MACFARLANE GROUP

CONTENTS

DIRECTORS

Directors	N. S. Macfarlane, *Chairman and managing director*
	C. B. Cruickshank, *Deputy chairman*
	J. K. Burton, M.A.(Hons.)
	A. F. Hampton
	J. G. Lane, F.C.A.
	W. P. Mackie
	A. Reekie, C.A.
	J. A. Taylor
	N. V. L. Barclay, M.A., C.A.
	P. D. Stevenson, M.A.
Secretary	A. Reekie, C.A.
Registered office and transfer office	Clansman House, Sutcliffe Road, Glasgow G13 1AH Telephone: 041-959 4444
Auditors	Spicer Watson & Co.
Bankers	Royal Bank of Scotland Limited
Solicitors	Dallas, McMillan and Sinclair

MACFARLANE GROUP

NOTICE OF MEETING

Notice is hereby given that the Eighty-second 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 19th May 1981 at 12 noon for the following purposes:

1. To receive and adopt the directors' report and the accounts for the year ended 31st December 1980 (resolution 1).
2. To declare a final dividend (resolution 2).
3. To re-elect Mr A. Reekie as a director (resolution 3).
4. To re-elect Mr P. D. Stevenson as a director (resolution 4).
5. To re-elect Mr A. F. Hampton as a director (resolution 5).
6. To re-elect Mr. J. G. Lane as a director (resolution 6).
7. To re-appoint the auditors and to authorise the directors to determine their remuneration (resolution 7).
8. To transact any other business of an annual general meeting.

Clansman House
Sutcliffe Road
Glasgow G13 1AH
24th April 1981

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 19th May 1981 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

Group sales for the year were £16,194,676 against £15,894,375 in 1979 and group profits before tax amounted to £1,216,482 compared with £1,668,581 for 1979. After-tax profits, however, increased to £1,502,571 from £1,026,368 in 1979 and earnings per share were 14·44p compared with 9·86p the previous year.

The increase in after-tax profits was the result of a non-recurring release of deferred taxation amounting to £619,990. This provision is no longer required due to the new Inland Revenue proposals regarding stock relief.

Dividends

The directors recommend the payment of a final dividend of 2p per share which, in addition to the interim dividend of 1·7p per share, makes a total for the year of 3·7p per share. These dividends are the first to be paid on the increased share capital following last year's bonus issue and represent an effective increase of 5·1 per cent over the previous year.

Review of the year

1980 was a year in which the group had to operate in an extremely difficult economic climate. Although the year started well and trading was satisfactory in most of our companies in the first quarter of the year, a pattern of reduced demand from almost all areas of our business became apparent as the year progressed. The declining trend was particularly obvious in the whisky sector which has always been a valuable source of group business. The Scotch whisky industry has undoubtedly been affected by the strength of the pound in many of its traditional markets.

The lack of sales growth and weakened margins in most areas of trading account for the fall in pre-tax profits in 1980 compared with the previous year's record results. I am, however, pleased to report that because of tax provisions no longer required, after-tax profits increased.

I am also very pleased to report that in view of your board's confidence in our trading prospects and our strong positive cash flow we are able to recommend a further increase in the final dividend.

Almost all of our companies found trading conditions very difficult in 1980, but A. & W. Fullarton of Govan which supplies specialist warehousing, packaging, and transport services, mainly to the computer and whisky industries, again made excellent progress and still shows considerable potential for the future.

Farquharson Bros. of Glasgow, manufacturers of copying products, made a loss of £47,683 entirely due to redundancy payments of £17,675 and a bad debt of £37,618 but I am pleased to report that the company is trading profitably at present.

On 19th December 1980 we acquired Abbott's Packaging Ltd. of London, one of the largest privately owned companies in the packaging sector in the country. The consideration was £3,250,000 of which £1,873,000 was in cash and the balance in 1,721,247 shares. We have had trading associations with Abbott's for 30 years and I have always had the highest regard for the company and its management and staff. The merger of our interests with Abbott's will benefit our existing businesses by providing them with a wider range of markets in the south and we have already begun to see evidence of this. I believe that in the long term Abbott's will assist greatly in achieving a much more broadly based group both geographically and in products. The results for 1980 do not include any contribution from Abbott's but I am certain that this company will make a significant contribution to future group profits.

