

186

TULLIS RUSSELL & ^{COMPANY} ~~CO.~~ LTD.

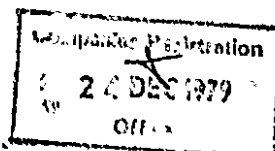
REPORT OF THE DIRECTORS

and

STATEMENT OF ACCOUNTS

for the year to

31ST MARCH, 1979.



DIRECTORS : Dr. D F.O. Russell, C.B.E., M.C., D.L., D.Sc.,
Chairman,
Mr. J.B. Rao, Deputy Chairman.
Mrs. S.F.O. Erdal.
Mrs. M.A.O. Macaulay.
Mr. R. Macgregor, B.Sc.
Mr. R.J. Wylie, C.A.
Mrs. C.J. Russell.
Mr. R.O. Blair, W.S.

SECRETARY : Mr. W.G. Fletcher, C.A.

BANKERS : Royal Bank of Scotland.

REGISTERED
OFFICE : Rothesfield, Markinch, Fife.

NOTICE of MEETING.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tullis Russell & Co. Ltd. will be held at the Company's office at Markinch on Wednesday, 24th October 1979 at 2.45 p.m. :

1. To receive and consider and adopt the Company's Accounts and the Reports of the Directors and Auditors for the year ended 31st March 1979.
2. To declare a dividend.
3. To re-appoint Messrs. John M. Geoghegan & Co., Chartered Accountants, as Auditors of the Company.
4. To authorise the Directors to fix the Auditors remuneration.
5. To deal with any other competent business.

A member who is entitled to attend and vote at this meeting is entitled to appoint a proxy, who need not be a member of the Company, to attend and vote instead of him.

BY ORDER OF THE BOARD

(SGD.) WALTER G. FLETCHER.

Secretary.

Registered Office :
ROTHESFIELD, MARKINCH.
28th September, 1979.

REPORT OF THE DIRECTORS.

PROFIT.

The directors submit their report together with the audited accounts for the year to 31st March 1979.

	1979.	1978.
Profit after taxation - - - -	£ 1,400,735	£ 1,501,745
Balance brought forward from previous year -	628,477	504,492
	£ 2,029,212	£ 2,006,237
Dividends paid and proposed :		
Preference Shares - - - -	13,440	13,440
Ordinary and 'A' Ordinary Shares :		
Dividend of 1.40p proposed (last year 1.34p)	67,200	64,320
Transfers to reserves - - - -	1,300,000	1,300,000
Leaving to be carried forward - - -	£ 648,572	£ 628,477

ACTIVITIES.

The Group manufactures paper principally for the electrical, photographic, printing and converting industries.

EXPORTS.

The value of paper directly exported by the Group during the year to 31st March 1979 amounted to £5,622,434. (Year to 31st March 1978 £5,825,433).

DIRECTORS.

As all directors are nominated in terms of the Company's Articles of Association no retirement or re-appointment is necessary. Sir Alastair C. Blair retired on 25th October 1978 and was replaced by Mr. R.O. Blair.

DIRECTORS INTERESTS IN SHARES.

The interests of the directors and their families in the shares of the Company, are shown below :

	At 31st March 1979.		At 31st March 1978.	
	Ordinary Shares.		Ordinary Shares.	
	Beneficial.	Other.	Beneficial.	Other.
D.F.O. Russell -	20	894,400	20	894,400
Mrs. G.J. Russell -	20	-	20	-
Mrs. S.F.O. Erdal -	112,840	-	112,840	-
Mrs. M.A.O. Macaulay -	112,840	80,000	112,840	80,000
Sir Alastair C. Blair	-	160,000	-	894,400
R.O. Blair -	-	734,400	-	-
R. Macgregor -	-	734,400	-	734,400
R.J. Wylie -	-	734,400	-	734,400
	'A' Ordinary Shares.		'A' Ordinary Shares.	
	Beneficial.	Other.	Beneficial.	Other.
D.F.O. Russell -	156,000	1,685,440	156,000	1,685,440
Mrs. G.J. Russell -	343,000	-	343,000	-
Mrs. S.F.O. Erdal -	210,560	-	210,560	-
Mrs. M.A.O. Macaulay -	250,560	605,400	250,560	605,400
Sir Alastair C. Blair	-	765,400	-	1,245,400
R.O. Blair -	-	480,000	-	-
R. Macgregor -	-	480,000	-	480,000
R.J. Wylie -	-	480,000	-	480,000

Certain /

DIRECTORS INTERESTS IN SHARES - contd.

