



**R E P O R T  
A N D  
A C C O U N T S  
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169249

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### FINANCIAL CALENDAR

#### Annual General Meeting

To be held 12.30 pm,  
The Howard Hotel, Temple Place,  
London WC2R 2PR

7 February 1991

#### Reports

Interim report for 6 months to  
30 March 1991

May 1991

Preliminary announcement for  
year to 28 September 1991

December 1991

Report and accounts to  
28 September 1991

January 1992

#### Dividends on Ordinary Shares

Proposed final 1989/90

Announced 13 December 1990  
Payable 8 February 1991

Interim 1990/91

Announced May 1991  
Payable July 1991

Proposed final 1990/91

Announced December 1991  
Payable February 1992

#### Dividends on Preference Shares

Half yearly

29 March 1991 and  
30 September 1991

#### Capital Gains Tax

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

Cover foil blocked using stamping foil manufactured by Whiter Foils Limited.

COMPANIES HOUSE, CARDIFF  
LONDON CARDIFF

12 MAR 1991 13 MAR 1991

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## NOTICE OF MEETING

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Notice is hereby given that the sixty-ninth Annual General Meeting of the company will be held at The Howard Hotel, Temple Place, London WC2R 2PR on Thursday, the seventh day of February 1991 at 12.30 p.m., for the following purposes:

- 1 To receive the report of the directors and the audited accounts for the year ended 29 September 1990.
- 2 To declare a dividend.
- 3 To re-elect Mr. D. J. Holt, a director appointed since the last Annual General Meeting.
- 4 To re-elect Mr. C. E. M. Rawlinson, a director retiring by rotation.
- 5 To re-appoint the auditors.
- 6 To authorise the directors to fix the remuneration of the auditors.
- 7 As special business to consider and, if thought fit, to pass the following Resolutions of which that numbered (i) will be proposed as an Ordinary Resolution and that numbered (ii) will be proposed as a Special Resolution:

### RESOLUTIONS

- (i) That the directors be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the company to allot relevant securities up to but not exceeding an aggregate nominal amount of £1,719,183, provided that this authority shall (unless previously revoked or varied by the company in general meeting) expire at the conclusion of the period commencing with the date hereof and ending at the conclusion of the Annual General Meeting next following the passing of this resolution ("the period of authority") save that the company may before the expiry of the period of authority make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and that all unexercised authorities granted to the directors pursuant to section 80 of the Act (or the statutory provisions of which it is a re-enactment) prior to the passing of this resolution be and are hereby revoked. Words and expressions defined in or for the purposes of the Act shall bear the same meaning in this resolution.
- (ii) That subject to the passing of the preceding resolution, the directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities for cash pursuant to the general authority conferred upon them under that resolution as if section 89(1) of the Act did not apply to any such allotment and so that the power conferred by this resolution shall enable the company to make any offer or agreement before the expiry of the period commencing with the date hereof and ending at the conclusion of the Annual General Meeting next following the passing of this resolution which would or might require equity securities to be allotted after the expiry of such period and so that notwithstanding such expiry the directors may allot equity securities in pursuance of any such offer or agreement previously made by the company as if the power conferred hereby had not expired provided however that the power conferred hereby shall:
  - (a) be limited
  - (i) to the allotment of equity securities in connection with or pursuant to any arrangement whereby the holders of Ordinary Shares at a record date or dates adopted for the purposes of the arrangement are entitled to acquire any securities of the company issued for cash pursuant to such arrangement, in the proportion (as nearly as may be) to such holders' holdings of Ordinary Shares (or, as appropriate, to the numbers of such shares which such holders are for the purpose deemed to hold) subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under or resulting from the application or apparent application of the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory; and



## NOTICE OF MEETING

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(ii) to the allotment of equity securities pursuant to an offer to the holders of Ordinary Shares to elect to receive additional shares in lieu of a cash dividend; and

(iii) to the allotment (otherwise than pursuant to sub-paragraphs (i) and (ii) above) of equity securities having, in the case of relevant shares, an aggregate nominal value or, in the case of other equity securities, giving the right to subscribe for or convert into relevant shares having an aggregate nominal value not exceeding £264,040; and

(b) expire either fifteen months after the passing of this resolution or, if earlier, at the conclusion of the Annual General Meeting of the company next following the passing of this resolution except to the extent that the same is renewed or extended on or before that date.

Words and expressions defined in or for the purposes of the Act shall bear the same meaning in this resolution.

By order of the board

A. SENTANCE

Secretary

Dated 4 January 1991

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

### Notes

- 1 A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member. A form of proxy is enclosed with this notice for use in connection with the business set out above. A form of proxy must reach the registrars of the company not later than 48 hours before the time of the meeting.
- 2 The following documents, which are available for inspection during normal business hours at the company's registered office, will, on the day of the Annual General Meeting, be available for inspection at The Howard Hotel, Temple Place, London WC2R 2PR from 12.15 p.m. until the close of the meeting:
  - a) The register of directors' interests and transactions.
  - b) A copy of all contracts of service of the directors with the company or any of its subsidiaries.
- 3 Some information about the directors due for re-election is set out in the directors' report.



## DIRECTORS, SECRETARY AND ADVISERS

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### DIRECTORS

C. F. M. Rawlinson, M.A., F.C.A., Chairman  
\*P. R. Armitage, Deputy Chairman  
A. C. Missenden, B.Sc. (Hons.), Managing  
D. J. Holt, A.C.M.A., Finance  
\*J. E. Adey, M.A., M.B.A.  
\*B. R. Hall  
\*non-executive

### SECRETARY

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

### REGISTERED OFFICE

Silk House, Park Green, Macclesfield, Cheshire SK11 7NU  
Registered number 169249

### BANKERS

Barclays Bank plc  
Morgan Grenfell & Co. Limited  
The Royal Bank of Scotland plc

### REGISTRARS AND TRANSFER AGENTS

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

### AUDITORS

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

### SOLICITORS

Theodore Goddard  
150 Aldersgate Street, London EC1A 4EJ

### STOCKBROKERS

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



## CHAIRMAN'S STATEMENT

In a year in which the business climate has become increasingly difficult, we have maintained our pre-tax profits and ended the year with a strong balance sheet. The board has decided to recommend a final dividend of 4.0p per share, leaving the total dividend for the year unchanged at 6.75p.

Among the highlights of the year were:

- growth in the turnover of our continuing businesses supported by success in overseas markets where sales now exceed 44 per cent of Group turnover;
- the sale of our remaining paper mill and two other small companies;
- the consequent change of the company's name;
- important management changes throughout the Group;
- good progress in introducing Just In Time techniques.

After a slow start to the year, business picked up in the Spring but the deepening recession in Britain has meant that our results in the closing weeks of the year were below our earlier expectations. Within the overall figures results from stamping foils were significantly better, but this improvement was more than offset by the disappointing outcome at our foil-laminating plant, where margins have been under great pressure in a market which has been affected by the downturn in the U.K. economy. Results also improved in our converted film and paper products division and in heating and ventilating systems.

In the past six years we have invested some £20 million in plant and equipment in our existing businesses making them very well equipped with modern plant. In the next two or three years we do not expect to maintain this high level of capital investment. Instead, we shall continue to invest in training, in product development and marketing, in information systems, and in Just In Time techniques for the elimination of all kinds of waste and unprofitable activities. We are also alive to the need for changes in manufacturing techniques and in products to take account of the need to improve the environment.

During the year net borrowings were reduced from over £8 million to around £1 million. Mainly this was due to the sale of three subsidiaries, but a significant reduction in stocks, particularly in the United States, enabled us also to repay dollar borrowings. In the coming year we shall benefit from a major reduction in financing costs and with the strengthening of our financial position and our management team we are now better placed to examine new investment opportunities closely allied to our existing areas of business.

1990 has been a great challenge for everyone at API with the trading results again excluding an appropriation under the employee profit sharing scheme and having regretfully to make people redundant. We are in a period of great change when new skills have to be learned and new methods adopted quickly if we are to remain competitive. Throughout API people have responded with enthusiasm and energy to these challenges.

I am particularly pleased to be able to welcome to the board Dennis Holt, who joined us as finance director in September 1990, replacing Quentin Mackenzie who left us in May. We were delighted that Dennis was able to join us and we are already benefiting greatly from his abilities and experience.

In the last two years our profits have been well below the level which they should be, but we have invested heavily in this period for the future. Therefore, whilst in the short term business conditions remain difficult, I remain confident for the longer term.

