

R T TANNER & COMPANY LIMITED

Accounts as at 31st March 1989

DIRECTORS' REPORT ON THE ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 1989

Ladies and Gentlemen,

The Directors submit their annual report and audited accounts of the company for the year ended March 1989.

The principal activities of the company are paper and board merchants, converters and envelope makers. Sales increased by approximately 10% though gross profit at £1,863,025 showed a slight percentage decrease due to the postal strike. Distribution and administrative costs have increased sharply, and the resultant figure was £126,168 before tax. From this, the Preference Dividend of £1,166 and tax of £17,987 has been deducted, resulting in a net profit of £107,015. No Ordinary Dividends are recommended, in view of the heavy costs involved in modernising our plant.

No Director has had a material interest, directly or indirectly, in any contract significant to the company's business.

Throughout the year under review, the Directors have had interest in the share capital of the company as follows:-

<u>Director's Name</u>	<u>Appointed</u>	<u>Ordinary Shares</u>	<u>Preference Shares</u>	
			1st	2nd
A.D.P. Tanner	1946	600		
Tanner Family Holding		25541		
P.D. Tanner	28.2.83	267		
M.I. Kerlogue	28.2.83	200	199	317
G. Rosser	28.2.83	200		
W. Pearson	28.2.83	200	200	317

The interest of the Directors throughout the year under review in the shares of the Holding Company were as follows:-

A.D.P. Tanner	200
P.D. Tanner	140 (of which 20 were held non-beneficially)

The Director retiring in rotation is Mr. W. Pearson who, being eligible, offers himself for re-election.

The company abides by the Conditions and Rules of the Health & Safety at Work Acts.

A.D.P. Tanner

CHAIRMAN

6th October 1989

Balance Sheet as at 31st March 1989

<u>31.3.88</u>		
FIXED ASSETS		
1,233,165	Tangible Assets (Note 2)	1,177,159
3,250	Investments at cost (Note 3)	3,250
1,236,415		1,180,409
CURRENT ASSETS		
872,166	Stock (Note 4)	899,119
1,482,433	Debtors (Note 5)	1,656,667
13,544	Cash at Bank and in Hand	88,703
2,368,143		2,644,489
1,469,797	CREDITORS - Amounts falling due within One Year (Note 6)	1,778,042
898,346		866,447
2,134,761	TOTAL ASSETS LESS CURRENT LIABILITIES	2,046,856
460,693	CREDITORS - Amounts falling due after more than One Year (Note 7)	275,773
1,674,068		1,771,083
20,000	PROVISION FOR LIABILITIES & CHARGES - Deferred Taxation	10,000
1,654,068		£1,761,083
CAPITAL AND RESERVES		
46,400	Called-Up Share Capital (Note 10)	46,400
4,115	Investment Grant Reserve	4,115
138,731	Capital Reserve	138,731
1,464,822	Profit & Loss Account	1,571,837
1,654,068		£1,761,083

A.D.P. Tanner
)
 P.D. Tanner
)
) DIRECTORS

REPORT OF THE AUDITORS TO THE MEMBERS OF B.T. TANNER & CO. LIMITED

We have audited the above Balance Sheet and annexed Profit and Loss Account in accordance with approved Auditing Standards. In our opinion, the said accounts give a true and fair view of the company's affairs as at 31st March 1989 and of its profit for the year ended on that date, as well as the source and application of funds, and comply with the Companies Act 1985.

65 Southampton Row
 London W.C.1

RIDLEY MARRECO & CO.

6th October 1989

Chartered Accountants

RT TANNER & COMPANY LIMITED

Profit and Loss Account

For the Year ended 31st March 1989

1987/88

6,694,050	Turnover (Note 1)	7,396,568
4,914,572	Cost of Sales	5,533,543
1,779,478	GROSS PROFIT	1,863,025
1,574,375	Distribution Costs & Administrative Expenses (Note 11)	1,670,417
205,103		192,608
2,269	Other Operating Income (Note 12)	1,912
207,372		194,520
47,050	Interest Payable & Similar Charges (Note 13)	68,352
160,342	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 10)	126,168
27,822	Taxation (Note 14)	17,987
132,520	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	108,181
DIVIDENDS		
	5% Cumulative 1st Preference Shares	287
	4% Cumulative 2nd Preference Shares	879
1,166		1,166
131,354	RETAINED PROFIT	107,015
1,333,468	RETAINED PROFITS at 1st April 1988	1,464,822
1,464,822	RETAINED PROFITS at 31st March 1989	1,571,837

Source and Application of Funds

31st March 1989

31.3.88

SOURCE OF FUNDS

	Net Profit	126,168
160,342	Depreciation	140,190
141,402	(1988 Loss) Book Profit on Sale of Fixed Assets (net)	(127)
432	Proceeds of Sale of Fixed Assets	36,095
12,220	Bank Loan	-
404,319		-
718,715		302,326

