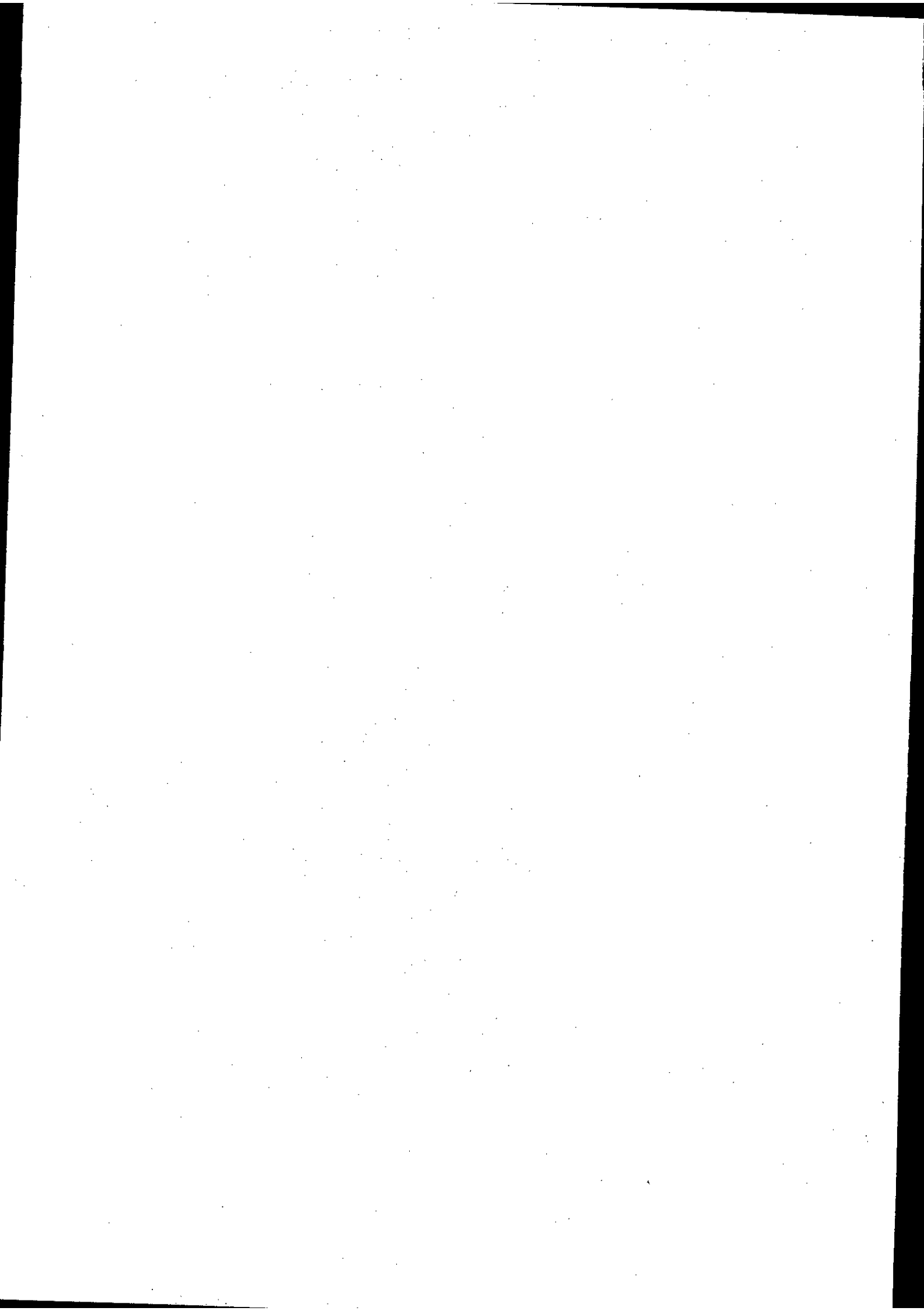


TULLIS RUSSELL PAPERMAKERS LIMITED
(formerly Tullis Russell & Company Limited)

