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TANNER & COMPANY LIMITED

Directors' Report on the Accounts
For the Year ended 31st March 1992

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Ladies and Gentlemen,

The Directors submit their annual report and audited accounts of the company for the year ended 31st March 1992.

The principal activities of the company are paper and board merchants, converters and envelope makers. The poor results of the previous year are unfortunately continuing and this is due to the world-wide slump in the paper industry both in volume and prices. A loss of £241,501 was recorded, which shows a slight reduction on the previous year, and was due to vigorous efforts to reduce costs. The Board are taking all possible steps to further reduce costs wherever possible to return to profitability. Meanwhile the legal claim over the factory roof continues and we anticipate this being resolved in the near future.

Dividends paid on the Preference Shares amounted to £1,166. The Directors do not recommend the payment of a dividend on the ordinary shares.

In the opinion of the Directors, the land and buildings have a market value which is at least £250,000 in excess of the book value.

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 interests in the share capital of the company as follows:-

Director's Name	Appointed	Ordinary Shares	Preference Shares	
			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 was as follows:-

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

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

A.D.P. Tanner
CHAIRMAN

24th September 1992

Balance Sheet as at 31st March 1992

31.3.91

FIXED ASSETS

1,077,813	Tangible Fixed Assets (Note 2)	983,196
3,303	Investments at cost (Note 3)	303
1,081,116		983,499

CURRENT ASSETS

963,417	Stock (Note 4)	725,806
1,712,482	Debtors (Note 5)	1,501,288
1,021	Cash at Bank and in Hand	3,089

2,676,920		2,230,183
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2,490,753	CREDITORS - Amounts falling due within one Year (Note 6)	2,232,863
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186,167		(2,680)
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1,267,283	TOTAL ASSETS LESS CURRENT LIABILITIES	980,819
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143,649	CREDITORS - Amounts falling due after more than one Year (Note 7)	12,852
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1,123,634		£967,967
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CAPITAL AND RESERVES

46,400	Called-Up Capital (Note 9)	46,400
4,115	Investment Grant Reserve	4,115
138,731	Capital Reserve	138,731
934,388	Profit & Loss Account	778,721

1,123,634		£967,967
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The Directors have taken advantage of the exemptions conferred by Part II of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a medium-sized company.

Approved by the Board
on: 24th September 1992

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

Profit and Loss Account

For the Year ended 31st March 1992

<u>1990/91</u>		
,779,373	Turnover (Note 1)	7,210,542
,228,223	Cost of Sales	5,594,269
<u>,551,150</u>	GROSS PROFIT	<u>1,616,273</u>
,796,626	Distributions Costs & Administrative Expenses (Note 11)	1,763,438
<u>245,476</u>		<u>147,165</u>
2,282	Other Operating Income (Note 12)	320
<u>243,194</u>		<u>146,845</u>
151,241	Interest Payable & Similar Charges (Note 13)	94,656
<u>394,435</u>	LOSS ON ORDINARY ACTIVITIES (Note 10)	<u>241,501</u>
-	Gain on Disposal of Investments (Note 3 (ii))	87,000
		<u>154,501</u>
	Dividends	
	5% Cumulative 1st Preference Shares	287
	4% Cumulative 2nd Preference Shares	879
<u>1,166</u>		<u>1,166</u>
395,601		155,667
<u>,329,989</u>	RETAINED PROFITS at 1st April 1991	<u>934,388</u>
<u>934,388</u>	RETAINED PROFITS At 31st March 1992	<u>£778,721</u>

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

We have audited the Balance Sheet and Profit and Loss Account in accordance with Auditing Standards. In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 1992 and of its loss and cash flow statement for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

65 Southampton Row
London W.C.1

RIDLEY MARRECO & CO.

Date:

Chartered Accountants
Registered Auditors

Cash Flow Statement

For the Year ended 31st March 1992

<u>1990/91</u>		
(394,435)	Loss on Ordinary Activities	(241,501)
137,620	Adjustments for non-cash movements	97,856
150,459	Adjustments for financial income and expenses	94,336
(106,356)	Operating Loss before reinvestment in Working Capital	(49,309)
	Changes in Net Current Asset components	
(37,938)	Stocks	237,611
32,875	Debtors	183,290
239,657	Creditors	(242,441)
-	Taxation	27,904
128,238	Cash generated from operations	157,055
(151,241)	Interest paid	(94,656)
186	Dividends received	186
596	Interest received	134
(22,221)	Net Cash (used in) / provided by Operating Activities	62,719
	Cash Flows from Investment Activities	
(102,742)	Capital Expenditure on Fixed Assets	(22,439)
16,429	Proceeds of Disposal of Fixed Assets	19,200
-	Proceeds of Disposal of Investments	90,000
(30)	Acquisition of Investments	-
(86,343)	Net Cash (used in) / provided by Investment Activities	86,761
	Cash Flows from Financing Activities	
(1,166)	Dividend paid	(1,166)
106,798	Short-Term Debt	(146,246)
105,632	Net Cash (used in) / provided by Financing Activities	(147,412)
(2,932)	(Decrease) / Increase in Cash	2,068
3,953	Cash at beginning of year	1,021
1,021	Cash at end of the year	3,089

Notes to the Accounts

For the Year ended 31st March 1992

I. ACCOUNTING POLICIES

Basis of Accounting

The Balance Sheet and Profit and Loss Account have been prepared under the historical cost convention.

