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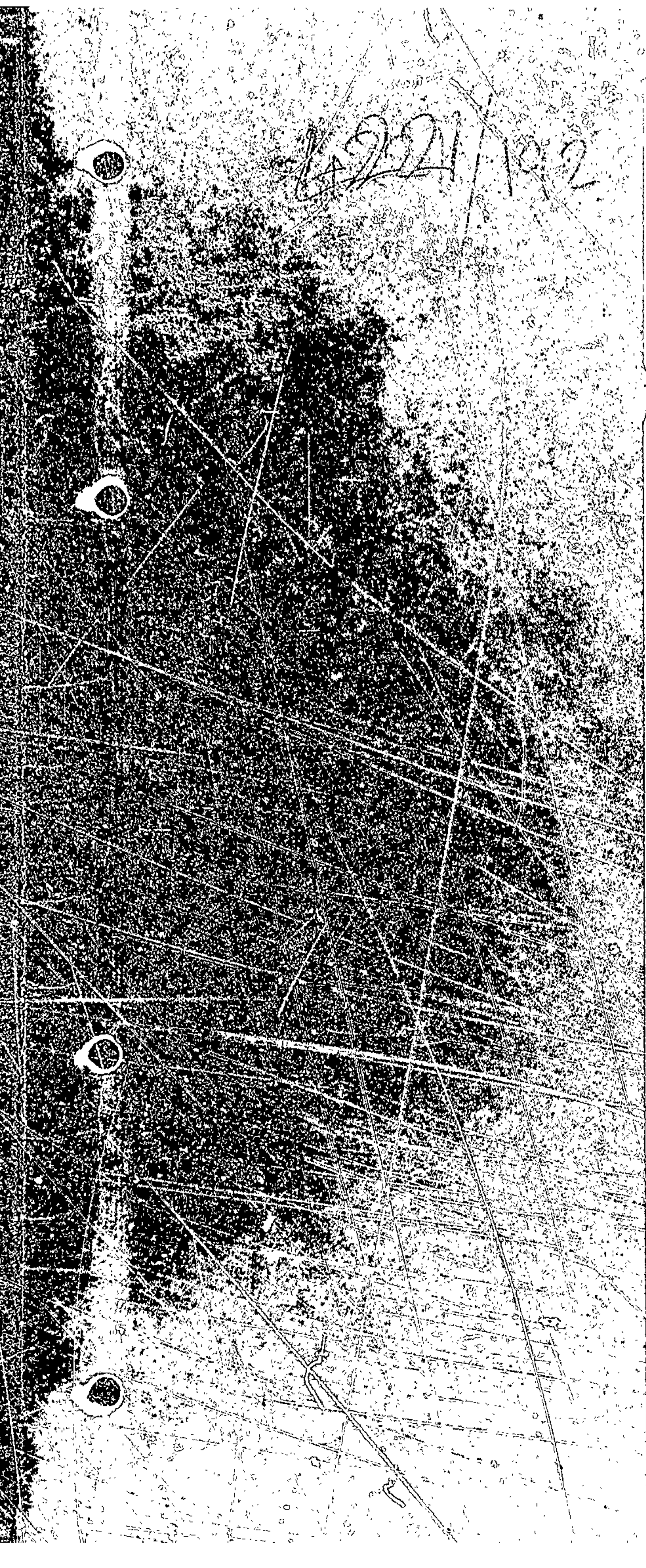

# report and accounts 1977

4221

# MACFARLANE GROUP

## CONTENTS

# DIRECTORS

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

# MACFARLANE GROUP

## NOTICE OF MEETING

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*Notice is hereby given that the Seventy-ninth 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 Tuesday 16th May 1978 at 12 noon for the following purposes:

1. To receive and adopt the directors' report and the accounts for the year ended 31st December 1977 (resolution 1).

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

3. To re-elect Mr H. R. Macfarlane as a director (resolution 3).

4. To re-elect Mr J. K. Burton as a director (resolution 4).

5. To re-elect Mr A. Reekie as a director (resolution 5).

6. To re-appoint the auditors and to authorise the directors to determine their remuneration (resolution 6).

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

Clansman House
Sutcliffe Road
Glasgow G13 1AH
21st April 1978

By order of the board
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 16th May 1978 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.

