m (£27.3m).

Cadbury and Greenbury

The Board fully supports the principles contained in the Cadbury Committee's Code of Best Practice and believes that the company now complies with the recommendations of the Committee. Policy is presently being reviewed, in light of the Greenbury Report, and comprehensive comments will be contained in next year's accounts, when the Stock Exchange Listing Rules will apply.

I would like to thank all our employees for their continued determination and skill which ensures the profitable momentum of the Group is maintained.

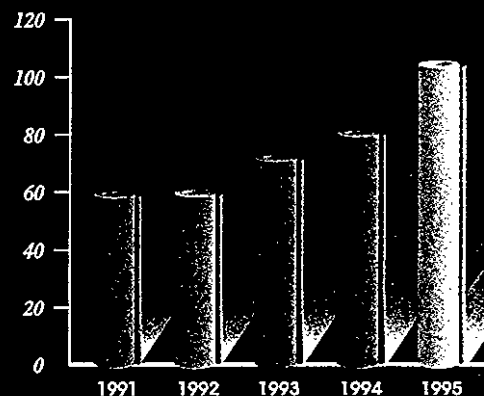
J. Moger Woolley,
Non Executive Chairman

22 December 1995

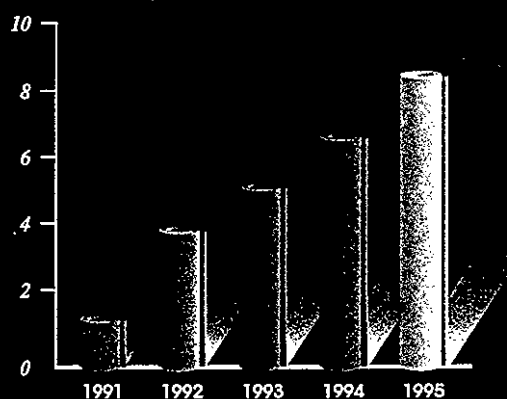
FINANCIAL HIGHLIGHTS

The Positive Five Year Trend

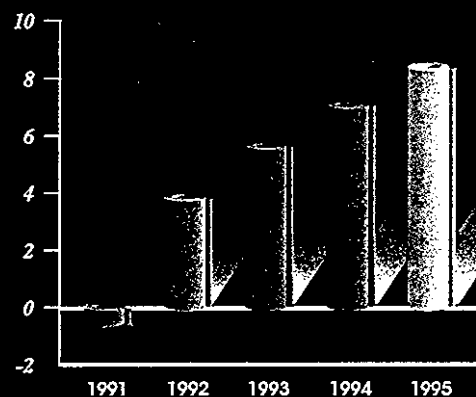
Turnover – continuing operations (£'m)



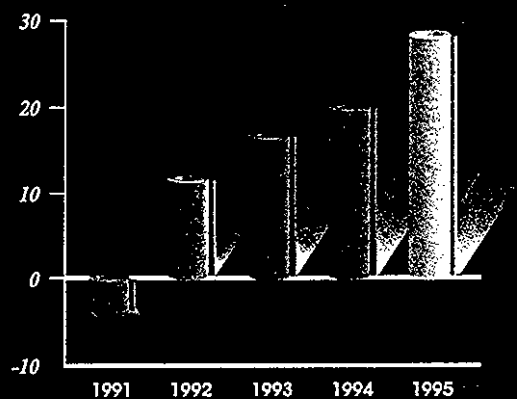
Operating profit – continuing operations (£'m)



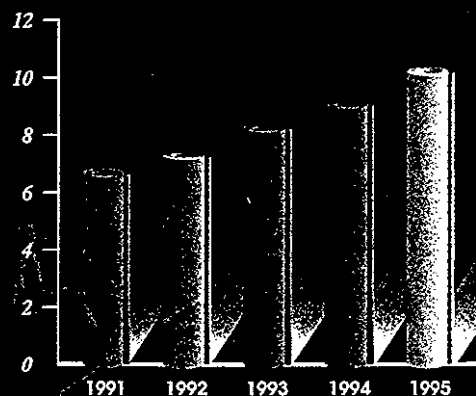
Profit before tax (£'m)

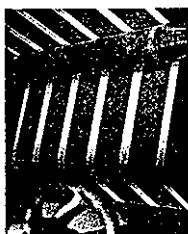


Earnings per share – continuing operations (pence)



Dividend per share (pence)





GROUP CHIEF EXECUTIVE'S REVIEW

This year has seen many highlights for the Group with the highest level of sales, pre-tax profits, earnings per share and recommended dividend payment ever being recorded, in this the 75th anniversary of API's formation on 23rd July 1920.



The opposite page illustrates the consistent gains API has made over the last five years and I am pleased to confirm the continuation of this trend in 1995.

This year has seen many highlights for the Group with the highest level of sales, pre-tax profits, earnings per share and recommended dividend payment ever being recorded, in this the 75th anniversary of API's formation on 23rd July 1920.

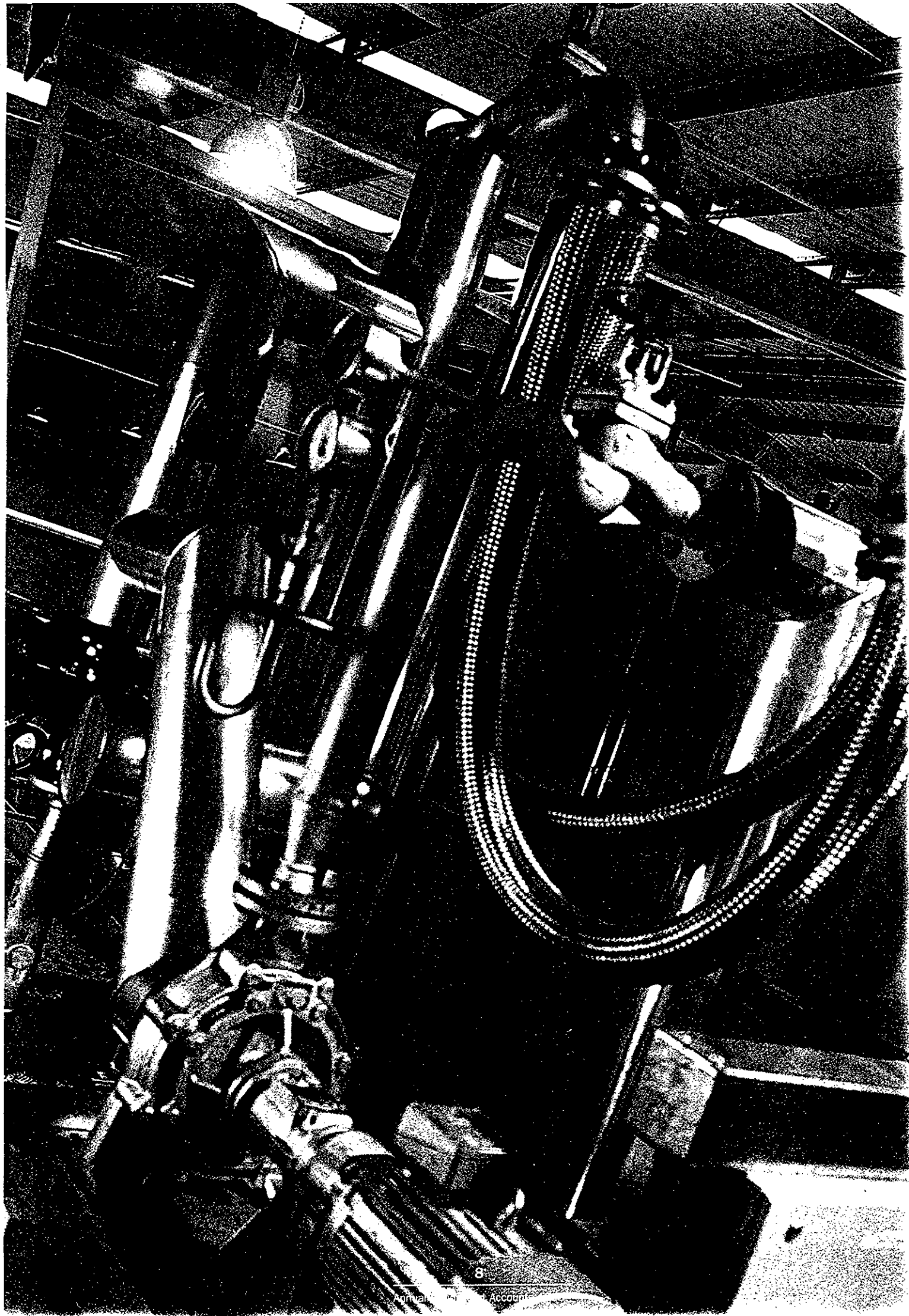
Sales from continuing operations have increased by 33% in the current year to £104.0m, including £9.3m turnover from acquisitions. Significant gains have been achieved worldwide, with UK sales up by 43%, mainland Europe 33%, the Far East 13% and, in US Dollar terms, in the Americas by 15%.

This headway has been sustained during a very challenging period, particularly in our business sector, where severe and sometimes excessive raw material price increases could not always be passed through immediately, or, in some cases, in

their entirety. In addition to this, turnover and product mix changes increased our materials to sales ratio. However, determination in containing the impact has been paramount to API's success this year. Reconfiguring specifications, new higher added value products, further improved productivity and scrap reduction are examples of how we have mitigated the effect of these volatile conditions. The continuing operations gross margin excluding acquisitions at 26.2% compared to 26.7% last year has been the reward for the approach and dedication of all our employees in protecting margins, despite the difficult conditions encountered.

After two years of comprehensive attention to the fundamentals of the business, including the introduction of a style, culture and strategic vision to underpin the future successful development of the Group, concentration has also focused on planned organic and acquisition expansion. Completion of the core business acquisitions of J & J Makin, Data-Label and NMC Coatings effected in the second half at a total cost of £6.5m, were







followed by precise restructuring and amalgamation into the respective Group operations.

