

TULLIS RUSSELL PAPERMAKERS LIMITED

**REPORT and ACCOUNTS
For the year ended 31 March 1999**

Registration Number : SC006195







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Directors

J.F.S. Daglish
T.G. Wishart
F.A.W. Bowden
D.C. Munro
C.A.G. Parr
W.A. Roxburgh
S N Forbes
M M Sinclair

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 1999.

Results and Dividends

The loss on the ordinary activities before taxation was (£122,000) (1998 : £3,608,000). The taxation credit was (£158,000) (1998 : charge of £1,114,000), leaving a profit after taxation attributable to the members of the company of £36,000 (1998 : £2,494,000). The directors recommend a final dividend of Nil which, together with an interim dividend paid of Nil, gives a total dividend for the year of Nil (1998 : £1,218,000).

Principal Activities

The company's principal activity is the manufacture and coating of high quality printing grades of paper and board. It operates in the UK and through overseas branches in France and Germany.

Financial Review and Development of Business

A major feature during the year has been the continued strength of sterling and the resultant pressure on margins. Despite strong volumes and improvements in efficiencies, this pressure resulted in a pre tax loss of (£122,000), a fall of £3,730,000 from 1998.

Cash balances fell by £3,450,000 due to a low overall profitability level, an increased level of business, a strong pound and a £2,926,000 capital investment programme.

During the year the company implemented a new computer system covering sales order processing, stock control, commercial, purchasing and financials. This, together with a detailed programme within the operations area, will successfully address Year 2000 issues. In addition, the business will benefit from better quality information.

Employee Involvement

Employee involvement is central to the growth of the business. Systems exist to increase employee awareness of company performance and strategy through a monthly team briefing system, quarterly magazine and annual training sessions. Communication workshops and the development of a central information centre have assisted in the development of employee awareness and involvement.

Employees are encouraged to participate fully in performance at their place of work. A number of successful problem solving teams have been established dealing with operations, environment and health and safety issues. Teamworking is being developed in all areas of the company.

There is a commitment to Total Quality Management and continuous improvement.

The company is currently working towards the achievement of the Investors in People standard.

Disabled Employees

The company is an equal opportunities employer and actively works to ensure that no employee or potential employee is disadvantaged as a result of their sex, religion, age, race or personal circumstances. This policy is applied at all stages of the recruitment and selection process during employment.

The company complies with the requirements of the Disability Discrimination Act 1996 and ensures that, where possible, reasonable adjustments are made to accommodate employees or potential employees who may have or develop a disability within the definition of the Act.

Directors' Report (cont'd)

Health and Safety

The company has continued its initiatives to improve the standards of health and safety at work. A three year action plan has been developed and approved by the Health and Safety Executive. The plan will focus on the prevention of accidents and an improved awareness of health and safety issues.

The company has met the requirements of the European Working Time Directive implemented in October 1998.

Education Links and Youth Training

The company recognises the importance of links between education and industry and actively pursues these. A number of initiatives have been developed, including: the Paper Federation Industry Schools Link Programme, awareness programmes, school visits and assistance with project work and the continuation of the Scholarship scheme.

Through the Government funded Skillseeker programme the company has recruited 9 youngsters, 6 employed in Engineering and 3 in Administration. All trainees will receive a recognised SVQ level II or III. A commitment has also been made to the Government's 'New Deal' initiative and links have been established with local colleges to assist in setting employability standards.

Research and Development

The company is committed to research and development aimed at improving the quality of existing products, together with 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
W A Roxburgh
C A G Parr
S N Forbes (appointed 17.8.98)
M M Sinclair (appointed 26.11.98)
R J Traill (resigned 14.8.98)

None of the directors have any interest in the shares of the company.

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

Directors' Responsibilities for Preparation of the Accounts

Company law requires the directors to prepare accounts for each accounting period 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.

Directors' Report (cont'd)

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 £20,000 (1998 : £30,000).

Supplier Payment Policy

The company's policy is to pay suppliers within agreed payment terms. The policy is known to the staff who handle payments to suppliers.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 1999 and the amounts owed to its trade creditors at the end of the year was 62 days.

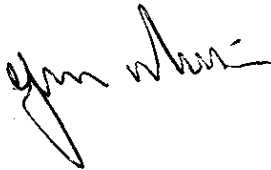
Auditors

The auditors are appointed by the shareholders at each Annual General Meeting, to act until the conclusion of the following Annual General Meeting. The auditors are required to audit the company's accounts in accordance with Auditing Standards, form an opinion on the truth and fairness of the accounts, and report that opinion to the shareholders. The auditors for 1999 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 28 May 1999 and were signed on behalf of the directors by F.A.W. Bowden and C.A.G. Parr on that date.