Fixed Assets and Depreciation

(i) Tangible Assets

- (a) Additions to tangible fixed assets are capitalised on the basis of expenditure incurred.
- (b) No depreciation is provided in respect of Freehold Land.
- (c) The Freehold Property is maintained, as a matter of company policy, by a programme of repair and refurbishment such that the residual value of the property remains in excess of the book value. Having regard to this, it is the opinion of the Directors that depreciation on the property as required by the Companies Act 1985 and accounting standards would not be material.
- (d) No value is attributed to Leasehold Properties.
- (e) The cost of fixed assets (owned or leased) is depreciated over their estimated useful lives using the reducing balance method at the following annual rates:-

Installations	7.5%
Plant & Machinery	10.0%
Motor Vehicles	25.0%
Fixtures & Fittings	7.5%
Office Equipment	15.0%

(ii) Investments

Fixed Asset investments are stated at cost.

Leases

Assets held under finance leases are capitalised in the Balance Sheet within tangible fixed assets and are depreciated at the appropriate rate. The capital element of future lease payments is included in creditors. The cost of operating leases is charged to profit as incurred.

Stocks

Stocks have been valued by the Directors on the basis of cost or net realisable value, whichever is the lower.

Turnover

Turnover is exclusive of Value Added Tax and represents sales to customers.

Pensions

The company operates a pension scheme of the defined benefit type covering the majority of permanent full-time employees. The assets of the scheme

Notes to the Accounts

For the Year ended 31st March 1992

are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to Profit and Loss Account so as to spread the cost of pensions over employees' working lives with the company.

2. TANGIBLE ASSETS

(i) Freehold Land and Buildings

At cost as 31.3.1992 and 31.3.1991 £182,561

(ii) Other Fixed Assets

	Total	Install -ations	General Plant	Office Equipment	Motor Vehicles
At cost 1.4.91	1,855,097	83,200	1,418,280	137,367	216,250
Additions at cost	22,439			6,679	15,760
	1,877,536			144,046	232,010
Disposals at cost	53,426		30,000		23,426
At cost 31.3.92	<u>£1,824,110</u>	<u>83,200</u>	<u>1,388,280</u>	<u>144,046</u>	<u>208,584</u>
Depreciation					
Brought forward 1.4.91	959,845	49,059	714,107	90,174	106,505
Charge for year	109,566	2,489	70,416	7,177	29,484
	1,069,411	51,548	784,523	97,351	135,989
Written back on disposals	45,936		30,000		15,936
Aggregate Depreciation 31.3.92	<u>£1,023,475</u>	<u>51,548</u>	<u>754,523</u>	<u>97,351</u>	<u>120,053</u>
Net Book Value 31.3.92	<u>£800,635</u>	<u>31,652</u>	<u>633,757</u>	<u>46,695</u>	<u>88,531</u>
Net Book Value 31.3.91	<u>£895,252</u>	<u>34,141</u>	<u>704,173</u>	<u>47,193</u>	<u>109,745</u>

3. INVESTMENTS

(i) During the year the company disposed of its holding of 33.33% of the issued equity voting capital of Tanner Krolle & Co. Limited.

(ii) The company holds a listed investment, having a market value at 31.3.1992 of £2,445 (1991 - £2,658). The cost was written off in previous years.

4. STOCK

	1992	1991
Raw Materials and Finished Goods	693,930	925,805
Work in Progress	31,876	37,612
	<u>£725,806</u>	<u>£963,417</u>

Notes
Notes to the Accounts

For the Year ended 31st March 1992

	<u>1992</u>	<u>1991</u>
5. DEBTORS		
Trade Debtors	1,422,642	1,651,489
Other Debtors	1,677	1,630
Amounts owed by group undertakings	12,115	12,806
Prepayments	64,854	18,653
Corporation Tax refund due	-	27,904
	<u>£1,501,288</u>	<u>£1,712,482</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	1,206,628	1,484,891
Bank Loans & Overdrafts (secured) (Note 8)	687,832	714,496
Current Hire Purchase & Lease Purchase Commitments (Note 18)	24,135	44,589
Other Taxes & Social Security costs	126,036	90,262
Other Creditors	2,557	1,610
Bills of Exchange Payable	21,289	-
Accruals	142,678	133,197
Preference Dividend	1,259	1,259
Amounts owed to group undertakings	20,449	20,449
	<u>£2,232,863</u>	<u>£2,490,753</u>

7. CREDITORS - Amounts falling due after more than one year		
Deferred Hire & Lease Purchase Commitments (Note 18)	12,852	24,067
Bank Loans (secured) (Note 8)	-	119,582
	<u>£12,852</u>	<u>£143,649</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.