Organic investments included the new paper metallising plant, which begins volume manufacture on schedule early in 1996 and thermal transfer ribbon production equipment for the high potential variable information market. These internal investments formed part of a comprehensive capital expenditure programme costing £7.3m in 1995, funded from our existing resources.

We performed well in all areas of financial controls, aided by new management information procedures in the company, which have enhanced visibility in

every aspect of our activities, including the monitoring of customer stocks, in conjunction with our electronic data interface systems.

In 1995 the management team was further strengthened and the focus of improving the fundamentals of our business continued unabated with our Management for Continuous Improvement, employee development and environmental programmes, to name a few. Whiley Foils was the first company in the Group to be awarded BS7750 environmental certification and we anticipate all UK manufacturing facilities to be accredited mid 1996.

Let me now turn to the individual units.

F O I L S A N D L A M I N A T E S

This division advanced operating profits by 38% to £6.5m (£4.7m) on 38% higher sales at £70.3m (£50.9m). Operating margins have been maintained at 9.3% due to increased volume and efficiency offsetting the impact of raw material cost increases.

Whiley Foils Ltd

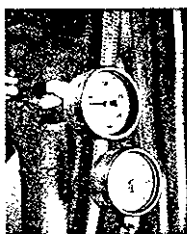
achieved another year of solid progress led by a healthy domestic and international sales increase of 25%. The technical team established over the last two years were instrumental in formulating new high performance foils, whose universal characteristics are being exceptionally well received

in the marketplace, which helped improve the gross margin by 38% over the prior year. BS7750 accreditation in November will serve as the foundation for extending these exacting environmental controls to our other activities.

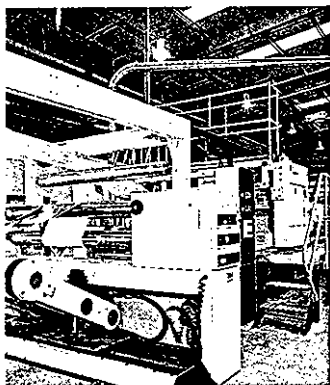
Dri-Print Foils, Inc.

boosted sales by 19% and trading profit by 31% assisted by the additional sales of recently developed security and protective coatings applications. The embossable foil for anti-counterfeiting, which utilises a new generation of

imaging technique, provides significant product differentiation and attractive growth potential. The year reflected major progress in profiling the plant as a low cost, quality facility.



Henry & Leigh Slater Ltd

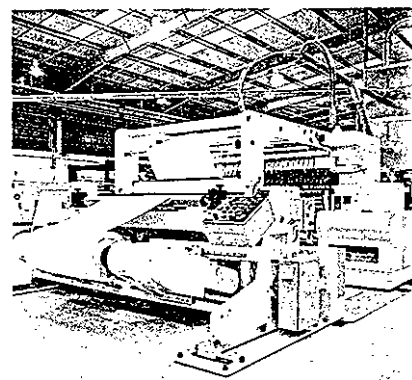


proved the value of partnerships in this taxing period. Close alliances with major customers resulted in collaborations geared to addressing key issues with a shared responsibility to rectify raw material and inventory problems. Demand for a vibrant point of sale image

resulted in a number of customers transferring conventionally printed cartons to Slater's process. The culmination of these factors generated a 26% sales improvement and an increase of 32% in trading profit over the previous year. The rationalisation of J & J Makin was expedited upon acquisition in April 1995. Regrettably headcount had to be reduced and a number of other intrinsic problems confronted promptly. I am pleased to say this phase has been completed and we are now intent, early in 1996, on upgrading the manufacturing unit, simultaneously locating all production in J & J Makin's new building and selling

the old outdated property. The opportunities identified during the acquisition screening allowed API to upgrade this independent operation to a modern, competitive and profitable entity quickly.

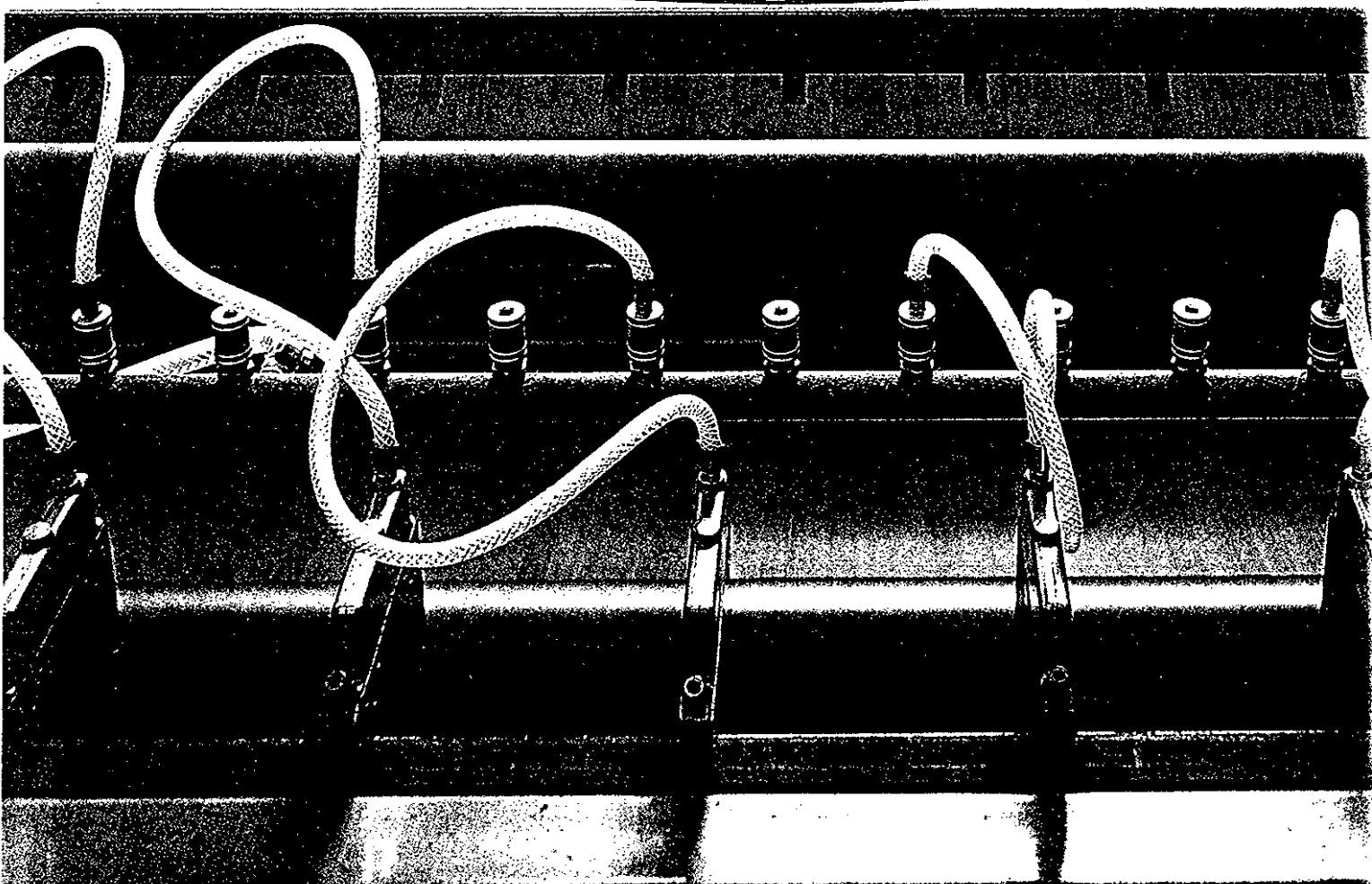
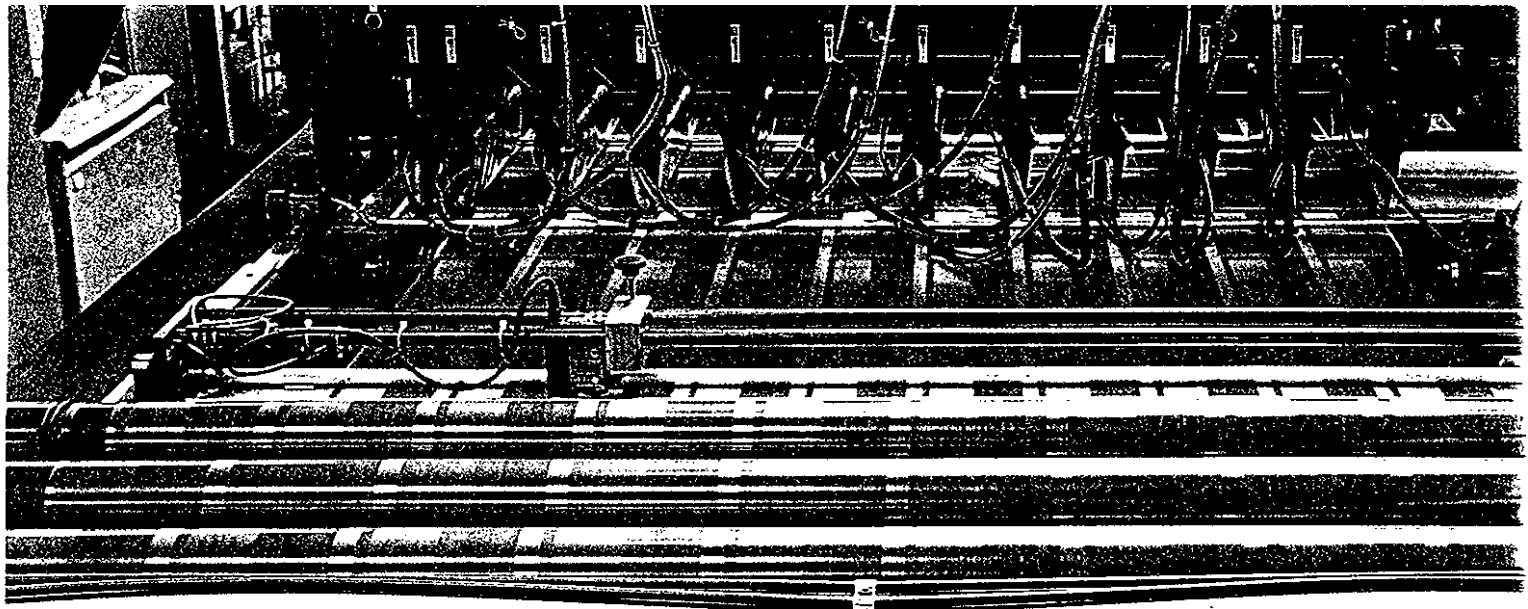
The paper metallising plant at Lyme Green, Macclesfield, is on schedule and budget against explicit objectives set eighteen months ago. Extensive discussions have taken place with many potential customers throughout the installation process and subtle changes to the equipment have been made to ensure we meet their expectations immediately upon start up. We will be in volume production in early 1996 and look forward to this exciting addition to API's product portfolio and to exploit opportunities in this £300m European market.