*Charles Dawson*

*Charles Dawson*



## BUSINESS REVIEW

### IMAGE ENHANCEMENT PRODUCTS

#### STAMPING FOILS



#### DRI-PRINT FOILS

Dri-Print Foils, Inc. had a relatively successful year. In spite of turnover being maintained at the level of the previous year they turned a loss into a modest profit.

The new management team implemented the Group's Just In Time philosophy, embarking on a programme of efficiency improvement and waste reduction. This programme assisted in the achievement of a 9.5% reduction in manufacturing costs and a 40% reduction in stocks.

Environmental issues worldwide are a key priority to business; Dri-Print made a significant contribution by completing a substantial investment in abatement equipment to contain and incinerate solvent vapour unavoidably released during the manufacturing process.



#### PEERLESS

Peerless Foils Limited had a successful year with turnover increasing by 14% and profits by 60%.

The widening of the company's product and market base is continuing with the recent conclusion of an important sales and marketing agreement with a Japanese company of international repute which is already contributing to Peerless's penetration of specialist markets.

Efficiency improvement and waste reduction have been achieved with the implementation of the Group's Just In Time philosophy which has helped to reduce costs and improve gross margins by 20%.



#### WHILEY

At Whiley Foils Limited, turnover and gross margin have shown an encouraging 15% growth although trading profit has not fully reflected the benefit of the increased gross margin.

Overheads have been increased, particularly in the sales and marketing area as an investment to broaden market awareness of the company's products.

1990 has also been a year of major change, including a change of name to Whiley Foils Limited, substantial management re-organization, the introduction of Just In Time as a manufacturing technique and the first steps taken towards the attainment of BS5750. New foils have been developed and established foils improved, giving Whiley the opportunity to gain new markets and regain many it had lost. Improved efficiency of manufacture has recently resulted in a 15% reduction in numbers employed



Peerless foils are applied to products for package enhancement, labelling, pricing and date coding



Examples of Dri-Print and Whiley's co-operation in developing and marketing metallic, holographic and pigment foils



A selection of Whiley foil applications for the graphic arts industry



## BUSINESS REVIEW

### IMAGE ENHANCEMENT PRODUCTS

and the company will concentrate on further improving efficiency, quality and customer care.



**UFI (Sales)** United Foils International (Sales)

Limited which represents the API stamping foil companies in France, Germany and much of Europe, has expanded its two European operations achieving an increase in turnover of 20%. New and more sophisticated capital equipment has been installed in Paris and Nuremberg in order to better serve their respective markets.



*Collin Ashton checking the web tension on No. 2 laminator at Henry and Leigh Slater*

### FILM AND FOIL LAMINATED PAPER AND BOARD

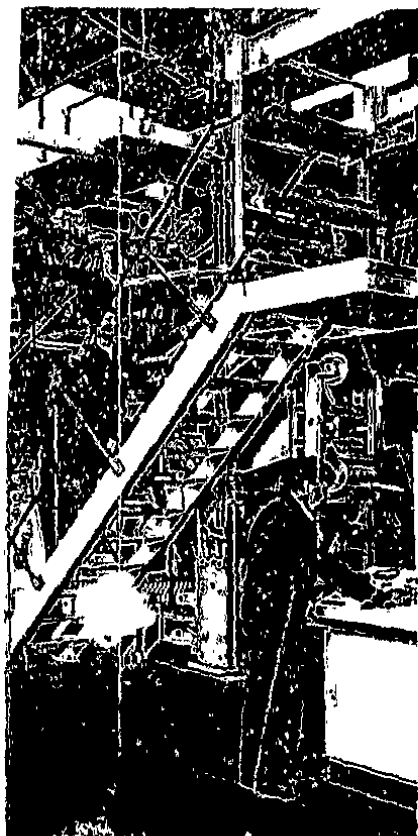


HENRY & LEIGH  
SLATER

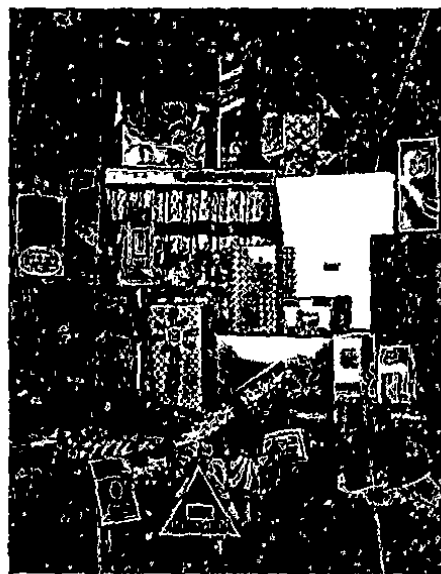
At Henry and Leigh Slater Limited, turnover has shown a slight increase on the previous year (2%), although profits have more than halved due in the main to pricing pressures causing a reduction in the gross margin.

During the course of the year the £3m expansion project was completed, the new laminator is now fully operational but due to the current difficult market conditions is operating at well below design capacity.

Management have been concentrating during the year on the development of new cost effective products which are presently in the process of being introduced to the market. This widening of the product range, the introduction under the Group's Just In Time philosophy of short cycle manufacturing, along with a programme of service and quality improvements should place the company in a good position to gain market share.



*George Press and John Higginson setting up the new Kroenert Laminator at Henry and Leigh Slater*



*The varied appeal of Slater's image enhancement packaging*

	1990 £'000	1989 £'000
<b>TURNOVER</b>	40,463	38,435
<b>TRADING PROFIT</b>	1,776	2,254



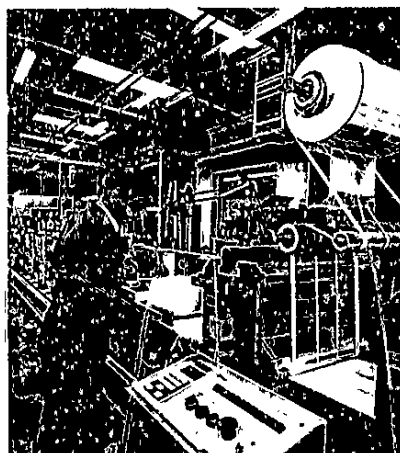


## BUSINESS REVIEW

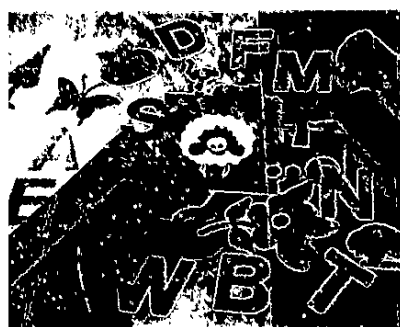
### CONVERTED FILM AND PAPER PRODUCTS



*A selection of products using Stace's specialised coated papers and films*



*Jim Treedy setting the print registration on the new Arsona four-colour label printer*



*Tenza's Coversoft is a new product for the art and craft market*



Leonard Stace Limited had a reasonable year in an increasingly competitive market with overall turnover up by a modest 6% on last year, although export sales were well down, most noticeably to the Far East.

Concern over environmental issues is a priority which has been addressed by developments to convert existing products to more environmentally friendly solvent free coatings, and also to diversify into new ranges of coated release papers and film.

The company is committed to the Just In Time philosophy focusing on reductions in waste and lead times to improve customer service levels and manufacturing throughput.



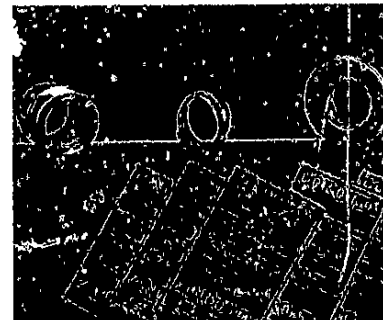
Tenza Limited has had an encouraging year with sales increasing by over 20%, and trading profit by 50% compared to the previous year.

The management changes introduced in manufacturing have produced major improvements in productivity. This has allowed Tenza to become more competitive in the export sector, particularly in the specialized packing list envelope market in Europe.

A small, but successful, acquisition in Sweden helped Tenzab, the company's Swedish subsidiary, to a record year in terms of turnover and profit contribution.