# MACFARLANE GROUP

## CHAIRMAN'S STATEMENT

### Financial results

Although group sales increased in 1977 to £9·28 million (1976—£7·69 million) profits before tax fell slightly to £570,858 (1976—£622,592). After-tax profits however increased to £411,558 (1976—£333,469) and earnings per share were 6·8p (1976—5·56p).

The increase in after-tax profits reflects the directors' decision to adopt the new accounting standard for deferred taxation proposed by the U.K. Accounting Standards Committee. As a result we only now provide for deferred taxation to the extent that the directors consider there is a reasonable likelihood of paying tax in the foreseeable future. This does not, of course, affect the underlying performance of the group, but it does provide a more realistic picture of the net income and the reserves.

### Dividends

The directors recommend the payment of a final dividend of 2·025p per share which, in addition to the interim dividend of 1·815p per share, makes a total for the year of 3·84p per share. This is equivalent to a gross dividend increase of 10 per cent over the 1976 level and is the maximum permitted under the present legislation.

### Review of the year

Our results in 1977 were adversely affected by the exceptional loss at A. C. W. Ltd. of Aberdeen of £69,000 against a profit of £53,000 in 1976. This loss was almost entirely due to substantial non-recurring costs involved in the development and promotion of new products. The development work is now beginning to be reflected in additional sales and profit and A. C. W. should produce a useful contribution to group profits in 1978. The other significant adverse factors were the loss of Regional Employment Premium amounting to £67,000 and a decrease in interest received of £30,000.

Our subsidiaries which supply the whisky sector again had a successful year, and this applies particularly to Daniel Montgomery at Kirkintilloch and Smith Bros. at Kilmarnock. Montgomery supply specialist bottle closures and pourers to the whisky sector and for most of 1977 they were exceedingly busy, a feature which was reflected in their excellent results.

In the second half of 1977 we made two acquisitions and we acquired a third company early in 1978. The total cost amounted to £962,500, of which approximately 60 per cent was in cash and 40 per cent was in shares. Our new subsidiaries are A. & W. Fullarton of Govan, manufacturers of packaging cases and cartons mainly for the whisky and computer industries; C. Williams of Liverpool, manufacturers of rubber stamps amd marking devices; and Factory Maintenance Services of Clydebank, which provides industry in Scotland with a specialist range of industrial maintenance services. We are very pleased with the performance of these companies since they joined the group and we expect each of them to make a useful contribution to profits in 1978.

## CHAIRMAN'S STATEMENT—continued

### Balance sheet and resources

Strict financial disciplines have again been applied throughout the year and despite a heavy programme of capital expenditure the cash position at the year end is satisfactory. Last year I commented on our decision to delay the introduction of accounts which attempted to measure the effect of inflation until the proposed Accounting Standard ED18 was approved. This proposal has now been abandoned and in November 1977 an interim recommendation on inflation accounting was issued by the Accounting Standards Committee ('The Hyde Guidelines'). While the group recognises the desirability of attempting to reflect the impact of inflation on financial reporting and accepts the Hyde Guidelines as a constructive step in this direction, nevertheless there remain many complex issues for discussion before inflation adjusted accounts can provide an alternative basis for the measurement of performance and therefore reporting to shareholders.

We shall be examining in detail the 'Guidelines' and their application to the group in the current year.

### Personnel

In September 1977 Mr Andrew Reekie, C.A., who is aged 36, was appointed to the group board as Financial Director. Mr Reekie joined N. S. Macfarlane & Co. Ltd. as accountant in 1968 and then served for a period as group accountant. His promotion is a fitting reward for the considerable contribution he has made to the group in recent years.

During 1977 several appointments were made to the boards of subsidiary companies and it is particularly pleasing to note that almost all of the young men concerned started work with the group at grass roots level some years ago.

I wish to express my sincere thanks to all employees for their energy, loyalty and commitment during the past year.