Peerless Foils Ltd

It is our strategic target to convert this company to a variable information printing systems business. Ability to manufacture water-based thermal transfer ribbon at Peerless and the acquisition in July of Data-Label, with its customised software and hardware, will be instrumental in providing end

users with a single source solution for bar coding and other "on-request" variable data. Pigment coding foil remains a core feature of the product range and was a major factor in the 16% sales and 8% operating profit increase this year.





CONVERTED FILM, PAPER PRODUCTS AND OFFICE CONSUMABLES

This division expanded operating profits by 15% to £3.7m (£3.2m) on sales up 24% to £33.7m (£27.3m). The products are essentially paper and plastic film based, both materials showing unprecedented price rises over the last twelve months, which have taken time to fully recover. Minimising the reduction in operating margin from 11.7% to 10.9% was a very creditable performance, given this background.

Leonard Stace Ltd

Despite enduring a very tough commercial environment sales rose by 36% and trading profit 30% with a significant contribution emanating from Arnold Belford, purchased in June 1994. Gross margins were under pressure due to delay in recovery of raw material increases and customer

requirements for smaller orders in the middle of the year. However, the drive to higher margin filmic products, has been helped by the purchase of NMC Coatings, now renamed API Coatings, specialising in product niches, which create access into high margin market segments.

Tenza Ltd

increased turnover by 14% and trading profit 11%. Gross margins also improved by one percentage point because of timely reclamation of material cost increases and amelioration in product mix. The installation of new equipment is driving costs down

and there is scope to broaden these reductions further. Geographic expansion, especially in Scandinavia, supported the market share gains made by Tenza in the last twelve months.

PROSPECTS

An encouraging start to the year stimulates optimism for the next twelve months. The full impact of the three acquisitions, the metallised paper plant commencing manufacture early 1996 and the launch of additional high added value products, including security foils and thermal transfer ribbons, will bolster the underlying growth during the coming year. Indications that raw material prices have stabilised, and in some cases declined, are evident and should now provide more confidence in price predictability. Our commitment to continued improvement of the basics remains, in

conjunction with other principles adopted over the last three years, to ensure ongoing success.

Where appropriate, further investment in organic and acquisitive expansion remains our aim, to further underpin the progressive performance of the Group.

Michael J. Smith,
Group Chief Executive

22 December 1995

Five Year Record

	1995	1994	1993	1992	1991
Group profit and loss account	£'000	£'000	£'000	£'000	£'000
Continuing operations	104,014	78,164	69,431	57,789	57,242
Discontinued operations	—	1,393	3,934	4,151	5,229
Turnover	104,014	79,557	73,365	61,940	62,471
Continuing operations	8,444	6,618	4,902	3,481	1,146
Discontinued operations	—	185	208	230	554
Operating Profit	8,444	6,803	5,110	3,711	1,700
Exceptional items	—	203	291	—	(1,743)
Trading Profit	8,444	7,006	5,401	3,711	(43)
Finance (costs)/income	(90)	9	13	(179)	(427)
Exchange gain on repayment of borrowings	—	—	—	321	—
Profit Before Taxation	8,354	7,015	5,414	3,853	(470)
Taxation	(2,464)	(2,350)	(1,814)	(1,118)	(18)
Profit After Taxation	5,890	4,665	3,600	2,735	(488)
Preference dividends	(21)	(21)	(21)	(21)	(21)
	5,869	4,644	3,579	2,714	(509)
Ordinary dividends	(2,148)	(1,938)	(1,753)	(1,584)	(1,426)
Transferred to/(from) Reserves	3,721	2,706	1,826	1,130	(1,935)
Group Balance Sheet					
Net Assets					
Fixed assets	28,393	20,232	20,519	20,272	21,206
Net current assets	12,134	12,014	11,831	10,495	9,645
	40,527	32,246	32,350	30,767	30,851
Creditors over one year	(9,391)	(1,442)	(2,076)	(2,462)	(3,954)
Provisions for liabilities and charges	(470)	(712)	(645)	(794)	(672)
Government grants	(221)	(237)	(265)	(292)	(322)
	30,445	29,855	29,364	27,219	25,903
Capital Employed					
Ordinary capital	5,387	5,341	5,320	5,281	5,281
Reserves	24,509	23,965	23,495	21,389	20,073
Ordinary shareholders' equity	29,896	29,306	28,815	26,670	25,354
Preference capital	549	549	549	549	549
	30,445	29,855	29,364	27,219	25,903
Statistics Relating to Ordinary Shareholders					
Earnings per share	27.4p	21.8p	16.8p	12.8p	(2.4p)
Dividend per ordinary share	10.00p	9.08p	8.25p	7.50p	6.75p
Dividend cover (times)	2.7	2.4	2.0	1.7	Nil
Ordinary shareholders' equity per share	138.7p	137.2p	135.4p	126.3p	120.0p
Net borrowings/(cash) as a percentage of shareholders' funds	8.5%	(21.3%)	(12.3%)	(3.0%)	5.4%
Average number of employees	793	708	704	701	830
£000's turnover per employee	131	112	104	88	75

Financial Review

The trading results of the business are analysed in the Chairman's and Chief Executive's review. The financial review gives further information relating to cash flow, working capital management, treasury and taxation.

Cash Flow

The Group cash flow statement is set out in full on page 31.

Cash borrowings and deposits comprise;

	1995	1994
	£m	£m
Cash and deposits	5.9	8.5
Borrowings repayable within one year	—	(1.7)
Loans repayable after more than one year	(8.5)	(0.4)
Net (borrowings)/cash	(2.6)	6.4

The cash outflow in the year of £9.0m can be analysed as follows;

	£m
Cash inflow from operating activity	9.3
Dividends, taxation and issue of shares	(4.4)
Net inflow from ongoing activity	4.9
Acquisitions	(6.7)
Net capital expenditure	(7.2)
Net outflow	(9.0)

The principal reason for the cash outflow is investment activity of £13.9m;

Capital expenditure of £7.2m includes £5.1m progress payments on the paper metallising plant.

Acquisitions spend includes £3.3m to finance the build up of working capital in J & J Makin Converting which was acquired net of receivables. In compliance with FRS1 this build up is shown as an operational outflow in the cash flow statement on page 31 but is shown within 'acquisitions' above to reflect the true impact on cash of the investments undertaken.

Working Capital

	1995	1995	1994
	£m	£m	£m
		Net of Acquisitions	
Stock	9.3	7.0	5.7
Debtors	28.8	23.9	20.7
Creditors	(31.9)	(23.9)	(21.1)
Total	6.2	7.0	5.3

Management control of working capital remains a priority and, net of acquisitions, working capital represents 7% of annual sales which is comparable with last year despite turnover in the last quarter of 1995 being 18% up on the same period in 1994.

Financial Review continued

Excluding acquisitions stock turn has improved by 3% on last year and the value held in trade debtors is offset by creditors. The increase in debtors year on year of 15% is accounted for by the growth in sales in the last quarter. The Group continues to protect most of its exposure to potential bad debts through the use of credit insurance.

Treasury and Funding

Gearing at the year end stood at 8% of capital employed (adjusted for net borrowings).

The acquisitions and capital expenditure undertaken have been funded partly out of the net cash inflow from ongoing activities of £4.9m and also through medium term loans. The Group has adequate borrowing facilities with Barclays Bank PLC, N M Rothschild & Sons Limited and The Royal Bank of Scotland plc.

The Group continually reviews its interest rate management and control over treasury management is exercised by the Board through the setting of policy and review of rolling cash flow forecasts.

The net interest charge for the year of £0.09m compares to a receipt of £0.01m in 1994. This reflects the increase in borrowings resulting from investment expenditure of £13.9m undertaken to maintain and advance future earnings. A further £0.2m of interest payable has been capitalised as it relates to funding of the paper metallising plant which is expected to commence commercial production early 1996.

Appropriate policies are agreed to ensure that the Group has sufficient liquidity and can implement its investment activities without funding constraint.

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

Taxation

The current year tax rate of 29.5% is 4% down on last year and is expected to remain around 30% for the next 3 years reflecting investments in capital expenditure, both planned and currently being undertaken, with timing differences not expected to reverse in the foreseeable future.

Shareholders' Funds

The reconciliation of movements in shareholders' funds is shown on page 33.

Shareholders' funds increased by £0.6m in the year with £3.7m profit after dividends transferred to reserves, offset in part by a goodwill write off of £3.6m resulting from the acquisition of Data-Label Limited and NMC Coatings Limited.