The Just In Time philosophy was introduced into the company during the year, and the management believes that with additional benefits to be gained from the continuing development of this philosophy the company looks forward with confidence

	1990 £'000	1989 £'000
<b>TURNOVER</b>	19,032	17,178
<b>TRADING PROFIT</b>	1,659	1,458



*Stace's extended range of anti-corrosion paper*



*Robert Hodges keeping a watchful eye on the production of self-adhesive packing list envelopes*



*Tenza is one of only two worldwide producers of labelling tape*

## BUSINESS REVIEW

### HEATING AND VENTILATING SYSTEMS

# EDIFFUSION®

Diffusion Environmental Systems Limited's share of the heating, ventilating and air conditioning market has continued to grow with turnover showing a 36% increase over the previous year. This growth has been greatly assisted by the investment in the development of new products and improved manufacturing control and support services.

During the year, all the company's employees were trained in and have begun introducing Just In Time/waste reduction practices, the aim of which is the continuing improvement in product quality and customer service.

*Le Pavillon restaurant, Brighton, where Diffusion has installed special fan coil units concealed in the ceiling*

*Marks & Spencer, Marble Arch, where Diffusion has supplied fan coil units to a new suite of offices*



	1990 £'000	1989 £'000
<b>TURNOVER</b>	<b>6,371</b>	<b>4,737</b>
<b>TRADING PROFIT</b>	<b>668</b>	<b>598</b>



## REPORT OF THE DIRECTORS

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The directors present their report and the audited accounts for the year ended 29 September 1990.

### 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 14. Profit before taxation was £1,860,000 (1989 £1,881,000). After taxation but before extraordinary items, distributable profit amounted to £1,298,000 (1989 £1,454,000) and from this amount dividends of £21,000 (1989 £21,000) have been paid on the Preference Share capital of the company.

The earnings per Ordinary 25p Share have decreased from 6.8p in 1989 to 6.0p in 1990 and the directors recommend a final dividend of 4p per Ordinary Share making a total for the year of 6.75p (1989 6.75p). If approved the final dividend will be paid on 8 February 1991 to shareholders on the register on 4 January 1991.

### GROUP PROFIT SHARING SCHEME

The directors have not appropriated any profit this year to the Group profit sharing scheme (1989 Nil).

### ACTIVITIES

The Group operates in the following markets:

Image enhancement products; converted film and paper products; heating and ventilating systems.

A review of activities is shown on pages 6-9 and an analysis of turnover and trading profit by activity is shown on pages 19 and 20. The principal companies and products are listed under the appropriate headings on page 32.

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

### DISPOSALS

The following disposals took place during the year.

- (a) On 16 March 1990 the share capital of API Hydraulics Limited was sold to Econosto UK Limited. The consideration was £500,000 paid in cash.
- (b) On 23 March 1990 the share capital of P. Garnett & Son Limited was sold to Eldridge Investments Limited. The consideration was £5.5 million paid in cash. However, as part of the sale arrangements

API settled an account of £141,000 to conclude an outstanding agreement with the local water authority, and so effectively the net consideration was £5,359,000.

- (c) On 8 May 1990 the share capital of Purification Products Limited was sold to Oval (597) Limited. The consideration was £465,000 paid in cash. However, API paid an inter-company debt of £58,000 to Purification Products Limited on completion, and so effectively the net consideration was £407,000.

### FIXED ASSETS

Changes in tangible fixed assets are set out in note 13 on page 23. Gross expenditure in the year amounted to £3,789,000 and capital commitments at 29 September 1990 amounted to £292,000.

The land and buildings were last professionally valued as at 30 September 1989 on the basis of open market value for existing use at £11,880,000 after adjusting for disposals and foreign exchange movements. This value was £4,018,000 in excess of the value included in the accounts at that date. The valuation of the U.K. properties was carried out by Edward Rushton Son & Kenyon in accordance with the Guidance Notes issued by the Royal Institution of Chartered Surveyors and The Institute of Chartered Accountants in England and Wales.

### SHARE CAPITAL

Details of shares issued during the year are shown in note 20 on page 27.

### DIRECTORS

The directors of the company are shown on page 4.

Mr. W. Q. C. Mackenzie resigned as a director on 8 May 1990.

Mr. D. J. Holt was appointed to the board on 17 September 1990 and since his appointment was subsequent to the last Annual General Meeting he now retires and, being eligible, offers himself for re-election.

The director retiring by rotation is Mr. C. E. M. Rawlinson who, being eligible, offers himself for re-election.

The non-executive directors of the company are Mr. C. E. M. Rawlinson, Mr. J. E. Adey, Mr. P. R. Armitage, and Mr. B. R. Hall.



## REPORT OF THE DIRECTORS—CONTINUED

Some information about the directors is set out below:

Mr. Rawlinson is aged 56; he has an M.A. from Cambridge University and is a Chartered Accountant. He joined the board in July 1972 as a non-executive director and was appointed Chairman in 1979. He is a senior advisor to the Morgan Grenfell Group plc and has previously been a director of a number of public companies. Mr. Rawlinson does not have a contract of service.

Mr. Missenden is aged 46 and was appointed to the board in February 1989, becoming Group Managing Director on 1 April 1989 consequent upon the retirement of Mr. J. A. Graham. He has a B.Sc. in Paper Science from Manchester University. He has had a wide experience of industrial companies and was formerly Managing Director of the Georgia Pacific Corporation of America's operations in the U.K. Mr. Missenden's contract of service is for a period of three years which commenced on 27 February 1989 and provides that it may be extended on 27 February in each succeeding year; the total unexpired period at any one time will not exceed three years. It was extended on 27 February 1990 by one year.

Mr. Holt is aged 46, a Cost and Management Accountant, and was appointed to the board on 17 September 1990 as Finance Director. He was formerly

Finance Director of Microvitec plc and the East Lancashire Paper Group plc. Mr. Holt's contract of service provides for termination by either party giving six months' notice.

Mr. Adey is aged 49 and joined the board in October 1987. He has an M.A. from Oxford University, an M.B.A. from Harvard University and is a qualified mechanical and electrical engineer. He has had wide experience of industrial and manufacturing companies. He is currently the Managing Director of Baxter Healthcare Limited, the U.K. subsidiary of Baxter International Inc. of the U.S.A. Mr. Adey does not have a contract of service.

Mr. Armitage is aged 64 and joined the board in January 1981. He was appointed non-executive Deputy Chairman of the board on 10 April 1990. Mr. Armitage has held other directorships in the electrical and engineering industries. Mr. Armitage does not have a contract of service.

Mr. Hall is aged 74 and joined the board in February 1971. He has held a number of executive positions in the Group including Managing Director of Whitley Foils Limited. Mr. Hall has had a total of 59 years' experience in the paper and stamping foil industry. Mr. Hall does not have a contract of service.

### DIRECTORS' INTERESTS

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

	Ordinary Shares			Ordinary 25p Share Options		
	13.12.90	29.9.90	1.10.89	13.12.90	29.9.90	1.10.89
C. E. M. Rawlinson	27,685	27,685	27,685	—	—	—
P. R. Armitage	2,500	2,500	2,500	—	—	—
A. C. Missenden	—	—	—	60,000	60,000	50,000
D. J. Holt	—	—	—*	—	—	—*
J. E. Adey	74,500	74,500	—	—	—	—
B. R. Hall	4,000	4,000	4,000	—	—	—

\*On appointment

50,000 of the Ordinary Share options outstanding at 29 September 1990 were granted at 218p per share in May 1989 and 10,000 options were granted at 143p per share in May 1990.

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 at the above dates.

Apart from service contracts and the contract with Mr. W. Q. C. Mackenzie mentioned below, no contracts subsisted at any time during the year between the company or its subsidiaries and any of



## REPORT OF THE DIRECTORS—CONTINUED

the directors or their families or connected persons which would require disclosure.

On 10 April 1990 an agreement was made between the company, Oval (597) Limited, Mr. W. Q. C. Mackenzie and Dr. I. L. Mackenzie whereby the company agreed to sell the whole of the issued share capital of Purification Products Limited and the benefit of unsecured loan stock for a total consideration of £465,000 of which £415,000 was payable at completion and the balance on 28 September 1990 the latter being supported by an irrevocable letter of credit issued by Barclays Bank plc. The company also agreed to repay an inter-company debt of £58,000 on completion. Completion took place on 8 May 1990 at which time Mr. W. Q. C. Mackenzie resigned as a director of the company.

