

TULLIS RUSSELL & CO. LTD.

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REPORT OF THE DIRECTORS

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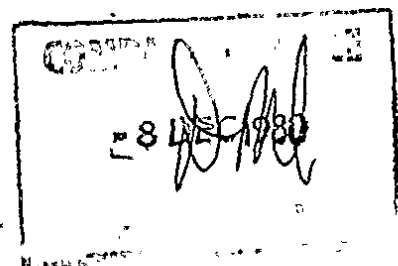
STATEMENT of ACCOUNTS

for the year to

31ST MARCH, 1980.

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Chairman.

Mr. J.B. Rae, 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.

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NOTICE of MEETING.

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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, 22nd October 1980 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 1980.
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.  
22nd September, 1980.

#### PROFIT.

The directors submit their report together with the audited accounts for the year to 31st March 1980.

	1980.	1979.
Profit after taxation - - - - -	£ 646,976	£ 1,400,735
Balance brought forward from previous year -	648,572	628,477
	£ 1,295,548	£ 2,029,212
Dividends paid and proposed :		
Preference Shares - - - - -	13,440	13,440
Ordinary and 'A' Ordinary Shares :		
Dividend of 1.40p proposed (last year 1.40p)	67,200	67,200
Transfers to reserves - - - - -	550,000	1,300,000
Leaving to be carried forward - - - - -	£ 664,908	£ 648,572

#### 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 1980 amounted to £7,107,994. (Year to 31st March 1979 £5,622,434).

#### DIRECTORS.

As all directors are nominated in terms of the Company's Articles of Association no retiral or re-appointment is necessary.

#### DIRECTORS INTERESTS IN SHARES.

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

		At 31st March 1980.		At 31st March 1979.	
		Ordinary Shares.		Ordinary Shares.	
		Beneficial.	Other.	Beneficial.	Other.
D.F.O. Russell	- -	20	894,400	20	894,400
Mrs. C.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
R.O. Blair	- -	-	894,400	-	894,400
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. C.J. Russell	-	343,000	-	343,000	-
Mrs. S.F.O. Russell	-	210,560	-	210,560	-
Mrs. M.A.O. Macaulay	-	250,560	605,400	250,560	605,400
R.O. Blair	- -	-	1,245,400	-	1,245,400
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 1,824. Their aggregate remuneration was £7,871,092.

CHARITABLE CONTRIBUTIONS.

Donations to political organisations amounted to £2,350.

CHANGES IN FIXED ASSETS.

During the year the Group expended £4,956,411 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.

30th September, 1980.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st March 1980.

<u>Notes.</u>		<u>1979.</u>	
1	<u>Turnover</u>	- - - - - £ 36,511,244	£ 31,744,708
	<u>Trading profit</u>	- - - - - £ 1,272,823	£ 2,919,197
	After charging :		
1	Depreciation	- - £ 1,757,852	£ 1,379,753
2	Directors remuneration	110,436	91,652
4	Interest paid	- - 296,326	56,228
	Auditors remuneration	43,812	37,340
		<u>£ 2,208,426</u>	<u>£ 1,564,973</u>
	<u>Add: Investment Income :</u>		
	Quoted investments	- £ 35,540	£ 23,199
	Savings fund investments	32,577	26,645
	Interest	- - 19,514	16,539
		87,631	£ 66,383
	<u>Net profit before taxation</u>	- - - £ 1,360,454	£ 2,985,580
	<u>Taxation :</u>		
	Corporation tax at 52%	- - - 713,478	1,584,845
	<u>Net profit after taxation</u>	- - - £ 646,976	£ 1,400,735
	<u>Dividends :</u>		
	Preference capital £480,000 at 2.80%	- - £ 13,440	£ 13,440
	Ordinary capital £4,800,000 at 1.40p per share	- - 67,200	67,200
		80,640	£ 80,640
		£ 566,336	£ 1,320,095
	<u>Transfer :</u>		
	Transfer to general reserve	- - - 550,000	1,300,000
		£ 16,336	£ 20,095
	<u>Balance brought forward</u>	- - - 648,572	628,477
	<u>Retained in Group</u>	- - - £ 664,908	£ 648,572

Notes.

1979.