BY ORDER OF THE BOARD



G.D. MILLER

Secretary

28 May 1999

Auditors' Report to the Shareholders of Tullis Russell & Company Limited

We have audited the financial statements 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 pages 4 and 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.

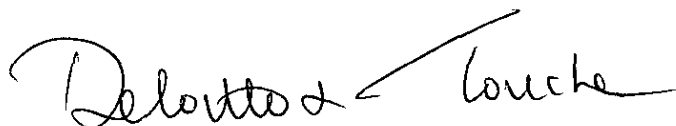
Basis of Opinion

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 financial statements give a true and fair view of the state of the company's affairs as at 31 March 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script, reading "Deloitte & Touche", with a long horizontal line extending from the end of the signature.

Deloitte & Touche

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

~~28 May 1999~~

9 August 1999

Profit and Loss Account Year ended 31 March 1999

		1999	1998
	Notes	Continuing Operations £'000	Continuing Operations £'000
TURNOVER			
Cost of sales	1	94,794 (73,814)	101,592 (77,325)
GROSS PROFIT		20,980	24,267
Distribution costs		(16,055)	(15,475)
Administrative costs		(4,134)	(4,120)
OPERATING PROFIT	3	791	4,672
Net interest payable	4	(913)	(1,064)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		(122)	3,608
Tax on (loss)/profit on ordinary activities	5	158	(1,114)
PROFIT FOR THE FINANCIAL YEAR		36	2,494
Dividends	6	-	(1,218)
RETAINED PROFIT FOR THE YEAR	16	36	1,276

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 1999

Reported (loss)/profit on ordinary activities before taxation	(122)	3,608
Realisation of property valuation gains of prior years	-	71
Difference between the historical depreciation charge (including gains/losses on disposals) and the actual charge calculated on the revalued amount.	16 412	470
Historical cost profit on ordinary activities before tax	290	4,149
Historical cost profit for the year retained after taxation and dividends	326	1,817

Balance Sheet as at 31 March 1999

	Notes	1999	1998
		£'000	£'000
FIXED ASSETS			
Tangible assets	7	45,713	46,567
CURRENT ASSETS			
Stocks	8	11,407	13,778
Debtors - amounts falling due after more than one year	9	1,258	1,379
Debtors - amounts falling due within one year	10	25,560	25,450
Cash at bank and on hand		383	3,833
		<u>38,608</u>	<u>44,440</u>
CREDITORS: Amounts falling due within one year	11	<u>(20,360)</u>	<u>(25,856)</u>
NET CURRENT ASSETS		<u>18,248</u>	<u>18,584</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		63,961	65,151
CREDITORS: Amounts falling due after more than one year			
Obligations under finance leases	12	(858)	(1,613)
Pension commitments	13	<u>(4,057)</u>	<u>(4,447)</u>
		(4,915)	(6,060)
ACCRUALS AND DEFERRED INCOME			
Deferred government grants		<u>(891)</u>	<u>(972)</u>
NET ASSETS		<u>58,155</u>	<u>58,119</u>
CAPITAL AND RESERVES			
Called up share capital	14	5,449	5,449
Share premium account	16	876	876
Profit & loss account	16	43,393	42,945
Revaluation reserve	16	<u>8,437</u>	<u>8,849</u>
EQUITY SHAREHOLDERS' FUNDS	17	<u>58,155</u>	<u>58,119</u>

F.A.W. BOWDEN

F.A.W. Bowden

DIRECTOR

28 May 1999

C.A.G. PARR

C.A.G. Parr

DIRECTOR

Notes to the Accounts as at 31 March 1999

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.

GOVERNMENT GRANTS

Government grants in respect of capital expenditure are credited to a deferred income account and are released to 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 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 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:

Heritable 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 item concerned.

RESEARCH AND DEVELOPMENT

Research and development expenditure is charged to 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 future. The rates used to compute the 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 three 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

<i>SALES</i>	1999			1998		
	Paper- making £'000	Other £'000	Total £'000	Paper- making £'000	Other £'000	Total £'000
Continuing Operations	94,731	63	94,794	101,426	166	101,592

(b) GEOGRAPHICAL SEGMENTS

TURNOVER	1999 £'000	1998 £'000
Turnover by destination		
United Kingdom	57,831	64,557
Europe	29,153	24,497
North America	2,552	3,144
Asia	1,562	3,536
Other	3,696	5,858
	<u>94,794</u>	<u>101,592</u>

All turnover originates from manufacturing in the U.K.