REPORT and ACCOUNTS
For the year ended 31 March 1997

Registration Number : SC006195





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Directors

J.F.S. Daglish
T.G. Wishart
F.A.W. Bowden
D.C. Munro
G.R. Rodger
W.A. Roxburgh
R.J.T. Traill

Secretary: G.D. Miller

Registered Office and Advisors

Registered Office: Rothesfield
Markinch
GLENROTHES
KY7 6PB

Auditors: Deloitte & Touche
EDINBURGH

Bankers: The Royal Bank of Scotland plc
National Westminster Bank PLC

Solicitors: Dundas & Wilson CS
EDINBURGH

Directors' Report

The directors present their report together with the accounts for the year ended 31 March 1997.

Results and Dividends

The profit on the ordinary activities before taxation was £ 5,669,000 (1996 : £4,652,000). The taxation charge was £ 1,542,000 (1996 : £1,408,000), leaving a profit after taxation attributable to the members of the company of £4,127,000 (1996 : £3,244,000). The directors recommend the payment of a dividend of £2,057,000 (1996 : £1,622,000), leaving £2,070,000 (1996 : £1,622,000) to be added to reserves.

Principal Activities

The company's principal activity is the manufacture and coating of high quality printing grades of paper and board.

Financial Review and Development of Business

The international paper markets have experienced a much smoother pulp price cycle during the year in comparison to the volatile swings of the previous year. A major feature during the second half of the year has been the strength of sterling and the resultant pressure on margins. Continued production efficiency improvements together with strong volumes, has enabled the company to improve trading results.

The company has increased its operating profit by 12% from £5,768,000 to £6,473,000. Cash balances fell by £2,700,000 which, given the increased level of business together with a £6,000,000 capital investment programme, was satisfactory.

It seems inevitable that pulp prices will increase during the coming year which coupled with the continued strength of sterling will exert pressure on margins which must be managed within ever changing market conditions.

Directors' Report (cont'd)

Employee Involvement

The company operates systems to provide all employees with information of concern to them, including the financial and economic conditions affecting the group and its businesses and the results achieved. Principal communication methods used are monthly team briefing and the issue of a quarterly magazine.

Employees are encouraged to participate fully in the performance of their place of work. There is commitment to total quality management and continuous improvement.

Disabled Employees

The company as an equal opportunities employer, makes no distinction on account of sex, race, creed or social persuasion and makes every feasible arrangement to ensure that disabled persons are given full and fair consideration for employment. When existing employees become disabled they remain employed whenever reasonable and practicable. The company has adopted the principles of the Disability Discrimination Act 1995 and the accompanying code of practice. The company provides equal promotion opportunities whenever possible.

Educational Links and Youth Training

The company participates in many forms of industrial and educational partnerships, including the Paper Federation School Links Programme and Work Shadowing. The company currently has ten Craft Apprentice Trainees and supports the Government's Skill Seekers initiative.

During the year the company achieved SCOTVEC accreditation to issue vocational qualifications in paper and board making.

The company also supports the Paper Federation management training initiative at Dunchurch Management School.

Research and Development

The company is committed to research and development aimed at improving the quality of existing, and designing new products and processes.

Directors and their Interests

The directors who held office during the year have been:

J F S Daglish
T G Wishart
F A W Bowden
D C Munro
G R Rodger
W A Roxburgh
J M Wigzell (resigned 30/04/97)
R J T Traill (appointed 13/02/97)

Directors' interests in the shares of the parent company are disclosed at note 15 to the accounts.

Directors' Report (cont'd)

Directors' Responsibilities for Preparation of the Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- ♦ prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable Donations

Donations to charitable and public organisations amounted to £27,500 (1996 : £27,500).

Auditors

Auditors are appointed by the shareholders at each Annual General Meeting, to act until the conclusion of the following Annual General Meeting. The auditors for 1997 were Deloitte & Touche and a resolution concerning their re-appointment and remuneration will be proposed at the Annual General Meeting.