Dennis J. Holt,
Group Finance Director

22 December 1995

Directors' Report

The directors present their annual report and the audited accounts for the year ended 30 September 1995.

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 28. Profit before taxation was £8.4m (1994: £7.0m). After taxation distributable profit amounted to £5.9m (1994: £4.7m) and from this amount dividends of £21,000 (1994: £21,000) have been paid on the Preference Share Capital of the company. The earnings per Ordinary 25p Share have increased from 21.8p in 1994 to 27.4p in 1995 and the directors recommend a final dividend of 5.93p per Ordinary Share making a total for the year of 10.00p (1994: 9.08p). If approved the final dividend will be paid on 12 February 1996 to shareholders on the register on 10 January 1996.

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.

A review of activities is contained in the Group Chief Executive's Review on pages 7 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 35 and 36. The principal companies are listed on page 51. 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 41 and 42. Gross expenditure in the year amounted to £7.3m (1994: £2.3m). Capital commitments at 30 September 1995 amounted to £2.9m (1994: £6.4m). 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 UK 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

On 3 April 1995 the assets, excluding debtors, of J & J Makin Converting and Robert Williams Embossers were purchased from J Bibby & Sons plc. The consideration was £1.1m paid in cash on completion on 3 April 1995.

On 6 June 1995 the share capital of NMC Coatings Limited (subsequently renamed API Coatings Limited) was purchased from the Britton Group plc for a consideration of £1.3m paid in cash on completion on 6 June 1995.

Directors' Report continued

On 7 July 1995 the share capital of Data-Label Limited was purchased from Graystone plc. The consideration was £2.9m payable in cash with £1m paid on completion on 7 July 1995, £1m payable on 31 December 1995 and the balance of £0.9m payable on 30 June 1996.

Share Capital

Details of shares issued during the year are shown in note 18 on page 46.

Directors

The directors of the company are shown on page 4.

Mr J N Sheldrick was appointed to the Board on 10 February 1995 and since his appointment was subsequent to the last Annual General Meeting, he now retires and, being eligible, offers himself for election.

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

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

Some information about the directors is set out below:

Moger Woolley, 60, was until 1989 Chief Executive of DRG plc, and he joined the Board on 6 February 1992. He is Chairman of Brunel Holdings plc and Floral Street plc, and a Director of Staveley Industries plc, Avon Rubber plc and Bristol Water Works plc. He is a Board and Council member of Bristol University. Mr Woolley's contract of service provides for termination by either party giving 12 months' notice to expire at any time.

Michael Smith, 49, has held key senior Chief Executive positions for 21 years. At 28 he became Managing Director of the US 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 UK 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 51, a Chartered Management Accountant and he 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 24 months' notice or by Mr Holt giving 12 months' notice and in either case such notice can expire any time.

John Adey is aged 54 and joined the Board on 13 October 1987. He has an MA from Oxford University, an MBA from Harvard Business School 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 UK subsidiary of Baxter International Inc. and is now Chief Executive of the National Blood Authority. Mr Adey does not have a contract of service.

Directors' Report continued

John Sheldrick is aged 46 and joined the Board on 10 February 1995. He has an MA from Cambridge University, an MSc in Management Sciences from the University of Manchester Institute of Science and Technology and is a Chartered Management Accountant. Mr Sheldrick is an executive director of Johnson Matthey plc with responsibility for finance, technology, planning and systems and, prior to joining Johnson Matthey plc in September 1990, he was the Group Treasurer of The BOC Group plc.

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 are set out in note 6 on pages 38 and 39.

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 has only one funded pension scheme in the UK, the API Group plc Pension and Life Assurance Fund. A full actuarial valuation of the API Fund was undertaken as at 3 April 1993 and reviewed as at 2 April 1994 and 1 April 1995 by R Watson & Sons, independent consulting actuaries. This valuation and reviews 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, with the exception of Tenza Limited who continue to pay company contributions, all 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 30 September 1995 amounted to £34,000 (1994: £37,000).

Dri-Print Foils, Inc. has three funded pension plans. Total contributions for the period ended 30 September 1995 were £154,000 (1994: £230,000) 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 on 182,500 Ordinary shares at 454p per share and on 10,000 Ordinary shares at 455p 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 continues to be developed 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. Applications have been made by the UK companies for accreditation under the British Environmental Standard BS7750 and it is expected that all the companies will have received their accreditation by the end of 1996 with Whiley Foils Ltd and Peerless Foils Ltd having already successfully achieved this goal.

Board Committees

A Remuneration Committee of the Board, comprising the Chairman, the Group Chief Executive and the non-executive directors, 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 directors, 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 one 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

The company has been notified of the following substantial interests in the issued Preference and Ordinary Shares of the company;

Directors' Report continued

Preference

	%
Jove Investment Trust plc	34.61
The Investment Company plc	21.67
Danae Investment Trust plc	18.21
Aboyne-Clyde Rubber Estates of Ceylon plc	7.48
Premium Management Limited	4.55

Ordinary

	%
M & G Group plc (including M & G Investment Management Limited which is the investment management subsidiary)*	14.83
TSB Group plc*	12.68
Edinburgh Fund Managers plc*	8.25
Standard Life Assurance Company and subsidiaries	6.87
Framlington Group plc and subsidiaries (including the Throgmorton Trust plc interest mentioned below to which Framlington act as discretionary investment managers)*	5.33
ESN Investment Management Limited*	4.34
Scottish Amicable Investment Managers Limited*	4.15
Sun Life Holdings plc and subsidiaries	4.03
Norwich Union Life Insurance Society	3.38
Mercury Asset Management plc*	3.04
The Throgmorton Trust plc	3.01

* 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.

Authority to Allot Securities

The existing directors' authority and power to allot securities in the company will expire at the conclusion of the Annual General Meeting. Accordingly an ordinary resolution (resolution 7) will be proposed at the Annual General Meeting to grant the directors a new general authority to allot securities until the conclusion of the 1997 Annual General Meeting. If resolution 7 is passed, the number of ordinary shares authorised to be allotted will be 6,445,530 being 29.90% of the issued ordinary share capital as at 22 December 1995. 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.

Additionally, a special resolution (resolution 8) will also be proposed at the Annual General Meeting to confer on the directors, for a period of 15 months or, if earlier, until the conclusion of the 1997 Annual General Meeting, a new power to allot securities for cash other than pro-rata to existing holdings. If passed, resolution 8 will give to the directors the power to allot securities in connection with a rights issue and shares for cash up to an aggregate nominal value of £269,430 (equivalent to 1,077,723 ordinary shares) being approximately 5% of the issued ordinary share capital as at 22 December 1995. The directors believe it is in the interests of shareholders that they should be given this limited power, providing them with a prudent measure of flexibility to act in the company's interests.

Directors' Report continued

Long Term Incentive Scheme

The Group Remuneration Committee has reviewed its policy with regard to the incentive element of the remuneration of executive directors and senior managers in the Group. At the present time there is a Group senior executive bonus scheme for executive directors and senior managers for performance measured against achievement of annual pre-tax targets and management objectives, such performance being rewarded by the payment of an annual cash bonus subject to tax and other statutory deductions.

The Committee believes that executive directors and senior managers should also be given the opportunity of an additional incentive for exceptional performance over a longer term. Consequently it is proposed to introduce a Long Term Incentive Scheme whereby the executive directors and senior managers will share the interest of shareholders in the future success of the Group.

Resolution number 9 to be proposed at the Annual General Meeting is an Ordinary Resolution for the approval of the Scheme and related matters including the establishment of an Employee Benefit Trust. Further details of the Scheme and the Trust are set out in the letter to shareholders dated 12 January 1996.

Charitable and Political Donations

Charitable donations made by the Group during the year amounted to £4,596 (1994: £4,881). There were no political donations.

Auditors

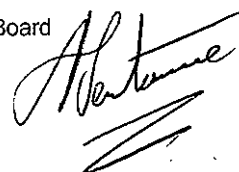
Ernst & Young have expressed their willingness to continue in office as auditors and in accordance with Section 384(1) of the Companies Act 1985 a resolution proposing their re-appointment will be put to the members at the Annual General Meeting.

By order of the Board

A Senance

Secretary

Macclesfield



22 December 1995

Corporate Governance

The Board continues to support the principles contained in the Cadbury Committee's Code of Best Practice.

Code of Best Practice

For the financial year ended 30 September 1995, the company complied fully with the Code of Best Practice apart from paragraphs 1.3 and 4.3 (three non-executive directors). However, following the appointment of Mr J N Sheldrick as a non-executive director on 10 February 1995, the company complied with the requirement for three non-executive directors.

The statement below covers some areas of governance in more detail.

The Board of Directors

The Board meets regularly, currently twelve times per year, and retains full and effective control. There is a clear division of responsibility at the head of the company with a non-executive Chairman and a full time Group Chief Executive. The Board has a formal schedule of reserve powers, a procedure for independent legal advice and all directors have unrestricted access to the Company Secretary. The Board currently comprises a non-executive Chairman, two full time executive directors and two part time non-executive directors. It is the Board's policy to maintain an appropriate balance of membership between executive and non-executive directors.

Non-executive Directors

- Details of the non-executive directors are given on pages 18 and 19 of the directors' report. They do not participate in the company's share option schemes or senior executive bonus scheme and their service is non-pensionable.

Executive Directors

Details of the executive directors are given on page 18 of the directors' report. The remuneration of the directors and other matters, such as the terms of service contracts, are determined by a Remuneration Committee, details of which are given on page 20 of the directors' report. No director has a service contract exceeding three years duration.

Board Committees

These Committees of the Board are an important element of our compliance with the Code. Details of the Remuneration Committee, the Audit Committee and the Nomination Committee are given on page 20 of the directors' report.

