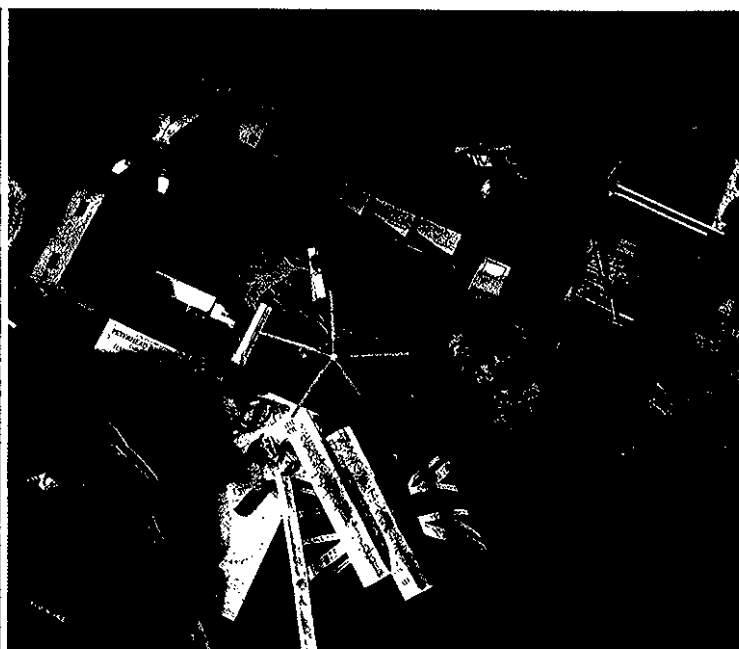
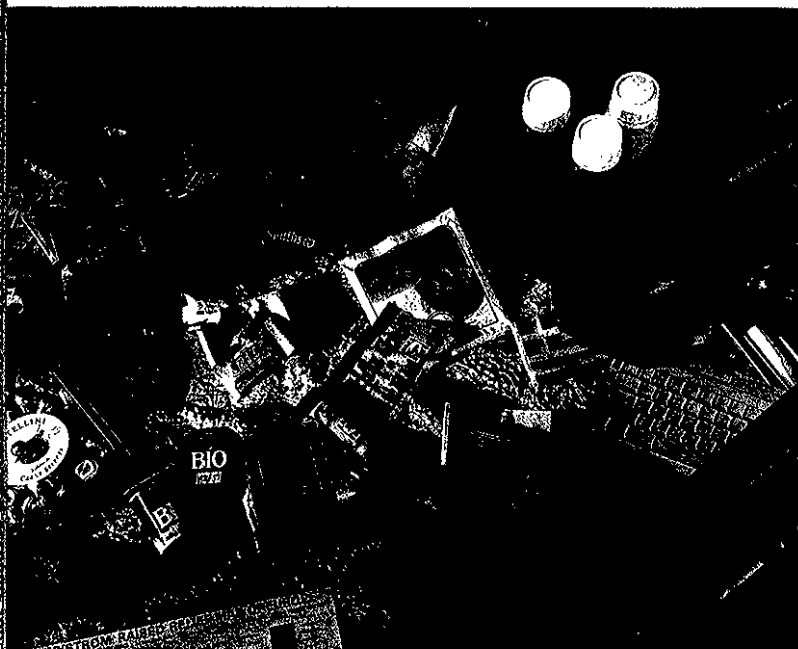


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## Sidlaw Group plc

Annual Report & Accounts 1995



COMPANIES HOUSE 13/01/96

## Reports of the Auditors

### Report of the Auditors on the Financial Statements to the Members of Sidlaw Group plc

We have audited the financial statements on pages 22 to 42.

#### Respective responsibilities of directors and auditors

As described on page 21, the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

#### Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 financial statements.

#### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 September 1995 and of the loss, total recognised losses and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors

Edinburgh

13 November 1995

*Coopers & Lybrand*

### Report of the Auditors to Sidlaw Group plc on the Statement of Corporate Governance

In addition to our audit of the financial statements, we have reviewed the statements in the Directors' Report and in the Statement of Directors' Responsibilities on the Company'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.

#### Basis of opinion

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 the Company's corporate governance procedures, nor on the ability of the Company to continue in operational existence.

With respect to the Directors' statement on going concern in the Statement of Directors' Responsibilities, in our opinion the Directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and their statement is not inconsistent with the information of which we are aware from our audit work on the financial statements.

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

Coopers & Lybrand

Chartered Accountants

Edinburgh

13 November 1995

*Coopers & Lybrand*

# Report of the Directors Year ended 30 September 1995

## Results and Dividends

The results for the year are detailed in the Profit and Loss Account on page 22.

The proposed final ordinary dividend payable on 2 February 1996 is 6.5p per share, making with the interim ordinary dividend of 4.5p per share paid on 14 July 1995 a total of 11.0p per share for the year.

## Principal Activities

The principal activities of the Group are described in the Review of Operations on pages 8 to 14 which should be read in conjunction with this Report.

## Directors

The names of the present directors appear on page 5.

D W Morrow retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. His contract of service is subject to notice of termination of three years which, by agreement, will reduce to two years with effect from 1 October 1997, without compensation.

E C Robinson retires by rotation at the Annual General Meeting and, being eligible, offers himself for re-election. Mr Robinson has no service contract, but the term of his appointment, subject to renewal, expires on 1 December 1997.

The interests of the Directors in the Company's share capital and details of Directors' share options are set out in Note 23.

No director had an interest in the Loan Stock of the Company at the end of the year. No changes in these interests were notified between 30 September 1995 and 13 November 1995.

No director had a material interest in any contract or arrangement subsisting during or at the end of the year which was significant in relation to the business of the Company or its subsidiaries.

The Company has maintained a Directors' and Officers' Liability insurance policy throughout the year.

## Corporate Governance

The terms of service of non-executive directors were formally agreed during the current year on 24 November 1994. With that exception, and save for the provisions relating to internal financial control with which the Company is not required to comply until its 1995/96 financial year, the provisions of the Cadbury Code of Best Practice have been complied with throughout the year. The Board is evaluating the conclusions of a review, conducted with external assistance, to assess any potential areas of high risk. In the light of the review, the current control framework will be modified as necessary. The Directors will review the Company's system of financial control and report accordingly in the 1996 report and accounts.

