report and accounts 1976

CONTENTS

DIRECTORS

Directors	N. S. Macfarlane, *Chairman and managing director*
	H. R. Macfarlane, M.A., LL.B., C.A.
	J. K. Burton, M.A.(Hons.)
	C. B. Cruickshank
	P. D. Stevenson, M.A.
	N. V. L. Barclay, B.A., C.A.
Secretary	T. W. Ritchie
Group accountant	A. Reekie, C.A.
Registered office and transfer office	Clansman House, Sutcliffe Road, Glasgow G13 1AH Telephone: 041-959 4444
Auditors	Watson & Galbraith
Bankers	Royal Bank of Scotland Limited
Solicitors	Dallas, McMillan and Sinclair

MACFARLANE GROUP

NOTICE OF MEETING

Notice is hereby given that the Seventy-eighth annual general meeting of the members of Macfarlane Group (Clansman) Limited will be held at The Merchants House, 7 West George Street, Glasgow G2 1BA on Friday 20th May 1977 at 12 noon for the following purposes:

1. To receive and adopt the directors' report and the accounts for the year ended 31st December 1976 (resolution 1).

2. To declare a final dividend (resolution 2).

3. To re-elect Mr N. V. L. Barclay as a director (resolution 3).

4. To re-elect Mr C. B. Cruickshank as a director (resolution 4).

5. To re-appoint the auditors and to authorise the directors to determine their remuneration (resolution 5).

6. To transact any other business of an annual general meeting.

Clansman House
Sutcliffe Road
Glasgow G13 1AH
25th April 1977

By order of the board
T. W. RITCHIE
Secretary

A member entitled to be present and vote at the above meeting may appoint one or more proxies to attend and on a poll to vote instead of him. A proxy need not also be a member of the company. Members wishing to vote by proxy at the meeting may use the form of proxy enclosed with these accounts.

The register of directors' share interests will be available for inspection by members at the registered office of the company during usual hours of business on every week day (Saturdays excepted), and at the Merchants House, 7 West George Street, Glasgow G2 1BA, on 20th May 1977 from 11.30 a.m. until the conclusion of the annual general meeting.

There are no contracts of service between directors and the company or any of its subsidiaries.

CHAIRMAN'S STATEMENT

Financial results

I am pleased to report that the increased level of activity, which commenced in August 1976 and to which I referred in my interim statement, continued throughout the remainder of the year.

As a result we achieved profits before tax for the second half of the year of £412,592, compared with £210,000 for the first half.

Group sales for the whole of 1976 were £7,693,339 against £7,575,201 for 1975 and group profits before tax and extraordinary items were £622,592 against £605,605 for 1975. Earnings per share were 5·27p against 5·80p.

Dividends

The directors recommend the payment of a final dividend of 1·789p per share, which in addition to the interim dividend of 1·65p per share gives a total for the year of 3·439p. This is equivalent to a gross dividend increase of 10 per cent over the 1975 level and is the maximum permitted under the present legislation.

Review of the year

1976 was a difficult but nevertheless stimulating year for our group. Although it was not until the second half of the year that we experienced any benefit from the upturn in the U.K. business cycle, we were able to take full advantage of the situation when the improvement arrived.

An increase in profitability was achieved in the second six months by all companies in the group with the exception of Macfarlane Business Forms Ltd. This company, in common with other companies in its sector, traded unprofitably in 1976, although the loss was reduced to £35,772. The commercial position of Macfarlane Business Forms has been carefully reviewed by your directors and we expect to eliminate the loss-making position by the end of 1977.

Daniel Montgomery & Son Ltd. has been involved in producing a new generation of bottle pourers and closures, some of which will be available for test marketing in the near future. The initial reaction from the whisky trade has been enthusiastic and we expect that one or two of these products will make a contribution to group profits during 1977.

Several acquisition possibilities have been considered during the year and certain of these are still being appraised.