Notes to the Accounts (cont'd)

2. STAFF COSTS

	1999 £'000	1998 £'000
Wages and salaries	16101	16,946
Social security costs	1,374	1,336
Other pension costs	839	826
	<u>18,314</u>	<u>19,108</u>

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

	1999 Number	1998 Number
Management and administration	64	70
Manufacturing and production	606	613
Distribution	114	129
	<u>784</u>	<u>812</u>

3. OPERATING PROFIT

	1999 £'000	1998 £'000
This is stated after charging or (crediting):		
Directors' remuneration (see below)	591	641
Auditor's remuneration - Audit Services	32	32
- Non Audit Services	112	43
Operating lease rentals - Land & Buildings	466	437
- Plant & Machinery	527	559
Loss on foreign currency exchange	157	184
Depreciation:		
- Owned Assets	3,618	3,052
- Assets held under finance lease	154	154
Government grant release	(81)	(81)
	<u>591</u>	<u>641</u>

Directors' remuneration in total:	1999	1998
	£'000	£'000
Remuneration	503	565
Pension Contributions	88	76
	<u>591</u>	<u>641</u>

All directors participated in the Group Pension Scheme during the year.

Remuneration of highest paid director:	1999	1998
	£'000	£'000
Remuneration	132	134
Pension Contributions	25	22
	<u>157</u>	<u>156</u>

The amount of the accrued pension of the highest paid director at 31 March 1999 is £44,000.

Notes to the Accounts (cont'd)

4. NET INTEREST PAYABLE

	1999 £'000	1998 £'000
Bank interest payable	365	326
Finance charges payable under finance leases	118	191
Interest on loan from parent undertaking	709	730
Bank interest receivable	(279)	(183)
	<u>913</u>	<u>1,064</u>

5. TAX (CREDIT)/CHARGE ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
Corporation tax at 31%	(324)	170
Group relief at 31%	45	1,005
Deferred tax	121	(83)
	<u>(158)</u>	<u>1,092</u>
Corporation tax under provided in previous years	-	22
	<u>(158)</u>	<u>1,114</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. (See Note 9)

6. DIVIDEND

	1999 £'000	1998 £'000
Equity		
- Paid ordinary	-	896
- Proposed ordinary	-	322
	<u>-</u>	<u>1,218</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 1998	16,219	36,065	2,864	1,878	57,026
Additions	57	1,612	-	1,257	2,926
Commissioned	-	3,067	-	(3,067)	-
Disposals	-	(77)	-	-	(77)
At 31 March 1999	16,276	40,667	2,864	68	59,875
Depreciation:					
At 1 April 1998	(1,456)	(8,425)	(578)	-	(10,459)
Charge for year	(348)	(3,270)	(154)	-	(3,772)
Disposals	-	69	-	-	69
At 31 March 1999	(1,804)	(11,626)	(732)	-	(14,162)
Net book value at 31 March 1999	14,472	29,041	2,132	68	45,713
Net book value at 31 March 1998	14,763	27,640	2,286	1,878	46,567
Depreciable value at 31 March 1999	14,462				

The company's tangible fixed assets were revalued as at 30 June 1994 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 1999 would have been:

Historical cost	11,524	70,560	7,861	68	90,013
Accumulated historical depreciation	(3,003)	(45,362)	(4,391)	-	(52,756)
Historical cost net book value	8,521	25,198	3,470	68	37,257
Historical cost depreciation charge for the year	258	2,870	232	-	3,360

Notes to the Accounts (cont'd)

8. STOCKS

	1999 £'000	1998 £'000
Raw materials	3,432	6,088
Work in progress	1,405	1,428
Finished goods	6,570	6,262
	<u>11,407</u>	<u>13,778</u>

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

DEFERRED TAXATION ASSET/(LIABILITY)	1999		1998	
	Provided £'000	Not Provided £'000	Provided £'000	Not Provided £'000
Tax deferred by:				
Capital allowances	-	(6,717)	-	(6,205)
Finance leases	-	15	-	13
Pension creditor	1,258	-	1,379	-
Other timing differences	-	168	-	318
	<u>1,258</u>	<u>(6,534)</u>	<u>1,379</u>	<u>(5,874)</u>

The movements during the year on deferred tax provided were:

	1999 £'000
At 1 April 1998	1,379
Credited to Profit and loss account	(121)
At 31 March 1999	<u>1,258</u>

10. DEBTORS - amounts falling due within one year

	1999 £'000	1998 £'000
Trade debtors	16,689	17,990
Amounts owed by group undertakings	8,241	7,080
Other debtors	154	9
Prepayments and accrued income	331	371
Corporation Tax receivable	145	-
	<u>25,560</u>	<u>25,450</u>

Notes to the Accounts (cont'd)

11. CREDITORS - amounts falling due within one year

	1999 £'000	1998 £'000
Trade creditors	13,736	18,649
Amounts owed to group undertakings	2,527	2,539
Corporation tax payable	-	170
Other creditors including taxation and social security costs	618	861
Other creditors	2,096	1,815
Accruals and deferred income	524	784
Obligations under finance leases (Note 12)	859	716
Dividend payable	-	322
	<u>20,360</u>	<u>25,856</u>