## Tangible assets

Movements in tangible assets are summarised in Note 11.

## Substantial shareholdings

At 13 November 1995 according to the register maintained pursuant to Section 211 of the Companies Act 1985, notification has been received of the following holdings in the issued ordinary share capital of the Company:

	Number of Shares	%
PDFM Limited and UBS International Investment Limited	12,456,747	18.1
M&G Group plc	8,569,817	12.5
Edinburgh Investment Trust plc	3,870,358	5.6
Mercury Asset Management plc	2,092,500	3.0

## Share Capital

### Share option schemes

The Rules of the Sidlaw Group plc Discretionary Share Option Scheme 1995 and the Sidlaw Group plc Savings Related Share Option Scheme 1995 were approved at the Annual General Meeting in January 1995 and, with minor amendments, have been approved by the Inland Revenue.

## Report of the Directors Year ended 30 September 1995

### *Rights issue*

Pursuant to the 1 for 4 rights issue at 180p, 13,722,300 additional ordinary shares were issued following which 68,611,502 ordinary shares were in issue. Changes in authorised and issued share capital are disclosed in Note 22.

### *Increase in capital and conversion of convertible preference shares*

At the Annual General Meeting in 1995, the increase in the authorised share capital from £19.5 million to £23.5 million and the conversion of the authorised preference share capital of £875,000 into ordinary share capital were approved.

### *Authority to allot equity securities*

The general authority of the Directors to allot the unissued share capital of the Company conferred at the Annual General Meeting held in January 1995 will expire at the date of the forthcoming Annual General Meeting. The Directors wish to renew this authority including its limited disapplication of shareholders' pre-emption rights. Without the approval of the Company in General Meeting, no issue will be made which would effectively change the control of the Company.

A special resolution which is set out in full in the Notice of Meeting on page 44 will be proposed as special business in order to grant allotment authority in respect of up to £5.7 million of share capital (being less than one-third of the share capital in issue following the 1 for 4 rights issue announced in October 1994). It is also proposed to empower disapplication of the pre-emption rights of ordinary shareholders in respect of £857,000 of share capital (being less than 5% of the post rights issued ordinary share capital).

### *Cancellation of share premium account*

Pursuant to an order obtained on application to the High Court of Justice, the share premium account following the rights issue was cancelled in March 1995 and the sum of £33,452,000 transferred to a special reserve.

### *Charitable and Political Contributions*

Donations for charitable purposes amounted to £9,000.

### *Auditors*

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

On behalf of the Board

Colin M Nichol

Secretary

13 November 1995



## Statement of Directors' Responsibilities

The directors are required by law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of that period and of the profit or loss of the Group for that period. In addition, the directors are responsible for ensuring that adequate accounting records are maintained and for taking all reasonable steps to ensure that the assets of the Company and the Group are safeguarded and that fraud and other irregularities are prevented and detected.

The directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of the financial statements of the Group for the year ended 30 September 1995. The directors also confirm that applicable accounting standards have been followed and the provisions of the Companies Act 1985 complied with.

The directors, having made enquiries and reviewed the latest internal forecasts to September 1997, have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and that therefore it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

# Consolidated Profit and Loss Account Year ended 30 September 1995

		Before Exceptional Items 1995 £'000	Exceptional Items (Note 4) 1995 £'000	1995 £'000	1994 £'000
	Note				
<b>Turnover</b>					
Continuing activities		273,318		273,318	262,118
Discontinued activities		9,853		9,853	27,256
	1	283,171		283,171	289,374
Cost of sales	2	(235,746)	(2,136)	(237,882)	(231,288)
<b>Gross profit</b>		47,425	(2,136)	45,289	58,086
Other operating expenses	3	(36,607)	–	(36,607)	(39,346)
<b>Operating profit</b>	1	10,818	(2,136)	8,682	18,740
Continuing activities		11,153	(2,136)	9,017	18,411
Discontinued activities		(73)	–	(73)	801
Operating profit from group undertakings		11,080	(2,136)	8,944	19,212
Loss from associated undertaking		(262)	–	(262)	(472)
		10,818	(2,136)	8,682	18,740
<b>Exceptional items – discontinued activities</b>					
Disposal of fixed assets		–	–	–	102
Disposal of subsidiary undertakings	30	–	(5,242)	(5,242)	46
		10,818	(7,378)	3,440	18,888
Interest	5	(3,552)	–	(3,552)	(4,178)
<b>Profit/(loss) on ordinary activities before taxation</b>		7,266	(7,378)	(112)	14,710
Taxation	7	(1,647)	706	(941)	(3,312)
<b>Profit/(loss) on ordinary activities after taxation</b>		5,619	(6,672)	(1,053)	11,398
Minority interest		(65)	–	(65)	(92)
<b>Profit/(loss) for the financial year</b>		5,554	(6,672)	(1,118)	11,306
Preference dividends on non-equity shares		–	–	–	(3)
<b>Profit/(loss) attributable to ordinary shareholders</b>		5,554	(6,672)	(1,118)	11,303
Ordinary dividends on equity shares	8	(7,552)	–	(7,552)	(6,038)
<b>Profit/(loss) for the year transferred to reserves</b>	24	(1,998)	(6,672)	(8,670)	5,265
<b>Earnings per share</b>	9	8.3p	(10.0)p	(1.7)p	20.2p

## Statement of Total Recognised Gains and Losses

	1995 £'000	1994 £'000
Profit/(loss) for the financial year	(1,118)	11,306
Exchange gains during the year	553	52
Revaluation of surplus property	(420)	–
Total recognised gains/(losses)	<u>(985)</u>	<u>11,358</u>

### Note of Historical Cost Profit and Losses

There is no material difference between the loss on ordinary activities before taxation and the loss for the year transferred to reserves stated above, and their historical cost equivalent except for the realisation of property revaluation gains of previous years, amounting to £1,095,000. As a result of this, the reported loss on ordinary activities before taxation of £112,000 would be a profit of £983,000 on the historical cost basis and the loss for the year transferred to reserves of £8,670,000 would be £7,575,000. In 1994, there were no material differences.