Internal Financial Control

The Board has overall responsibility for ensuring that the Group maintains a system of internal financial control. Internal control systems, by their nature, can provide reasonable, but not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key internal financial control procedures which the Board has established and which operated throughout the period covered by the financial statements are as follows;

Corporate Governance continued

Control environment

There is a clearly defined organisational structure in which levels of authority are well defined.

Businesses operate within a framework of procedures laid down in written manuals and are required to comply with them. Financial reporting follows generally accepted accounting practice in all areas.

Identification and evaluation of risks and control objectives

The process of risk assessment and the evaluation of its related financial impact is an ongoing process reflected in decision making at Group and Unit level in terms of insurance, provisioning etc. All decisions involving significant commercial risk require Board approval. Wherever practical, appropriate segregation of duties is adopted and a high degree of management control is also exercised through review by executives of historical and forecast financial information.

Conformity with procedures is monitored on an ongoing basis with operating units required to submit a detailed confirmation of compliance.

Information and communication

Comprehensive information systems are maintained at Group and Unit level and are subject to Board scrutiny as follows;

- Detailed budgeting systems with an annual budget approved by the Board
- Monthly consideration by the Board of actual results compared with budgets and forecasts
- Monthly review by the Board of rolling profit and cash flow forecasts
- Monthly review by the Board of the Group capital expenditure plan
- Reporting of legal and accounting developments to the Board

Regular executive and Board meetings and ongoing site based operational reviews ensure that variances are identified and investigated on a timely basis.

Control procedures

Comprehensive systems of internal financial control (including information system control) are operated throughout the Group with authority levels established which limit exposure.

A detailed control checklist is required to be signed off as month end and formal period end tasks are completed. Compliance with legislation is closely monitored, including compliance with environmental legislation.

Corporate Governance continued

Monitoring and corrective action

Review of the control checklists and comprehensive management information is performed on a timely basis. Any significant weaknesses are brought to the attention of the Board and corrective action agreed and implemented.

The Audit Committee, on behalf of the Board, has initiated a review of the effectiveness of the system of internal financial control.

These procedures will be further enhanced by the introduction of a corporate audit function in 1995/96.

Going concern

The directors consider that, after making appropriate enquiries and at the time of approving these financial statements, there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis in preparing these financial statements.

The Auditors' Report on Corporate Governance is set out on page 26.

Greenbury report

Following the publication on 17 July 1995 of the Greenbury Report on directors' remuneration, the Board is considering the Report and formulating its policies in the light of the Code of Best Practice contained in the Report.

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 API Group plc on Corporate Governance Matters

In addition to our audit of the accounts we have reviewed the directors' statement on pages 23 to 25 on the Group's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control, of its corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control on pages 23 to 25 and going concern on page 25 in our opinion the directors have provided the going concern disclosures required by paragraph 4.6 of the Code and have explained the extent of their compliance with the disclosures on internal financial control required by paragraph 4.5 of the Code (as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 23 appropriately reflects the Group's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
22/12/95

Ernst & Young,
Chartered Accountants
Manchester

22 December 1995

Auditors' Report to the Members of API Group plc

We have audited the accounts on pages 28 to 51 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 34 and 35.

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 mis-statement, 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 30 September 1995 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
22/12/95

Ernst & Young,
Chartered Accountants,
Registered Auditor
Manchester

22 December 1995

Group Profit & Loss Account

for the year ended 30 September 1995

		1995	1994
	Note	£'000	£'000
Turnover			
Continuing operations		94,709	78,164
Acquisitions		9,305	—
		104,014	78,164
Discontinued operations		—	1,393
Total	2	104,014	79,557
Cost of sales	3	(77,628)	(58,147)
Gross Profit		26,386	21,410
Distribution costs	3	(3,739)	(2,895)
Selling and administrative expenses	3	(14,203)	(11,712)
Operating profit			
Continuing operations		7,926	6,618
Acquisitions			
Pre redundancy costs		740	
Redundancy costs		(222)	518
		8,444	6,618
Discontinued operations		—	185
Total		8,444	6,803
Exceptional item:			
Profit on disposal of discontinued operations		—	203
Trading profit	2	8,444	7,006
Net finance (costs)/income	5	(90)	9
Profit before taxation		8,354	7,015
Taxation	8	(2,464)	(2,350)
Profit for the financial year		5,890	4,665
Preference dividends	9	(21)	(21)
Profit attributable to ordinary shareholders		5,869	4,644
Ordinary dividends	9	(2,148)	(1,938)
Balance transferred to reserves	19	3,721	2,706
Earnings per ordinary 25p share	10	27.4p	21.8p
Adjustment for exceptional items		—	(1.0p)
Adjustment for discontinued operations		—	(0.8p)
Adjusted earnings per ordinary 25p share		27.4p	20.0p

Note on historical cost profit.

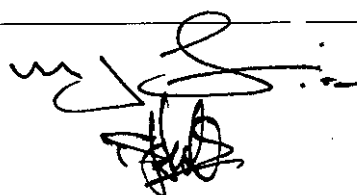
The difference between the historical cost depreciation charge and the actual charge for the year, calculated on revalued amounts, is insignificant in terms of the reported profit for the year

Group Balance Sheet

at 30 September 1995

		1995	1995	1994	1994
	Note	£'000	£'000	£'000	£'000
Tangible fixed assets	11		28,393		20,232
Current assets					
Stocks	13	9,281		5,653	
Debtors	14	28,815		20,736	
Cash at bank and in hand		5,888		8,462	
		43,984		34,851	
Creditors – amounts falling due within one year					
Creditors	15	(28,345)		(17,613)	
Short term borrowings	16	—		(1,704)	
Current taxation		(2,227)		(2,371)	
Dividends		(1,278)		(1,149)	
		(31,850)		(22,837)	
Net current assets			12,134		12,014
Total assets less current liabilities			40,527		32,246
Creditors – amounts falling due after more than one year					
Loans	16	(8,474)		(396)	
Other creditors	23	(917)		(1,046)	
			(9,391)		(1,442)
Provisions for liabilities and charges	17		(470)		(712)
Deferred credit – government grants			(221)		(237)
Total net assets			30,445		29,855
Share capital and reserves					
Called up share capital	18		5,936		5,890
Share premium account	19	4,722		4,404	
Other reserves	19	1,871		1,871	
Profit and loss account	19	17,916		17,690	
			24,509		23,965
Non – Equity shareholders' funds		549		549	
Equity shareholders' funds		29,896		29,306	
			30,445		29,855

M. J. Smith,
Group Chief Executive
D. J. Holt,
Group Finance Director
22 December 1995

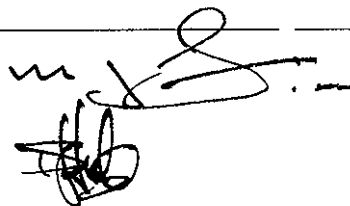


Company Balance Sheet

at 30 September 1995

		1995	1995	1994	1994
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets	11		6,705		6,878
Subsidiary undertakings	12		19,909		16,249
			26,614		23,127
Current assets					
Debtors	14	533		609	
Amounts due from subsidiary undertakings		8,438		6,936	
Cash at bank and in hand		774		4,068	
		9,745		11,613	
Creditors – amounts falling due within one year					
Creditors	15	(612)		(315)	
Amounts due to subsidiary undertakings		(1,535)		(1,600)	
Short term borrowings	16	(1,476)		(6,294)	
Current taxation		(430)		(464)	
Dividends		(1,278)		(1,149)	
		(5,331)		(9,822)	
Net current assets			4,414		1,791
Total assets less current liabilities			31,028		24,918
Creditors – amounts falling due after more than one year					
Loans	16		(8,474)		(396)
Provisions for liabilities and charges	17		(470)		(588)
Total net assets			22,084		23,934
Share capital and reserves					
Called up share capital	18		5,936		5,890
Share premium account	19	4,722		4,404	
Other reserves	19	4,368		4,368	
Profit and loss account	19	7,058		9,272	
			16,148		18,044
Non – Equity shareholders' funds		549		549	
Equity shareholders' funds		21,535		23,385	
Shareholders' funds			22,084		23,934

M. J. Smith,
Group Chief Executive
D. J. Holt,
Group Finance Director
22 December 1995



Cash Flow Statement

for the year ended 30 September 1995

	1995	1995	1994	1994
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities (note A)		5,955		8,775
Returns on investments and servicing of finance				
Interest received	115		132	
Interest paid	(88)		(123)	
Dividends paid	(2,040)		(1,853)	
Net cash outflow from returns on investments and servicing of finance		(2,013)		(1,844)
Taxation				
Corporation tax paid (including advance corporation tax)		(2,666)		(1,670)
Investment activities				
Acquisition of businesses (note D)	(3,364)		(1,793)	
Disposal of business	—		1,127	
Payments to acquire tangible fixed assets	(7,318)		(2,252)	
Receipts from sales of tangible fixed assets	94		274	
Net (outflow) from investment activities		(10,588)		(2,644)
Net (outflow)/inflow before financing		(9,312)		2,617
Financing				
Issue of shares (notes 18 and 19)	364		124	
Increase in/(repayment of) short and medium term loans (note C)	6,487		(713)	
Net inflow/(outflow) from financing		6,851		(589)
(Decrease)/increase in cash and cash equivalents (note B)		(2,461)		2,028

	1995	1994
	£'000	£'000
Notes to the cash flow statement		
A Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	8,444	6,618
Depreciation less government grants	2,337	1,972
Loss/(profit) on replacement of tangible fixed assets	5	(11)
(Increase)/decrease in stocks	(1,647)	159
(Increase) in debtors	(7,088)	(3,041)
Increase in creditors	4,169	2,882
(Decrease) in provisions including reorganisation provision	(265)	(29)
Net cash inflow from continuing operating activities	5,955	8,550
Net cash inflow in respect of discontinued activities	—	225
	5,955	8,775

The increase in debtors includes £3,300,000 to fund the build up of debtors on acquisition of J & J Makin Converting, the assets of which were purchased net of receivables (note 23).