Certain of the above holdings are in the joint names of more than one director and consequently appear more than once.

EMPLOYEES.

The average weekly number of employees within the Group during the year was 1,634. Their aggregate remuneration was £6,570,650.

CHARITABLE CONTRIBUTIONS.

Donations to charitable organisations amounted to £772 and to political organisations amounted to £360.

CHANGES IN FIXED ASSETS.

During the year the Group expended £3,935,687 on fixed assets.

INCOME AND CORPORATION TAXES ACT 1970.

The Company is a close company within the terms of the Income and Corporation Taxes Act 1970.

AUDITORS.

Under the provisions of Section 14 of the Companies Act 1976, a resolution proposing the re-appointment of Messrs. John M. Geoghegan & Co., C.A., as auditors of the Company will be submitted at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD

(SGD.) WALTER G. FLETCHER.

Secretary.

28th September, 1979.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1979.

Notes.		1978.	
1	Turnover - - - - -	£ 31,744,708	£ 30,793,329
	Trading profit - - - - -	£ 2,919,197	£ 2,979,652
	After charging :		
1	Depreciation - - -	£ 1,379,753	£ 1,199,642
2	Directors remuneration -	91,652	87,868
4	Interest paid - - -	56,228	129,302
	Auditors remuneration -	37,340	33,460
		£ 1,564,973	£ 1,450,272
	Add: Investment Income :		
	Quoted investments -	£ 23,199	£ 22,926
	Unquoted investments -	-	15
	Savings fund investments	26,645	42,015
	Interest - - - - -	16,539	14,654
		66,383	£ 79,610
	Net profit before taxation -	£ 2,985,580	£ 3,059,262
	Taxation :		
	Corporation tax at 52% -	1,584,845	1,557,517
	Net profit after taxation -	£ 1,400,735	£ 1,501,745
	Dividends :		
	Preference capital £480,000 at 2.80% - - - - -	£ 13,440	£ 13,440
	Ordinary capital £4,800,000 at 1.40p per share -	67,200	64,320
		80,640	£ 77,760
		£ 1,320,095	£ 1,423,985
	Transfer :		
	Transfer to general reserve -	1,300,000	1,300,000
		£ 20,095	£ 123,985
	Balance brought forward -	628,477	504,492
	Retained in Group - - - - -	£ 648,572	£ 628,477

<u>Notes.</u>						<u>1978.</u>	
<u>FIXED ASSETS :</u>							
		<u>Cost.</u>		<u>Depreciation</u>			
7	Land and buildings	£ 6,994,191	£ 662,541	£ 6,331,650	£ 5,860,450		
7	Plant and machinery	28,536,235	11,711,480	16,824,755	14,740,319		
		£35,530,426	£12,374,021	£ 23,156,405	£ 20,600,769		
1/9/10	<u>TRADE INVESTMENTS</u>	-	-	-	164,446	174,656	
					£ 23,320,851	£ 20,775,425	
<u>CURRENT ASSETS :</u>							
1	Stocks	-	-	£ 7,031,823	£ 6,765,359		
	Debtors	-	-	7,850,918	6,813,122		
11	Investments	-	-	627,780	607,538		
	Cash at bank and on call	-	-	53,157	1,088,360		
				£15,563,678	£ 15,274,379		
<u>CURRENT LIABILITIES :</u>							
	Savings fund deposits	-	-	£ 327,756	£ 331,443		
	Temporary deposits			78,330	78,136		
	Corporation tax	-	-	12,956	64,274		
	Creditors	-	-	3,570,919	2,962,974		
12	Due to bankers	-	-	775,637	2,100,000		
	Provision for dividend			67,200	64,320		
				4,832,798	£ 5,601,147		
					10,730,880	£ 9,673,232	
					£ 34,051,731	£ 30,448,657	
<u>DEFERRED LIABILITY :</u>							
1	Tax equalisation	-	-	-	9,042,312	7,498,903	
					£ 25,009,419	£ 22,949,754	
	Representing -						
5	<u>SHARE CAPITAL</u>	-	-	£ 5,280,000	£ 5,280,000		
6	<u>CAPITAL RESERVES</u>	-	-	6,280,847	5,541,277		
6	<u>REVENUE RESERVES</u>	-	-	13,448,572	12,128,477		
					25,009,419	£ 22,949,754	

(SGD.) D.F.O. RUSSELL.