## Reconciliation of Movement in Shareholders' Funds

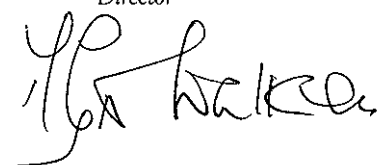
	1995 £'000	1994 £'000
Shareholders' funds at 30 September 1994	58,754	59,301
Profit/(Loss) attributable to equity shareholders	(1,118)	11,303
Ordinary dividends on equity shares	(7,552)	(6,038)
Other recognised gains	133	52
Goodwill written off	(302)	(6,262)
Shares issued during year	67	82
Rights issue proceeds	24,703	–
Expenses of rights issue	(955)	–
Other movements	–	316
Shareholders' funds at 30 September 1995	<u>73,730</u>	<u>58,754</u>

# Balance Sheets 30 September 1995

	Note	Group		Company	
		1995 £'000	1994 £'000	1995 £'000	1994 £'000
<b>Fixed assets</b>					
Intangible assets	10	529	631	–	–
Tangible assets	11	101,023	97,623	524	559
Investments	14	500	500	46,051	48,029
		<u>102,052</u>	<u>98,754</u>	<u>46,575</u>	<u>48,588</u>
<b>Current assets</b>					
Stocks	15	26,200	25,133	–	–
Debtors due within one year	16	53,549	49,797	2,529	972
Debtors due after one year	16	4,480	5,731	73,714	53,725
Cash at bank and in hand		10,242	6,178	750	63
		<u>94,471</u>	<u>86,839</u>	<u>76,993</u>	<u>54,760</u>
<b>Current liabilities</b>					
Creditors due within one year	17	68,624	77,194	10,025	17,121
<b>Net current assets</b>		<u>25,847</u>	<u>9,645</u>	<u>66,968</u>	<u>37,639</u>
<b>Total assets less current liabilities</b>		<u>127,899</u>	<u>108,399</u>	<u>113,543</u>	<u>86,227</u>
<b>Creditors due after one year</b>	18	51,477	46,559	42,891	36,617
<b>Provision for liabilities and charges</b>					
Deferred taxation	19	1,381	1,493	100	–
Net pension provision	20	(180)	122	(180)	122
Deferred income	21	142	249	–	–
<b>Net assets employed</b>	1	<u>75,079</u>	<u>59,976</u>	<u>70,732</u>	<u>49,488</u>
<b>Capital and reserves</b>					
Equity share capital	22	17,167	13,722	17,167	13,722
Share premium account	24	425	13,507	42	13,124
Special reserve	24	27,190	–	37,680	4,228
Revaluation reserve	24	15,577	16,539	5,145	5,145
Profit and loss account	24	13,371	14,986	10,698	13,269
<b>Equity shareholders' funds</b>		<u>73,730</u>	<u>58,754</u>	<u>70,732</u>	<u>49,488</u>
Equity minority interests	25	1,349	1,222	–	–
		<u>75,079</u>	<u>59,976</u>	<u>70,732</u>	<u>49,488</u>

Approved by the Board, 13 November 1995

M G N Walker  
Director



D W Morrow  
Director



# Consolidated Cash Flow Statement Year ended 30 September 1995

	Note	1995 £'000	1994 £'000
Net cash inflow from operations	28	9,030	25,505
<b>Returns on investments and servicing of finance</b>			
Interest received		304	185
Interest paid		(3,505)	(4,044)
Interest on finance lease and hire purchase		(300)	(319)
Dividends paid		(6,656)	(5,898)
		(10,157)	(10,076)
<b>Taxation</b>			
UK corporation tax paid		(1,280)	(2,582)
Overseas tax paid		(115)	(105)
		(1,395)	(2,687)
<b>Investing activities</b>			
Purchase of fixed assets		(12,268)	(8,348)
Purchase of subsidiaries and reorganisation costs	29	(8,566)	(6,974)
Disposal of subsidiary undertakings	30	3,735	(88)
Sale of fixed assets		309	519
		(16,790)	(14,891)
<b>Net cash outflow before financing</b>		(19,312)	(2,149)
<b>Financing</b>			
Issue of ordinary shares for options		67	82
Rights issue of ordinary shares		24,703	—
Expenses of rights issue		(955)	—
Decrease in finance leases		(438)	(466)
(Decrease)/increase in discounted receivables		(2,329)	3,298
Increase in amounts borrowed		3,075	214
Decrease in loan stock		(223)	(230)
		23,900	2,898
<b>Increase in cash and cash equivalents</b>		4,588	749
<b>Net cash and cash equivalents at 30 September 1994</b>		5,070	4,321
Effect of exchange rate changes		70	—
<b>Net cash and cash equivalents at 30 September 1995</b>	31	9,728	5,070



# Principal Accounting Policies

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

## Basis of Accounting

The Group's financial statements are prepared on the basis of historical cost, modified by the revaluation of certain heritable, freehold and long leasehold properties.

## Basis of Consolidation

The Group's financial statements consolidate the financial statements of the parent and its subsidiaries for the year ended 30 September 1995. The results of subsidiaries acquired or sold are included from the date of acquisition or to the date of disposal. On the acquisition of a subsidiary, fair values are attributed to the net tangible assets acquired. The difference between the consideration paid and these values is transferred to or from reserves. A separate profit and loss account for the Company is not presented in accordance with Section 230 of the Companies Act 1985.

## Associated Undertakings

The Group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account and the Group's share of net assets or liabilities is included in the consolidated balance sheet. The amounts are taken from the latest audited financial statements of the undertakings concerned, which all have the same accounting reference date as the Group.

## Turnover

Turnover is stated net of sales taxes and allowances and excludes inter-company transactions. It is analysed on the basis of destination. An analysis by origin would not be materially different.