Cash Flow Statement *continued*

B Analysis of (decrease)/increase in cash and cash equivalents	1995	1994	CHANGE IN YEAR
	£'000	£'000	£'000
Cash at bank and in hand	5,888	8,462	(2,574)
Short term borrowings	—	(119)	119
	5,888	8,343	(2455)

	1994	1993	CHANGE IN YEAR
	£'000	£'000	£'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

	1995	1994
	£'000	£'000
Balance at start of year	8,343	6,423
(Decrease)/increase in cash and cash equivalents before adjustments for the effect of foreign exchange rates	(2,461)	2,028
Effect of foreign exchange rates	6	(108)
Change in year	(2,455)	1,920
Balance at end of year	5,888	8,343

C Analysis of changes in group loan financing during the year	1995	1994
	£'000	£'000
Balance at start of year	1,981	2,823
Net cash inflow/(outflow) from financing	6,487	(713)
Effect of foreign exchange rates	6	(129)
Balance at end of year	8,474	1,981

D Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiary undertakings and businesses (note 23).	Data-Label Ltd	API Coatings Ltd	J&J Makin Converting	Gold Impressions	Total
	£'000	£'000	£'000	£'000	£'000
Cash consideration paid	1,023	1,311	1,118	126	3,578
Cash at bank and in hand acquired	(214)	—	—	—	(214)
Net outflow in respect of acquisitions	809	1,311	1,118	126	3,364

Other Statements

Statement of total recognised gains and losses	1995	1994
	£'000	£'000
Profit for the financial year	5,890	4,665
Currency transaction differences on foreign currency net investments	60	(449)
Total gains and losses recognised since last annual report and accounts	5,950	4,216

Reconciliation of movements in shareholders' funds	1995	1994
	£'000	£'000
Profit for the financial year	5,890	4,665
New shares issued	46	21
Premium on shares issued	318	103
Dividends	(2,169)	(1,959)
Currency translation differences on foreign currency net investments	60	(449)
Goodwill realised on sale of subsidiary undertaking	—	612
Goodwill written off (note 24)	(3,555)	(2,502)
Net addition to shareholders' funds	590	491
Opening shareholders' funds	29,855	29,364
Closing shareholders' funds	30,445	29,855

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.

Turnover

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

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 the 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.

Notes to the Accounts continued

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.

2 Segmental analysis

	1995	1994
	£'000	£'000
Analysis of turnover by destination		
United Kingdom	58,655	40,959
France	6,281	5,362
Germany	3,927	3,049
Scandinavia	4,921	3,769
Other European countries	10,537	7,182
Asia and Australasia	6,496	5,728
Americas	13,197	12,115
	104,014	78,164
Discontinued operations	—	1,393
	104,014	79,557

Notes to the Accounts continued

2 Segmental analysis continued

Analysis of turnover, operating profit and net assets by origin

	1995	1994	1995	1994	1995	1994
	Turnover £'000	Turnover £'000	Trading Profit £'000	Trading Profit £'000	Net Operating Assets £'000	Net Operating Assets £'000
United Kingdom	83,265	60,518	7,794	6,298	28,543	20,342
Continental Europe	4,378	3,081	131	(223)	1,400	972
Asia and Australia	948	297	118	108	851	284
Americas	15,423	14,268	2,150	1,736	6,997	6,978
	104,014	78,164	10,193	7,919	37,791	28,576
Group company costs	—	—	(1,749)	(1,301)	—	—
Discontinued operations	—	1,393	—	185	—	—
Exceptional item	—	—	—	203	—	—
Non operating assets	—	—	—	—	(7,346)	1,279
	104,014	79,557	8,444	7,006	30,445	29,855

Turnover originating in the United Kingdom includes £24,769,000 of sales to overseas destinations (1994: £20,084,000).

Analysis of turnover, operating profit and net assets by activity

	1995	1994	1995	1994	1995	1994
	Turnover £'000	Turnover £'000	Trading Profit £'000	Trading Profit £'000	Net Operating Assets £'000	Net Operating Assets £'000
Foils and laminates	70,293	50,910	6,522	4,721	24,620	16,105
Converted film, paper products and office consumables	33,721	27,254	3,671	3,198	7,935	6,988
	104,014	78,164	10,193	7,919	32,555	23,093
Group company costs/assets	—	—	(1,749)	(1,301)	5,236	5,483
Discontinued operations	—	1,393	—	185	—	—
Exceptional item	—	—	—	203	—	—
Non operating assets	—	—	—	—	(7,346)	1,279
	104,014	79,557	8,444	7,006	30,445	29,855

Net operating assets comprise total assets less current liabilities and exclude all assets and liabilities of a financing nature.

Notes to the Accounts continued

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:

	1995	1995	1995	1994	1994	1994
	Continuing £'000	Discont'd £'000	Total £'000	Continuing £'000	Discont'd £'000	Total £'000
Cost of sales	77,628	—	77,628	57,277	870	58,147
Distribution costs	3,739	—	3,739	2,869	26	2,895
Selling and administrative expenses	14,203	—	14,203	11,400	312	11,712
	95,570	—	95,570	71,546	1,208	72,754

Continuing operations in 1995 include the following relating to acquisitions: cost of sales £7,724,000 distribution costs £273,000, selling and administrative expenses £790,000.

4 Trading profit

	1995	1994
Trading profit is stated after charging (crediting)	£'000	£'000
Depreciation – less government grants of £16,000 (1994: £28,000)	2,335	1,993
Hire of plant	40	24
Other operating lease costs	595	552
Research and development costs written off	512	330
(Gains)/losses on exchange	(11)	(31)
Auditors' remuneration – audit services	137	118
– non audit services	16	52

5 Net finance (costs)/income

	1995	1994
	£'000	£'000
Interest payable on bank overdrafts and loans repayable within five years	(382)	(123)
Interest receivable	115	132
Interest capitalised (note 11)	177	—
Net interest (cost)/income	(90)	9

Notes to the Accounts continued

6 Directors' emoluments

	1995	1994
	£'000	£'000
Chairman	50	46
Highest paid director	233	194
Other directors	132	121
Management remuneration	415	361

Management remuneration includes bonuses of £58,225 (1994: £47,966) of which the highest paid director received £39,150 (1994: £32,349) 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 £9,400 (1994: £8,850). No other contributions were made (1994: £Nil).

	1995	1994
Number of directors whose remuneration (excluding pension contributions) was within the range:		
£5,001 – £10,000	1**	1*
£10,001 – £15,000	1	1
£45,001 – £50,000	1	1
£95,001 – £100,000	—	1
£105,001 – £110,000	1	—
£185,001 – £190,000	—	1
£220,001 – £225,000	1	—

* until date of resignation ** from date of appointment

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 below.

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 and which was exercised in full on 15 June 1995. The market price at the date of exercise was 455p per share.

(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.

(c) On 23 June 1995 an option for 40,000 ordinary shares at an exercise price of 454p per share which is exercisable from 23 June 1998 and expires on 23 June 2005.

Notes to the Accounts continued

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 per share.
- (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.
- (d) On 23 June 1995 an option for 20,000 ordinary shares at an exercise price of 454p per share which is exercisable from 23 June 1998 and expires on 23 June 2005.

No options lapsed during the year. The market price of the ordinary shares at 2 October 1995 (30 September being a Saturday) was 504p and the range during the period 2 October 1994 to 30 September 1995 was 336p to 504p.

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		
	22.12.95	30.9.95	2.10.94	22.12.95	30.9.95	2.10.94
J M Woolley	40,000	40,000	40,000	—	—	—
M J Smith	25,000	25,000	3,000	96,000	96,000	206,000
D J Holt	18,000	18,000	18,000	68,800	68,800	48,800
J F Adey	60,000	52,500	56,000	—	—	—
J N Sheldrick	10,000	—	—*	—	—	—*

*On Appointment

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.

7 Employment costs – including directors

	1995	1994
	£'000	£'000
The total group employment costs were:		
Wages and salaries	16,359	14,312
Employers' national insurance and similar costs	1,623	1,781
Pensions (note 17):		
Provided under non - contributory pension schemes	188	37
Contributions provided under pension and life assurance funds	180	293
	18,350	16,423
Average number of persons employed:		
Foils and laminates	488	415
Converted film, paper products and office consumables	296	267
API Group plc	9	9
	793	691
Discontinued operations	—	17
	793	708

Notes to the Accounts continued

8 Taxation

	1995	1994
	£'000	£'000
Corporation tax payable at 33% (1994: 33%)	1,629	1,867
Overseas taxation	866	621
Prior year adjustments	(6)	50
Deferred taxation	(25)	(188)
	2,464	2,350
The taxation charge has been reduced/(increased) by:		
Accelerated capital allowances	410	76
Decrease in deferred taxation provision	25	188
Prior year adjustments	6	(50)
Other factors	(148)	(249)
	293	(35)
A full taxation charge at 33% (1994: 33%) on the profit before taxation would be	2,757	2,315

9 Dividends

	1995	1994
	£'000	£'000
Preference		
Paid 31 March 1995	11	11
Paid 30 September 1995	10	10
	21	21

	1995	1994	1995	1994
	pence per share	pence per share	£'000	£'000
Ordinary				
Interim paid 3 July 1995	4.07	3.70	870	789
Proposed final payable 12 February 1996	5.93	5.38	1,278	1,149
	10.00	9.08	2,148	1,938

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 21,427,637, being the weighted average number of shares in issue during the year (1994 divisor 21,322,870). 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.