### Future prospects

The current year has started very well with almost all companies producing good results. Our companies which supply the whisky sector are still busy and are capable of substantial growth.

Group pre-tax profits for the three months to 31st March 1978 based on unaudited management accounts, amounted to £245,000 compared with £122,000 for the same period last year, and this improved trend is continuing in the second quarter of this year.

Your group is in a strong financial position and providing no unforeseen circumstances arise your directors are confident that 1978 will show a healthy increase in profits over 1977.

*Chairman*

# MACFARLANE GROUP

## REPORT OF THE DIRECTORS

for the year ended 31st December 1977

### 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:—

| | 1977 | | 1976 | |
|---|---|---|---|---|
| | *Turnover* | *Profit* | *Turnover* | *Profit* |
| | £ | £ | £ | £ |
| Packaging, Printing and Office Supplies | 6,170,121 | 327,201 | 5,335,636 | 390,838 |
| Plastics and Metallising | 3,114,253 | 243,657 | 2,357,703 | 231,754 |
| | £9,284,374 | £570,858 | £7,693,339 | £622,592 |

The value of the group direct exports was £115,237 (1976 £206,976).

### Results

The group profit before taxation was £570,858 (1976 £622,592). Details are contained in the consolidated profit and loss account on page 8.

### Appropriations

An interim dividend of 1·815p per share was paid to shareholders in October 1977. The directors now propose a final dividend of 2·025p to be paid on 17th May 1978. Together with the associated tax credit, the gross equivalents are 2·75p and 3·068p per share, amounting to 5·818p for the year ended 31st December 1977 (compared with 5·29p for the year ended 31st December 1976), representing the maximum permitted increase under the counter-inflation legislation.

The retained profit for the year amounting to £171,065 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 1977 (as defined by the Companies Act 1967) in Macfarlane Group (Clansman) Limited ordinary shares of 25p each were as follows:

| | 31.12.77 | 1.1.77 or date of appointment if later |
|---|---|---|
| N. S. Macfarlane | 1,207,000 | 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 | 400,000 | 364,309 |
| Held as trustee | — | 100,000 |
| A. Reekie (appointed 2.9.77) | 3,750 | 3,750 |

No changes have occurred in these holdings between 1st January 1978 and 31st March 1978.

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.

### Acquisitions

During the year the company acquired the whole issued share capital of A. & W. Fullarton Ltd. and Factory Maintenance Services (Glasgow) Ltd.

### Substantial holding of shares in the company

The company has received notification from Scottish Northern Investment Trust Ltd. that at 31st December 1977 they were the holders of 6·68 per cent of the issued share capital.

### Other statutory information

The average number of persons employed each week by the group during the year was 766 and their aggregate remuneration was £2,241,239.

No political or charitable donations were made during the year.

### Auditors

In accordance with Section 14 of the Companies Act 1976 a resolution proposing the re-appointment of Messrs Watson & Galbraith, Chartered Accountants, as auditors of the company, will be put to the annual general meeting.

By order of the board

Secretary

Clansman House
Sutcliffe Road
Glasgow G13 1AH
21st April 1978

MACFARLANE GROUP

## CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1977

| | Note | 1977 £ | 1976 £ |
|---|---|---|---|
| **Group turnover** | 1 | 9,284,374 | 7,693,339 |
| **Trading profit** | 2 | 548,413 | 569,950 |
| Interest on short-term deposits | | 22,445 | 52,642 |
| **Profit before taxation** | | 570,858 | 622,592 |
| Taxation | 4 | 159,300 | 289,123 |
| **Profit after taxation and before extraordinary items** | | 411,558 | 333,469 |
| Extraordinary items | 5 | — | 15,432 |
| **Profit after taxation** | 6 | 411,558 | 348,901 |
| Dividends | 7 | 240,493 | 206,340 |
| **Retained profit** | | £171,065 | £142,561 |
| *Retained by:* | | | |
| Holding company | | 136,988 | 115,762 |
| Subsidiary companies | | 34,077 | 26,799 |
| | | £171,065 | £142,561 |
| **Earnings per ordinary share of 25p** | 8 | | |
| Before extraordinary items | | 6·80p | 5·56p |