APPLICATION OF FUNDS

	Purchase of Fixed Assets	120,154	
451,133	Trade Investment	-	
250	Corporation Tax paid (net)	48,901	
48,644	Preference Dividends	1,166	
1,166	Bank Loan Repayments	152,024	
87,210		-	
588,403		322,245	
<u>130,312</u>	(1988 Increase) DECREASE IN WORKING CAPITAL		<u>£19,919</u>

REPRESENTED BY

	Increase in Stocks	26,953	
82,435	Increase in Cash Balances	75,159	
-	Increase in Debtors	174,234	
177,535	Decrease in Creditors	-	
58,939	Decrease in Bank Overdraft	2,666	
318,909		279,012	

	Increase in Bank Overdraft	-	
2,457	Decrease in Cash Balances	-	
186,140	Increase in Creditors	298,931	
188,597		-	

130,312

£19,919

Notes on the Accounts

For the Year ended 31st March 1989

1. ACCOUNTING POLICIES

- (a) The Balance Sheet and Profit and Loss Account have been prepared under the historical cost convention.
- (b) The amount set aside for Deferred Taxation is considered to be adequate to provide for Corporation Tax postponed as a result of accelerated capital allowances.
- (c) Stock in Trade has been valued by the Directors on the basis of cost or net realisable value, whichever is the lower.
- (d) Turnover represents the amounts charged to customers less credits and excluding Value Added Tax.
- (e) Fixed Assets are depreciated on a reducing balance at the following annual rates:-

Land and Buildings	nil
Installations	7½%
Plant & Machinery	10%
Motor Vehicles	25%
Fixtures & Fittings	7½%
Office Equipment	15%

2. TANGIBLE ASSETS

	Total	Installations	General Plant	Office Equipment	Motor Vehicles
At cost 1st April 1988	1,746,907	71,774	1,381,387	121,717	172,029
Additions at cost	120,154		20,107	5,701	94,346
	1,867,061		1,401,494		266,375
Disposals at cost	82,522		5,000		77,522
	1,784,539	71,774	1,396,494	127,418	188,853
Aggregate Depreciation	753,191	44,126	550,050	77,167	81,848
Net Book Value at 31st March 1989	1,031,348	27,648	846,444	50,251	107,005
Freehold Land and Buildings at cost	145,811				
	£1,177,159				

3. INVESTMENTS

The company has a holding of 33½% of the issued equity voting capital of Tanner, Krolle & Co. Limited, which has not been treated as an associated company, as the disposition of the other shareholdings is such that no significant influence is exercised.

4. STOCK

	1989	1988
Raw Materials and Finished Goods	865,191	827,280
Work in Progress	33,928	44,886
	£899,119	£872,166

Notes on the Accounts

For the Year ended 31st March 1989

		<u>1989</u>	<u>1988</u>
5.	DEBTORS		
	Trade Debtors	1,640,124	1,460,839
	Other Debtors	1,682	1,709
	Prepayments	14,861	19,885
		<u>£1,656,667</u>	<u>£1,482,433</u>

All amounts due from debtors are receivable within one year of the Balance Sheet date.

6.	CREDITORS - Amounts falling due within one year		
	Trade Creditors	1,205,625	975,741
	Bank Loans & Overdrafts (secured)(Note 8)	189,352	146,860
	Current Hire & Lease Purchase Commitments (Note 18)	59,590	30,293
	Corporation Tax due 1.1.1990	27,086	48,000
	Other Taxes and Social Security Costs	176,656	141,369
	Other Creditors	26,554	92,859
	Accruals	71,460	12,956
	Preference Dividend	1,270	1,270
	Amount due to Holding Company	20,449	20,449
		<u>£1,778,042</u>	<u>£1,467,797</u>

7.	CREDITORS - Amounts payable after more than one year		
	Deferred Hire & Lease Purchase Commitments(Note 18)	41,596	29,332
	Bank Loans (secured) (Note 8)	234,177	431,360
		<u>£275,773</u>	<u>£460,692</u>

8. **BANK LOANS AND OVERDRAFTS**

On 9th June 1986, Mortgage Debentures were given to both National Westminster Bank plc and TSB England & Wales plc, creating separate charges on the company's freehold property, and floating charges on the undertaking and other assets of the company. On 16th November 1987, a Legal Mortgage over the company's freehold property was given to TSB England & Wales plc. The foregoing charges rank pari passu with each other in all respects.

		<u>Authorised</u>	<u>Issued</u>
9.	SHARE CAPITAL - Throughout the Year		
	5% Cumulative 1st Preference Shares of £1 each	15,000	8,200
	4% Cumulative 2nd Preference Shares of £1 each	40,000	31,398
	Ordinary Shares of 25p each	15,000	6,802
		<u>£70,000</u>	<u>£46,400</u>

10. **PROFIT ON ORDINARY ACTIVITIES after charging:-**

	<u>1989</u>	<u>1988</u>
Directors' Emoluments (Note 15)	£125,500	£117,500
Auditors' Remuneration	£6,700	£6,400
Depreciation	£140,190	£141,402
Loss on Disposal of Fixed Assets (net)	-	£432
and after crediting Profit on Disposal of Fixed Assets	£127	-

Production had to be stopped for a number of weeks, following damage which occurred in the course of essential building repairs to the factory. The results of the ensuing year are likely to be materially affected but cannot yet be quantified. The Directors are actively pursuing all legal claims in this connection.