In August last year we acquired John M. Napier Ltd. of Edinburgh for £250,000 in cash. Napiers are colour printers and whisky label specialists and I consider this company to be a useful addition to our group interests.

Our experienced management team were able to react very promptly to the changed market conditions which emerged in 1980, and demanning and effective cost-cutting programmes were instituted efficiently and swiftly, with the result that the group at the present time is, in my view, better balanced, more versatile and more efficient than it has ever been.

Balance sheet and resources

In a year in which many companies suffered from exceptionally high interest rates it was gratifying that Macfarlane Group remained in cash surplus for almost all of this period. We did, however, end the year as a net borrower of £1·6 million which arose entirely from the acquisition of Abbott's. We expect our borrowings to be substantially reduced during the current year, due to the ability of our companies to develop strong cash flow from profits and also to the tight management and financial control that exists throughout the group.

This year we have for the first time prepared inflation adjusted accounts in accordance with current recommended accounting procedures. Shareholders will draw their own conclusions as to the usefulness of these statements but my personal view is that they are a considerable waste of accounting and administrative staff time, not only in our group but also in our auditors for which we have to pay, and the sooner the authorities abolish this highly non-productive, ill-conceived legislation the more time industry and commerce will have to devote to important productive matters.

Directors

I am very pleased to report that following the acquisition of Abbott's on 19th December 1980 Mr J. G. Lane (48) and Mr A. F. Hampton (58) were appointed to the group board. Godfrey Lane is the managing director of Abbott's and Alec Hampton is sales director. Each of these gentlemen has been known to me for many years and I am confident that they will make a considerable contribution to the group board.

Personnel

I am very well aware of the pressures which have been imposed on management and employees during recent months. My colleagues and I once again take this opportunity to offer our thanks for the loyalty, dedication, skill and resourcefulness with which all employees have responded to the challenge.

Future prospects

The group is trading at present at similar levels to those experienced in the second half of 1980 and it appears unlikely that this trading pattern will change materially in 1981.

Considerable progress has been achieved in 1980 in broadening the range of Macfarlane group activities and in improving operating efficiency. The strength of our management and the adequacy of our financial resources places us in a strong position to take advantage quickly of any improvement in business. I believe the outlook for the group is encouraging.

REPORT OF THE DIRECTORS

for the year ended 31st December 1980

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 and in warehousing, haulage and factory maintenance. Details of the principal subsidiary companies and their activities are set out on page 22.

Turnover and profit

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

	1980		1979	
	Turnover	*Profit*	*Turnover*	*Profit*
	£	£	£	£
Packaging, Printing and Office Supplies	8,324,164	424,263	9,479,248	808,415
Plastics and Metallising	3,798,379	317,868	4,170,139	557,270
Warehousing, Haulage and Factory Maintenance	4,072,133	474,351	2,244,988	302,896
	£16,194,676	£1,216,482	£15,894,375	£1,668,581

The value of the group direct exports was £98,145 (1979 £126,732).

Results

The group profit before taxation was £1,216,482 (1979 £1,668,581). Details are contained in the consolidated profit and loss account on page 8.

Appropriations

An interim dividend of 1·7p per share was paid to shareholders on 14th October 1980. The directors now propose a final dividend of 2·0p to be paid on 20th May 1981. Together with the associated tax credit, the gross equivalents are 2·428p and 2·857p per share, amounting to 5·285p for the year ended 31st December 1980 (compared with 5·03p for the year ended 31st December 1979, adjusted for one for four bonus issue).