DIRECTOR.

(SGD.) S.F.O. ERDAL.

DIRECTOR.

<u>Notes.</u>				<u>1978.</u>	
<u>FIXED ASSETS :</u>					
		<u>Cost.</u>	<u>Depreciation</u>		
7	Land and buildings	£ 6,746,088	£ 662,541	£ 6,083,547	£ 5,617,021
7	Plant and machinery	28,011,989	11,451,945	16,560,044	14,611,081
		<u>£34,758,077</u>	<u>£12,114,486</u>	£ 22,643,591	£ 20,228,102
8	<u>SUBSIDIARY COMPANIES</u>	-	-	407,400	407,400
1/9/10	<u>TRADE INVESTMENTS</u>	-	-	164,446	174,656
				£ 23,215,437	£ 20,810,158
<u>CURRENT ASSETS :</u>					
1	Stocks	-	-	£ 6,322,730	£ 6,062,793
	Debtors	-	-	7,251,130	6,529,445
11	Investments	-	-	627,780	607,538
	Cash at bank and on call	-	-	50,323	1,043,034
			£14,251,963		£ 14,242,810
<u>CURRENT LIABILITIES :</u>					
8	Subsidiary Companies	£ 55,395			£ 46,888
	Savings fund deposits	327,756			331,443
	Temporary deposits	78,330			78,136
	Creditors	3,402,862			2,809,086
12	Due to bankers	429,751			2,100,000
	Provision for dividend	67,200			64,320
			4,361,294		£ 5,429,873
				9,890,669	£ 8,812,937
				£ 33,106,106	£ 29,623,095
<u>DEFERRED LIABILITY :</u>					
1	Tax equalisation	-	-	8,642,105	7,178,487
				£ 24,464,001	£ 22,444,608
	Representing -				
5	<u>SHARE CAPITAL</u>	-	-	£ 5,280,000	£ 5,280,000
6	<u>CAPITAL RESERVES</u>	-	-	6,269,062	5,535,723
6	<u>REVENUE RESERVES</u>	-	-	12,914,939	11,628,885
				24,464,001	£ 22,444,608

(SGD.) D.F.O. RUSSELL. DIRECTOR.

(SGD.) S.F.O. ERDAL. DIRECTOR.

- (a) Turnover. Group turnover represents the value of the Group's production sold during the year, but excluding inter-company transactions.
- (b) Depreciation. No depreciation is charged on land or buildings. Depreciation charged on plant and machinery is calculated to write off the cost or valuation of the assets over their working life. The cost of motor vehicles is written off in the year of acquisition.
- (c) Deferred Taxation. The tax equalisation account represents the difference between a full charge to corporation tax on the profits of the Group for the nine years to 31st March 1979 at the rates applicable to each accounting period and the actual corporation tax paid.
- (d) Associated Company. The Group owns 50% of the share capital of Spaulding Russell Ltd., a Company incorporated in England. This Company has never paid a dividend and in view of its relatively small profit, the Group's share is not included in the consolidated accounts.
- (e) Stocks. Stocks of finished paper are included at cost, including a proportion of overhead expenses. Stocks of raw materials are included at the lower of average cost and net realisable value.

2. DIRECTORS' REMUNERATION.

	1979.	1978.
The gross emoluments of the Directors from the Parent Company were - - - - -	£ 91,652	£ 87,868
Included in the above are :		
the Chairman's emoluments - - - - -	£ 15,000	£ 15,000
and the highest paid Director's emoluments -	27,822	26,680

The Directors did not receive any emoluments from the Subsidiary Companies.