Balance sheet and resources

The continued application of strict financial disciplines throughout the year has been largely responsible for the strong cash position at the year end. We are confident that this position can be maintained during 1977. We have again tried to present clear, concise and informative Annual Accounts, but have decided not to include an additional set of accounts which attempts to measure the effects of inflation until the precise basis to be used is resolved.

CHAIRMAN'S STATEMENT—continued

Personnel

I wish to thank all employees for their loyalty and co-operation in what has again been a difficult and demanding trading period.

I particularly wish to pay tribute to our management staff at all levels. These are the people who have suffered most in recent years under the Government's various taxation and incomes policies and we are fortunate in our group to have retained the loyalty of our management during this difficult period. It is becoming increasingly difficult to provide managers with sufficient financial incentives to ensure good results. I believe that the Government must find a way of enabling managers to earn higher after-tax incomes if we are to have any chance of successfully regenerating the economy of our country.

Future prospects

During the first three months of 1977 we have continued to trade at a higher level than in the previous year and we expect this higher level of demand to continue.

Your group remains in a strong financial position and your directors are confident that they will be able to take advantage of opportunities to expand the group's business as they arise.

NORMAN S. MACFARLANE
Chairman

MACFARLANE GROUP

REPORT OF THE DIRECTORS

for the year ended 31st December 1976

Activities

Macfarlane Group (Clansman) Limited is the holding company of a group engaged in the manufacture and distribution of packaging, plastics and metallising, specialist printing and office supplies. Details of the principal subsidiary companies and their activities are set out on page 19.

Turnover and profit

Turnover and profit before taxation of the principal activities of the group are as follows:—

	1976		1975	
	Turnover	*Profit*	*Turnover*	*Profit*
	£	£	£	£
Packaging, Printing and Office Supplies	5,335,636	390,838	5,218,143	348,495
Plastics and Metallising	2,357,703	231,754	2,357,058	257,110
	£7,693,339	£622,592	£7,575,201	£605,605

The value of the group direct exports was £206,976 (1975 £266,367).

Results

The group profit before taxation was £622,592 (1975 £605,605). Details are contained in the consolidated profit and loss account on page 8.

Appropriations

An interim dividend of 1·65p per share was paid to shareholders in October 1976. The directors now propose a final dividend of 1·789p to be paid on 21st May 1977. Together with the associated tax credit, the gross equivalents are 2·538p and 2·752p per share, amounting to 5·29p for the year ended 31st December 1976 (compared with [illegible]·609p for the year ended 31st December 1975), representing the maximum permitted increase under the counter-inflation legislation.

The retained profit for the year amounting to £125,182 will be carried forward in reserves.

Directors

The names of the directors holding office are set out on page 2.

The interests of directors in office at 31st December 1976 (as defined by the Companies Act 1967) in Macfarlane Group (Clansman) Limited ordinary shares of 25p each were as follows:

	31.12.76	1.1.76
N. S. Macfarlane	1,200,000	1,200,000
H. R. Macfarlane	600,000	600,000
J. K. Burton	7,500	7,500
C. B. Cruickshank	51,006	51,006
P. D. Stevenson	8,000	8,000
N. V. L. Barclay—Beneficial interest	364,309	363,399
Held as trustee	100,000	100,000

Between 1st January 1977 and 31st March 1977 Mr N. V. L. Barclay acquired a beneficial interest in a further 691 shares. No other changes have occurred in directors' holdings during this period.

During the year no director had any beneficial interest in any contract to which the holding company or a subsidiary company was a party.

REPORT OF THE DIRECTORS—continued

Fixed assets

The movements in fixed assets are set out in note 9 on page 14.

Substantial holding of shares in the company

At 31st December 1976 the company had not received notification that any person held more than 10 per cent of the issued ordinary share capital other than the holdings reported in the interests of directors.

Other statutory information

The average number of persons employed each week by the group during the year was 718 and their aggregate remuneration was £1,066,295.

No political or charitable donations were made during the year.