FIXED ASSETS :

		Cost	Depreciation		
7	Land and buildings	£ 8,546,562	£ 662,541	£ 7,884,021	£ 6,331,650
7	Plant and machinery	31,911,013	13,468,423	18,442,590	16,824,755
		£ 40,457,575	£ 14,130,964	£ 26,326,611	£ 23,156,405
1/8/9/10	<u>TRADE INVESTMENTS</u>	-	-	295,183	164,446
				£ 26,621,794	£ 23,320,851

CURRENT ASSETS :

1	Stocks	-	-	£ 9,028,955	£ 7,031,823
	Debtors	-	-	8,873,653	7,850,918
11	Investments	-	-	582,780	627,780
	Cash at bank and on call			10,776	53,157
				£ 18,496,164	£ 15,563,678

CURRENT LIABILITIES :

	Savings fund deposits	-	£ 334,535		£ 327,756
	Temporary deposits		75,469		78,330
	Corporation tax		18,900		12,956
	Creditors	-	4,942,266		3,570,919
12	Due to bankers		3,472,475		775,637
	Provision for dividend	-	67,200		67,200
				8,910,845	£ 4,832,798
				9,585,319	£ 10,730,880
				£ 36,207,113	£ 34,051,731

DEFERRED LIABILITY :

1	Tax equalisation	-	-	-	9,755,942	9,042,312
					£ 26,451,171	£ 25,009,419

Representing -

5	<u>SHARE CAPITAL</u>	-	-	£ 5,280,000	£ 5,280,000
6	<u>CAPITAL RESERVES</u>	-	-	7,156,263	6,280,847
6	<u>REVENUE RESERVES</u>	-	-	14,014,908	13,448,572
				26,451,171	£ 25,009,419

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

DIRECTOR.

(SGD.) C.J. RUSSELL.

DIRECTOR.

Notes.

1979.

FIXED ASSETS :

		Cost.	Depreciation		
7	Land and buildings	£ 8,082,891	£ 662,541	£ 7,420,350	£ 6,083,547
7	Plant and machinery	31,023,114	13,078,733	17,944,381	16,560,044
		<u>£ 39,106,005</u>	<u>£ 13,741,274</u>	<u>£ 25,364,731</u>	<u>£ 22,643,591</u>
8	<u>SUBSIDIARY COMPANIES</u>	-	-	1,238,139.	407,400
1/9/10	<u>TRADE INVESTMENTS</u>	-	-	164,446	164,446
				<u>£ 26,767,316</u>	<u>£ 23,215,437</u>

CURRENT ASSETS :

1	Stocks	-	-	£ 7,548,399	£ 6,322,730
8	Subsidiary Companies	-	-	29,150	-
	Debtors	-	-	8,272,742	7,251,130
11	Investments	-	-	582,780	627,780
	Cash at bank and on call	-	-	7,131	50,323
				<u>£ 16,440,202</u>	<u>£ 14,251,963</u>

CURRENT LIABILITIES :

8	Subsidiary Companies	£ -	-	£ 55,395
	Savings fund deposits	334,535	-	327,756
	Temporary deposits	75,469	-	78,330
	Creditors	4,380,277	-	3,402,862
12	Due to bankers	3,275,465	-	429,751
	Provision for dividend	67,200	-	67,200
		<u>8,132,946</u>	-	<u>£ 4,361,294</u>
			8,307,256	<u>£ 9,890,669</u>
			<u>£ 35,074,572</u>	<u>£ 33,106,106</u>

DEFERRED LIABILITY :

1	Tax equalisation	-	-	9,341,858	8,642,105
				<u>£ 25,732,714</u>	<u>£ 24,464,001</u>

Representing -

5	<u>SHARE CAPITAL</u>	-	-	£ 5,280,000	£ 5,280,000
6	<u>CAPITAL RESERVES</u>	-	-	6,988,150	6,269,062
6	<u>REVENUE RESERVES</u>	-	-	13,464,564	12,914,939
				<u>25,732,714</u>	<u>£ 24,464,001</u>

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

(SGD.) C.J. RUSSELL. DIRECTOR.

1. STATEMENT OF ACCOUNTING POLICIES.

- (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 - in the opinion of the Directors, the value of land and buildings is considerably in excess of the book value. 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 ten years to 31st March 1980 at the rates applicable to each accounting period and the actual corporation tax paid.
- (d) Associated Company. The Group owned 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.

	1980.	1979.
The gross emoluments of the Directors from the Parent Company were	£ 110,436	£ 91,652

Included in the above are :

the Chairman's emoluments	£ 15,000	£ 15,000
and the highest paid Director's emoluments	35,500	27,822

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

Analysis of emoluments of Directors :

Salary range :

0 - £ 5,000	-	-	-	-	Four
£10,001 - £15,000	-	-	-	-	Two
£35,001 - £40,000	-	-	-	-	Two

3. EMPLOYEES REMUNERATION.

Four employees received emoluments in the range £20,001 - £25,000 and one in the range £25,001 - £30,000.