### PENSIONS

The Group has two funded pension schemes in the U.K., API Group plc Pension and Life Assurance Fund and the Tenza Limited Pension and Life Assurance Fund, the latter commencing with effect from 6 April 1988. An Actuarial Valuation of the API Fund was undertaken as at 1 April 1990 by R. E. W. Byles B.Sc., F.I.A., F.P.M.I., F.S.S., A.S.A., an employee of Willis Consulting Limited. This Valuation confirmed that the assets of the API Fund were sufficient to secure the benefits that would have arisen had the API Fund been wound up at its review date and that consequently company contributions into the API Fund could remain suspended until 1 April 1991 in accordance with the advice of the Actuary.

An Actuarial Valuation was also undertaken as at 1 April 1990 by Mr Byles in respect of the Tenza Fund. This Valuation confirmed that the assets of the Tenza Fund were sufficient to secure the benefits that would have arisen had the Tenza Fund been wound up at its review date and the contribution rates being paid were adequate to secure prospective benefits. Company contributions continue to be paid in accordance with the advice of the Actuary.

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 29 September 1990 amounts to £40,000 (1989 £89,000); the 1989 amount included a £49,000 provision for the present value of additional future

benefits arising from a discretionary enhancement in pensions.

Dri-Print Foils, Inc. has three funded pension plans. In January 1990 a refund of contributions was received in respect of the Staff Pension Plan and contributions will continue in accordance with the advice of the Actuary. Total contributions for the two other pension plans for the period 29 September 1990 were £38,000 (1989 £43,000) and contributions continue to be made in accordance with the advice of the Actuary.

### SHARE OPTION SCHEME

During the year options were granted under the Group Executive Share Option Scheme on 152,400 Ordinary Shares at 143p per share.

### EMPLOYEES

Good relationships and clear communications with employees are recognised as important elements of Group affairs.

The Group's management policy is one of decentralisation and so all companies encourage their employees to be involved in their companies performance particularly following the recent introduction into each company of the philosophy of Just In Time management and Mission Statements. The group also has in existence a Group profit sharing scheme which is open for participation equally by all U.K. employees who have completed the necessary three years' qualifying service.

The trustees of the U.K. pension schemes send an annual report to all members. At each company an annual pension consultation meeting takes place attended by employee representatives. At these meetings there is discussion on the performance of the schemes and any other matter relating to pensions.

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 companies due regard and care is taken of the effects on the environment of each company's working processes, practices and procedures.



## REPORT OF THE DIRECTORS—CONTINUED

### BOARD COMMITTEES

A committee of the board, comprising the Chairman and all the non-executive directors, reviews remuneration and terms of employment of the executive directors of the company and authorises the issue of offers of grant of options under the Executive Share Option Scheme. The full board meet the auditors at the completion of each annual audit to review the auditors' report and matters arising from the audit of the Group.

### TRAINING

The board recognises the importance of employee development and training and is devoting increasing resources to this aim.

### SUBSTANTIAL INTERESTS IN SHARES OF THE COMPANY AND CLOSE COMPANY PROVISIONS

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

Preference	%
Trustees of National Funeral Trust	25.50
The Investment Company plc	15.85
Danae Investment Trust plc	9.10
Jove Investment Trust plc	9.10
Commercial Union plc and subsidiaries	7.29
Trustees of the Great Southern Retirement and Death Benefit Scheme	5.46
Premium Management Limited	4.55
Trustees of the Great Southern Executive Pension Scheme	3.64
Trustees of the Rivermoor Pension Scheme	3.37
Ordinary	%
Scottish Amicable Investment Managers Limited*	10.69
M & G Investment Management Limited*	10.58
Framlington Group plc and subsidiaries (this also includes The Throgmorton Trust plc interest mentioned below to which Framlington act as discretionary investment managers)	8.02
Standard Life Assurance Company and subsidiaries	7.72

Pearl Group plc (this also includes the London Life Limited interest mentioned below all of whom are members of the Australian Mutual Provident Society Group)	6.84
Prudential Corporation Group of Companies	6.71
Barclays Bank plc and subsidiaries (Non Beneficial)	4.28
London Life Limited*	4.26
The Throgmorton Trust plc	4.26
Sun Life Corporation plc and subsidiaries	3.85
Drayton Engineering and International Trust plc	3.50
Norwich Union Life Insurance Society	3.47
Lloyds Investment Managers Limited	3.44
The Port Employers and Registered Dock Workers Pension Fund Trustees Limited	3.31

\*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 provision\* of the Income and Corporation Taxes Act 1988 do not apply to the company.

### AUTHORITIES TO ALLOT SHARES

The existing directors' authorities to allot shares in the company will expire at the conclusion of the 1991 Annual General Meeting. Therefore, resolutions to renew these authorities for a further year will be proposed at the 1991 Annual General Meeting.

### CHARITABLE AND POLITICAL DONATIONS

Charitable donations made by the Group during the year amount to £3,253. A donation of £2,500 was made to the Conservative Party.

### AUDITORS

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

By order of the board

A. SENTANCE

Secretary

Macclesfield, 13 December 1990.

## GROUP PROFIT AND LOSS ACCOUNT

### FOR THE YEAR ENDED 29 SEPTEMBER 1990

	Note	1990 £'000	1989 £'000
<b>TURNOVER</b>	2	72,434	79,577
Cost of sales	3	(56,587)	(63,673)
<b>GROSS PROFIT</b>		15,847	15,904
Distribution costs	3	(2,192)	(2,247)
Selling and administrative expenses	3	(10,560)	(10,521)
<b>TRADING PROFIT</b>	2	3,095	3,136
Finance costs	4	(945)	(993)
<b>PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION</b>	5	2,150	2,143
Exceptional items	6	(290)	(262)
<b>PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS</b>		1,860	1,881
Taxation	9	(532)	(427)
<b>PROFIT AFTER TAXATION AND BEFORE EXTRAORDINARY ITEMS</b>		1,298	1,454
Extraordinary items	10	(1,087)	(889)
<b>PROFIT AFTER EXTRAORDINARY ITEMS</b>		211	565
Preference dividends	11	(21)	(21)
Ordinary dividends	11	(1,426)	(1,425)
<b>BALANCE TRANSFERRED FROM RESERVES</b>	21	(1,236)	(881)
<b>EARNINGS PER ORDINARY 25p SHARE</b>	12	6.0p	6.8p



# GROUP BALANCE SHEET

AT 29 SEPTEMBER 1990

	Note	1990 £'000	1989 £'000
<b>TANGIBLE FIXED ASSETS</b>	13	22,156	26,220
<b>CURRENT ASSETS</b>			
Stocks	15	6,322	10,120
Debtors	16	14,654	18,116
Cash at bank and in hand		3,393	726
		<u>24,369</u>	<u>28,962</u>
<b>CREDITORS—amounts falling due within one year</b>			
Creditors	17	11,948	13,509
Short term borrowings	18	69	1,207
Current taxation		365	1,313
Dividends		845	845
		<u>13,227</u>	<u>16,874</u>
<b>NET CURRENT ASSETS</b>		<u>11,142</u>	<u>12,088</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>33,298</u>	<u>38,308</u>
<b>CREDITORS—amounts falling due after more than one year</b>			
Loans	18	(4,381)	(7,645)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	19	(942)	(441)
<b>DEFERRED CREDIT—government grants</b>		(454)	(528)
		<u>27,521</u>	<u>29,694</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Called up share capital	20	5,830	5,829
Share premium account	21	4,078	4,078
Other reserves	21	1,871	1,871
Profit and loss account	21	15,742	17,916
		<u>21,691</u>	<u>23,865</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>27,521</u>	<u>29,694</u>