# MACFARLANE GROUP

## CONSOLIDATED BALANCE SHEET
as at 31st December 1977

| | Note | 1977 £ | 1977 £ | 1976 £ | 1976 £ |
|---|---|---|---|---|---|
| **Fixed assets** | 9 | | 2,291,823 | | 1,816,996 |
| **Current assets** | | | | | |
| Stock and work in progress | | 1,925,378 | | 1,789,559 | |
| Debtors | 12 | 1,936,136 | | 1,640,294 | |
| Short-term deposits | | — | | 283,492 | |
| Bank balances | | 25,459 | | 130,640 | |
| | | 3,886,973 | | 3,843,985 | |
| **Current liabilities** | | | | | |
| Creditors | | 1,816,555 | | 1,551,746 | |
| Bank overdraft | | 152,635 | | 80,207 | |
| Short-term loan | 13 | 30,000 | | 60,000 | |
| Current taxation | | 339,084 | | 186,606 | |
| Proposed final dividend | | 129,524 | | 107,340 | |
| | | 2,467,798 | | 1,985,899 | |
| **Long-term loans** | 14 | 44,100 | | 50,130 | |
| | | 2 511,898 | | 2,036,029 | |
| | | | 1,375,075 | | 1,807,956 |
| Net assets of the group | | | £3,666,898 | | £3,624,952 |
| *Represented by.* | | | | | |
| **Share capital** | 15 | | 1,599,064 | | 1,500,000 |
| **Reserves** | 16 | | 1,582,596 | | 1,687,461 |
| | | | 3,181,660 | | 3,187,461 |
| **Government grants** | | | 166,414 | | 130,732 |
| **Deferred taxation** | 17 | | 318,824 | | 306,759 |
| | | | £3,666,898 | | £3,624,952 |

*Director*

*Director*

## HOLDING COMPANY BALANCE SHEET
as at 31st December 1977

| | Note | 1977 £ | 1977 £ | 1976 £ | 1976 £ |
|---|---|---|---|---|---|
| **Fixed assets** | 9 | | 371,746 | | 368,332 |
| **Investment in subsidiaries** | 11 | | 2,393,212 | | 1,578,290 |
| ***Current assets*** | | | | | |
| Debtors | 12 | 71,425 | | 47,968 | |
| Short-term deposits | | — | | 283,492 | |
| Bank balances | | 474 | | 207,106 | |
| | | 71,899 | | 538,566 | |
| **Current liabilities** | | | | | |
| Creditors | | 22,308 | | 40,285 | |
| Bank overdraft | | 2[illegible],609 | | — | |
| Current taxation | | 122,439 | | 111,106 | |
| Proposed final dividend | | 129,524 | | 107,340 | |
| | | 302,880 | | 258,731 | |
| | | | (230,981) | | 279,835 |
| | | | £2,533,977 | | £2,226,457 |
| *Represented by:* | | | | | |
| **Share capital** | 15 | | 1,599,064 | | 1,500,000 |
| **Reserves** | 16 | | 1,095,899 | | 817,996 |
| | | | 2,694,963 | | 2,317,996 |
| **Deferred taxation** | 17 | | (160,986) | | (91,539) |
| | | | £2,533,977 | | £2,226,457 |

*Director*

*Director*

# ACCOUNTING POLICIES

### Change in accounting policies

One change in accounting policies has been made since last year. The group now accounts for deferred taxation in accordance with the method proposed in Exposure Draft 19 issued in 1977 by the U.K. Accounting Standards Committee. The effect of this change has been dealt with as a prior year adjustment and the corresponding figures for 1976 have been restated on the new basis.