The retained profit for the year amounting to £1,025,920 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 1980 (as defined by the Companies Act 1967) in Macfarlane Group (Clansman) Limited ordinary shares of 25p each were as follows:

	31st December 1980		*1st January 1980 or date of appointment if later*	
	Beneficial	*Other*	*Beneficial*	*Other*
N. S. Macfarlane	1,510,937	31,250	1,208,750	25,000
C. B. Cruickshank	79,694		63,756	
J. K. Burton	625		500	
A. F. Hampton (appointed 19.12.80)	51,506		51,506	
J. G. Lane (appointed 19.12.80)	861,675	245,620	861,675	245,620
W. P. Mackie	69,008		55,207	
A. Reekie	7,420		5,937	
J. A. Taylor	11,718		9,375	
N. V. L. Barclay	585,566	81,250	468,144	65,000
P. D. Stevenson	3,750		3,000	

No changes have occurred in these holdings between 1st January 1981 and 31st March 1981.

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 15.

Acquisitions

During the year the company acquired the whole issued share capital of John M. Napier Ltd. and Abbott's Packaging Ltd.

Substantial holding of shares in the company

The company has received notification that at 31st December 1980 the following members held more than 5 per cent of the ordinary share capital.

	Holding	*Percentage*
Hamish R. Macfarlane	750,000	6·19
Scottish Northern Investment Trust Limited	750,000	6·19

Other statutory information

The average number of persons employed each week by the group during the year was 940 and their aggregate remuneration was £4,822,130.

No political or charitable donations were made during the year.

Auditors

A resolution will be proposed at the forthcoming annual general meeting for the re-appointment of the auditors Messrs Spicer Watson & Co. who have indicated their willingness to continue in office.

By order of the board

Secretary

Clansman House
Sutcliffe Road
Glasgow G13 1AH
24th April 1981

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1980

	Note	1980 £	1979 £
Group turnover	1	16,194,676	15,894,375
Trading profit	2	1,132,246	1,602,342
Interest on short-term deposits		84,236	66,239
Profit before taxation		1,216,482	1,668,581
Taxation	4	(286,089)	642,213
Profit after taxation and before extraordinary items		1,502,571	1,026,368
Extraordinary items	5	57,278	—
Profit attributable to shareholders	6	1,445,293	1,026,368
Dividends	7	419,373	366,220
Retained profit		£1,025,920	£660,148
Retained by:			
Macfarlane Group (Clansman) Limited		701,721	571,122
Subsidiary companies		324,199	89,026
		£1,025,920	£660,148
Earnings per ordinary share of 25p Before extraordinary items	8	14·44p	9·86p

MACFARLANE GROUP

CONSOLIDATED BALANCE SHEET
as at 31st December 1980

	Note	1980		1979	
		£	£	£	£
Fixed assets	9		7,515,161		3,777,567
Current assets					
Stock and work in progress	12	3,349,377		2,825,688	
Debtors	13	4,907,788		2,962,465	
Short-term deposits		224,371		218,483	
Bank balances		90,471		134,668	
		8,572,007		6,141,304	
Current liabilities					
Creditors		4,355,619		3,216,369	
Bank overdraft		1,961,284		142,381	
Short-term loan		—		3,464	
Current taxation		917,763		539,351	
Proposed final dividend		242,505		191,433	
		7,477,171		4,093,008	
			1,094,836		2,048,296
			£8,609,997		£5,825,863
Represented by:					
Share capital	14		3,031,309		2,080,798
Reserves	15		5,228,983		2,912,515
			8,260,292		4,993,313
Loans	16		26,010		32,040
Government grants			323,695		262,563
Deferred taxation	17		—		537,947
			£8,609,997		£5,825,863

Director

Director

HOLDING COMPANY BALANCE SHEET
as at 31st December 1980

	Note	1980		1979	
		£	£	£	£
Fixed assets	9		434,741		430,792
Investment in subsidiaries	11		7,336,154		3,387,162
Current assets					
Debtors	13	72,011		60,401	
Short-term deposits		—		218,483	
Bank balances		—		56,275	
		72,011		335,159	
Current liabilities					
Creditors		71,672		39,808	
Bank overdraft		1,522,839		—	
Current taxation		80,207		156,951	
Proposed final dividend		242,505		191,433	
		1,917,223		388,192	
			(1,845,212)		(53,033)
			£5,925,683		£3,764,922
Represented by:					
Share capital	14		3,031,309		2,080,798
Reserves	15		2,894,374		1,766,167
			5,925,683		3,846,965
Deferred taxation	17		—		(82,043)
			£5,925,683		£3,764,922