## Tangible Fixed Assets

Heritable, freehold and long leasehold property is carried at cost until professionally valued and is then stated as valued at open market value on an existing use basis, except for one specialised property where the basis is depreciated replacement cost. The remaining fixed assets are stated at historical cost.

## Intangible Assets

These relate to patents, trademarks and computer software which are written off over 5 to 10 years.

## Depreciation

Depreciation is applied on a straight-line basis over the estimated economic lives of the assets. The rates applied are:

Heritable, freehold and long leasehold property	1%
Plant	7-10%
Equipment, including computer equipment	20%
Short leasehold property	period of the lease
Accelerated rates are used when appropriate.	

## Principal Accounting Policies

### Stocks

Raw materials are valued at the lower of actual cost on a FIFO basis and net realisable value. Work-in-progress and finished goods are stated at the lower of cost and net realisable value. For manufactured stocks, cost comprises material plus direct conversion costs and attributable overheads at normal output levels.

### Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

### Leased Assets

The rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Assets obtained under finance leases and hire purchase contracts are recorded in the balance sheet as tangible fixed assets and as an obligation to pay future rentals, the interest element being charged to the profit and loss account on the annuity method. Where the Group is acting as an intermediary, the capital element relating to the lease is recorded both as an obligation to pay future rentals and as a recoverable amount within debtors. Profit is only recognised on the difference in interest payments as they become receivable.

### Foreign Currencies

Profits and losses of overseas subsidiaries are translated at average rates and the difference in relation to year end rates is carried directly to reserves.

In the Group balance sheet assets and liabilities of overseas subsidiaries are translated at year end rates of exchange and any gain or loss arising from the matching of assets and liabilities is carried directly to reserves.

### Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of the members of the scheme. The difference between the charge or credit to the profit and loss account and the contributions paid to the schemes is shown as an asset or liability in the balance sheet.

## Notes to the Accounts

1 Segmental information	1995		1994	
	£'000	%	£'000	%
Turnover	174,128	62	161,200	56
Packaging	99,190	35	102,726	35
Oil Services	9,853	3	25,448	9
Textiles	283,171	100	289,374	100
Operating profit	3,969	37	11,101	59
Packaging	6,922	64	6,926	37
Oil Services	(73)	(1)	713	4
Textiles	10,818	100	18,740	100
Operating profit	(2,136)		-	
Exceptional items – Packaging	(5,242)		148	
Exceptional items – Textiles	(3,552)		(4,178)	
Interest	(112)		14,710	
Profit/(loss) before taxation				
Net assets	93,669	78	76,253	70
Packaging	26,968	22	25,951	24
Oil Services	-	-	6,088	6
Textiles	120,637	100	108,292	100
Borrowings (net)	(45,558)		(48,316)	
	75,079		59,976	
Geographical analysis				
Turnover by destination				
United Kingdom	197,684	70	211,746	73
Overseas	8,861	3	7,784	3
Belgium	20,480	7	17,250	6
Netherlands	14,260	5	12,919	4
France	30,433	11	27,404	10
Spain	1,858	1	3,885	1
Middle East	2,325	1	2,334	1
Americas	7,270	2	6,052	2
Other	283,171	100	289,374	100
Operating profit	8,674	80	14,695	78
UK	583	5	2,211	12
Netherlands	1,743	16	1,501	8
Spain	(271)	(2)	333	2
France	89	1	-	-
Norway	10,818	100	18,740	100

## Notes to the Accounts

### 1 Segmental information (continued)

	1995		1994	
Net assets	£'000	%	£'000	%
UK	79,332	66	71,536	66
Netherlands	12,702	11	10,348	10
Spain	20,827	17	19,323	18
France	7,662	6	7,085	6
Norway	114	—	—	—
	<u>120,637</u>	<u>100</u>	<u>108,292</u>	<u>100</u>

	1995			1994		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£'000	£'000	£'000	£'000	£'000	£'000
2 Cost of sales	6,159	115	6,274	5,970	245	6,215
Depreciation						
Operating lease rentals						
Land and buildings	1,612	40	1,652	1,511	77	1,588
Plant and equipment	895	7	902	1,058	18	1,076
Other costs	220,384	8,670	229,054	199,537	22,872	222,409
	<u>229,050</u>	<u>8,832</u>	<u>237,882</u>	<u>208,076</u>	<u>23,212</u>	<u>231,288</u>

Included in continuing other costs in 1995 are exceptional costs of £2,136,000 referred to in Note 4 below.

### 3 Other operating expenses

Distribution costs	5,482	488	5,970	4,209	1,266	5,475
Administrative expenses						
Auditors' remuneration	251	—	251	256	1	257
Depreciation	1,276	29	1,305	751	93	844
Operating lease rentals						
Equipment	1,310	22	1,332	765	84	849
Hire of plant	91	—	91	187	—	187
Other expenses	27,103	555	27,658	30,038	1,696	31,734
	<u>35,513</u>	<u>1,094</u>	<u>36,607</u>	<u>36,206</u>	<u>3,140</u>	<u>39,346</u>

Remuneration of the Company's auditors for provision of audit services to the Company was £5,000 (1994 – £4,000), and of non-audit services to the Company and its UK subsidiary undertakings was £442,000 (1994 – £393,000).

### 4 Exceptional items

#### Exceptional cost of sales

The £2,136,000 disclosed in the profit and loss account as exceptional cost of sales comprises the expenditure required to complete the major restructuring of the Packaging Division in excess of the provisions made last year following the acquisition of the flexible packaging business of Courtalds plc in 1993 (Note 17). This is principally in respect of the disruptive effects of the reorganisation in the form of loss of production, overtime, and additional waste and pre-press costs.

#### Disposal of subsidiary undertakings

The exceptional loss of £5,242,000 on the disposal of subsidiary undertakings relates to the disposal of the entire Textiles Division.

## Notes to the Accounts

	1995 £'000	1994 £'000
<b>5 Interest</b>		
Payable on borrowings		
Repayable within five years by instalments	236	101
Repayable within five years not by instalments	2,987	3,600
Repayable after five years	633	662
	<u>3,856</u>	<u>4,363</u>
Receivable	(304)	(185)
	<u>3,552</u>	<u>4,178</u>

Included in the above is interest on finance leases of £300,000 (1994 – £319,000).