Auditors

Watson & Galbraith have indicated their willingness to continue as auditors and a resolution will be proposed at the annual general meeting for their re-appointment and to authorise the directors to fix their remuneration.

By order of the board
T. W. RITCHIE
Secretary

Clansman House
Sutcliffe Road
Glasgow G13 1AH
25th April 1977

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1976

	Note	1976 £	1975 £
Group turnover	1	7,693,339	7,575,201
Trading profit	2	569,950	580,062
Interest on short term deposits		52,642	25,543
Profit before taxation		622,592	605,605
Taxation	4	306,502	278,404
Profit after taxation and before extraordinary items		316,090	327,201
Extraordinary items	5	15,432	—
Profit after taxation	6	331,522	327,201
Dividends	7	206,340	187,560
Retained profit		£125,182	£139,641
Retained by:			
Holding company		109,772	129,515
Subsidiary companies		15,410	10,126
		£125,182	£139,641
Earnings per ordinary share of 25p	8		
Before extraordinary items		5·27p	5·80p

MACFARLANE GROUP

CONSOLIDATED BALANCE SHEET
as at 31st December 1976

	Note	1976 £	1976 £	1975 £	1975 £
Fixed assets	9		1,816,996		1,806,234
Current assets					
Stock and work in progress		1,789,559		1,417,641	
Debtors	12	1,640,294		1,297,754	
Short term deposits		283,492		576,026	
Bank balances		130,640		16,879	
		3,843,985		3,308,300	
Current liabilities					
Creditors		1,551,746		1,233,725	
Bank overdraft		80,207		89,524	
Short term loan	13	60,000		90,000	
Current taxation		186,606		174,153	
Proposed final dividend		107,340		97,560	
Provision for stamp duty		—		16,240	
		1,985,899		1,701,202	
Long term loans	14	50,130		56,160	
		2,036,029	1,807,956	1,757,362	1,550,938
Net assets of the group			£3,624,952		£3,357,172
Represented by:					
Share capital	15		1,500,000		1,500,000
Reserves	16		1,209,033		1,083,851
			2,709,033		2,583,851
Government grants			130,732		134,297
Deferred taxation	17		785,187		639,024
			£3,624,952		£3,357,172

N. S. Macfarlane, *Director*

H. R. Macfarlane, *Director*

MACFARLANE GROUP

HOLDING COMPANY BALANCE SHEET
as at 31st December 1976

	Note	1976 £	1976 £	1975 £	1975 £
Fixed assets	9		368,332		354,205
Investment in subsidiaries	11		1,578,290		1,479,511
Current assets	12				
Debtors		47,968		10,029	
Short term deposits		283,492		576,026	
Bank balances		207,106		—	
		538,566		586,055	
Current liabilities					
Creditors		40,285		29,322	
Bank overdraft		—		32,136	
Current taxation		111,106		100,993	
Proposed final dividend		107,340		97,560	
Provision for stamp duty		—		16,240	
		258,731	279,835	276,251	309,804
			£2,226,457		£2,143,520
Represented by:					
Share capital	15		1,500,000		1,500,000
Reserves	16		774,217		664,445
			2,274,217		2,164,445
Deferred taxation	17		(47,760)		(20,925)
			£2,226,457		£2,143,520

N. S. Macfarlane, *Director*

H. R. Macfarlane, *Director*

MACFARLANE GROUP

ACCOUNTING POLICIES

The following are the significant accounting policies adopted by the group.

Basis of consolidation

The consolidated accounts include the accounts of the holding company and all its subsidiaries. The group balance sheet includes all the assets and liabilities of companies acquired during the year and the group's share of the profits and post-acquisition undistributed reserves. The consolidated profit and loss account deals with the results for the year of newly acquired subsidiaries but an appropriate deduction is made from profits to eliminate that part of such results deemed to have arisen prior to acquisition. The amount by which the consideration paid exceeds the values attributed to net tangible assets of subsidiaries acquired is written off to capital reserves.