Director

Director

SOURCE AND APPLICATION OF FUNDS
for the year ended 31st December 1980

	1980	1979
Source	£	£
Group profit before taxation	1,216,482	1,668,581
Adjustment not involving the movement of funds		
Depreciation adjusted for disposal of fixed assets	553,881	536,292
Funds generated from trading	1,770,363	2,204,873
Funds from other sources		
Proceeds from disposal of fixed assets	122,775	97,184
Increase in creditors and pre-acquisition taxation liabilities of subsidiary companies	1,616,702	557,809
Government grants	61,132	67,838
Capital Reserve arising on acquisition of subsidiary companies	864,062	84,376
Shares issued in part consideration for the acquisition of subsidiary companies	1,376,997	—
	5,812,031	3,012,080
Application		
Purchase of fixed assets	4,433,940	1,319,305
Loans repaid	6,030	6,030
Short-term loan repaid	3,484	3,600
Tax paid	350,888	432,060
Dividends paid	368,301	320,476
Increase in debtors	1,945,323	498,079
Increase in stock and work in progress	523,689	353,862
Expenses in connection with acquisition of subsidiary companies	37,588	—
	7,669,243	2,933,412
Resulting in		
Increase/(Decrease) in bank balances and short-term deposits	£(1,857,212)	£78,668

ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention adjusted by the revaluation of certain assets.

Consolidation

The consolidated profit and loss account and balance sheet include the accounts of the holding company and all its subsidiaries made up to the end of the financial year. Pre-acquisition profits are eliminated on consolidation and goodwill is deducted from reserves.

Depreciation

Fixed assets are stated at cost to the group except in the case of the main properties which are stated at valuations by professional valuers. Depreciation is calculated at fixed rates on a straight line basis so as to write off the cost or valuation of the various assets over the period of their expected useful lives. The rates of depreciation vary generally between 1% and 3% on buildings and 5% and 20% on plant and equipment.

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 normally comprises direct cost and a proportion of factory overheads. In certain of the subsidiary companies, however, overheads are excluded from the valuation of work in progress.

Debtors

Debtors are stated 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

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.

Taxation

Provision is made for taxation on all profits and realised gains up to the balance sheet date but no provision is made for any taxation liabilities which might arise on the sale of assets at their revalued amounts.

Deferred taxation

No provision is made for deferred taxation liabilities which in the opinion of the directors have no possibility of materialising in the foreseeable future.

NOTES ON THE ACCOUNTS

1 Group turnover

Turnover is the value of goods invoiced and includes sales between group companies amounting to £845,428 (1979 £997,169).

2 Trading profit

	1980 £	1979 £
The trading profit is arrived at after		
Deducting:		
Pre-acquisition profits/(losses) of companies acquired during year	26,565	(41,428)
Crediting:		
Transfer from government grants account	157,006	91,607
Charging:		
Emoluments of directors including pension fund contributions—note 3	117,778	122,166
Depreciation	555,412	535,406
Interest payable on—		
Bank and other short-term loans wholly repayable within five years	87,855	44,309
Loans repayable beyond five years	1,634	1,882
Auditors' remuneration (Holding Company £2,000 1979 £1,150)	38,900	33,950
Hire of plant	26,919	34,029
	£828,498	£771,742

3 Emoluments of directors

	1980	1979
Emoluments of directors of the holding company		
Chairman and managing director	£24,100	£20,725
Other directors whose remuneration is in the following scale:		
Nil— £5,000	4	4
£10,001—£15,000	—	3
£15,001—£20,000	5	1

NOTES ON THE ACCOUNTS—continued

4 Taxation

	1980 £	1979 £
Corporation tax, at 52 per cent		
Current	356,122	535,667
Deferred	(619,990)	105,556
	(263,868)	641,223
Prior year adjustments	(22,221)	990
	£(286,089)	£642,213

The tax charge for the year has been calculated on the basis of providing for stock relief in accordance with the Inland Revenue consultative document dated 14th November 1980.