	1995 £'000	1994 £'000
<b>6 Employees</b>		
Employee costs		
Wages and salaries	46,553	48,182
Social security	6,303	6,161
Pensions	741	598
	<u>53,597</u>	<u>54,941</u>
Average number of employees	Number	Number
Packaging	1,710	1,710
Oil Services	373	427
Textiles	218	572
	<u>2,301</u>	<u>2,709</u>
<b>Directors' remuneration</b>	£'000	£'000
Remuneration for services	346	326
Performance related bonus	–	15
Relocation costs	50	–
Fees	80	55
	<u>476</u>	<u>396</u>

No costs are disclosed above in respect of pension contributions as a result of the surplus arising in the pension scheme referred to in Note 34.

### Remuneration and fee analysis

<b>Chairman</b>		
Basic remuneration	<u>48</u>	<u>43</u>
<b>Highest-paid director</b>		
Basic remuneration	200	189
Performance related bonus	–	9
Relocation costs	<u>47</u>	<u>–</u>
	<u>247</u>	<u>198</u>

The performance related bonus is awarded at the discretion of the Remuneration Committee.

## Notes to the Accounts

### 6 Employees (continued)

Numbers of directors in the following ranges:

	1995	1994
£10,001-£ 15,000	3	2
£40,001-£45,000	—	1
£45,001-£50,000	1	—
£135,001-£140,000	—	1
£140,001-£145,000	1	—
£195,001-£200,000	—	1
£245,001-£250,000	1	—

### 7 Taxation

Based on the taxable profits for the year:

UK corporation tax at 33% (1994 – 33%)

Overseas taxation

Deferred taxation

Prior year adjustments:

Corporation tax

Overseas taxation

Deferred taxation

	1995 £'000	1994 £'000
UK corporation tax at 33% (1994 – 33%)	1,697	2,196
Overseas taxation	(216)	563
Deferred taxation	(31)	365
	<u>1,450</u>	<u>3,124</u>
Prior year adjustments:		
Corporation tax	(457)	188
Overseas taxation	(77)	—
Deferred taxation	25	—
	<u>941</u>	<u>3,312</u>

The tax credit in respect of non-operating exceptional items is £100,000 (1994 – £nil).

### 8 Ordinary dividends on equity shares

Ordinary interim paid of 4.5p (1994 – 4.4p) per share

Ordinary final proposed of 6.5p (1994 – 6.4p) per share

	1995 £'000	1994 £'000
Ordinary interim paid of 4.5p (1994 – 4.4p) per share	3,088	2,468
Ordinary final proposed of 6.5p (1994 – 6.4p) per share	4,464	3,570
	<u>7,552</u>	<u>6,038</u>

### 9 Earnings per share

Earnings per ordinary share is calculated by dividing profit after taxation and minority interests less preference dividends by the average number of ordinary shares in issue of 66.70 million (1994 – 56.05 million). The fully diluted earnings per share is not materially different from basic earnings per share in both 1994 and 1995.

### 10 Intangible assets

Cost

At 30 September 1995 and 30 September 1994

Aggregate depreciation

At 30 September 1994

Charge for year

At 30 September 1995

Net book value

At 30 September 1995

At 30 September 1994

Group  
£'000

Cost	811
Aggregate depreciation	
At 30 September 1994	180
Charge for year	102
At 30 September 1995	<u>282</u>
Net book value	
At 30 September 1995	<u>529</u>
At 30 September 1994	<u>631</u>

## Notes to the Accounts

	Land and buildings £'000	Group Plant and equipment £'000	Total £'000	Land and buildings £'000	Company Plant and equipment £'000	Total £'000
<b>11 Tangible assets</b>						
<b>Cost or valuation</b>						
At 30 September 1994	55,161	96,953	152,114	348	464	812
Additions	1,628	11,070	12,698	17	57	74
Disposals	(52)	(1,460)	(1,512)	(302)	(77)	(379)
Subsidiaries sold	(2,110)	(5,386)	(7,496)	—	—	—
Group transfers	—	—	—	250	—	250
Exchange differences	932	1,775	2,707	—	—	—
At 30 September 1995	55,559	102,952	158,511	313	444	757
<b>Consisting of assets at:</b>						
1991 valuation	29,643	—	29,643	38	—	38
Cost	25,916	102,952	128,868	275	444	719
	55,559	102,952	158,511	313	444	757
<b>Aggregate depreciation</b>						
At 30 September 1994	3,169	51,322	54,491	56	197	253
Charge for year	665	6,812	7,477	15	46	61
Revaluation	420	—	420	—	—	—
Disposals	(11)	(1,413)	(1,424)	(11)	(70)	(81)
Subsidiaries sold	(71)	(4,333)	(4,404)	—	—	—
Exchange differences	90	838	928	—	—	—
At 30 September 1995	4,262	53,226	57,488	60	173	233
<b>Net book value</b>						
At 30 September 1995	51,297	49,726	101,023	253	271	524
At 30 September 1994	51,992	45,631	97,623	292	267	559
Heritable	22,547			36		
Long leasehold	6,087			—		
Short leasehold	466			—		
Freehold	22,197			217		
	51,297			253		

The Directors have revalued one property which is surplus to Group requirements and it has been written down accordingly to £340,000.

The net book value of tangible fixed assets includes an amount of £4,651,000 (1994 – £5,120,000) in respect of assets held under finance leases and hire purchase contracts. The depreciation on these assets was £682,000 (1994 – £519,000). If properties were accounted for at historical cost rather than at valuation, these assets would be presented in the balance sheet as follows:

	Group		Company	
	Land and buildings		Land and buildings	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
Cost	41,310	40,097	299	334
Aggregate depreciation	7,134	6,633	61	57
Net book value	34,176	33,464	238	277

## Notes to the Accounts

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
12 Capital commitments				
Contracted	3,454	2,098	–	–
Authorised but not contracted	510	950	–	–

	Group		Group	
	Land and buildings	Land and buildings	Plant and equipment	Plant and equipment
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
13 Commitments under operating leases				
Annual commitments on leases expiring:				
Within 1 year	419	384	599	241
Between 2 – 5 years	112	190	890	1,344
After 5 years	1,623	1,448	1	248
	2,154	2,022	1,490	1,833

The majority of leases of land and buildings is subject to rent review periods of five years.