Depreciation

Heritable property

No depreciation is provided on buildings.

Plant, vehicles and fittings

Depreciation is on a straight line basis calculated at annual rates estimated to write off each asset over the period of its useful life. The rate applied to plant and vehicles is 20 per cent and to fittings 10 per cent. Periodic reviews are made to take into account obsolescence.

Stock and work in progress

Stock and work in progress are consistently valued at the lower of cost and net realisable value. Such cost is determined by the first-in first-out method and is stated less any provisions required for obsolescence. In the case of work in progress and finished goods, cost comprises direct cost and a proportion of factory overheads.

Debtors

Debtors are stated in the balance sheet after deducting specific provisions for bad and doubtful debts.

Short term deposits

Interest on short term deposits is taken into account on a day-to-day basis.

Government grants

Investment grants and regional development grants receivable on depreciable assets are taken to government grants account and are credited to profit and loss account over the period of the estimated life of the assets to which they relate. Interest relief grants are credited to profit and loss account in the period in which the revenue expenditure to which they relate is charged.

Deferred taxation

Provision is made at the current rate of corporation tax for:—

(1) the effect of the allocation for taxation purposes of income and expenditure (including depreciation) to periods different from those used for accounting purposes;

(2) relief for increase in stocks in terms of Section 37, as extended by Schedule 5, Finance Act 1976;

(3) relief where applicable in respect of advance corporation tax on dividends.

NOTES ON THE ACCOUNTS

1 Group turnover
Turnover is the value of goods invoiced and includes sales between group companies amounting to £856,103 (1975 £725,046).

2 Trading profit

	1976 £	1975 £
The trading profit is arrived at after		
Deducting:		
Pre-acquisition profits of company acquired during year	—	2,752
Crediting:		
Transfer from government grants account	51,210	62,450
Charging:		
Emoluments of directors—note 3	42,709	42,064
Depreciation	276,926	294,951
Interest payable on—		
Bank and other short term loans wholly repayable within five years	12,355	21,114
Loans repayable beyond five years	4,155	4,918
Auditors' remuneration (Holding Company £800 1975 £700)	18,223	15,712
Hire of plant	4,080	7,377
	£358,448	£366,136

3 Emoluments of directors

	1976	1975
Emoluments of directors of the holding company		
Chairman and managing director	£13,550	£13,550
Other directors whose remuneration is in the following scale:		
Nil—£2,500	2	2
£7,501—£10,000	3	3

Pension contributions for directors amounted to £1,973 (1975 £1,939). No fees were paid to directors during the year.

NOTES ON THE ACCOUNTS—continued

4 Taxation

	1976 £	1975 £
Corporation tax, at 52 per cent		
Current	196,799	121,516
Deferred	111,499	186,497
	308,298	308,013
Prior year adjustments	(1,796)	(29,609)
	£306,502	£278,404

5 Extraordinary items

	1976 £	1975 £
Overprovision for capital and stamp duty	15,432	—

6 Profit after taxation

	1976 £	1975 £
Dealt with by holding company	316,112	317,075
Retained by subsidiary companies	15,410	10,126
	£331,522	£327,201

7 Dividends

The cost of the dividends paid or proposed on the ordinary shares is:	*Per share*		1976 £	1975 £
Interim paid 11th October 1976 1·65p net equivalent to gross	2·538p	2·307p	99,000	90,000
Proposed final for 1976 1.789p net equivalent to gross	2·752p	2·502p	107,340	97,560
	21·2%	19·2%	£206,340	£187,560

8 Earnings per share

The earnings per ordinary share are calculated on the basis of 6,000,000 shares in issue at 31st December 1976 (1975 weighted average of 5,634,274) and on earnings, before extraordinary items, of £316,090 (1975 £327,201).