A. C. MISSENDEN  
D. J. HOLT  
13 December 1990

Managing Director  
Finance Director





# COMPANY BALANCE SHEET

AT 29 SEPTEMBER 1990

	Note	£'000	1990 £'000	£'000	1989 £'000
<b>FIXED ASSETS</b>					
Tangible fixed assets	13		145		223
Subsidiary companies	14		29,896		38,965
			<u>30,041</u>		<u>39,188</u>
<b>CURRENT ASSETS</b>					
Debtors	16	625		619	
Cash at bank and in hand		<u>3,137</u>		<u>13</u>	
		<u>3,762</u>		<u>632</u>	
<b>CREDITORS—amounts falling due within one year</b>					
Creditors	17	238		322	
Amounts due to subsidiaries		641		566	
Short term borrowings	18	—		1,157	
Taxation		—		166	
Dividends		<u>845</u>		<u>845</u>	
		<u>1,724</u>		<u>3,056</u>	
<b>NET CURRENT ASSETS (LIABILITIES)</b>			<u>2,038</u>		<u>(2,424)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>32,079</u>		<u>36,764</u>
<b>CREDITORS—amounts falling due after more than one year</b>					
Loans	18		(4,349)		(7,613)
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	19		<u>(840)</u>		<u>(329)</u>
			<u>26,890</u>		<u>28,822</u>
<b>SHARE CAPITAL AND RESERVES</b>					
Called up share capital	20		5,830		5,829
Share premium account	21	4,078		4,078	
Other reserves	21	4,368		4,368	
Profit and loss account	21	<u>12,614</u>		<u>14,547</u>	
			<u>21,060</u>		<u>22,993</u>
<b>SHAREHOLDERS' FUNDS</b>			<u>26,890</u>		<u>28,822</u>

A. C. MISSENDEN

D. J. HOLT

13 December 1990

Managing Director  
Finance Director

## SOURCE AND APPLICATION OF FUNDS

### FOR THE YEAR ENDED 29 SEPTEMBER 1990

	1990	1989
	£'000	£'000
<b>GENERATED FROM OPERATIONS</b>		
Profit before taxation and extraordinary items	4,866	1,881
Extraordinary items—gross	(1,087)	(1,697)
	<u>773</u>	<u>184</u>
Adjustment for items not involving the movement of funds:		
Depreciation less grants	2,168	3,036
Exchange movement	(90)	(93)
Profit on sale of fixed assets of Henry & Leigh Slater Limited, Bollington	—	(661)
Loss on disposal of subsidiaries—see below	149	—
Profit on disposal or replacement of other fixed assets	(153)	(203)
Increase (decrease) in pension scheme provision	455	(328)
	<u>3,302</u>	<u>1,935</u>
<b>DECREASE IN WORKING CAPITAL</b>		
Stocks decrease	2,379	1,011
Debtors decrease net of taxation	393	1,551
Creditors increase (decrease)	1,038	(1,492)
	<u>3,810</u>	<u>1,070</u>
	7,112	3,005
<b>OTHER SOURCES</b>		
Consideration for disposal of subsidiaries—see below	6,266	—
Consideration for disposal of fixed assets of Henry & Leigh Slater Limited, Bollington	—	2,400
Share issues—net proceeds	1	89
Proceeds of fixed assets sold or replaced	390	574
	<u>6,657</u>	<u>3,063</u>
<b>TOTAL SOURCES</b>	13,769	6,068
<b>APPLICATIONS</b>		
Purchase of fixed assets	(3,789)	(4,908)
Dividends paid	(1,447)	(1,874)
Taxation paid	(1,464)	(1,841)
	<u>(6,700)</u>	<u>(8,623)</u>
<b>DECREASE (INCREASE) IN NET BORROWINGS</b>	7,069	(2,555)
<b>REPRESENTED BY</b>		
Increase (decrease) in cash at bank and in hand	2,667	(1,078)
Short term borrowings decrease (increase)	1,138	(9)
Increase (decrease) in net liquid funds	3,805	(1,087)
Decrease (increase) in U.S. dollar loan	2,264	(769)
Transfer to short term borrowings	—	51
Decrease (increase) in medium term loan	1,000	(750)
	<u>7,069</u>	<u>(2,555)</u>
<b>Summary of the assets of the subsidiaries disposed of during 1990</b>	£'000	
Fixed assets	4,555	
Stocks	1,419	
Debtors	3,069	
Creditors	(2,599)	
Deferred credit—government grants	(29)	
	<u>6,415</u>	
Loss on disposal of subsidiaries excluding professional fees	(149)	
Net consideration	<u>6,266</u>	

## NOTES TO THE ACCOUNTS

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### 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.

#### Basis of consolidation

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

#### Fixed assets

Fixed assets are included in the accounts at valuation or cost.

#### Depreciation

Freehold and long leasehold land is not depreciated. The cost or valuation of other fixed assets is written off in equal annual instalments over the expected useful lives as follows:

Freehold and long leasehold properties	— 14 to 50 years
Short leasehold properties	— over period of lease
Plant	— 5 to 20 years
Vehicles	— 4 years
Furniture and equipment	— 5 to 10 years

#### Government grants

Government grants, being investment and development grants and energy conservation grants, received and receivable are credited to the government grants account and are released to profit and loss account over the estimated lives of the assets concerned.

#### Stocks 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 scheme 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 charged against trading profit. Those unrealised exchange differences arising on the translation of foreign manufacturing subsidiaries' accounts on consolidation 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 or the disposal of overseas subsidiaries are dealt with through the profit and loss account.

**Goodwill**

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

**Leases**

Fixed assets leased under finance leases are capitalised and depreciated over their anticipated useful lives. The finance charges are allocated over the primary lease period having regard to the capital element outstanding. The costs of operating leases are charged to the profit and loss account in equal annual instalments over the periods of the leases.

**2 TURNOVER AND TRADING PROFIT**

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

Turnover by geographical area:

	1990 £'000	1989 £'000
United Kingdom	36,794	33,919
France	4,946	3,682
West Germany	2,915	2,070
Rest of Western Europe	9,326	7,956
Eastern Europe	173	418
Asia and Australasia	3,630	4,130
Africa	562	651
Americas	7,520	7,524
	<u>65,866</u>	<u>60,350</u>
Discontinued operations	6,568	19,227
Total turnover	<u>72,434</u>	<u>79,577</u>
	<u>18,166</u>	<u>15,909</u>
Direct exports from the United Kingdom (excluding discontinued operations):		
Turnover by main activity:		
Image enhancement products	40,463	38,435
Converted film and paper products	19,032	17,178
Heating and ventilating systems	6,371	4,737
	<u>65,866</u>	<u>60,350</u>
Discontinued operations	6,568	19,227
	<u>72,434</u>	<u>79,577</u>

**NOTES TO THE ACCOUNTS—CONTINUED**

<b>2 TURNOVER AND TRADING PROFIT—continued</b>	<b>1990</b>	<b>1989</b>
	<b>£'000</b>	<b>£'000</b>
Trading profit by main activity:		
Image enhancement products	1,776	2,254
Converted film and paper products	1,659	1,458
Heating and ventilating systems	668	598
	<u>4,103</u>	<u>4,310</u>
Group costs	(1,070)	(1,220)
	<u>3,033</u>	<u>3,090</u>
Discontinued operations	62	46
	<u>3,095</u>	<u>3,136</u>

The profit from discontinued operations represents the profits, before any charge for interest on funds employed or any allocation of group costs of API Hydraulics Limited sold 16 March 1990, P. Garnett & Son Limited sold 23 March 1990, and Purification Products Limited sold 8 May 1990.

Trading profit of operations carried on outside the United Kingdom totalled £342,000 (1989 £52,000 loss).

**3 COSTS**

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.

<b>4 FINANCE COSTS</b>	<b>1990</b>	<b>1989</b>
	<b>£'000</b>	<b>£'000</b>
Interest payable on:		
Bank overdrafts, loans and other loans repayable within 5 years and bills discounted	266	383
Loan secured by mortgage	5	7
Loans repayable after more than 5 years	730	661
	<u>1,001</u>	<u>1,051</u>
Interest receivable	(56)	(58)
	<u>945</u>	<u>993</u>

<b>5 PROFIT BEFORE EXCEPTIONAL ITEMS AND TAXATION</b>	<b>1990</b>	<b>1989</b>
	<b>£'000</b>	<b>£'000</b>
The profit before exceptional items and taxation is stated after charging (crediting):		
Depreciation—less government grants of £45,000 (1989 £62,000)	2,168	3,036
Hire of plant	78	95
Other operating lease costs	324	321
Gains on exchange	(95)	(115)
Auditors' remuneration	150	175

<b>6 EXCEPTIONAL ITEMS</b>	<b>1990</b>	<b>1989</b>
	<b>£'000</b>	<b>£'000</b>
Redundancy and termination costs	354	222
Consultancy costs	415	243
Surplus on disposal or replacement of fixed assets	(153)	(203)
Exchange gain on repayment of dollar loan	(326)	—
	<u>290</u>	<u>262</u>

The 1989 Group profit and loss account has been restated to provide a comparison of the exceptional items.