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
14 Investments				
Subsidiary undertakings	–	–	45,301	47,279
Associated undertaking	–	–	250	250
Other investment	500	500	500	500
	500	500	46,051	48,029

The Group's share of losses of the associated undertaking is shown in Note 18.

	Company
	£'000
a) Subsidiary undertakings	
Cost at 30 September 1994	49,756
Disposals	(1,546)
Exchange differences	109
	48,319
Provisions	(3,018)
At 30 September 1995	45,301
At 30 September 1994	47,279



## Notes to the Accounts

### 14 Investments (continued)

The principal subsidiary companies at 30 September 1995, all of which operate mainly in their country of registration, were:

	% owned	Country of Registration	Nature of Business
Aberdeen Service Company (North Sea) Limited	100	Scotland	Oil Services
Sidlaw Flexible Packaging Limited	100	England	Packaging
Envi BV	100	Holland	Packaging
SIPA Fournier SA	100	France	Packaging
Soplaril Hispania SA	100	Spain	Packaging
Hijos de Mariano Blasi SA	98	Spain	Packaging
Fabbri Artes Graficas Valencia SA	75	Spain	Packaging

	Company	
	1995	1994
	£'000	£'000
b) Associated undertaking		
At 30 September 1995 and 1994	250	250

The investment in associate relates to a 50% investment in the ordinary shares of both Supplylink International BV, which is held by Sidlaw BV, and which is registered and operates in the Netherlands, and Supplylink UK Limited which is registered and operates in the UK. Both these companies are involved in oil services.

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
c) Other investment				
At 30 September 1995 and 1994	500	500	500	500

The other investment is of 500,000 B preference shares of £1 each in Smith & Ritchie (1986) Limited, a company registered in Scotland. This represents 39% of this class of shares and 19% of the total equity.

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
15 Stocks				
Raw materials	11,709	9,821	—	—
Work-in-progress	1,986	3,484	—	—
Finished goods	12,505	11,828	—	—
	26,200	25,133	—	—

## Notes to the Accounts

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
<b>16 Debtors</b>				
Due within one year				
Trade debtors	44,591	44,680	—	—
Other debtors	4,778	2,441	1,605	875
Prepayments and accrued income	2,065	1,946	125	75
Tax recoverable	1,319	218	—	—
Due from subsidiary undertakings	—	—	799	22
Due from associated undertaking	796	512	—	—
	<u>53,549</u>	<u>49,797</u>	<u>2,529</u>	<u>972</u>
Due after one year				
Finance lease debtor	1,404	1,521	1,404	1,521
Advance corporation tax	2,436	1,546	1,116	892
Prepayments and accrued income	—	1,928	—	1,928
Due from subsidiary undertakings	—	—	71,194	49,384
Due from associated undertaking	640	736	—	—
	<u>4,480</u>	<u>5,731</u>	<u>73,714</u>	<u>53,725</u>
	<u>58,029</u>	<u>55,528</u>	<u>76,243</u>	<u>54,697</u>
<b>17 Creditors due within one year</b>				
Bank overdrafts	514	1,108	146	2,301
Finance leases	553	534	127	124
Loan stock	1,256	1,479	1,256	1,479
Bank loans	—	559	—	—
Discounted receivables	4,425	6,535	—	—
Borrowings	6,748	10,215	1,529	3,904
Trade creditors	35,075	35,422	126	124
Bills of exchange	—	1,500	—	—
Corporation tax	2,083	2,501	1,288	966
Other tax and social security	3,951	3,811	99	128
Proposed ordinary dividend	4,464	3,568	4,464	3,568
Acquisition and reorganisation costs	1,834	7,802	1,834	7,802
Other creditors	3,105	3,828	196	199
Accruals and deferred income	10,395	8,008	468	387
Capital creditors	969	539	—	—
Due to subsidiaries	—	—	21	43
	<u>68,624</u>	<u>77,194</u>	<u>10,025</u>	<u>17,121</u>

## Notes to the Accounts

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
<b>18 Creditors due after one year</b>				
Loan stock	4,013	4,013	4,013	4,013
Bank loans	41,970	36,740	31,260	24,866
Finance leases	4,473	5,047	1,277	1,397
Borrowings	50,456	45,800	36,550	30,276
Losses of associated undertaking	1,021	759	–	–
Due to subsidiary undertakings	–	–	6,341	6,341
	<b>51,477</b>	<b>46,559</b>	<b>42,891</b>	<b>36,617</b>
<b>Repayable 1-2 years</b>				
Bank loans	–	32,740	–	20,866
Finance leases	612	579	141	134
Due to subsidiary undertakings	–	–	6,341	6,341
Losses of associated undertaking	1,021	759	–	–
	<b>1,633</b>	<b>34,078</b>	<b>6,482</b>	<b>27,341</b>
<b>Repayable 2-5 years</b>				
Variable rate unsecured loan stock 1994/2002	2,048	2,048	2,048	2,048
Bank loans (repayable in 1998 to 2000)	41,970	4,000	31,260	4,000
Finance leases	2,342	1,982	514	476
	<b>46,360</b>	<b>8,030</b>	<b>33,822</b>	<b>6,524</b>
<b>Repayable after 5 years</b>				
7½% unsecured loan stock 2003/08	1,965	1,965	1,965	1,965
Finance leases	1,519	2,486	622	787
	<b>3,484</b>	<b>4,451</b>	<b>2,587</b>	<b>2,752</b>

The variable rate unsecured loan stock 1994/2002 carries interest at the London Inter-Bank Offered Rate for 6 month deposits and is redeemable at the option of the stockholders in part from 31 March 1996 and in part from 1 October 1997.

The 7½% unsecured loan stock 2003/08 carries a fixed rate of interest and is redeemable at the option of the Company from 24 September 2003.