### 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 to write off each asset over the period of its estimated 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) relief for increase in stocks;

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

## MACFARLANE GROUP

## NOTES ON THE ACCOUNTS

### 1 Group turnover

[illegible]

### 2 Trading profit

| | [illegible] | [illegible] |
|---|---|---|
| The trading profit is arrived at after [illegible] | | |
| Crediting: | | |
| Transfer from government grants account | [illegible] | [illegible] |
| Charging: | | |
| Emoluments of directors—note 3 | [illegible] | [illegible] |
| Depreciation | [illegible] | [illegible] |
| Interest payable on— | | |
| Bank and other short-term loans [illegible] | [illegible] | [illegible] |
| Loans repayable beyond five years | [illegible] | [illegible] |
| Auditors' remuneration (Holding Company [illegible]) | [illegible] | [illegible] |
| Hire of plant | [illegible] | [illegible] |
| | [illegible] | [illegible] |

### 3 Emoluments of directors

| | [illegible] | 1976 |
|---|---|---|
| [illegible] | [illegible] | [illegible] |

[illegible]

# NOTES ON THE ACCOUNTS—continued

## 4 Taxation

| | 1977 £ | 1976 £ |
|---|---|---|
| Corporation tax, at 52 per cent | | |
| Current | 98,132 | 196,799 |
| Deferred | 63,716 | 94,120 |
| | 161,848 | 290,919 |
| Prior year adjustments | (2,548) | (1,796) |
| | £159,300 | £289,123 |

## 5 Extraordinary items

| | 1977 £ | 1976 £ |
|---|---|---|
| Overprovision for capital and stamp duty | — | 15,432 |

## 6 Profit after taxation

| | 1977 £ | 1976 £ |
|---|---|---|
| Dealt with by holding company | 377,481 | 322,102 |
| Retained by subsidiary companies | 34,077 | 26,799 |
| | £411,558 | £348,901 |

## 7 Dividends

| The cost of the dividends paid or proposed on the ordinary shares is: | Per share | | 1977 £ | 1976 £ |
|---|---|---|---|---|
| Interim paid 10th October 1977 | 1·315p | | 110,969 | 99,000 |
| equivalent to gross | 2·750p | 2·535p | | |
| Proposed final for 1977 | 2·025p | | 129,524 | 107,340 |
| equivalent to gross | 3·068p | 2·752p | | |
| | 23·3% | 21·2% | £240,493 | £206,340 |

## 8 Earnings per share

The earnings per ordinary share are calculated on the basis of the weighted average of 6,047,500 shares in issue (1976 6,000,000) and on earnings after taxation and before extraordinary items of £411,558 (1976 £333,469).

## NOTES ON THE ACCOUNTS—continued

### 9 Fixed assets

*The group*

| | *Heritable property* | *Plant, vehicles and fittings* | *Total* |
|---|---|---|---|
| *Cost or valuation* | £ | £ | £ |
| At 1st January 1977 | 1,077,301 | 2,168,526 | 3,245,827 |
| Assets of subsidiary companies acquired | 98,087 | 274,564 | 372,651 |
| Additions | 114,096 | 567,177 | 681,273 |
| Disposals | (2,245) | (315,001) | (317,246) |
| **At 31st December 1977** | £1,287,239 | £2,695,266 | £3,982,505 |
| *Depreciation* | | | |
| At 1st January 1977 | 18,801 | 1,410,030 | 1,428,831 |
| On assets of subsidiary companies acquired | 367 | 147,423 | 147,790 |
| Charge for year | — | 317,832 | 317,832 |
| Disposals | — | (303,771) | (303,771) |
| **At 31st December 1977** | £19,168 | £1,571,514 | £1,590,682 |
| **Net book value at 31st December 1977** | £1,268,071 | £1,023,752 | £2,291,823 |
| At cost | £528,239 | | |
| At valuation | 759,000 | | |
| | £1,287,239 | | |

*The company*

| | £ | £ | £ |
|---|---|---|---|
| *Cost or valuation* | | | |
| At 1st January 1977 | 357,600 | 14,259 | 371,859 |
| Additions | 2,657 | 3,712 | 6,369 |
| Disposals | — | (1,617) | (1,617) |
| **At 31st December 1977** | £360,257 | £16,354 | £376,611 |
| *Depreciation* | | | |
| At 1st January 1977 | — | 3,527 | 3,527 |
| Charge for year | — | 2,308 | 2,308 |
| Disposals | — | (970) | (970) |
| **At 31st December 1977** | £ — | £4,865 | £4,865 |
| **Net book value at 31st December 1977** | £360,257 | £11,489 | £371,746 |
| At cost | £9,257 | | |
| At valuation | 351,000 | | |
| | £360,257 | | |