**NOTES TO THE ACCOUNTS—CONTINUED**

**7 DIRECTORS' EMOLUMENTS**

	1990 £'000	1989 £'000
Chairman	28	27
Highest paid director	74	44*
Other directors	66	120
	<u>168</u>	<u>191</u>
Management remuneration	9	6
Pension contributions	—	50
Compensation for loss of office	—	17
Ex gratia payments	<u>177</u>	<u>264</u>

\* From date of appointment

Number of directors whose emoluments were within the range:

£1—£5,000	1*	—
£5,001—£10,000	2	3
£15,001—£20,000	1	1
£25,001—£30,000	1	1
£30,001—£35,000	1	—
£35,001—£40,000	—	1
£40,001—£45,000	—	2
£70,001—£75,000	1	—

Other executives whose emoluments were within the range:

£35,001—£40,000	1	1
£40,001—£45,000	—	1
£45,001—£50,000	2	—

**8 EMPLOYMENT COSTS—including directors**

	1990 £'000	1989 £'000
The total group employment costs (including discontinued operations) were:		
Wages and salaries	13,914	15,603
Employers' national insurance and similar costs	1,644	1,755
Pensions (see note 19):		
Provided under non-contributory pension schemes	40	89
Contributions provided under pension and life assurance funds	711	816
	<u>16,309</u>	<u>18,263</u>

No distribution will be made under the Group Profit Sharing Scheme in 1990 (1989 Nil)

	1990	1989
Average number of persons employed:		
Image enhancement products	507	538
Converted film and paper products	290	292
Heating and ventilating systems	109	84
API Group plc	11	11
Discontinued operations	91	371
	<u>1,008</u>	<u>1,296</u>

**NOTES TO THE ACCOUNTS—CONTINUED**

9 TAXATION	1990 £'000	1989 £'000
Corporation tax payable at 35% (1989 35%)	350	874
Overseas taxation	181	(59)
Prior year adjustments	(15)	(402)
Deferred taxation	46	14
	<u>562</u>	<u>427</u>
The taxation charge has been reduced by:		
Accelerated capital allowances	202	(46)
Increase in deferred taxation provision	(46)	(14)
Prior year adjustments	15	402
Other factors	(82)	(111)
	<u>89</u>	<u>231</u>
A full taxation charge at 35% (1989 35%) on the profit before taxation would be	<u>651</u>	<u>658</u>
10 EXTRAORDINARY ITEMS	1990 £'000	1989 £'000
Loss on disposal of discontinued operations including professional fees	(489)	(1,245)
Deferred taxation crystallising on disposal of subsidiary	(465)	—
Costs relating to compliance with state regulations on emission control in the USA	(133)	—
Consultancy costs relating to the Group strategic study and other extraordinary costs	—	(452)
	<u>(1,087)</u>	<u>(1,697)</u>
Less: Tax Relief	—	808
	<u>(1,087)</u>	<u>(889)</u>
11 DIVIDENDS	1990 £'000	1989 £'000
Preference		
Paid 30 March 1990	11	11
Paid 28 September 1990	10	10
	<u>21</u>	<u>21</u>
	1990	1989
	p	p
Ordinary	2.75	2.75
Interim paid 2 July 1990	4.00	4.00
Proposed final payable 8 February 1991	<u>6.75</u>	<u>6.75</u>
Total ordinary dividend	<u>6.75</u>	<u>6.75</u>

**12 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 21,121,937 being the weighted average number of shares in issue during the year (1989 divisor 21,094,770).

**NOTES TO THE ACCOUNTS—CONTINUED**

<b>13 TANGIBLE FIXED ASSETS—GROUP</b>	<b>Freehold land and buildings</b>		<b>Leasehold land and buildings</b>		<b>Plant and equipment</b>	<b>Finance leases</b>	<b>Total</b>
	<b>Land</b>	<b>Buildings</b>	<b>Long</b>	<b>Short</b>	<b>Owued</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or valuation</b>							
At 1 October 1989	3,370	6,751	1,586	52	30,930	362	43,051
Additions	—	347	—	—	3,442	—	3,789
Foreign exchange movement	(259)	(306)	—	—	(1,090)	—	(1,655)
Disposals	—	—	(28)	—	(812)	—	(840)
Disposals on sale of subsidiaries	(230)	(601)	—	—	(7,585)	(362)	(8,778)
At 29 September 1990	<u>2,881</u>	<u>6,191</u>	<u>1,558</u>	<u>52</u>	<u>24,885</u>	<u>—</u>	<u>35,567</u>
<b>Being:</b>							
Cost	—	6,065	1,458	52	24,885	—	32,460
Professional valuation 1971	—	126	—	—	—	—	126
Professional valuation 1989	2,881	—	100	—	—	—	2,981
	<u>2,881</u>	<u>6,191</u>	<u>1,558</u>	<u>52</u>	<u>24,885</u>	<u>—</u>	<u>35,567</u>
<b>Depreciation</b>							
At 1 October 1989	—	2,350	506	31	13,631	313	16,831
Provided during period	—	192	32	5	1,970	14	2,213
Foreign exchange movement	—	(238)	—	—	(569)	—	(807)
Disposals	—	—	(13)	—	(590)	—	(603)
Disposals on sale of subsidiaries	—	(169)	—	—	(3,727)	(327)	(4,223)
At 29 September 1990	<u>—</u>	<u>2,135</u>	<u>525</u>	<u>36</u>	<u>10,715</u>	<u>—</u>	<u>13,411</u>
<b>Net book value</b>							
at 29 September 1990	<u>2,881</u>	<u>4,056</u>	<u>1,033</u>	<u>16</u>	<u>14,170</u>	<u>—</u>	<u>22,156</u>
<b>TANGIBLE FIXED ASSETS—COMPANY</b>	<b>Freehold land and buildings</b>		<b>Leasehold land and buildings</b>		<b>Plant and equipment</b>	<b>Finance leases</b>	<b>Total</b>
	<b>Land</b>	<b>Buildings</b>	<b>Long</b>	<b>Short</b>	<b>Owued</b>		
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>							
At 1 October 1989	20	—	28	52	236	—	336
Additions	—	—	—	—	18	—	18
Disposals	—	—	(28)	—	(39)	—	(67)
At 29 September 1990	<u>20</u>	<u>—</u>	<u>—</u>	<u>52</u>	<u>215</u>	<u>—</u>	<u>287</u>
<b>Depreciation</b>							
At 1 October 1989	—	—	12	31	70	—	113
Provided during period	—	—	1	5	45	—	51
Disposals	—	—	(13)	—	(9)	—	(22)
At 29 September 1990	<u>—</u>	<u>—</u>	<u>—</u>	<u>36</u>	<u>106</u>	<u>—</u>	<u>142</u>
<b>Net book value</b>							
at 29 September 1990	<u>20</u>	<u>—</u>	<u>—</u>	<u>16</u>	<u>109</u>	<u>—</u>	<u>145</u>

The 1989 valuation was on the basis of open market value for existing use, the 1971 valuation was on an estimated realisation basis. The surplus of these valuations over the historic book values amounted to £2,645,000. The valuations do not constitute timing differences for taxation purposes and therefore no deferred taxation has been provided thereon.

The useful lives of major items of plant and equipment were reassessed during the year. The effect of this reassessment has been to reduce the total depreciation charge for the year by £199,000 to £2,213,000.



**NOTES TO THE ACCOUNTS—CONTINUED**

**14 SUBSIDIARY COMPANIES**

	1990 £'000	1989 £'000
Investments at cost 1 October 1989	8,121	5,952
Additional investment in subsidiary	—	2,169
Disposals	(132)	—
Investments at cost 29 September 1990	7,989	8,121
Amount due from subsidiaries—non trading balances	25,066	34,003
	<u>33,055</u>	<u>42,124</u>
Provisions 1 October 1989	(3,159)	(3,106)
New provisions on existing investments	—	(53)
Provisions 29 September 1990	(3,159)	(3,159)
Net book value 29 September 1990	<u>29,896</u>	<u>38,965</u>

The company's principal subsidiaries are listed on page 32.