The bank loans consist of a number of separate term loans denominated in sterling, pesetas, guilders and French francs. The interest rates are linked to inter-bank offered rates for the respective countries.

## Notes to the Accounts

	Group		Company	
	1995	1994	1995	1994
	£'000	£'000	£'000	£'000
<b>19 Deferred taxation</b>				
Amounts provided for timing differences				
At 30 September 1994	1,493	1,234	—	—
Disposal of subsidiaries	(139)	(32)	—	—
Transferred to special reserve	—	(59)	—	(59)
Transferred from profit and loss account	(6)	365	100	59
Exchange differences	33	(15)	—	—
At 30 September 1995	1,381	1,493	100	—
Asset and other timing differences	1,275	1,493	—	—
Pensions	106	—	100	—
	1,381	1,493	100	—
Potential amount not provided				
Asset timing differences	5,976	5,181	38	40
Other timing differences	—	61	—	—
	5,976	5,242	38	40
Revaluation of properties	318	295	—	—
	6,294	5,537	38	40
<b>20 Net pension provision</b>				
At 30 September 1994	122	322	122	322
Movement in year	(302)	(200)	(302)	(200)
At 30 September 1995	(180)	122	(180)	122
<b>21 Deferred income</b>				
Grants				
At 30 September 1994	249	381	—	—
Released to profit and loss account	(123)	(132)	—	—
Exchange differences	16	—	—	—
At 30 September 1995	142	249	—	—
<b>22 Share capital</b>			Group and Company	
Authorised			1995	1994
			£'000	£'000
94,000,000 Ordinary shares of 25p each			23,500	18,625
— 8.5p (net) convertible preference shares of 25p each			—	875
94,000,000			23,500	19,500
Allotted, called-up and fully paid ordinary shares of 25p each				
54,889,202 At 30 September 1994			13,722	13,685
56,755 Options exercised during year			14	15
13,722,300 Rights issue			3,431	—
— Conversion of preference shares			—	22
68,668,257 At 30 September 1995			17,167	13,722

Further information of the rights issue is given in the Report of the Directors on page 21.

## Notes to the Accounts

### 23 Directors' interests

The interests of the directors, all of which were beneficial, in the ordinary share capital of the Company at 30 September 1995 and at 1 October 1994, or date of appointment where applicable, were as follows:

Shares	1995	1994
M G N Walker	65,000	57,500
D W Morrow	11,036	8,829
I R Bodie	19,342	15,474
E C Robinson	6,250	5,000
Sir Robert Smith	7,500	6,000
V Scherrer (appointed 1 January 1995)	—	—

### Options

	Outstanding at 1.10.94	Date of Grant	Granted During Year	Exercised During Year	Lapsed or Cancelled During Year	Outstanding at 30.9.95	Option Price	Earliest Exercise Date	Expiry Date
D W Morrow									
1. Discretionary	10,751*	28.12.90	—	—	—	10,751	121.84p*	28.12.93	28.12.2000
	53,755*	13.12.91	—	—	—	53,755	220.43p*	13.12.94	13.12.2001
	53,755*	18.12.92	—	—	—	53,755	272.52p*	18.12.95	18.12.2002
	81,781*	15.12.93	—	—	—	81,781	312.05p*	15.12.96	15.12.2003
	—	23.12.94	40,000	—	—	40,000	193.00p	23.12.97	23.12.2004
	<u>200,042</u>		<u>40,000</u>	<u>—</u>	<u>—</u>	<u>240,042</u>			
2. Savings Related	3,641*	12.01.89	—	—	—	3,641	115.33p*	01.03.96	01.09.96
	3,416*	28.12.90	—	—	—	3,416	109.76p*	01.03.96	01.09.96
	3,386*	10.06.92	—	—	3,386	—			
	—	23.12.94	10,103	—	—	10,103	154.40p	1.03.2000	01.09.2000
	<u>10,443</u>		<u>10,103</u>	<u>—</u>	<u>3,386</u>	<u>17,160</u>			
I R Bodie									
1. Discretionary	21,502*	28.12.90	—	—	—	21,502	121.84p*	28.12.93	28.12.2000
	21,502*	13.12.91	—	—	—	21,502	220.43p*	13.12.94	13.12.2001
	32,253*	18.12.92	—	—	—	32,253	272.53p*	18.12.95	18.12.2002
	51,113*	15.12.93	—	—	—	51,113	312.05p*	15.12.96	15.12.2003
	—	23.12.94	40,000	—	—	40,000	193.00p	23.12.97	23.12.2004
	<u>126,370</u>		<u>40,000</u>	<u>—</u>	<u>—</u>	<u>166,370</u>			
2. Savings Related	5,080*	10.06.92	—	—	5,080	—			
	3,316*	18.12.92	—	—	3,316	—			
	—	23.12.94	11,172	—	—	11,172	154.40p	1.03.2000	1.09.2000
	<u>8,396</u>		<u>11,172</u>	<u>—</u>	<u>8,396</u>	<u>11,172</u>			

\* Adjusted for rights issues.

The market price of the shares at 30 September 1995 was 168p and the range during the year then ended was 139p to 246p.

## Notes to the Accounts

	Group £'000	Company £'000
<b>24 Reserves</b>		
<b>Share premium account</b>		
At 30 September 1994	13,507	13,124
Share options exercised	53	53
Rights issue (net of expenses)	20,317	20,317
Transfer to special reserve	(33,452)	(33,452)
At 30 September 1995	<u>425</u>	<u>42</u>
<b>Special reserve</b>		
At 30 September 1994	–	4,228
Transfer from share premium account	33,452	33,452
Transfer from profit and loss account	(6,262)	–
At 30 September 1995	<u>27,190</u>	<u>37,680</u>
The special reserve arises from cancellation of the share premium account. The transfer from profit and loss account is in respect of goodwill written off in 1994.		
<b>Revaluation reserve</b>		
At 30 September 1994	16,539	5,145
Transfer to profit and loss account	(1,095)	–
Revaluation of property	(420)	–
Exchange differences	553	–
At 30 September 1995	<u>15,577</u>	<u>5,145</u>
<b>Profit and loss account</b>		
At 30 September 1994	14,986	13,269
Retained loss	(8,670)	(3,695)
Transfer to special reserve	6,262	–
Goodwill written off (Note 27)	(302)	–
Transfer from revaluation reserve	1,095	–
Other movements	–	1,124
At 30 September 1995	<u>13,371</u>	<u>10,698</u>
<b>25 Equity minority interests</b>		Group £'000
At 30 September 1994		1,222
Profit and loss account		65
Exchange differences		62
At 30 September 1995		<u>1,349</u>