12. OBLIGATIONS UNDER LEASE CONTRACTS

Amounts payable:	1999 £'000	1998 £'000
(a) Finance leases		
Within one year	878	907
In the second to fifth years inclusive	878	1,813
	<u>1,756</u>	<u>2,720</u>
Less: Finance charges allocated to future periods	(39)	(391)
	<u>1,717</u>	<u>2,329</u>
Finance lease contracts shown as:		
Current obligations (note 11)	859	716
Non-current obligations	858	1,613
	<u>1,717</u>	<u>2,329</u>

(b) Operating leases

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

	1999		1998
	Land and Buildings £'000	Other £'000	Land and Buildings £'000
Operating leases which expire:			Other £'000
Within one year	-	19	-
In the second to fifth years inclusive	-	442	-
Over five years	456	-	437
	<u>456</u>	<u>-</u>	<u>437</u>

Notes to the Accounts (cont'd)

13. PENSION COMMITMENTS

Eligible employees of the company may be 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 £4,057,000 (1998 : £4,447,000) 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 £839,000 (1998 : £826,000).

14. CALLED UP SHARE CAPITAL

	Authorised				Allotted Called Up & Fully Paid	
	1999		1998		1999	1998
	No. '000	Value £'000	No. '000	Value £'000	£'000	£'000
Ordinary shares of 10p. each	54,691	5,469	54,691	5,469	5,449	5,449

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 1999 Ord. Shares of 10p. each	At 31 March 1998 Ord. Shares of 10p. each
C.A.G. Parr	9,571	7,888
D.C. Munro	27,601	24,940
W.A. Roxburgh	20,277	11,842
M.M. Sinclair (1998 at 26/11/98)	15,734	15,734
S.N. Forbes (1998 at 17/8/98)	15,211	6,318
	88,394	66,722

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

1 S.A.Y.E.	D.C. Munro	C.A.G. Parr	W.A. Roxburgh	M.M. Sinclair	S.N. Forbes
At 1 April 1998:					
First SAYE scheme	-	-	13,708	-	-
Second SAYE Scheme	8,243	-	8,243	-	-
Executive Scheme	125,604	28,985	188,406	43,478	43,478
	133,847	28,985	210,357	43,478	43,478
 Granted during the year (28/8/98)	-	-	12,777	-	-
 Exercised during the year	-	-	(13,708)	-	-
 At 31 March 1999					
Second SAYE Scheme	8,243	-	8,243	-	-
Third SAYE Scheme	-	-	12,777	-	-
Executive Scheme	125,604	28,985	188,406	43,478	43,478
	133,847	28,985	209,426	43,478	43,478

In normal circumstances options are exercisable as follows:

	Option Price/ Share	Earliest Exercise Date	Latest Exercise Date
First SAYE Scheme	45.3p.	8. 9.96	8 .3.99
Second SAYE Scheme	83.7p.	1.11.99	30. 4.02
Third SAYE Scheme	81.0p.	1.11.01	30. 4.04
Executive: Pre 31.3.97	69.0p.	30. 8.97	30 .8.04
Post 31.3.97	105.0p.	23.12.00	23.12.07

The market price of the company's shares at 31 March 1999 was 81p and the range during the year ended 31 March 1999 was 105p to 81p.

Notes to the Accounts (cont'd)

16. RESERVES

	Share Premium Account £'000	Profit and Loss Account £'000	Revaluation Reserve £'000
At 1 April 1998	876	42,945	8,849
Transfer of amount equivalent to additional depreciation on revalued assets	-	412	(412)
Retained profit for year	-	36	-
At 31 March 1999	<u>876</u>	<u>43,393</u>	<u>8,437</u>

17. MOVEMENT IN SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Total recognised gains and losses	36	2,494
Dividends	-	(1,218)
	<u>36</u>	<u>1,276</u>
Equity Shareholders' funds at 1 April 1998	58,119	56,843
Equity Shareholders' funds at 31 March 1999	<u>58,155</u>	<u>58,119</u>

18. CAPITAL COMMITMENTS

	1999 £'000	1998 £'000
Contracted	<u>1,035</u>	<u>2,370</u>

Notes to the Accounts (cont'd)

19. CONTINGENT LIABILITIES AND GUARANTEES

Contingent liabilities and guarantees not provided.

	1999 £'000	1998 £'000
Guarantees and indemnities		
Bank borrowings - extent utilised at 31 March		
- group undertakings	<u>1,378</u>	<u>1,801</u>

The maximum amount guaranteed is £21,268,000 (1998 : £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.