Approval of Accounts

The accounts were approved by the Board of Directors on 30 May 1997 and were signed on behalf of the directors by F.A.W. Bowden and W.A. Roxburgh on that date.

BY ORDER OF THE BOARD


G.D. Miller

Secretary

30 May 1997

***Auditors' Report to the Shareholders of
Tullis Russell Papermakers Limited
(formerly Tullis Russell & Company Limited)***

We have audited the accounts on pages 7 to 20 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

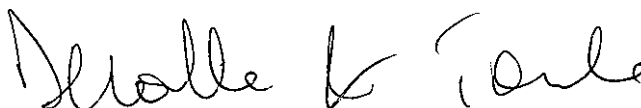
Basis of Opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants & Registered Auditors
39 George Street
EDINBURGH EH2 2HZ

30 May 1997

Profit and Loss Account Year ended 31 March 1997

		1997	1996
	Notes	Continuing Operations £'000	Continuing Operations £'000
TURNOVER			
Cost of sales	1	105,788 (78,702)	112,514 (89,213)
GROSS PROFIT		27,086	23,301
<i>Net Operating Expenses:</i>			
Distribution costs		(14,672)	(12,861)
Administrative costs		(5,941)	(4,672)
OPERATING PROFIT	3	6,473	5,768
Profit/(Loss) on disposal of properties		40	(22)
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		6,513	5,746
Net interest payable	4	(844)	(1,094)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		5,669	4,652
Tax on profit on ordinary activities	5	(1,542)	(1,408)
PROFIT FOR THE FINANCIAL YEAR		4,127	3,244
Dividends (Including non-equity)	6	(2,057)	(1,622)
RETAINED PROFIT FOR THE YEAR	17	<u>2,070</u>	<u>1,622</u>

There are no recognised gains or losses for the current financial year and preceding financial year other than those disclosed in the profit and loss account. Accordingly, no statement of recognised gains and losses is given.

NOTE OF HISTORICAL COST PROFITS AND LOSSES Year ended 31 March 1997

Reported profit on ordinary activities before taxation		5,669	4,652
Difference between the historical depreciation charge (including gains/losses on disposals) and the actual charge calculated on the revalued amount.	16	481	483
Historical cost profit on ordinary activities before tax		<u>6,150</u>	<u>5,135</u>
Historical cost profit for the year retained after taxation and dividends		<u>2,551</u>	<u>2,105</u>

Balance Sheet as at 31 March 1997

	Notes	1997	1996
		£'000	£'000
FIXED ASSETS			
Tangible assets	7	44,483	41,327
CURRENT ASSETS			
Stocks	8	12,867	12,355
Debtors - amounts falling due after more than one year	9	1,296	1,135
Debtors - amounts falling due within one year	10	28,762	24,440
Cash at bank and on hand		1,483	4,183
		<u>44,408</u>	<u>42,113</u>
CREDITORS: Amounts falling due within one year	11	<u>(25,515)</u>	<u>(21,948)</u>
NET CURRENT ASSETS		<u>18,893</u>	<u>20,165</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		63,376	61,492
CREDITORS: Amounts falling due after more than one year			
Obligations under finance leases	12	(2,329)	(2,990)
Pension commitments	13	(3,926)	(3,440)
		<u>(6,255)</u>	<u>(6,430)</u>
ACCRUALS AND DEFERRED INCOME			
Deferred government grants		<u>(278)</u>	<u>(289)</u>
NET ASSETS		<u>56,843</u>	<u>54,773</u>
CAPITAL AND RESERVES			
Called up share capital	14	5,449	5,449
Share premium account	16	876	876
Profit & loss account	16	41,128	38,577
Revaluation reserve	16	9,390	9,871
SHAREHOLDERS' FUNDS (includes non-equity interests)	17	<u>56,843</u>	<u>54,773</u>

F.A.W. Bowden

F.A.W. BOWDEN

W.A. Roxburgh

W.A. ROXBURGH

DIRECTOR

30 May 1997

DIRECTOR

Notes to the Accounts as at 31 March 1997

STATEMENT OF ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention, modified to include the revaluation of fixed assets, and in accordance with applicable Accounting Standards.