## Notes to the Accounts

	Group	
	1995	1994
	£'000	£'000
<b>26 Analysis of net borrowings</b>		
Cash at bank and in hand	10,242	6,178
Finance lease debtor	1,404	1,521
Bank overdrafts	(514)	(1,108)
Loans and finance leases	(52,265)	(48,372)
Discounted receivables	(4,425)	(6,535)
	<u>(45,558)</u>	<u>(48,316)</u>

	Group
	£'000
<b>27 Goodwill on acquisitions</b>	
The cumulative amount of goodwill from acquisitions which has been written off is:	
At 30 September 1994	56,714
Written off in year	302
At 30 September 1995	<u>57,016</u>

Goodwill written off in the year relates to the acquisition of ASCo Marine & Underwater Services Limited and a 75% holding in ASCo Norge. Both are held by Aberdeen Service Company (North Sea) Limited.

	Group	
	1995	1994
	£'000	£'000
<b>28 Net cash inflow from operations</b>		
Operating profit before exceptional items (Note 4)	10,818	18,888
Depreciation and other non-cash items	6,933	6,417
Increase in stocks	(4,755)	(1,492)
Increase in debtors	(5,540)	(2,251)
Increase in creditors	1,574	3,943
Net cash inflow from operations	<u>9,030</u>	<u>25,505</u>

The disposal of subsidiary undertakings does not have a material effect.

<b>29 Purchase of subsidiaries and reorganisation costs</b>		
Cash considerations		
Courtdals Flexible Packaging	—	892
Acquisition and reorganisation costs	8,104	6,082
Other (Note 27)	462	—
	<u>8,566</u>	<u>6,974</u>

Included in acquisition and reorganisation costs in 1995 is the operating exceptional item of £2,136,000 referred to in Note 4.

## Notes to the Accounts

	Group	
	1995 £'000	1994 £'000
<b>30 Disposal of subsidiary undertakings</b>		
Fixed assets	3,092	344
Stocks	4,309	164
Debtors	4,769	1,600
Creditors	(2,279)	(1,234)
	<u>9,891</u>	<u>874</u>
Deferred taxation	(139)	-
Minority interests	-	(1,008)
	<u>9,752</u>	<u>(134)</u>
(Loss)/gain on disposal	<u>(5,242)</u>	<u>46</u>
	<u>4,510</u>	<u>(88)</u>
Satisfied by:		
Cash	3,735	1,646
Cash balances disposed of	-	(1,734)
Deferred consideration	775	-
	<u>4,510</u>	<u>(88)</u>

	Change in		
	1995 £'000	1994 £'000	Year £'000
<b>31 Analysis of cash and cash equivalents</b>			
Cash at bank and in hand	10,242	6,178	4,064
Bank overdrafts	(514)	(1,108)	594
	<u>9,728</u>	<u>5,070</u>	<u>4,658</u>

	Group		Group	
	Share Capital (including premium) 1995 £'000	Loans and Other Borrowings 1995 £'000	Share Capital (including premium) 1994 £'000	Loans and Other Borrowings 1994 £'000
<b>32 Changes in financing</b>				
At 30 September 1994	27,229	53,386	27,147	50,936
Rights issue proceeds	24,703	-	-	-
Expenses of rights issue	(955)	-	-	-
Share options exercised	67	-	82	-
Reduction in share premium	(33,452)	-	-	-
Finance leases	-	(438)	-	(466)
Discounted receivables	-	(2,329)	-	3,298
Term loans	-	3,075	-	214
Loan stock	-	(223)	-	(230)
Exchange differences	-	1,815	-	(366)
At 30 September 1995	<u>17,592</u>	<u>55,286</u>	<u>27,229</u>	<u>53,386</u>



## Notes to the Accounts

### 33 Contingent liabilities

As part of the Group banking arrangements, the Company has guaranteed the bank borrowings of its subsidiary companies amounting to £11,187,000 (1994 – £12,981,000).

### 34 Pension schemes

The Company operates three defined benefit pension schemes in the UK, one for monthly paid employees and one for hourly paid employees which are identical; and one for hourly paid employees in the Packaging Division (referred to as "Scheme B").

The Schemes are administered by Trustees and their funds are separate from the Group. The funds are valued at least every three years by an independent qualified actuary and the total contributions are paid on the basis of his advice.

The last actuarial valuations were as at 1 July 1995. The valuations used the projected unit method. The market value of the assets in aggregate was £39.3 million, the actuarial value of which represented 20%, 20% and 6% respectively in excess of the amount required to secure the accrued benefits calculated on the basis of service to the date of valuation, and projected pensionable earnings.

The principal actuarial assumption used in each valuation was that over the long term the annual rate of return on investments would exceed the annual rate of increase in pensionable remuneration by 2.5% in the case of the monthly paid scheme and by 3% in the case of the two hourly paid schemes.

The surplus of assets over past service liabilities has been used to temporarily suspend Company contributions except in the case of Scheme B where the amount is not significant. Contributions paid in the year prior to them being suspended amounted to £701,000.

In the Netherlands the Group also sponsors an insured defined benefit plan and participates in a multi-employer plan.

### 35 Share option schemes

At 30 September 1995 options granted and outstanding under savings-related share option schemes were in respect of 1,430,348 ordinary shares of 25p each which are exercisable between 1995 and 2002 at prices from 109.8p to 250.4p per share.

At 30 September 1995 options granted and outstanding under discretionary share option schemes were in respect of 1,890,277 ordinary shares of 25p each which are exercisable between 1995 and 2005 at prices from 121.8p to 318.9p.