Notes to the Accounts continued

11 Tangible fixed assets

	Freehold Land £'000	Freehold Buildings £'000	Leasehold Land and Buildings		Plant & Equipment £'000	Assets Under Construction £'000	Total £'000
	£'000	£'000	Long £'000	Short £'000	£'000	£'000	£'000
Group cost or valuation							
At 2 October 1994	3,162	6,709	1,548	4	28,389	—	39,812
Acquisition of businesses	400	1,232	—	—	5,172	—	6,804
Additions	—	26	—	—	2,162	5,129	7,317
Foreign exchange movement	(1)	(8)	—	—	12	—	3
Disposals	—	—	—	(4)	(703)	—	(707)
At 30 September 1995	3,561	7,959	1,548	—	35,032	5,129	53,229
Being							
Cost	680	7,833	1,448	—	35,032	5,129	50,122
Professional valuation 1971	—	126	—	—	—	—	126
Professional valuation 1989	2,881	—	100	—	—	—	2,981
	3,561	7,959	1,548	—	35,032	5,129	53,229
Depreciation							
At 2 October 1994	—	3,128	652	4	15,796	—	19,580
Acquisition of businesses	—	298	—	—	3,233	—	3,531
Provided during period	—	185	31	—	2,137	—	2,353
Foreign exchange movement	—	(7)	—	—	(13)	—	(20)
Disposals	—	—	—	(4)	(604)	—	(608)
At 30 September 1995	—	3,604	683	—	20,549	—	24,836
Net book value at 30 September 1995	3,561	4,355	865	—	14,483	5,129	28,393

Interest capitalised included in the net book value of tangible fixed assets is £177,000 (1994: £ nil).

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.

Notes to the Accounts continued

11 Tangible fixed assets continued

	Freehold Land £'000	Freehold Buildings £'000	Long Leasehold Land and Buildings £'000	Plant and Equipment £'000	Total £'000
Company cost or valuation					
At 2 October 1994	1,589	4,358	1,100	291	7,338
Additions	—	—	—	20	20
Disposals	—	—	—	—	—
At 30 September 1995	1,589	4,358	1,100	311	7,358
Depreciation					
At 2 October 1994	—	303	93	64	460
Provided during period	—	101	31	61	193
Disposals	—	—	—	—	—
At 30 September 1995	—	404	124	125	653
Net book value at 30 September 1995	1,589	3,954	976	186	6,705

12 Subsidiary undertakings

	1995 £'000	1994 £'000
Investments at cost 30 September 1995	12,442	12,442
Amount due from subsidiary undertakings – non-trading balances	10,626	6,966
	23,068	19,408
Provisions 30 September 1995	(3,159)	(3,159)
Net book value 30 September 1995	19,909	16,249

All the principal 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.

Undertakings acquired in 1995 are wholly owned by subsidiaries of the company.

Notes to the Accounts continued

13 Stocks

	1995	1994
	£'000	£'000
Raw materials	4,310	2,056
Finished goods and work in progress	4,959	3,561
Stores	12	36
	9,281	5,653

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

14 Debtors

	1995	1994	1995	1994
	Group £'000	Group £'000	Company £'000	Company £'000
Under one year				
Trade debtors	26,779	19,014	—	—
Prepayments	518	597	134	231
Other debtors	907	668	79	91
VAT	106	10	—	—
	28,310	20,289	213	322
Over one year				
Deferred taxation	185	160	—	—
Advance corporation tax recoverable	320	287	320	287
	28,815	20,736	533	609

Deferred taxation

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

	1995	1994	1995	1994
	Provided £'000	Provided £'000	Not Provided £'000	Not Provided £'000
Accelerated capital allowances	—	—	(3,035)	(2,616)
Future pension payments	185	194	—	—
Tax losses	—	—	148	—
Other timing differences	—	(34)	(32)	147
	185	160	(2,919)	(2,469)

Notes to the Accounts continued

15 Creditors – amounts falling due within one year

	1995	1994	1995	1994
	Group £'000	Group £'000	Company £'000	Company £'000
Trade creditors	19,989	12,956	—	—
Bills of exchange	102	33	—	—
Accruals	4,274	3,153	426	298
Other creditors	2,757	354	152	3
National insurance and income tax	421	338	18	14
VAT	802	779	16	—
	28,345	17,613	612	315

Other creditors includes £1,925,000 deferred consideration payable in respect of the acquisition of Data-Label Limited.

16 Borrowings

	1995	1994	1995	1994
	Group £'000	Group £'000	Company £'000	Company £'000
Short term borrowings				
Bank overdrafts	—	119	1,476	4,709
Short term loan	—	1,585	—	1,585
	—	1,704	1,476	6,294
Loans – falling due after more than one year				
– due between 1 to 2 years	—	396	—	396
– due between 2 to 5 years	8,474	—	8,474	—
	8,474	396	8,474	396

17 Provisions for liabilities and charges

	1995	1994	1995	1994
	Group £'000	Group £'000	Company £'000	Company £'000
Reorganisation costs	—	124	—	—
Pension scheme provision	470	588	470	588
	470	712	470	588

Group re-organisation costs of £124,000 provided on the acquisition of Arnold Belford Limited in 1994 have been fully utilised in 1995.

Notes to the Accounts continued

17 Provisions for liabilities and charges continued

Pension scheme provisions

The total pension cost for the Group for 1995 was £368,000 (1994: £330,000). The Group made payments to a number of schemes during the year with £127,000 charged to the accounts under transitional arrangements in respect of acquisitions (£72,000 of which relates to prior year acquisition of Arnold Belford Limited).

Pension scheme assets are managed by independent professional investment managers. The contributions to the schemes are assessed in accordance with independent actuarial advice and it is the Group's policy that none of the assets of the funds are invested directly or indirectly in any Group company.

The principal pension schemes operate in the UK and North America and further disclosures in respect of these schemes are set out below;

Principal pension schemes

On 3 October 1994 the API Group plc and Tenza Limited Pension and Life Assurance Funds merged. The Group now operates one funded pension scheme for the company and its UK subsidiaries, providing benefits based on final pensionable earnings. The assets of the scheme are held separately from those of the Group, being invested in a number of UK and overseas equities, unit trusts and other securities. Contributions to the scheme 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 UK pension scheme were reviewed as at 1 April 1995 using a Projected Unit Costing method. The assumptions which have the most significant effect on the results of the review 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 actuarial review as at 1 April 1995 showed that the market value of the assets of the API Group plc Pension and Life Fund was £25,918,000 and that the actuarial value of those assets represented 120% 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 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 1995 is £nil (1994: £nil) with the exception of £9,400 charged for specific purposes (1994: £8,850). Tenza Limited have, however, made contributions to the scheme totalling £89,000 in accordance with the advice of the Actuaries. These payments have reduced the balance sheet provision to £160,000 (1994: £249,000).

The Group still pays pensions under three unfunded, non-contributory pension schemes, membership of which is now closed. A provision of £310,000 stood at 30 September 1995 (1994: £339,000) for the present value of future payments under these schemes and the charge to the accounts in the year ended 30 September 1995 was £34,000 (1994: £37,000). The amount amortised from the provision for the year was £29,000 (1994: £29,000).

Notes to the Accounts continued

17 Provisions for liabilities and charges continued

Dri-Print Foils, Inc. has three funded pension schemes. 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. The charge to the accounts in respect of these pension schemes is £154,000 (1994: £230,000).

18 Share capital

	1995	1994	1995	1994
	Authorised £'000	Authorised £'000	Allotted, called up and fully paid £'000	Allotted, called up and fully paid £'000
549,000 3.85% (formerly 5.5%) Cumulative preference shares of £1 each	549	549	549	549
Ordinary shares of 25p each				
At 2 October 1994	7,000	7,000	5,341	5,320
Shares issued – options exercised	—	—	46	21
At 30 September 1995 (21,549,270 shares in issue – 1994: 21,366,070)	7,000	7,000	5,387	5,341
Total shares	7,549	7,549	5,936	5,890

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 June 2005, of a further £156,975 Ordinary Share Capital made up of 10,000 shares at 455p, 182,500 shares at 454p, 35,000 shares at 394p, 40,000 shares at 328p, 16,000 shares at 321p, 2,400 shares at 308p, 12,000 shares at 264p, 15,200 shares at 218p, 209,200 shares at 211p, 95,200 shares at 183p and 10,400 shares at 143p.

Notes to the Accounts continued

19 Reserves

	1995	1994	1995	1994
	Group £'000	Group £'000	Company £'000	Company £'000
Share premium account				
At 2 October 1994	4,404	4,301	4,404	4,301
Premium on shares issued	318	103	318	103
At 30 September 1995	4,722	4,404	4,722	4,404
Other reserves				
Revaluation reserve				
at 30 September 1995 and 2 October 1994	1,871	1,871	6	6
Merger reserve				
Merger reserve arising on acquisition of subsidiary undertakings	4,946	4,946	4,362	4,362
Elimination of goodwill	(4,946)	(4,946)	—	—
At 30 September 1995 and 2 October 1994	1,871	1,871	4,368	4,368
Profit and loss account				
At 2 October 1994	17,690	17,323	9,272	10,255
Goodwill realised on sale of subsidiary undertaking	—	612	—	—
Goodwill written off (note 24)	(3,555)	(2,502)	—	—
Foreign exchange translation differences	60	(449)	14	15
Balance from profit and loss account	3,721	2,706	(2,228)	(998)
At 30 September 1995	17,916	17,690	7058	9,272
Total reserves	24,509	23,965	16,148	18,044

The foreign exchange translation differences are stated after a gain of £5,000 (1994:£128,000) in respect of current year exchange differences from foreign currency borrowings financing foreign equity investments. Although the cumulative amount of goodwill written off against reserves cannot be easily ascertained, the amount written off since 1986 inclusive is £11,459,000 (of which £6,513,000 has been written off against the profit and loss reserve).