NOTES ON THE ACCOUNTS—continued

9 Fixed assets

The group	*Heritable property*	*Plant, vehicles and fittings*	*Total*
Cost or valuation	£	£	£
At 1st January 1976	1,037,728	1,981,753	3,019,481
Additions	51,240	273,234	324,474
Disposals	(11,667)	(86,461)	(98,128)
At 31st December 1976	£1,077,301	£2,168,526	£3,245,827
Depreciation			
At 1st January 1976	19,294	1,193,953	1,213,247
Charge for year	—	276,926	276,926
Disposals	(493)	(60,849)	(61,342)
At 31st December 1976	£18,801	£1,410,030	£1,428,831
Net book value at 31st December 1976	£1,058,500	£758,496	£1,816,996
At cost	£318,301		
At valuation	759,000		
	£1,077,301		

The company	£	£	£
Cost or valuation			
At 1st January 1976	351,000	4,832	355,832
Additions	6,600	9,427	16,027
At 31st December 1976	£357,600	£14,259	£371,859
Depreciation			
At 1st January 1976	—	1,627	1,627
Charge for year	—	1,900	1,900
At 31st December 1976	£ —	£3,527	£3,527
Net book value at 31st December 1976	£357,600	£10,732	£368,332
At cost	£6,600		
At valuation	351,000		
	£357,600		

The main properties are included on the basis of a professional valuation as at 31st December 1973 carried out by James Barr & Son based on the existing use value of the properties to the group. A further valuation as at 31st December 1976, again carried out by James Barr & Son has, in the opinion of the directors, confirmed that the existing use value does not differ significantly from the book value at that date.
No provision has been made for the liability to capital gains tax amounting in total to approximately £90,000 which would arise if the group properties were to be sold at their respective book values

NOTES ON THE ACCOUNTS—continued

10 Contracts for capital expenditure

Contracts for capital expenditure for which no provision has been made in the accounts are estimated to amount to £87,000 (1975—£15,800) after taking account of grants receivable of £20,000 (1975—£3,200). In addition capital expenditure of approximately £48,000 has been authorised by the directors but not contracted.

11 Investment in subsidiaries

	1976	1975
	£	£
Shares at cost	1,054,450	1,054,450
Advances to subsidiaries	383,301	401,467
Dividends receivable from subsidiaries	300,000	330,000
	1,737,751	1,785,917
Amounts due to subsidiaries	159,461	306,406
	£1,578,290	£1,479,511

12 Debtors

Included in debtors are loans made to officers and executives of the group under the group house purchase scheme. The total balance outstanding at 31st December 1976 amounted to £33,957 of which £11,685 was attributable to officers of the holding company.

13 Short term loan

Repayable in three equal annual instalments in March 1976, 1977 and 1978. The rate of interest is 2·5 per cent above the three-month London sterling inter-bank offered rate.

14 Long term loans

	1976	1975
	£	£
(*a*) Repayable in equal half-yearly instalments of £1,715, the final instalment being due in November 1983. The rate of interest is 6·125 per cent and the loan is fully secured over heritable property	23,130	26,560
(*b*) Repayable in equal half-yearly instalments of £1,300, the final instalment being due in August 1986. The rate of interest is 9·25 per cent	27,000	29,600
	£50,130	£56,160

15 Share capital

	1976	1975
	£	£
Authorised		
Ordinary shares of 25p each	2,000,000	2,000,000
Issued and fully paid		
Ordinary shares of 25p each	1,500,000	1,500,000

NOTES ON THE ACCOUNTS—continued

16 Reserves

The group	*Capital Surpluses* £	*Retained Profit* £	*Total* £
At 1st January 1976	468,236	615,615	1,083,851
Retained profit for year	—	125,182	125,182
At 31st December 1976	£468,236	£740,797	£1,209,033
The company			
At 1st January 1976	253,584	410,861	664,445
Retained profit for year	—	109,772	109,772
At 31st December 1976	£253,584	£520,633	£774,217