**15 STOCKS**

	1990 £'000	1989 £'000
Raw materials	2,263	2,896
Finished goods and work in progress	3,928	5,132
Stores	131	120
	<u>6,322</u>	<u>8,148</u>
Total stocks of discontinued operations	—	1,972
	<u>6,322</u>	<u>10,120</u>

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

**16 DEBTORS**

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
<b>Under one year</b>				
Trade debtors	13,197	13,793	—	—
Prepayments	713	399	138	89
Other debtors	343	598	202	247
VAT	98	203	3	1
Life assurance policy (note 18)	—	37	—	—
	<u>14,351</u>	<u>15,030</u>	<u>343</u>	<u>337</u>
<b>Over one year</b>				
Life assurance policy (note 18)	21	21	—	—
Advance corporation tax recoverable	282	282	282	282
	<u>14,654</u>	<u>15,333</u>	<u>625</u>	<u>619</u>
Total debtors of discontinued operations	—	2,783	—	—
	<u>14,654</u>	<u>18,116</u>	<u>625</u>	<u>619</u>

**NOTES TO THE ACCOUNTS—CONTINUED**

17 CREDITORS—amounts falling due within one year	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Trade creditors	8,965	8,114	—	—
Bills of exchange	—	45	—	—
Accruals	1,892	1,616	190	258
Other creditors	232	326	—	9
National insurance and income tax	364	377	48	55
VAT	495	682	—	—
	<u>11,948</u>	<u>11,160</u>	<u>238</u>	<u>322</u>
Total creditors of discontinued operations	—	2,349	—	—
	<u>11,948</u>	<u>13,509</u>	<u>238</u>	<u>322</u>

18 BORROWINGS	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Short term borrowings				
Bank overdrafts	69	1,157	—	1,157
Mortgage on freehold property	—	50	—	—
	<u>69</u>	<u>1,207</u>	<u>—</u>	<u>1,157</u>

Loans—falling due after more than one year	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Mortgage on freehold property repayable from 2 October 1991 to 25 February 1995, at interest rates from 8½% to 11½% per annum, secured on life assurance policy	32	32	—	—
Royal Bank of Scotland plc revolving loan at ¾% above LIBOR repayable in instalments between 1992 and 1996—drawn in US Dollars	2,349	4,613	2,349	4,613
Morgan Grenfell & Co. Limited revolving loan at ¼% above LIBOR repayable in instalments between December 1991 and December 1992	2,000	3,000	2,000	3,000
	<u>4,381</u>	<u>7,645</u>	<u>4,349</u>	<u>7,613</u>

## NOTES TO THE ACCOUNTS—CONTINUED

19 PROVISION FOR LIABILITIES AND CHARGES	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Deferred taxation	158	112	56	—
Pension scheme provision	784	329	784	329
	<u>942</u>	<u>441</u>	<u>840</u>	<u>329</u>

### Deferred taxation

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

	Provided		Not provided	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Accelerated capital allowances	330	—	2,507	3,388
Future pension payments	(274)	—	—	(115)
Other timing differences	102	112	277	(178)
	<u>158</u>	<u>112</u>	<u>2,784</u>	<u>3,095</u>

### Pension scheme provision

The Group operates a funded pension scheme for the company and its UK subsidiaries (except Tenza Limited), providing benefits based on final pensionable pay. 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 on the basis of triennial valuations using the Aggregate Costing method. The most recent valuation was at 1 April 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 10% per annum, salary increases would average 7.5% per annum and that present and future pensions would increase at the rate of 5% per annum.

The actuarial valuation at 1 April 1990 showed that the market value of the scheme's assets was £23,844,448 and that the actuarial value of those assets represented 116% of the benefits that had accrued to members on an ongoing basis. The subsequent company contributions being paid were suspended in accordance with the advice of the actuary for a temporary period to eliminate the major part of the surplus. The pension charge in respect of the scheme for the year was £502,000 (1989 £591,000).

A separate fund for Tenza Limited employees has operated since 6 April 1988 and Dri-Print Foils, Inc has three funded pension plans. In the context of the Group, none of these funds has a material deficiency or surplus of assets and there is believed by the directors to be no material difference between the funding rates as recommended by the actuaries and charged in the accounts and the charge that would have been required under the provisions of SSAP 24.

The Group still pays pensions under three unfunded non-contributory pension schemes, membership of which is now closed. A provision of £462,000 stood at 29 September 1990 (1989 £505,000) for the present value of future payments under these schemes and the charge to the accounts in the year ended 29 September 1990 was £40,000 (1989 £89,000).

**NOTES TO THE ACCOUNTS—CONTINUED**

**20 SHARE CAPITAL**

	Authorised		Allotted, called up and fully paid	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
549,000 3.85% (formerly 5.1%) Cumulative Preference Shares of £1 each	549	549	549	549
Ordinary Shares of 25p each.				
At 1 October 1989 (21,120,070 shares in issue)	7,000	7,000	5,280	5,261
Issued during year				
Share options exercised (3,200 shares issued)	—	—	1	19
At 29 September 1990 (21,123,270 shares in issue)	7,000	7,000	5,281	5,280
	<u>7,549</u>	<u>7,549</u>	<u>5,830</u>	<u>5,829</u>

Full exercise of the options granted under the company's share option scheme would result in the issue, not later than May 2000, of a further £133,100 Ordinary Share Capital, made up of 20,800 shares at 118p, 12,000 shares at 185p, 84,800 shares at 190p, 160,800 shares at 218p, 12,000 shares at 238p, 52,000 shares at 264p, 28,000 shares at 308p, 9,600 shares at 310p, and 152,400 shares at 143p.

**21 RESERVES**

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Share premium account				
At 1 October 1989	4,078	4,008	4,078	4,008
Premium on shares issued during the year	—	70	—	70
At 29 September 1990	<u>4,078</u>	<u>4,078</u>	<u>4,078</u>	<u>4,078</u>
Other reserves				
Revaluation reserve				
At 1 October 1989 and 29 September 1990	1,871	1,871	6	6
Merger reserve				
Merger reserve arising on acquisition of subsidiary companies	4,946	4,946	4,362	4,362
Elimination of goodwill	(4,946)	(4,946)	—	—
At 1 October 1989 and 29 September 1990	<u>1,871</u>	<u>1,871</u>	<u>4,368</u>	<u>4,368</u>
Profit and loss account				
At 1 October 1989				
As previously reported	17,916	19,306	14,547	15,189
Prior year adjustment	—	(657)	—	(657)
At 1 October 1989 as restated	<u>17,916</u>	<u>18,649</u>	<u>14,547</u>	<u>14,532</u>
Foreign exchange translation differences	(938)	148	35	1
Balance from profit and loss account	<u>(1,236)</u>	<u>(881)</u>	<u>(1,968)</u>	<u>14</u>
At 29 September 1990	<u>15,742</u>	<u>17,916</u>	<u>12,614</u>	<u>14,547</u>
Total reserves	<u>21,691</u>	<u>23,865</u>	<u>21,060</u>	<u>22,993</u>
Available for distribution	15,742	17,916	12,614	14,547
Not available for distribution	5,949	5,949	8,446	8,446
Total reserves	<u>21,691</u>	<u>23,865</u>	<u>21,060</u>	<u>22,993</u>

The foreign exchange translation differences are stated after crediting £128,000 (1989 £181,000 charge) in respect of current year exchange differences from foreign currency borrowings financing foreign equity investments. The unrealised gains from prior years on borrowings converted in the current year were £152,000 (1989 Nil).

**NOTES TO THE ACCOUNTS—CONTINUED**

**22 PROFIT ATTRIBUTABLE TO MEMBERS**

A loss of £521,000 (1989 £1,460,000 profit) included in the Group profit for the year attributable to members has been dealt with in the accounts of the company. In accordance with Section 230 of the Companies Act 1985 the company is not required to publish its own profit and loss account.

**23 LEASING COMMITMENTS**

The lease commitments at 29 September 1990 under finance leases were NIL (1989 Nil). Leasing commitments under non-cancellable operating leases were as follows:

	Group			
	Land and building leases		Other operating leases	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Payable in the following year and relating to leases terminating:				
Within one year	10	—	18	19
Two to five years	57	69	161	55
After five years	232	124	—	11
	<u>299</u>	<u>193</u>	<u>179</u>	<u>85</u>

**24 CAPITAL COMMITMENTS**

	Group		Company	
	1990 £'000	1989 £'000	1990 £'000	1989 £'000
Amounts not provided for in these accounts are:				
Contracted	196	2,896	—	—
Authorised but not contracted	96	454	—	—
	<u>292</u>	<u>3,350</u>	<u>—</u>	<u>—</u>

**25 CONTINGENCIES**

An American subsidiary is in discussion with the New Jersey Department of Environmental Protection regarding excessive emission of volatile organic substances ("VOS"). The department has proposed an amount to settle the matter which the subsidiary is disputing. It is believed that the ultimate resolution of this matter will not have a significant effect on the financial position of the Group.