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. In the opinion of the directors, the existing use value does not differ significantly from the book value at 31st December 1977.
No provision has been made for the liability to capital gains tax amounting in total to approximately £95,000 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 £157,000 (1976 £87,000) after taking account of grants receivable of £34,000 (1976 £20,000). In addition capital expenditure of approximately £9,000 has been authorised by the directors but not contracted.

### 11 Investment in subsidiaries

| | 1977 | 1976 |
|---|---|---|
| | £ | £ |
| Shares at cost | 1,739,350 | 1,054,450 |
| Advances to subsidiaries | 386,980 | 383,301 |
| Dividends receivable from subsidiaries | 400,000 | 300,000 |
| | 2,526,330 | 1,737,751 |
| Amounts due to subsidiaries | 133,118 | 159,461 |
| | £2,393,212 | £1,578,290 |

### 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 1977 amounted to £40,367 (1976 £33,957) of which £14,466 (1976 £11,565) was attributable to officers of the holding company.

### 13 Short-term loan

Repayable in three equal annual instalments of £30,000 the final instalment being due in March 1978. The rate of interest is 2·5 per cent above the three-month London sterling inter-bank offered rate.

### 14 Long-term loans

| | 1977 | 1976 |
|---|---|---|
| | £ | £ |
| (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 | 19,700 | 23,130 |
| (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 | 24,400 | 27,000 |
| | £44,100 | £50,130 |

### 15 Share capital

| | 1977 | 1976 |
|---|---|---|
| | £ | £ |
| *Authorised* | | |
| Ordinary shares of 25p each | 2,000,000 | 2,000,000 |
| *Issued and fully paid* | | |
| Ordinary shares of 25p each | 1,599,064 | 1,500,000 |

[illegible]FARLANE GROUP

NOTES ON THE AC[illegible]

18 [illegible]

[illegible]

At 31st [illegible]

[illegible]

At 31st [illegible]

19 [illegible]

[illegible]

At 31st December [illegible]

[illegible]

## NOTES ON THE ACCOUNTS—continued

### 16 Reserves

*The group*

| | *Share Premium* £ | *Capital Surpluses* £ | *Retained Profit* £ | *Total* £ |
|---|---|---|---|---|
| At 1st January 1977 | — | 468,236 | 740,797 | 1,209,033 |
| Prior year adjustment for change in accounting for deferred taxation | — | — | 478,428 | 478,428 |
| Opening balance restated | — | 468,236 | 1,219,225 | 1,687,461 |
| Premium on issue of shares | 140,915 | — | — | 140,915 |
| Goodwill arising from acquisition of subsidiary companies during year | — | (416,845) | — | (416,845) |
| Retained profit for year | — | — | 171,065 | 171,065 |
| **At 31st December 1977** | £140,915 | £51,391 | £1,390,290 | £1,582,596 |

*The company*

| | *Share Premium* £ | *Capital Surpluses* £ | *Retained Profit* £ | *Total* £ |
|---|---|---|---|---|
| At 1st January 1977 | — | 253,584 | 520,633 | 774,217 |
| Prior year adjustment for change in accounting for deferred taxation | — | — | 43,779 | 43,779 |
| Opening balance restated | — | 253,584 | 564,412 | 817,996 |
| Premium on issue of shares | 140,915 | — | — | 140,915 |
| Retained profit for year | — | — | 136,988 | 136,988 |
| **At 31st December 1977** | £140,915 | £253,584 | £701,400 | £1,095,899 |