17 Deferred taxation

	1976 £	1975 £
The deferred taxation account is made up as follows		
The group:		
Tax deferred by capital allowances and other timing differences	462,118	415,309
Tax deferred by stock relief	414,608	282,429
Advance corporation tax in respect of dividends	(91,539)	(58,714)
	£785,187	£639,024
The company:		
Tax deferred by capital allowances and other timing differences	43,779	37,789
Advance corporation tax in respect of dividends	(91,539)	(58,714)
	£(47,760)	£(20,925)

SOURCE AND APPLICATION OF FUNDS

for the year ended 31st December 1976

	1976		1975	
	£	£	£	£
Source				
Group profit before taxation		622,592		605,605
Adjustment for item not involving the movement of funds				
Depreciation adjusted for disposal of fixed assets		255,506		292,704
Total generated from operations		878,098		898,309
Funds from other sources				
Proceeds from disposals of fixed assets	58,206		29,451	
Short term loan	—		90,000	
Government grants	(3,565)		48,946	
Rights issue less expenses	—		490,101	
		54,641		658,498
		932,739		1,556,807
Application				
Purchase of fixed assets	324,474		467,554	
Goodwill arising on acquisitions	—		8,351	
Long term loans	6,030		9,155	
Short term loan	30,000		—	
Tax paid	147,886		243,363	
Dividends	196,560		150,702	
		704,950		879,125
Increase in working capital		227,789		677,682
Stock and work in progress	371,918		142,868	
Debtors	342,540		(262 619)	
Creditors	(317,213)		(200,489)	
Movement in net liquid funds:				
Short term deposits	(292,534)		576,026	
Bank balances	123,078		421,896	
		£227,789		£677,682

REPORT OF THE AUDITORS

To the members of Macfarlane Group (Clansman) Limited

In our opinion, based on our examination and the report of the auditor of a subsidiary not audited by us, the accounts set out on pages 8 to 17 together give a true and fair view of the state of affairs at 31st December 1976, and of the results and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

WATSON & GALBRAITH
Chartered Accountants

Glasgow
25th April 1977

MACFARLANE GROUP

PRINCIPAL SUBSIDIARIES

Company	Activity	Managing Director
N. S. Macfarlane & Co. Limited Glasgow	Manufacture of printed self adhesive tapes and labels; distribution of office and contract furniture	H. R. Macfarlane
Daniel Montgomery & Son Limited Kirkintilloch	Manufacture of bottle closures and pourers. Vacuum metallising	C. B. Cruickshank
A.C.W. Limited Aberdeen	Manufacture of thermoplastic mouldings for packaging and industrial use	J. K. Burton
Cyro Copigraph Limited Glasgow	National distribution of computer supplies and office copying products	A. J. Nelson
Farquharson Bros. Limited Glasgow	Manufacture of computer supplies, carbon papers, and office machine ribbons	L. B. Smith
Macfarlane Business Forms Limited Glasgow	Manufacture of computer stationery and business forms, stationery and packaging	R. H. M. Craig
Smith Brothers (Kilmarnock) Limited Kilmarnock	Colour printing and label specialists	W. F. Cairns Smith John Wilson

Note

All the above companies, which are registered in Scotland, are wholly owned by Macfarlane Group (Clansman) Limited directly or through its subsidiaries.

MACFARLANE GROUP

GENERAL INFORMATION

Dates to note

Dividend payments

Interim	Announced—September Paid—October
Final	Announced—April Paid—May

Results

Half year	Announced—September
Full year	Announced—April
Report and accounts and chairman's statement	Posted to shareholders—April
Annual general meeting	Held in Glasgow—May

Finance Act 1965

The market value of the company's shares for capital gains tax purposes as at 6th April 1965, adjusted for subsequent scrip and rights issues, was as follows:

Ordinary shares of 25p each	25·69p

Income and Corporation Taxes Act 1970

In so far as the directors are aware the company is not a close company within the meaning of the Act.

Printed by Pillans & Wilson Ltd., Edinburgh