5 Extraordinary items

	1980 £	1979 £
Expenses in connection with acquisition of subsidiaries	37,588	—
Tenant's improvements written off on assignation of lease	19,690	—
	£57,278	£ —

6 Profit attributable to shareholders

	1980 £	1979 £
Retained by holding company	1,121,094	[illegible],342
Retained by subsidiary companies	324,199	89,026
	£1,445,293	£1,0[illegible],36[illegible]

7 Dividends

The cost of the dividends paid or proposed on the ordinary shares is:

	Per share		1980 £	1979 £
Interim paid 14th October 1980 1·7p net			179,868	[illegible]
equivalent to gross	2·428p	2·400p		
Proposed final for 1980 2·0p net			239,505	[illegible]
equivalent to gross	2·857p	3·529p		
	21·14%	20·12%	£419,373	[illegible]

Both the interim and the proposed final dividend are based on the share capital as increased by the one for four bonus issue on 20th May 1980.

8 Earnings per share

The earnings per ordinary share are calculated on the basis of 10,403,990 shares in issue (1979 10,403,990) and on earnings after taxation and before extraordinary items of £1,502,571 (1979 £1,026,368). If earnings per share had been calculated on earnings before crediting the non-recurring release of deferred taxation provision they would have amounted to 8·48p.

9 Fixed assets

The group	*Heritable property*	*Plant, vehicles and fittings*	*Total*
Cost or valuation	£	£	£
At 1st January 1980	2,179,081	3,903,495	6,082,576
Assets of subsidiary companies acquired	2,440,387	1,883,075	4,323,462
Additions	398,733	656,306	1,055,039
Disposals	(40,813)	(234,328)	(275,141)
At 31st December 1980	£4,977,388	£6,208,548	£11,185,936
Depreciation			
At 1st January 1980	1,074	2,303,935	2,305,009
On assets of subsidiary companies acquired	750	943,811	944,561
Charge for year	49,246	506,166	555,412
Disposals	(456)	(133,751)	(134,207)
At 31st December 1980	£50,614	£3,620,161	£3,670,775
Net book value at 31st December 1980	£4,926,774	£2,588,387	£7,515,161
At cost	£527,088		
At valuation 1979	2,021,000		
1980	2,429,300		
	£4,977,388		

The company	£	£	£
Cost or valuation			
At 1st January 1980	420,000	18,096	438,096
Additions	—	22,612	22,612
Disposals	—	(9,684)	(9,684)
At 31st December 1980	£420,000	£31,024	£451,024
Depreciation			
At 1st January 1980	—	7,303	7,303
Charge for year	8,750	6,525	15,275
Disposals	—	(6,295)	(6,295)
At 31st December 1980	£8,750	£7,533	£16,283
Net book value at 31st December 1980	£411,250	£23,491	£434,741
At valuation 1979	£420,000		

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 £248,000 (1979 £415,000) after taking account of grants receivable of £62,000 (1979 £92,000). No capital expenditure has been authorised by the directors but not contracted.

11 Investment in subsidiaries

	1980	1979
	£	£
Shares at cost	5,926,964	2,411,430
Amounts due by subsidiaries	1,409,190	975,732
	£7,336,154	£3,387,162

12 Stock and work in progress

	1980	1979
	£	£
Raw materials	1,761,046	1,650,753
Work in progress	219,232	194,859
Finished goods	1,369,099	980,076
	£3,349,377	£2,825,688

13 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 1980 amounted to £52,176 (1979 £44,971) of which £10,985 (1979 £11,996) was attributable to directors of the holding company.

14 Share capital

	1980	1979
	£	£
Authorised		
Ordinary shares of 25p each	4,000,000	3,000,000
Issued and fully paid		
Ordinary shares of 25p each	3,031,309	2,080,798

On 30th May 1980 2,080,798 ordinary shares of 25p each were issued by way of a one for four bonus issue. On 16th December 1980 the authorised share capital was increased from £3,000,000 to £4,000,000 by the creation of an additional 4,000,000 ordinary shares of 25p each.