Analysis of emoluments of Directors :

Salary range :

0 - £2,500	-	-	-	-	-	Four
£10,001 - £12,500	-	-	-	-	-	One
£12,501 - £15,000	-	-	-	-	-	One
£27,501 - £30,000	-	-	-	-	-	Two

3. EMPLOYEES REMUNERATION.

Two employees received emoluments in the range £10,000 - £12,500, one in the range £12,500 - £15,000 and five in the range £17,500 - £20,000.

4. INTEREST PAID.

	1979.	1978.
Bank interest - - - - -	£ 34,500	£ 106,273
Interest on temporary deposits - - -	3,318	2,354
Interest on savings fund deposits - -	18,410	20,675
	£ 56,228	£ 129,302

5. SHARE CAPITAL /

5. SHARE CAPITAL of Tullis Russell & Co., Ltd. at 31st March 1978 and 1979

March 1979 ;

Authorised :

Ordinary Shares of £1 each	-	-	-	-	£ 1,440,000
'A' Ordinary Shares of £1 each	-	-	-	-	3,360,000
4% Preference Shares of £1 each	-	-	-	-	480,000
20,000 Unclassified Shares of £1 each	-	-	-	-	20,000
					<u>£ 5,300,000</u>

Issued :

1,440,000 Ordinary Shares of £1 each	-	-	-	£ 1,440,000
3,360,000 'A' Ordinary Shares of £1 each	-	-	-	3,360,000
480,000 4% Preference Shares of £1 each	-	-	-	480,000
				<u>£ 5,280,000</u>

6. RESERVES.

			<u>Tullis Russell.</u>	<u>Group.</u>
Reserves at 31st March 1978	-	-	£ 17,164,608	£ 17,669,754
Regional Development Grants received and capital transactions	-	-	733,339	739,570
Undistributed surplus for year	-	-	<u>1,286,054</u>	<u>1,320,095</u>
			<u>£ 19,184,001</u>	<u>£ 19,729,419</u>

7. FIXED ASSETS.

Group.

			<u>At cost less sales.</u>	<u>Depreciation.</u>	<u>Net book amount.</u>
<u>Land and Buildings :</u>					
At 31st March 1978	-	-	£ 6,522,990	£ 662,541	£ 5,860,449
Additions	-	-	489,323	-	489,323
Disposals	-	-	(18,122)	-	(18,122)
Depreciation	-	-	-	-	-
At 31st March 1979	-	-	<u>£ 6,994,191</u>	<u>£ 662,541</u>	<u>£ 6,331,650</u>
<u>Plant and Other Equipment :</u>					
At 31st March 1978	-	-	£ 25,076,446	£ 10,336,127	£ 14,740,319
Additions	-	-	3,474,623	-	3,474,623
Disposals	-	-	(14,834)	(4,697)	(10,137)
Depreciation	-	-	-	1,380,050	(1,380,050)
At 31st March 1979	-	-	<u>£ 28,536,235</u>	<u>£ 11,711,480</u>	<u>£ 16,824,755</u>
Gain on sale	-	-	-	£ 297	

Parent Company :

<u>Land and Buildings :</u>					
At 31st March 1978	-	-	£ 6,279,561	£ 662,541	£ 5,617,020
Additions	-	-	484,649	-	484,649
Disposals	-	-	(18,122)	-	(18,122)
Depreciation	-	-	-	-	-
At 31st March 1979	-	-	<u>£ 6,746,088</u>	<u>£ 662,541</u>	<u>£ 6,083,547</u>
<u>Plant and Other Equipment :</u>					
At 31st March 1978	-	-	£ 24,752,544	£ 10,141,463	£ 14,611,081
Additions	-	-	3,259,445	-	3,259,445
Depreciation	-	-	-	1,310,482	(1,310,482)
At 31st March 1979	-	-	<u>£ 28,011,989</u>	<u>£ 11,451,945</u>	<u>£ 16,560,044</u>

8. SHAREHOLDING IN SUBSIDIARY COMPANIES AT COST.

Ipac Ltd. (incorporated in England) :

15,000 £1 Ordinary Shares fully paid - - - - £ 15,900

The issued capital is 15,000 £1 Ordinary Shares.