CASH FLOW STATEMENT

A cash flow statement is not included because the company is a wholly owned subsidiary undertaking of a parent undertaking which produces group accounts including a consolidated cash flow statement.

TURNOVER

Turnover comprises sales and is stated net of value added tax.

GOVERNMENT GRANTS

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

LEASED ASSETS

Assets held under finance leases and hire purchase agreements are capitalised as tangible fixed assets at fair value and are depreciated on the same basis as owned assets. The obligation for lease and capital payments less finance charges allocated to future periods is included in creditors. Finance charges for each contract are charged to the profit and loss account on a basis which reflects the owner's estimated net cash investment in the contract.

Rentals paid under operating leases are charged to the profit and loss account in accordance with the terms of the relevant lease agreements.

DEPRECIATION

Depreciation is provided on all tangible fixed assets other than land and assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated realisable value, of each asset over its expected useful life.

The range of anticipated lives of the assets is:

Freehold buildings	-	50 years
Plant, equipment and vehicles	-	4 to 20 years

Notes to the Accounts (cont'd)

STOCKS

Stocks (including work in progress) are valued at the lower of cost and estimated net realisable value on a first-in, first-out basis.

The cost of stocks comprises direct materials and related costs of conversion being direct labour and production overheads.

Provision for losses is made, where relevant, by reference to the contracted or selling price of the contract or item concerned.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to the profit and loss account in the year in which it is incurred.

DEFERRED TAXATION

Provision is made on the liability method for taxation which is foreseen with reasonable probability to be payable in the future. The rates used to compute tax are those which will apply to the financial years in which the tax is expected to be payable. Advance Corporation Tax is carried forward only insofar as it is considered to be recoverable in future periods. A deferred taxation asset is recognised in respect of the creditor for pensions accrued in accordance with SSAP24.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or at the rate used to hedge the balances if different.

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction.

All differences are taken to the profit and loss account.

PENSION COSTS

The principal group pension scheme is a defined benefit scheme which is valued every 3 years by a professionally qualified independent actuary. The regular cost of providing pension benefits and any variations from regular cost arising from the actuarial valuations are charged to the profit and loss account over the expected remaining service lives of current employees, following consultations with the actuary. Any difference between the charge to the profit and loss account and the actual contributions paid to the scheme is included as an asset or liability in the balance sheet.

Notes to the Accounts (cont'd)

1. TURNOVER AND SEGMENTAL INFORMATION

(a) CLASSES OF BUSINESS

SALES	1997			1996		
	Paper-making £'000	Other £'000	Total £'000	Paper-making £'000	Other £'000	Total £'000
Continuing Operations	105,655	133	105,788	112,396	118	112,514

(b) GEOGRAPHICAL SEGMENTS

TURNOVER	1997 £'000	1996 £'000
Turnover by destination		
United Kingdom	69,316	71,910
Europe	25,306	29,550
North America	2,702	4,289
Asia	863	2,640
Other	7,601	4,125
	<u>105,788</u>	<u>112,514</u>

Turnover all originates from manufacturing in the UK.

Notes to the Accounts (cont'd)

2. STAFF COSTS

	1997 £'000	1996 £'000
Wages and salaries	15,891	15,260
Social security costs	1,285	1,216
Other pension costs	725	815
	<u>17,901</u>	<u>17,291</u>

The average monthly number of employees during the year was made up as follows:

	1997 Number	1996 Number
Management and administration	71	72
Manufacturing and production	628	629
Distribution	127	128
	<u>826</u>	<u>829</u>

3. OPERATING PROFIT

	1997 £'000	1996 £'000
This is stated after charging or (crediting):		
Directors' remuneration (see below)	530	563
Auditor's remuneration (incl. non-audit work £6,000) (1996 : £5,000)	30	36
Operating lease rentals - Land & Buildings	402	358
- Plant & Machinery	541	531
Loss on foreign currency exchange	254	43
Depreciation	2,833	2,547
Government grant release	(26)	(26)
	<u>530</u>	<u>563</u>

Directors' remuneration in total:	1997 £'000	1996 £'000
Remuneration	467	498
Pension contributions	63	65
	<u>530</u>	<u>563</u>

All directors participated in the Group Pension Scheme during the year. No directors exercised share options during the year.