15 Reserves

The group	*Share Premium*	*Capital Surpluses*	*Retained Profit*	*Total*
	£	£	£	£
At 1st January 1980	—	242,352	2,670,163	2,912,515
Utilised for bonus issue	—	(145,558)	(374,642)	(520,200)
Share premium and capital reserve arising from acquisition of subsidiary companies during year	946,686	864,062	—	1,810,748
Retained profit for year	—	—	1,025,920	1,025,920
At 31st December 1980	£946,686	£960,856	£3,321,441	£5,228,983

The company	£	£	£	£
At 1st January 1980	—	145,558	1,620,609	1,766,167
Utilised for bonus issue	—	(145,558)	(374,642)	(520,200)
Share premium arising from acquisition of subsidiary companies during the year	946,686	—	—	946,686
Retained profit for year	—	—	701,721	701,721
At 31st December 1980	£946,686	£ —	£1,947,688	£2,894,374

16 Loans

	1980	1979
	£	£
(a) Repayable in full within five years		
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	9,410	12,840
(b) Repayable beyond five years		
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	16,600	19,200
	£26,010	£32,040

17 Deferred taxation

	The Company	*The Group*
	£	£
At 1st January 1980	(82,043)	537,947
Transferred during year	82,043	(537,947)
At 31st December 1980	£ Nil	£ Nil

The tax charge for the year has been reduced by a non-recurring release of deferred taxation provision amounting to £619,990. This provision was for movements in the value of stock and work in progress and is no longer required under the stock relief proposals.

The potential amount of tax deferred by capital allowances and other timing differences is	£43,724	£2,527,0[illegible]

MACFARLANE GROUP

CONSOLIDATED CURRENT COST PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1980

	Note	£	£
Group Turnover			16,194,676
Profit before interest and taxation as per historical cost accounts			1,132,246
Less: Current cost operating adjustments			
Cost of sales	2	330,049	
Monetary working capital	2	(36,675)	
Depreciation	4	180,941	474,315
Current cost operating profit			657,931
Interest	3		84,236
Gearing adjustment			—
Current cost profit before taxation			742,167
Taxation			(286,089)
Current cost profit after taxation and before extraordinary items			1,028,256
Extraordinary items			57,278
Current cost profit attributable to shareholders			970,978
Dividends			419,373
Retained profit			£551,605
Earnings per ordinary share of 25p			9·28p

MACFARLANE

CONSOLIDATED BALANCE SHEET
as at 31st December

	Note	£	£
Fixed assets	4		8,838,168
Current assets			
Stock and work in progress	5	3,367,598	
Debtors		4,907,788	
Short-term deposits		224,371	
Bank balances		90,471	
		8,590,228	
Current liabilities			
Creditors		4,355,619	
Bank overdraft		1,961,284	
Current taxation		917,763	
Proposed final dividend		242,505	
		7,477,171	
			1,113,057
			£9,951,225
Represented by:			
Share capital			3,031,309
Current cost reserve	6		1,815,543
Other reserves	7		4,754,668
			9,601,520
Loans			26,010
Government grants			323,695
			£9,951,225

CURRENT COST ACCOUNTS—NOTES

1 Basis

The current cost accounts on pages 18 and 19 have been prepared in accordance with the Statement of Standard Accounting Practice No.16 issued by the Accounting Standards Committee.

2 Working Capital

In order to allow for the impact of price changes on working capital, consisting of stocks, debtors cash, creditors and bank overdrafts two adjustments are made to the operating costs calculated on the historical cost basis, one on stock and the other on monetary working capital. The adjustments are based on the official price indices considered to be most appropriate to the business.

3 Gearing Adjustment

Throughout the year the group was in a net cash surplus situation. The overdraft at 31st December 1980 was wholly attributable to the acquisition of Abbott's Packaging Limited on 19th December 1980. As the profits of that company have not been consolidated into the group figures no gearing adjustment is required.