20 Loss attributable to members of the parent company

A loss of £59,000 (1994: Profit £960,000) has been dealt with in the accounts of the parent company. In accordance with section 230 of the Companies Act 1985 the company is not required to publish its own profit and loss account.

Notes to the Accounts continued

21 Leasing commitments

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

	Group land and buildings leases		Group other operating leases	
	1995	1994	1995	1994
Payable in the following year and relating to leases terminating:	£'000	£'000	£'000	£'000
Within one year	—	21	105	46
Two to five years	17	21	285	314
After five years	346	19	106	26
	363	61	496	386

22 Capital commitments

	1995	1994	1995	1994
	Group £'000	Group £'000	Company £'000	Company £'000
Amounts not provided for in these accounts are:				
Contracted	1,312	439	—	—
Authorised but not contracted	1,570	6,001	—	—

23 Acquisition of businesses

In 1994 agreement was reached to purchase all rights relating to the Gold Impressions customer base for a fixed consideration. Of the deferred consideration a further payment of £126,000 was made in the current year. The balance of £1,043,000 has been carried forward in creditors, of which £917,000 (1994: £1,046,000) is payable after more than one year.

Acquisition of J & J Makin Converting and Robert Williams Embossers

With effect from 3 April 1995 the Group acquired the assets, excluding debtors, of J & J Makin Converting and Robert Williams Embossers.

Details of assets acquired and consideration are set out below.

	Fair Value to the Group £'000
Tangible fixed assets	2,803
Working capital:	
Stocks	1,588
Creditors	(3,273)
Net assets	1,118
Satisfied by cash	1,118

Fair value to the Group is not materially different from the book value of the assets on acquisition.

As a result of the acquisition the turnover of the Group increased by £8,048,000 and operating profit by £364,000 (after charging post acquisition redundancy costs of £222,000).

The acquisition reduced the Group's net operating cash flow by £1,677,000 after taking account of £3,300,000 required to fund the build up of debtors.

J & J Makin Converting and Robert Williams Embossers made a profit on ordinary activities before taxation of £426,000 (operating profit £383,000) from 25 September 1994, the beginning of the entity's financial year, to the date of acquisition, on turnover of £7,391,000. In the previous financial year a profit before tax of £89,000 (operating profit £6,000) was recorded on turnover of £13,349,000.

Notes to the Accounts continued

23 Acquisition of businesses continued

Acquisition of NMC Coatings Limited (subsequently renamed API Coatings Limited)

With effect from 6 June 1995 the Group acquired the entire shareholding of NMC Coatings Limited, a company engaged in the manufacture of coated film. This has been accounted for by the acquisition method. Details of assets acquired and consideration are set out below.

	Book Value £'000	Accounting Policy Adjustment £'000	Fair Value to the Group £'000
Tangible fixed assets	207		207
Working capital:			
Stocks	280	(80)	200
Debtors	304	(30)	274
Creditors	(391)		(391)
Net assets	400	(110)	290
Goodwill			1,021
Satisfied by cash			1,311

As a result of the acquisition the turnover of the Group increased by £530,000 and operating profit by £49,000. API Coatings Limited contributed £28,000 to the Group's net operating cash flows and utilised the same value in the acquisition of fixed assets.

API Coatings Limited made a profit on ordinary activities before taxation of £13,000 (operating profit £25,000) from 1 January 1995, the beginning of the subsidiary's financial year, to the date of acquisition, on turnover of £641,000. In the previous financial year a loss before tax of £301,000 (operating loss £82,000) was recorded on turnover of £1,139,000.

Notes to the Accounts continued

23 Acquisition of businesses continued

Acquisition of Data-Label Limited

With effect from 7 July 1995 the Group acquired the entire shareholding of Data-Label Limited, a company engaged in the supply of labelling systems. This has been accounted for by the acquisition method. Details of assets acquired and consideration are set out below.

	Fair Value to the Group £'000
Tangible fixed assets	261
Working capital:	
Stocks	154
Debtors	571
Cash at bank and in hand	214
Creditors	(763)
Provisions for Liabilities and Charges	(23)
Net assets	414
Goodwill	2,534
	2,948
Satisfied by:	
Cash	1,023
Deferred consideration	1,925
	2,948

Fair value to the Group is not materially different from the book value of the assets on acquisition.

The deferred consideration is payable in installments of £1,000,000 on 31 December 1995 and £925,000 on 30 June 1996.

As a result of the acquisition the turnover of the Group increased by £727,000 and operating profit by £105,000. Data-Label Limited contributed £57,000 to the Group's net operating cash flows.

Data-Label Limited made a profit on ordinary activities before taxation of £362,000 from 1 July 1994, the beginning of the subsidiary's financial year, to the date of acquisition, on turnover of £3,012,000. In the previous financial period (18 months ended 30 June 1994) a profit before tax of £336,000 was recorded on turnover of £4,016,000.

24 Reconciliation of goodwill movement in the year

	£'000
Acquisition of Data-Label Limited	2,534
Acquisition of API Coatings Limited	1,021
Goodwill write off against reserves	3,555

FINANCIAL CALENDAR

Annual General Meeting

To be held 12.30pm, 8 February 1996

The Waldorf Hotel, Aldwych, London WC2B 4DD

Reports

Interim report for 6 months to 30 March 1996, circulated May 1996. Preliminary Announcement for year to 28 September 1996, issued December 1996.

Report and accounts for year to 28 September 1996, circulated January 1997.

Dividends on Ordinary Shares

Proposed final 1994/95, announced 11 December 1995, payable 12 February 1996.

Interim 1995/96, announced May 1996, payable July 1996.

Proposed final 1995/96, announced December 1996, payable February 1997.

Dividends on Preference Shares

Half yearly, 31 March 1996 and 30 September 1996

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.

P O Box 1251 D, 329 New Brunswick Avenue,
Rahway, New Jersey 07065, USA.
Telephone: 001 908 382 6800
Fax: 001 908 382 4084

Leonard Stace Limited

Gloucester Road, Cheltenham GL51 8NH.
Telephone: 01242 514081
Fax: 01242 226422

Peerless Foils Limited

Hillcroft Road, London Industrial Park, Beckton,
London E6 4LW.
Telephone: 0171 511 0405
Fax: 0171 511 0658

Tenza Limited

Carlton Park Industrial Estate, Saxmundham,
Suffolk IP17 2NL.
Telephone: 01728 602811
Fax: 01728 604108

Whiley Foils Limited

Firth Road, Houstoun Industrial Estate, Livingston,
West Lothian EH54 5DJ.
Telephone: 01506 438611
Fax: 01506 438262

Henry & Leigh Slater Limited

Second Avenue, Poynton Industrial Estate,
Poynton, Stockport, Cheshire SK12 1ND.
Telephone: 01625 877700
Fax: 01625 879469

Notice of Meeting

Notice is hereby given that the seventy-fourth Annual General Meeting of the company will be held at The Waldorf Hotel, Aldwych, London WC2B 4DD on Thursday the eighth day of February 1996, at 12.30 pm, for the following purposes:

- 1 To receive the report of the directors and the audited accounts for the year ended 30 September 1995.
- 2 To declare a dividend.
- 3 To elect Mr J N Sheldrick, a director appointed since the last Annual General Meeting.
- 4 To re-elect Mr J M Woolley, a director retiring by rotation.
- 5 To re-appoint the auditors.
- 6 To authorise the directors to determine the remuneration of the auditors.

As special business to consider and, if thought fit, to pass the following Resolutions of which those numbered 7 and 9 will be proposed as Ordinary Resolutions and that numbered 8 will be proposed as a Special Resolution.

Resolutions

- 7 That, in accordance with 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 £1,611,383, 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 such expiry make offers or agreements 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.
- 8 That, subject to the passing of the resolution numbered 7 in the notice of this meeting, the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of section 94 of the said Act) pursuant to the authority given by the said resolution 7 as if Section 89(1) of the said Act did not apply to any such allotment provided that this power shall expire at the conclusion of the next Annual General Meeting (or, if sooner, the expiry of fifteen months after the passing of this resolution) except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired and provided that this power 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, or the requirements of any regulatory body or any stock exchange, in any territory or otherwise howsoever;
 - (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £269,430, being approximately 5% of the issued ordinary share capital.

Notice of Meeting

- 9 That the directors be and are hereby authorised to establish the API Group plc Long Term Incentive Scheme ("the Scheme") and the Employee Benefit Trust ("the EBT") described in the letter to shareholders of the company dated 12 January 1996 and to make awards under the Scheme to persons entitled to participate therein, including executive directors of the company or any of its subsidiaries, and for the purposes of the Scheme and/or the EBT to give, or permit or procure the giving by any subsidiary of the company of, financial assistance for the purpose of or otherwise in connection with the acquisition of shares in the company, whether by way of gift, loan, guarantee, security or otherwise howsoever and that there be and is hereby approved, for the purposes of section 320 Companies Act 1985, the participation in the Scheme of Mr Michael Smith and Mr Dennis Holt, directors of the company, and the acquisition of shares in the company by either or both of them in accordance with the terms of the Scheme.

By Order of the Board
A Senthance
Secretary
Dated the 12th day of January 1996



Registered Office
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 meeting and any adjournment thereof. 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 will be available for inspection during normal business hours at the company's registered office from the date of this notice until the close of the meeting and will, on the day of the meeting, be available for inspection at The Waldorf Hotel, Aldwych, London WC2B 4DD from 12.15 pm 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; and
 - (d) a copy of the letter to shareholders in connection with the proposed Long Term Incentive Scheme, together with a draft of the rules of such Scheme and a draft of the Trust Deed of the EBT.