Notes on the Accounts

For the Year ended 31st March 1989

	<u>1989</u>	<u>1988</u>
11. DISTRIBUTION COSTS & ADMINISTRATIVE EXPENSES		
Distribution Costs	598,873	526,894
Administrative Expenses	1,071,544	1,047,481
	<u>£1,670,417</u>	<u>£1,574,375</u>
12. OTHER OPERATING INCOME		
Dividends Received	156	125
Management Fee - Tanner, Krolle & Co. Ltd.	1,500	1,500
Bank Deposit Interest Received	247	544
Sundry Income	9	-
	<u>£1,912</u>	<u>£2,269</u>
13. INTEREST AND SIMILAR CHARGES		
Bank Interest Paid	61,031	35,873
Hire Purchase & Lease Purchase Interest paid	7,321	11,157
	<u>£68,352</u>	<u>£47,030</u>
14. TAXATION		
Provision for Corporation Tax on Profits for year	17,500	28,000
Adjustment for previous years	487	(178)
	<u>£17,987</u>	<u>£27,822</u>
<p>A proportion of the provision for Deferred Taxation, representing Corporation Tax in respect of accelerated capital allowances, has been utilised in reducing the provision for Corporation Tax in these accounts.</p>		
15. DIRECTORS' EMOLUMENTS		
Management Remuneration	£125,500	£117,500
Chairman's Emoluments	25,500	25,832
Highest-Paid Director	£30,000	£28,178
Other Directors - £25,001 - £30,000	Three	Three
16. EMPLOYEES		
<p>The average number of employees on a weekly basis throughout the year under review was 130 (1988: 130)</p>		
Staff Costs - Wages & Salaries	1,495,607	1,347,128
Social Security Costs	153,899	138,681
Other Pension Costs	36,054	33,729
	<u>£1,685,560</u>	<u>£1,519,538</u>
17. HOLDING COMPANY		
<p>R.T. Tanner & Co. Limited is a subsidiary of Auctor Limited, a company incorporated in England.</p>		
18. HIRE PURCHASE AND LEASE PURCHASE COMMITMENTS		
Total Repayments due	119,010	72,299
Less: Interest not yet due	17,824	12,674
	<u>£101,186</u>	<u>£59,625</u>
19. CONTRACTS FOR CAPITAL EXPENDITURE	nil	nil

In common with all contracts of this type, the Hire Purchase and Lease Purchase contracts currently in force provide for retention of title until the final instalment is paid by the company.

Trading and Profit and Loss Account

For the Year ended 31st March 1989

<u>1987/88</u>		
<u>6,694,030</u>	Sales	7,396,568
789,731	Less: Stock at 1st April 1988	872,166
<u>3,974,875</u>	Purchases	<u>4,441,473</u>
4,764,606		5,313,639
<u>872,166</u>	Stock at 31st March 1989	<u>899,119</u>
3,892,440		4,414,520
<u>1,022,132</u>	Wages	<u>1,119,023</u>
<u>4,914,572</u>		<u>5,533,543</u>
<u>1,779,478</u>	GROSS PROFIT	<u>1,863,025</u>
644	Bank Interest Received	247
125	Dividends Received	156
-	Sundry Income	9
<u>1,500</u>	Tanner, Krolle & Co. Ltd. - Management Charge	<u>1,500</u>
<u>1,781,747</u>		<u>1,864,937</u>
117,500	Less: Directors' Fees & Salaries	125,500
274,496	Salaries & National Insurance Contributions	336,975
33,729	Staff Pension Scheme	36,054
189,181	Travellers' Salaries, Commissions & NIC	193,508
20,549	Travelling Expenses	25,308
109,921	Rent & Rates	122,188
156,365	Repairs, Renewals & Maintenance	112,762
23,941	Insurance	25,925
58,325	Light, Heat & Power	52,130
19,448	Telephone & Telex	21,874
247,922	Carriage, Storage & Hired Transport	297,408
53,308	Motor Expenses	51,792
13,150	Advertising & Sales Promotion	27,084
8,400	Audit & Accountancy	8,700
16,000	Management Charge	16,000
(1,540)	Discounts Received	(1,309)
54,821	General Expenses	57,151
19,956	Legal Expenses	8,915
4,324	Bad & Doubtful Debts	5,082
141,834	Depreciation & Profit (1987/88 Loss)	
52,086	on Disposal of Assets	140,063
<u>7,689</u>	Bank Charges & Interest paid	<u>75,659</u>
<u>1,621,405</u>	Realised Loss on Exchange	<u>-</u>
<u>160,342</u>	NET PROFIT FOR THE YEAR	<u>1,738,769</u>
		<u>£126,168</u>