The subsidiary has a related claim against the former owners of the business in respect of warranties given at the time of acquisition concerning expenses necessarily incurred in complying with VOS regulations. It is not practicable at this stage to estimate the final amount recoverable.



## REPORT OF THE AUDITORS

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To the members of API Group plc

We have audited the accounts on pages 14 to 28 and page 32 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the Group at 29 September 1990 and of the profit and source and application of funds of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG.

A handwritten signature in dark ink, appearing to read 'Ernst &amp; Young', with a stylized flourish at the end.

*Chartered Accountants*

Manchester

13 December 1990.



## STATEMENT OF VALUE ADDED IN THE YEAR ENDED 29 SEPTEMBER 1990

	1990			1989		
	£'000	£'000	%	£'000	£'000	%
TURNOVER		72,434	100.0		79,577	100.0
BOUGHT-IN MATERIALS AND SERVICES		49,717	68.6		53,882	67.7
VALUE ADDED		<u>22,717</u>	<u>31.4</u>		<u>25,695</u>	<u>32.3</u>
APPLIED THE FOLLOWING WAY:						
To employees						
Wages, salaries, pensions and profit sharing		14,665	64.6		16,508	64.2
To providers of capital						
Finance costs	945			993		
Preference dividends	21			21		
Ordinary dividends	<u>1,426</u>	2,392	10.5	<u>1,425</u>	2,439	9.5
To governments						
Corporate taxes payable	562			427		
Employment taxes	<u>1,644</u>			<u>1,755</u>		
Rates and property taxes	538	2,744	12.1	633	2,815	11.0
To maintain and expand assets*						
Depreciation less government grants	2,168			3,036		
Balance transferred (from) to reserves before extraordinary items	<u>(339)</u>	1,829	8.0	<u>8</u>	3,044	11.8
Extraordinary items		<u>1,087</u>	<u>4.8</u>		<u>889</u>	<u>3.5</u>
VALUE ADDED		<u>22,717</u>	<u>100.0</u>		<u>25,695</u>	<u>100.0</u>

\* Group expenditure on fixed assets purchased in the year was £3,789,000 (1989 £4,908,000).

## GROUP FINANCIAL STATISTICS

	1990 £'000	1989 £'000	1988 £'000	1987 £'000	1986 £'000
<b>TURNOVER</b>	<u>72,434</u>	<u>79,577</u>	<u>87,420</u>	<u>88,178</u>	<u>71,218</u>
<b>TRADING PROFIT</b>	<u>3,095</u>	<u>3,136</u>	<u>8,059</u>	<u>7,802</u>	<u>5,849</u>
Finance costs	(945)	(993)	(297)	(690)	(565)
<b>PROFIT BEFORE EXCEPTIONAL ITEMS, PROFIT SHARING SCHEME AND TAXATION</b>	<u>2,150</u>	<u>2,143</u>	<u>7,762</u>	<u>7,112</u>	<u>5,284</u>
Exceptional items	(290)	(262)	—	—	—
<b>PROFIT BEFORE PROFIT SHARING SCHEME AND TAXATION</b>	<u>1,860</u>	<u>1,881</u>	<u>7,762</u>	<u>7,112</u>	<u>5,284</u>
Profit sharing scheme	—	—	(374)	(306)	(237)
<b>PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS</b>	<u>1,860</u>	<u>1,881</u>	<u>7,388</u>	<u>6,806</u>	<u>5,047</u>
Taxation	(562)	(427)	(2,083)	(2,095)	(1,045)
<b>PROFIT AFTER TAXATION BEFORE EXTRAORDINARY ITEMS</b>	<u>1,298</u>	<u>1,454</u>	<u>5,305</u>	<u>4,711</u>	<u>4,002</u>
Extraordinary items	(1,087)	(889)	—	—	—
<b>PROFIT AFTER EXTRAORDINARY ITEMS</b>	<u>211</u>	<u>565</u>	<u>5,305</u>	<u>4,711</u>	<u>4,002</u>
Preference dividends	(21)	(21)	(21)	(21)	(21)
Ordinary dividends	<u>190</u>	<u>544</u>	<u>5,284</u>	<u>4,690</u>	<u>3,981</u>
	(1,426)	(1,425)	(1,850)	(1,673)	(1,403)
<b>RETAINED PROFIT</b>	<u>(1,236)</u>	<u>(881)</u>	<u>3,434</u>	<u>3,017</u>	<u>2,578</u>
<b>NET ASSETS</b>					
Fixed assets	22,156	26,220	24,566	21,311	20,318
Net current assets less taxation	10,984	11,976	11,512	9,796	12,043
	<u>33,140</u>	<u>38,196</u>	<u>36,078</u>	<u>31,107</u>	<u>32,361</u>
<b>LOANS—over one year</b>	<u>(4,381)</u>	<u>(7,645)</u>	<u>(6,177)</u>	<u>(4,553)</u>	<u>(8,953)</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>	<u>(784)</u>	<u>(329)</u>	<u>(657)</u>	<u>—</u>	<u>—</u>
<b>GOVERNMENT GRANTS</b>	<u>(454)</u>	<u>(528)</u>	<u>(622)</u>	<u>(696)</u>	<u>(770)</u>
	<u>27,521</u>	<u>29,694</u>	<u>28,622</u>	<u>25,858</u>	<u>22,638</u>
<b>CAPITAL EMPLOYED</b>					
Ordinary capital	5,281	5,280	5,261	5,230	5,179
Reserves	21,691	23,865	22,812	20,079	16,910
Ordinary shareholders' equity	26,972	29,145	28,073	25,309	22,089
Preference capital	549	549	549	549	549
	<u>27,521</u>	<u>29,694</u>	<u>28,622</u>	<u>25,858</u>	<u>22,638</u>
<b>STATISTICS RELATING TO ORDINARY SHAREHOLDERS</b>					
Earnings per share	6.0p	6.8p	25.2p	22.6p	21.0p
Dividend per ordinary share	6.75p	6.75p	8.8p	8.0p	7.0p
Dividend cover (times)	0.9	1.0	2.9	2.8	3.0
Ordinary shareholders' equity per share	127.7p	138.0p	133.4p	121.0p	106.6p
Net borrowings as a percentage of shareholders' funds	3.8%	27.4%	19.5%	21.9%	38.0%
Return on opening shareholders' funds (pre-tax)	6.3%	6.6%	28.6%	30.1%	25.3%
Average number of employees	1,008	1,296	1,436	1,443	1,284
£000's turnover per employee	72	61	61	61	55





## PRINCIPAL COMPANIES AND PRODUCTS

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**API Group plc**  
Macclesfield, Cheshire  
Telephone: 0625 610334

Subsidiary companies:

### IMAGE ENHANCEMENT PRODUCTS

**Dri-Print Foils, Inc.**  
Rahway, New Jersey, U.S.A.  
Telephone: 201 382 6800

Stamping foils for the automotive, pharmaceutical and packaging industries.

**Peerless Foils Limited**  
Beckton, London E6  
Telephone: 071 511 0405

Stamping foils for the plastics, packaging and bookbinding industries.

**Whiley Foils Limited** (name changed 11 July 1990)  
Livingston, West Lothian  
Telephone: 0506 38611

Stamping foils for industrial marking, packaging and decorating purposes.

**Henry & Leigh Slater Limited**  
Poynton, Cheshire  
Telephone: 0625 877700

Coated and laminated boards and papers for packaging, labelling and advertising.

### CONVERTED FILM AND PAPER PRODUCTS

**Leonard Stace Limited**  
Cheltenham, Gloucestershire  
Telephone: 0242 514081

Specialised coated papers and films and impregnated papers.

**Tenza Limited**  
Saxmundham, Suffolk  
Telephone: 0728 602811

Self-Adhesive labels, bags, book covering films and embossing tapes.

### HEATING & VENTILATING SYSTEMS

**Diffusion Environmental Systems Limited**  
East Molesey, Surrey  
Telephone: 081 783 0033

Air conditioning, ventilating and heating equipment.

All the subsidiary companies above are wholly owned by the company except Dri-Print Foils, Inc. which is wholly owned by a subsidiary of the company. All the companies are incorporated in England 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.