4. INTEREST PAID.

	1980.	1979.
Bank interest	£ 260,442	£ 34,500
Interest on temporary deposits	5,505	3,318
Interest on savings fund deposits	30,379	18,410
	<u>£ 296,326</u>	<u>£ 56,228</u>

5. SHARE CAPITAL /



5. SHARE CAPITAL of Tullis Russell & Co. Ltd. at 31st March 1979 and 31st March 1980 :

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.

				Tullis Russell.	Group.
Reserves at 31st March 1979	-	-	-	£ 19,184,001	£ 19,729,419
Regional Development Grants received and capital transactions	-	-	-	719,088	875,416
Undistributed surplus for year	-	-	-	549,625	566,336
				<u>£ 20,452,714</u>	<u>£ 21,171,171</u>

7. FIXED ASSETS.

Group.

			At cost less sales.	Depreciation.	Net book amount.
Land and Buildings :					
At 31st March 1979	-	-	£ 6,994,191	£ 662,541	£ 6,331,650
Additions	-	-	1,566,371	-	1,566,371
Disposals	-	-	( 14,000)	-	( 14,000)
Depreciation	-	-	-	-	-
At 31st March 1980	-	-	<u>£ 8,546,562</u>	<u>£ 662,541</u>	<u>£ 7,884,021</u>
Plant and Other Equipment :					
At 31st March 1979	-	-	£ 28,536,235	£ 11,711,480	£ 16,824,755
Additions	-	-	3,390,040	-	3,390,040
Disposals	-	-	( 15,262)	( 909)	( 14,353)
Depreciation	-	-	-	1,757,852	(1,757,852)
At 31st March 1980	-	-	<u>£ 31,911,013</u>	<u>£ 13,468,423</u>	<u>£ 18,442,590</u>

Parent Company :

Land and Buildings :

At 31st March 1979	-	-	£ 6,746,088	£ 662,541	£ 6,083,547
Additions	-	-	1,350,803	-	1,350,803
Disposals	-	-	( 14,000)	-	( 14,000)
Depreciation	-	-	-	-	-
At 31st March 1980	-	-	<u>£ 8,082,891</u>	<u>£ 662,541</u>	<u>£ 7,420,350</u>

Plant and Other Equipment :

At 31st March 1979	-	-	£ 28,011,989	£ 11,451,945	£ 16,560,044
Additions	-	-	3,011,125	-	3,011,125
Depreciation	-	-	-	1,626,788	( 1,626,788)
At 31st March 1980	-	-	<u>£ 31,023,114</u>	<u>£ 13,078,733</u>	<u>£ 17,944,381</u>

8. SHAREHOLDING IN SUBSIDIARY COMPANIES AT COST.

Ipac /

8. SHAREHOLDING IN SUBSIDIARY COMPANIES AT COST.

Ipac Ltd. (incorporated in England) :

15,000 £1 Ordinary Shares fully paid	-	-	-	£	15,900
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The issued capital is 15,000 £1 Ordinary Shares.

A dividend of £19,650 (1979 - £23,250) has been paid by this Company and incorporated in the foregoing accounts. The sum due by the Subsidiary to the Holding Company was £26,595 (1979 - £(55,395)).

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

100,000 £1 Ordinary Shares fully paid	-	-	-	£	391,500
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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 (1979 - Nil).

Brittains (T.R.) Ltd. (incorporated in England) :

100,000 £1 Ordinary Shares fully paid	-	-	-	£	700,002
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The issued capital is 100,000 £1 Ordinary Shares.

No dividend has been paid by this Company. The sum due by the Subsidiary to the Holding Company was £2,555.

Brittains Inc. (incorporated in U.S.A.) :

1,000 Shares of \$1 each	-	-	-	£	130,737
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The issued capital is 1,000 \$1 Shares.

No dividend has been paid by this Company. There have been no accounts prepared since acquisition and therefore this Company is not included in the consolidated accounts.

9. ASSOCIATED COMPANY.

The trading profit, after tax, of the Associated Company for the year to 30th November 1979 was £165,813 (1978 - £178,073). No dividend has been paid by this Company which became a wholly owned Subsidiary subsequent to 31st March 1980.

10. TRADE INVESTMENTS.

These investments were valued by the Directors at 31st March 1980 at £295,183 (1979 - £164,446).

11. INVESTMENTS.

(a) The market value of quoted investments at 31st March 1980 was £1,503,044 (1979 - £1,268,189) with a book value of £224,847.

(b) Unquoted investments were valued by the Directors at 31st March 1980 at £60 (1979 - £60) with a book value of nil.