A dividend of £23,250 (1978 - £18,600) has been paid by this Company and incorporated in the foregoing accounts. The sum due to the Subsidiary by the Holding Company was £55,395 (1978 - £46,847).

R. & W. Watson (Converters) Ltd. (incorporated in Scotland) :

100,000 £1 Ordinary Shares fully paid - - - - £ 391,500

The issued capital is 100,000 £1 Ordinary Shares.

No dividend has been paid by this Company. The sum due to the Subsidiary by the Holding Company was Nil (1978 - £41).

9. ASSOCIATED COMPANY.

The trading profit, after tax, of the Associated Company for the year to 30th November 1978 was £178,073 (1977 - £136,781). No dividend has been paid by this Company.

10. TRADE INVESTMENTS.

These investments were valued by the Directors at 31st March 1979 at £164,446 (1978 - £174,656).

11. INVESTMENTS.

(a) The market value of quoted investments at 31st March 1979 was £1,268,189 (1978 - £1,004,122) with a book value of £269,847.

(b) Unquoted investments were valued by the Directors at 31st March 1979 at £60 (1978 - £60) with a book value of nil.

(c) The market value of savings fund investments at 31st March 1979 was £353,750 (1978 - £327,550) with a book value of £357,933.

12. BANK BORROWINGS.

The Company granted a floating charge in favour of The Royal Bank of Scotland Ltd. on 20th May 1975 and a further floating charge ranking pari passu in favour of Hill Samuel & Co. Ltd. on 22nd June 1976.

13. COMMITMENTS.

Outstanding commitments for capital expenditure on contracts which were incomplete at 31st March 1979 amounted to £1,564,550 (1978 - £2,145,597) and capital expenditure authorised by the Directors for which no contracts have been placed at 31st March 1979 totalled £10,423,000 (1978 - £622,193).

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year to 31st March, 1979.

<u>SOURCE OF FUNDS.</u>				<u>1978.</u>
Profit before taxation -	-	-	£ 2,985,580	£ 3,059,262
Depreciation -	-	-	1,380,050	1,199,814
Government grants received -	-	-	739,522	740,578
Investments realised -	-	-	10,258	85,000
Corporation tax repaid -	-	-	-	147,976
			£ 5,115,410	£ 5,232,630
<u>APPLICATION OF FUNDS.</u>				
Net cost of fixed assets -	£ 3,935,687		£ 3,966,697	
Investment made -	-	20,242	-	
Corporation tax paid -	-	92,753	-	
Dividends paid -	-	77,760	76,800	
		4,126,442		4,043,497
		£ 988,968		£ 1,189,133
<u>INCREASE/DECREASE IN WORKING CAPITAL :</u>				
Increase in stocks -	-	£ 266,464	£ 75,750	
Increase in debtors -	-	1,037,796	551,464	
(Increase) in creditors -	(604,452)	(663,012)	
Movement in net liquid funds :				
Increase/(Decrease) in cash balances -	-	(1,035,203)	1,074,931	
Decrease in bank loans -	-	1,324,363	150,000	
		988,968		1,189,133

REPORT OF THE AUDITORS TO THE MEMBERS
OF TULLIS RUSSELL & CO. LTD.

The foregoing accounts and notes for the year ended 31st March 1979, which are stated using the historical cost convention, have been properly prepared in accordance with the provisions of the Companies Acts 1948 and 1967. In our opinion these accounts give, in accordance with the accounting convention stated above, a true and fair view of the state of affairs of the group as at 31st March 1979 and of the profit and source and application of funds for the year ended on that date.

We have also examined the supplementary statement prepared under the current purchasing power convention together with the explanatory notes as set out on pages 11 and 12. In our opinion they fairly re-state in summarised form the financial position and the results for the year of the holding company under that convention.

(SGD.) JOHN M. GEOGHEGAN & CO.,
C.A.

AUDITORS.

EDINBURGH.
28th September, 1979.

STATEMENT OF ACCOUNTS ADJUSTED FOR INFLATION.

As a consequence of inflation the assets and liabilities in the Company's historical accounts are expressed in £'s of a value varying according to the date of commitment.

The undernoted statement shows the effect of expressing the financial position and the results of the year in terms of £'s corresponding to the 'current purchasing power' (C.P.P.) of the pound at 31st March 1979.