### 17 Deferred taxation

| | *The Company* £ | *The Group* £ |
|---|---|---|
| At 1st January 1977 | (47,760) | 785,187 |
| Prior year adjustment for change in accounting for deferred taxation | (43,779) | (478,428) |
| Opening balance restated | (91,539) | 306,759 |
| Transferred during year | (69,447) | 12,065 |
| **At 31st December 1977** | £(160,986) | £318,824 |
| Deferred taxation at 31st December 1977 represents tax deferred by stock relief | — | 479,810 |
| Advance corporation tax in respect of dividends | (160,986) | (160,986) |
| | £(160,986) | £318,824 |
| The potential amount of tax deferred by capital allowances and other timing differences is | £45,088 | £606,741 |

## SOURCE AND APPLICATION OF FUNDS

for the year ended 31st December 1977

| | 1977 | 1976 |
|---|---|---|
| **Source** | £ | £ |
| Group profit before taxation | 570,858 | 622,592 |
| Adjustment not involving the movement of funds | | |
| Depreciation adjusted for disposal of fixed assets | 262,717 | 255,506 |
| Funds generated from trading | 833,575 | 878,098 |
| Funds from other sources | | |
| Proceeds from disposal of fixed assets | 168,590 | 58,206 |
| Increase in creditors and pre-acquisition taxation liabilities of subsidiary companies | 419,072 | 317,213 |
| Government grants | 35,682 | (3,565) |
| Shares issued in part consideration for the acquisition of subsidiary companies | 239,979 | — |
| | 1,696,898 | 1,249,952 |
| **Application** | | |
| Purchase of fixed assets | [illegible]06,134 | 324,[illegible]14 |
| Goodwill arising on acquisitions | 416,849 | — |
| Long-term loans repaid | 6,059 | 6,030 |
| Short-term loan repaid | 30,070 | 30,700 |
| Tax paid | 149,020 | 147,936 |
| Dividends paid | 218,300 | 196,590 |
| Increase in debtors | 295,842 | 342,540 |
| Increase in stock and work in progress | 155,819 | 371,918 |
| | 2,157,999 | 1,419,408 |
| **Resulting in** | | |
| Decrease in bank balances and short-term deposits | £461,101 | £169,456 |

## 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, which have been prepared under the historical cost convention, together give a true and fair view of the state of affairs at 31st December 1977 and of the results and source and application of funds for the year ended on that date and comply with the Companies Acts.

Watson Galbraith

Chartered Accountants

Glasgow
21st April 1978

## PRINCIPAL SUBSIDIARIES

| Company | Activity | Managing Director |
|---|---|---|
| N. S. Macfarlane & Co. Limited<br>Glasgow | Manufacture of printed self adhesive tapes and labels. Distribution of office and contract furniture | H. R. Macfarlane |
| Daniel Montgomery & Son Limited<br>Kirkintilloch | Manufacture of bottle closures and pourers. Vacuum metallising | C. B. Cruickshank |
| A.C.W. Limited<br>Aberdeen | Manufacture of thermoplastic mouldings for packaging and industrial use | J. R. Duff |
| Cyro Copigraph Limited<br>Glasgow | National distribution of computer supplies and office copying products | A. J. Nelson |
| Farquharson Bros. Limited<br>Glasgow | Manufacture of computer supplies, carbon papers, and office machine ribbons | L. B. Smith |
| Macfarlane Business Forms Limited<br>Glasgow | Manufacture of business forms, stationery and packaging | J. K. Burton |
| Smith Brothers (Kilmarnock) Limited<br>Kilmarnock | Colour printing and label specialists | W. F. Cairns Smith |
| A. & W. Fullarton Limited<br>Glasgow | Manufacture of packing cases and cartons. Storage and packaging | W. P. Mackie |
| Factory Maintenance Services (Glasgow) Limited, Clydebank | Industrial maintenance and servicing. Plant removal | J. Walker<br>A. J. Marr |

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

**Acquired since 31st December 1977**

| | | |
|---|---|---|
| C. Williams (Liverpool) & Co. Limited, Liverpool | Manufacture of rubber stamps and marking devices. Engraving and vitreous enamelling | S. E. Beddoe |

[illegible]

[illegible]

[illegible]

[illegible]

## Finance Act 1965

[illegible]

[illegible]

## Income and Corporation Taxes Act 1970

[illegible]



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