Remuneration of highest paid director:	1997 £'000	1996 £'000
Remuneration	127	153
Pension Contributions	16	15
	<u>143</u>	<u>168</u>

The amount of the accrued pension of the highest paid Director at 31 March 1997 is £36K

Notes to the Accounts (cont'd)

4. NET INTEREST PAYABLE

	1997 £'000	1996 £'000
Bank interest payable	214	177
Finance charges payable under finance leases	246	295
Interest on loan from parent undertaking	600	902
Other interest payable	-	4
Bank interest receivable	(216)	(284)
	<u>844</u>	<u>1,094</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax at 33%	718	817
Group relief at 33%	958	876
Deferred tax	(161)	(202)
	<u>1,515</u>	<u>1,491</u>
Corporation tax under/(over) provided in previous years	27	(83)
	<u>1,542</u>	<u>1,408</u>

The tax charge is disproportionate to the profit for the year because no deferred tax provision has been made for liabilities which are not expected to be payable in the future and due to the effect of expenditure permanently disallowed for taxation purposes.

6. DIVIDEND

Equity:		
- Proposed ordinary	2,038	1,603
Non-equity:		
- Preference	19	19
	<u>2,057</u>	<u>1,622</u>

Notes to the Accounts (cont'd)

7. TANGIBLE FIXED ASSETS

	Land & Bldgs.	Plant and Equipment		Assets in Course of Constr.	Total
	£'000	Owned £'000	Leased £'000	£'000	£'000
Cost or Valuation					
At 1 April 1996	16,104	25,697	2,865	1,109	45,775
Additions	47	1,325	-	4,664	6,036
Commissioned	-	2,995	-	(2,995)	-
Disposals	(36)	(14)	-	-	(50)
At 31 March 1997	<u>16,115</u>	<u>30,003</u>	<u>2,865</u>	<u>2,778</u>	<u>51,761</u>
Depreciation:					
At 1 April 1996	672	3,505	271	-	4,448
Charge for year	393	2,286	154	-	2,833
Disposals	-	(3)	-	-	(3)
At 31 March 1997	<u>1,065</u>	<u>5,788</u>	<u>425</u>	<u>-</u>	<u>7,278</u>
Net book value at 31 March 1997	<u>15,050</u>	<u>24,215</u>	<u>2,440</u>	<u>2,778</u>	<u>44,483</u>
Net book value at 31 March 1996	<u>15,432</u>	<u>22,192</u>	<u>2,594</u>	<u>1,109</u>	<u>41,327</u>

Depreciable value at 31 March 1997 14,182

The company's tangible fixed assets were revalued as at 30 June 1994 by James Barr & Son Ltd., Chartered Surveyors, on the basis of open market value for existing use and the values incorporated in the books at that date. Assets acquired subsequently have been included at original historical cost.

Had the assets not been valued, the amounts at 31 March 1997 would have been:

Historical cost	11,251	59,959	7,861	2,778	81,849
Accumulated historical depreciation	<u>2,501</u>	<u>40,506</u>	<u>3,926</u>	<u>-</u>	<u>46,933</u>
Historical cost net book value	<u>8,750</u>	<u>19,453</u>	<u>3,935</u>	<u>2,778</u>	<u>34,916</u>
Historical cost depreciation charge for the year	<u>244</u>	<u>1,888</u>	<u>232</u>	<u>-</u>	<u>2,364</u>

Notes to the Accounts (cont'd)

8. STOCKS

	1997 £'000	1996 £'000
Raw materials	5,071	3,642
Work in progress	1,772	2,478
Finished goods	6,024	6,235
	<u>12,867</u>	<u>12,355</u>