(c) The market value of savings fund investments at 31st March 1980 was £337,550 (1979 - £353,750) 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 1980 amounted to £6,867,000 (1979 - £1,564,550) and capital expenditure authorised by the Directors for which no contracts have been placed at 31st March 1980 totalled £1,741,000 (1979 - £10,423,000).

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
for the year to 31st March, 1980.

<u>SOURCE OF FUNDS.</u>				<u>1979.</u>
Profit before taxation	-	-	£ 1,360,454	£ 2,985,580
Depreciation	-	-	1,757,852	1,380,050
Government grants received	-	-	715,833	739,522
Investments realised	-	-	79,474	10,258
Corporation tax repaid	-	-	32,689	-
			£ 3,946,302	£ 5,115,410

APPLICATION OF FUNDS.

Net cost of fixed assets	£ 4,802,947	£ 3,935,687	
Investment made	130,737	20,242	
Corporation tax paid	26,595	92,753	
Dividends paid	80,640	77,760	
	5,040,919	4,126,442	
	£ 1,094,617	£ 988,968	

INCREASE/DECREASE IN WORKING CAPITAL.

Increase in stocks	-	£ 1,997,132	£ 266,464
Increase in debtors	-	1,022,735	1,037,796
(Increase) in creditors	(1,375,265)	( 604,452)	
Movement in net liquid funds :			
(Decrease) in cash balances	-	( 42,381)	(1,035,203)
(Increase)/Decrease in bank loans	-	(2,696,838)	1,324,363
		1,094,617	988,968

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

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The foregoing accounts and notes for the year ended 31st March 1980, 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, under the accounting convention stated above, a true and fair view of the state of affairs of the Group as at 31st March 1980 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.  
30th September, 1980.

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 1980.

The historical figures have been adjusted by means of conversion factors derived from the retail price index. The index used as at 31st March 1979 was 212.4 and at 31st March 1980 was 256.5.

					<u>Historical Basis.</u>		<u>Adjusted Basis.</u>	
					£(H) '000		£(CPP) '000	
					1979	1980	1979	1980
Financial position at 31st March								
Fixed assets	-	-	-	-	34,758	39,106	98,036	102,794
<u>Less:</u> Depreciation	-	-	-	-	12,115	13,741	48,162	51,713
					22,643	25,365	49,874	51,081
Subsidiaries, associates and trade investments								
	-	-	-	-	572	1,402	1,862	2,692
					23,215	26,767	51,736	53,773
Current assets	-	-	-	-	13,874	16,099	17,366	16,781
<u>Less:</u> Current liabilities	-	-	-	-	3,983	7,791	4,810	7,791
					9,891	8,308	12,556	8,990
					33,106	35,075	64,292	62,763
Share capital	-	-	-	-	5,280	5,280	5,280	5,280
Capital reserves	-	-	-	-	6,269	6,988	6,269	6,988
Revenue reserves	-	-	-	-	12,915	13,465	11,901	11,759
Inflation reserve	-	-	-	-	-	-	30,406	29,394
					24,464	25,733	53,856	53,421
Tax equalisation reserve	-	-	-	-	8,642	9,342	10,436	9,342
					33,106	35,075	64,292	62,763
Results for year ended 31st March :								
Turnover	-	-	-	-	29,863	33,568	38,175	36,732
Other income	-	-	-	-	171	( 200)	218	( 219)
					30,034	33,368	38,393	36,513
Stock adjustments	-	-	-	-	260	1,226	( 396)	17
					30,294	34,594	37,997	36,530
Purchases and expenses	-	-	-	-	26,135	31,654	33,409	34,638
					4,159	2,940	4,588	1,892
<u>Less:</u> Depreciation	-	-	-	-	1,311	1,626	2,992	3,552
					2,848	1,314	1,596	(1,660)
Gain on monetary assets	-	-	-	-	-	-	563	1,268
Net profit for year	-	-	-	-	2,848	1,314	2,159	( 392)
<u>Less:</u> Taxation	-	-	-	-	1,481	683	1,788	683
Dividends	-	-	-	-	81	81	99	81
					1,562	764	1,887	764
Addition to Reserves (or profit retained)					1,286	550	272	(1,156)

Methods of Conversion.

The figures in historical pounds for stocks, investments and fixed assets in the balance sheet as at 31st March 1980 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 1980.

The figures in historical pounds for the other assets and liabilities at 31st March 1980 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 £1,706,000.

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

			£'000
Increase in charge for depreciation	-	-	1,926
Increase in cost of stocks realised	-	-	1,209
Gain from monetary items	-	-	(1,268)
Gain on trading transactions	-	-	( 161)
			<hr/>
			1,706
			<hr/>