Notes to the Accounts

For the Year ended 31st March 1992

9. SHARE CAPITAL - Throughout the year

	Authorised		Issued	
	No.	£	No.	£
5% Cumulative 1st Preference Shares of £1 each	15000	15,000	8200	8,200
4% Cumulative 2nd Preference Shares of £1 each	40000	40,000	31398	31,398
Ordinary Shares of 25p each	60000	15,000	27208	6,802
		<u>£70,000</u>		<u>£46,400</u>

1992 1991

10. LOSS ON ORDINARY ACTIVITIES after charging

Directors' Emoluments (Note 15)	£144,583	£161,500
Auditors' Remuneration	£8,500	£7,900
Hire of Plant & Machinery	£31,328	£14,726
Depreciation	£109,566	£124,844
Loss on Disposal of Fixed Assets (net) and after crediting	-	£12,776
Profit on Disposal of Fixed Assets (net)	£11,710	-

11. DISTRIBUTION COSTS & ADMINISTRATIVE EXPENSES

Distribution Costs	702,920	735,619
Administrative Expenses	<u>1,060,518</u>	<u>1,212,248</u>
	<u>£1,763,438</u>	<u>£1,947,426</u>

12. OTHER OPERATING INCOME

Dividends Received	186	186
Management Fee - Tanner Krolle & Co. Ltd.	-	1,500
Bank Deposit Interest Received	<u>134</u>	<u>596</u>
	<u>£320</u>	<u>£2,282</u>

13. INTEREST AND SIMILAR CHARGES

Bank Interest Paid	85,680	137,716
Hire Purchase & Lease Purchase Interest Paid	<u>8,976</u>	<u>13,525</u>
	<u>£94,656</u>	<u>£151,241</u>

14. TAXATION

Corporation Tax Repayment due	-	<u>£27,904</u>
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In view of the loss incurred for the year, no provision has been made for Corporation Tax.

Notes to the Accounts

For the Year ended 31st March 1992

	<u>1992</u>	<u>1991</u>
15. DIRECTORS' EMOLUMENTS		
Management Remuneration	£144,583 ✓	£161,500 ✓
Chairman's Emoluments	£4,583	£5,500 ✓
Highest-Paid Director	£35,000	£39,000
Other Directors - £30,000 - £35,000	Three	-
£35,001 - £40,000	-	Three
 16. EMPLOYEES		
(a) Costs		
Wages and Salaries	£1,742,724	£1,632,887
Social Security Costs	£164,641	£171,040
Pension Costs	£44,819	£40,531
(b) The average number of employees on a weekly basis throughout the year under review was 109 (1991 - 128)	109	128
(c) Pensions		

lost 21 employees wage bill went up £100,000

1'907'365 - 1'803'927

Retirement and death benefits are provided for eligible company employees. Members of the scheme are contracted out of the State Earnings Related Pension Scheme. The assets of the scheme are invested with insurance companies and are held separately from the company's assets.

Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 6th April 1991. The significant assumptions were that wages and salaries would increase on average by 8.5% per annum, the return on investments would be 9.5% per annum, and that annuities would be purchased for retiring members at a yield of 9% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £896,000 and that the actuarial value of those assets represented 114% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company and employees will remain at 10% and 5% of earnings respectively.

17. HOLDING COMPANY

R.T. Tanner & Co. Limited is a subsidiary of Auctor Limited, a company incorporated in England.

	<u>1992</u>	<u>1991</u>
18. HIRE PURCHASE AND LEASE PURCHASE COMMITMENTS		
Total Repayments due	46,437	84,517
Less: Interest not yet due	9,491	15,861
	£36,946	£68,656

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.

19. There were no contracts for capital expenditure at the year end.

AUDITORS' REPORT TO THE DIRECTORS OF R.T. TANNER & CO. LIMITED PURSUANT
TO PARAGRAPH 10 OF SCHEDULE 8 TO THE COMPANIES ACT 1985

We have examined the foregoing modified accounts together with the full financial statements of R.T. Tanner & Co. Limited for the year ended 31st March 1992. The scope of our work for the purpose of this report was limited to confirming that the Directors are entitled to deliver modified accounts and that the modified accounts have been properly prepared from the full financial statements.

In our opinion the Directors are entitled under Section 247 to 249 of the Companies Act 1985 to deliver modified accounts in respect of the year ended 31st March 1992 and the modified accounts have been properly prepared in accordance with Schedule 8 of that Act.

On 1990 we reported as auditors of R.T. Tanner & Co. Ltd. to the members on the full financial statements prepared under Section 227 of the Companies Act 1985 for the year ended 31st March 1992 and our audit report was as follows:-

"We have audited the Balance Sheet and Profit and Loss Account in accordance with Auditing Standards. In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 1992 and of its loss and cash flow statement for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

65 Southampton Row
London W.C.1

RIDLEY MARRECO & CO.

Date:

Chartered Accountants
Registered Auditors