9. DEBTORS - amounts falling due after more than one year

DEFERRED TAXATION ASSET/(LIABILITY)	1997		1996	
	Provided £'000	Not Provided £'000	Provided £'000	Not Provided £'000
Tax deferred by:				
Capital allowances	-	(6,305)	-	(5,963)
Finance leases	-	182	-	333
Pension creditor	1,296	-	1,135	-
Other timing differences	-	111	-	117
	<u>1,296</u>	<u>(6,012)</u>	<u>1,135</u>	<u>(5,513)</u>

The movements during the year on deferred tax provided were:

	1997 £'000	1996 £'000
Profit and loss account	161	202
ACT transfers	-	-
	<u>161</u>	<u>202</u>

10. DEBTORS - amounts falling due within one year

	1997 £'000	1996 £'000
Trade debtors	19,991	18,308
Amounts owed by group undertakings	8,526	5,862
Other debtors	56	97
Prepayments and accrued income	189	173
	<u>28,762</u>	<u>24,440</u>

Notes to the Accounts (cont'd)

11. CREDITORS - amounts falling due within one year

	1997 £'000	1996 £'000
Trade creditors	16,405	14,234
Amounts owed to group undertakings	1,902	262
Corporation tax payable	739	817
Other creditors including taxation and social security	828	1,483
Other creditors	2,376	1,794
Accruals and deferred income	556	1,124
Obligations under finance leases (Note 12)	662	612
Dividend payable	2,047	1,622
	<u>25,515</u>	<u>21,948</u>

12. OBLIGATIONS UNDER LEASE CONTRACTS

Amounts payable:

(a) Finance leases		
Within one year	907	907
In the second to fifth years inclusive	2,721	3,627
Over five years	-	-
	<u>3,628</u>	<u>4,534</u>
Less: Finance charges allocated to future periods	(637)	(932)
	<u>2,991</u>	<u>3,602</u>
 Finance lease contracts shown as:		
Current obligations (note 11)	662	612
Non-current obligations	2,329	2,990
	<u>2,991</u>	<u>3,602</u>

(b) Operating leases

The annual commitments under non-cancellable operating leases are as follows:

	1997		1996	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	42	-	37
In the second to fifth years incl.	-	440	180	443
Over five years	407	-	194	-
	<u>407</u>	<u>-</u>	<u>194</u>	<u>-</u>

Notes to the Accounts (cont'd)

13 PENSION COMMITMENTS

Eligible employees of the company are members of the Tullis Russell Pension Scheme, and particulars of the actuarial valuation of the scheme are contained in Tullis Russell Group Limited's accounts.

The scheme is a funded defined benefits scheme, the assets of which are held separately from those of the company and group and invested by trustees in various forms of investment, mainly in pooled managed funds. Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations, the most recent valuation being at 6 April 1996. Contributions to the scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over the employees' working lives with the company.

A provision of £3,926,000 (1996 : £3,440,000) is included in long term creditors, this being the excess of the company's pension cost charged to the profit and loss account over the amounts paid in company contributions.

The pension charge for the year is £725,000 (1996 : £815,000).

14. CALLED UP SHARE CAPITAL

		Authorised		Allotted Called Up & Fully Paid	
		1997	1996	1997	1996
		£'000	£'000	£'000	£'000
14,500,000	Ordinary shares of 10p each	1,450,000	1,450,000	1,450,000	1,450,000
35,190,879	'A' Ordinary shares of 10p each	3,519,088	3,519,088	3,519,088	3,519,088
480,000	4.0% Preference shares of £1 each	480,000	480,000	480,000	480,000
20,000	Unclassified shares of £1 each	20,000	20,000	-	-
		<u>5,469,088</u>	<u>5,469,088</u>	<u>5,449,088</u>	<u>5,449,088</u>

CHANGE IN SHARE CAPITAL

On 1st April 1997 a resolution was passed as a written resolution of the company that the share capital of the Company of £5,469,088 comprising 14,500,000 Ordinary Shares of 10p each, 35,190,879 "A" Ordinary Shares of 10p each, 480,000 4% Preference Shares of £1 each and 20,000 Unclassified Shares of £1 each be reclassified as 54,690,879 Ordinary Shares of 10p each.