The historical figures have been adjusted by means of conversion factors derived from the retail price index. The index used as at 31st March 1978 was 193.2 and at 31st March 1979 was 212.4.

					<u>Historical Basis.</u>		<u>Adjusted Basis.</u>	
					£(H)'000		£(CPP)'000	
					1978	1979	1978	1979
Financial position at 31st March	-	-	-	-	-	-	-	-
Fixed assets	-	-	-	-	31,032	34,758	77,238	81,182
Less: Depreciation	-	-	-	-	10,804	12,115	38,157	40,635
					<u>20,228</u>	<u>22,643</u>	<u>39,081</u>	<u>40,547</u>
Subsidiaries, associates and trade investments	-	-	-	-	582	572	1,542	1,542
					<u>20,810</u>	<u>23,215</u>	<u>40,623</u>	<u>42,089</u>
Current assets	-	-	-	-	14,243	14,252	15,759	14,002
Less: Current liabilities	-	-	-	-	5,430	4,361	5,605	3,604
					<u>8,813</u>	<u>9,891</u>	<u>10,154</u>	<u>10,398</u>
					<u>29,623</u>	<u>33,106</u>	<u>50,777</u>	<u>52,487</u>
Share capital	-	-	-	-	5,280	5,280	5,280	5,280
Capital reserves	-	-	-	-	5,536	6,269	5,536	6,269
Revenue reserves	-	-	-	-	11,629	12,915	10,221	11,855
Inflation reserve	-	-	-	-	-	-	21,849	20,441
					<u>22,445</u>	<u>24,464</u>	<u>42,886</u>	<u>43,845</u>
Tax equalisation reserve	-	-	-	-	7,178	8,642	7,891	8,642
					<u>29,623</u>	<u>33,106</u>	<u>50,777</u>	<u>52,487</u>
Results for year ended 31st March :								
Turnover	-	-	-	-	29,157	29,863	33,277	31,612
Other income	-	-	-	-	43	171	49	181
					<u>29,200</u>	<u>30,034</u>	<u>33,326</u>	<u>31,793</u>
Stock adjustments	-	-	-	-	(49)	260	(700)	(328)
					<u>29,151</u>	<u>30,294</u>	<u>32,626</u>	<u>31,465</u>
Purchases and expenses	-	-	-	-	25,174	26,135	28,731	27,665
					<u>3,977</u>	<u>4,159</u>	<u>3,895</u>	<u>3,800</u>
Less: Depreciation	-	-	-	-	1,157	1,311	2,414	2,478
					<u>2,820</u>	<u>2,848</u>	<u>1,481</u>	<u>1,322</u>
Gain on monetary assets	-	-	-	-	-	-	211	466
Net profit for year	-	-	-	-	<u>2,820</u>	<u>2,848</u>	<u>1,692</u>	<u>1,788</u>
Less: Taxation	-	-	-	-	1,457	1,481	1,601	1,481
Dividends	-	-	-	-	78	81	86	81
					<u>1,535</u>	<u>1,562</u>	<u>1,687</u>	<u>1,562</u>
Addition to Reserves (or profit retained)					<u>1,285</u>	<u>1,286</u>	<u>5</u>	<u>226</u>

Methods of Conversion.

The figures in historical pounds for stocks, investments and fixed assets in the balance sheet as at 31st March 1979 have been converted by applying factors which reflect the changes in the purchasing power of the pound between the respective dates of the originating transactions and 31st March 1979.

The figures in historical pounds for the other assets and liabilities at 31st March 1979 are taken to be already expressed in CPP pounds as at that date.

The resultant inflationary surplus denotes the amount by which the book value of the net assets expressed in current pounds is greater than the book value in historical pounds.

Adjustments for Year.

The net amount added to the equity interest for the year calculated in historical pounds is overstated by £1,060,000.

The results expressed in current pounds give effect to the following adjustments :

				<u>1978</u>
				£'000
Increase in charge for depreciation	-	-	-	1,167
Increase in cost of stocks realised	-	-	-	588
Gain from monetary items	-	-	- (466)	
Gain on trading transactions	-	-	- (229)	(695)
				<u>1,060</u>