Notes to the Accounts (cont'd)

15. INTERESTS IN SHARE CAPITAL

Directors' interests in the share capital of the parent undertaking were as follows:

	At 31 March 1997	At 31 March 1996
	Ord. Shares of 10p each	Ord. Shares of 10p each
D.C. Munro	4,592	2,957
G.R. Rodger	13,349	12,041
J.M. Wigzell	4,846	3,541
W.A. Roxburgh	8,741	7,275
	<u>31,528</u>	<u>25,814</u>

J.F.S. Daglish, T.G. Wishart and F.A.W. Bowden are directors of Tullis Russell Group Ltd. and information concerning their shareholdings is given in the accounts of that company.

Share options over Ordinary shares

S.A.Y.E.	D.C. Munro	G.R. Rodger	J.M. Wigzell	W.A. Roxburgh
At 1 April 1996				
First SAYE scheme	-	7,615	-	13,708
Executive Scheme	188,406	188,406	188,406	188,406
	<u>188,406</u>	<u>196,021</u>	<u>188,406</u>	<u>202,114</u>
Granted during the year Second SAYE Scheme	<u>8,243</u>	<u>8,243</u>	<u>-</u>	<u>8,243</u>
At 31 March 1997				
First SAYE Scheme	-	7,615	-	13,708
Second SAYE Scheme	8,243	8,243	-	8,243
Executive Scheme	188,406	188,406	188,406	188,406
	<u>196,649</u>	<u>204,264</u>	<u>188,406</u>	<u>210,357</u>

In normal circumstances options are exercisable as follows:

	Option Price per Share	Earliest Exercise Date	Latest Exercise Date
First SAYE Scheme	45.3p	8.9.96	8.3.99
Second SAYE Scheme	83.7p	2.9.99	2.3.01
Executive	69.0p	30.8.97	30.8.04

Notes to the Accounts (cont'd)

16. RESERVES

	Share Premium Account £'000	Profit and Loss Account £'000	Revaluation Reserve £'000
At 31 March 1996	876	38,577	9,871
Transfer to profit and loss account	-	481	(481)
Retained profit for year	-	2,070	-
At 31 March 1997	876	41,128	9,390

17. MOVEMENT IN SHAREHOLDERS' FUNDS

	1997 £'000	1996 £'000
Total recognised gains and losses	4,127	3,244
Dividends	(2,057)	(1,622)
	<u>2,070</u>	<u>1,622</u>
Shareholders' funds at 31 March 1996	<u>54,773</u>	<u>53,151</u>
Shareholders' funds at 31 March 1997	<u>56,843</u>	<u>54,773</u>
Equity	56,363	54,293
Non-equity	<u>480</u>	<u>480</u>
	<u>56,843</u>	<u>54,773</u>

18. CAPITAL COMMITMENTS

Contracted	<u>3,862</u>	<u>2,755</u>
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Notes to the Accounts (cont'd)

19. CONTINGENT LIABILITIES AND GUARANTEES

Contingent liabilities and guarantees not provided.

	1997 £'000	1996 £'000
Guarantees and indemnities		
Bank borrowings - extent utilised at 31 March		
- group undertakings	<u>491</u>	<u>5,080</u>

The maximum amount guaranteed is £ 19,500,000 (1995 : £19,500,000)

20. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Tullis Russell Group Limited and has therefore taken advantage of the exemption permitted by FRS 8 "Related Party Disclosures", with regard to the disclosure of Related party transactions with other group companies.

21. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Tullis Russell Group Limited. This is the only group of undertakings of which the company is a member. Copies of the accounts of Tullis Russell Group Limited may be obtained from Companies House, 37 Castle Terrace, Edinburgh.