4 Fixed assets and depreciation

	Heritable property	*Plant, vehicles and fittings*	*Total*
At 31st December 1980	£	£	£
Gross current replacement cost	5,624,437	9,719,931	15,344,368
Aggregate depreciation	62,786	6,443,414	6,506,200
Net current replacement cost	£5,561,651	£3,276,517	£8,838,168

The total depreciation charge in the current cost profit and loss account represents the current cost of fixed assets consumed in the year. The depreciation adjustment of £180,941 is the difference between the depreciation charge in the historic cost and the current cost accounts.

5 Stock and work in progress

Stock and work in progress are valued at current replacement cost using the official indices considered to be most appropriate to the business.

6 Current cost reserve

	£
Revaluation surpluses reflecting price changes	
Fixed assets	1,503,948
Stock	348,270
	1,852,218
Monetary working capital adjustment	(36,675)
Balance at 31st December 1980	£1,815,543

7 Other Reserves

	Share Premium	*Capital Surpluses*	*Retained Profit*	*Total*
	£	£	£	£
At 1st January 1980	—	242,352	2,670,163	2,912,515
Utilised for bonus issue	—	(145,558)	(374,642)	(520,200)
Share premium and capital reserve arising from acquisition of subsidiary companies during year	946,686	864,062	—	1,810,748
Current cost profit for year retained	—	—	551,605	551,605
	£946,686	£960,856	£2,847,126	£4,754,668

MACFARLANE GROUP

REPORT OF THE AUDITORS

To the members of Macfarlane Group (Clansman) Limited:

In our opinion the accounts set out on pages 8 to 17, which have been prepared on the basis of the accounting policies set out on page 12 give a true and fair view of the state of affairs of the company and of the group at 31st December 1980 and of the profit and source and application of funds of the group for the year ended on that date and comply with the Companies Acts, 1948 to 1980.

In our opinion the abridged supplementary current cost accounts set out on pages 18 to 20 have been properly prepared in accordance with the accounting policies and methods set out on page 20 to give the information required by Statement of Standard Accounting Practice No. 16.

Spicer Watson & Co.

Chartered Accountants

Glasgow
24th April 1981

MACFARLANE GROUP

PRINCIPAL SUBSIDIARIES

Company	Activity	Chief Executive
* Abbott's Packaging Limited London	Manufacture and supply of packaging materials	J. G. Lane
A.C.W. Limited Aberdeen	Manufacture of thermoplastic mouldings for packaging and industrial use	J. R. Duff
Cyro Copigraph Limited Glasgow	National distribution of computer supplies and office copying products	A. J. Nelson
Factory Maintenance Services (Glasgow) Limited, Clydebank	Industrial maintenance and servicing. Plant removal	W. P. Mackie
Farquharson Bros. Limited Glasgow	Manufacture of computer supplies, carbon papers, and office machine ribbons	L. B. Smith
David Fleming Limited Glasgow	Manufacture of rubber stamps and marking devices	J. M. M. Brown
* Flo-pak (U.K.) Limited Brackley	Manufacture of expanded polystyrene cushioning material	J. G. Lane
A. & W. Fullarton Limited Glasgow	Manufacture of packing cases and cartons. Storage and packaging	W. P. Mackie
Macfarlane Business Forms Limited Paisley	Manufacture of business forms, stationery and packaging	J. K. Burton
N. S. Macfarlane & Co. Limited Glasgow	Manufacture of printed self-adhesive tapes and labels	N. S. Macfarlane
N. S. Macfarlane (Furniture) Limited Glasgow	Distribution of office and contract furniture	N. J. Macmillan
Daniel Montgomery & Son Limited Kirkintilloch	Manufacture of bottle closures and pourers. Vacuum metallising	C. B. Cruickshank
John M. Napier Limited Edinburgh	Colour printing and label specialists	J. K. Burton
Smith Brothers (Kilmarnock) Limited Kilmarnock	Colour printing and label specialists	W. F. Cairns Smith
* C. Williams (Liverpool) & Co. Limited, Liverpool	Manufacture of rubber stamps and marking devices. Engraving and vitreous enamelling	S. E. [illegible]

Note:
All the above companies are wholly owned by Macfarlane Group (Clansman) Limited either directly or through its subsidiaries. They are all registered in Scotland with the exception of those marked with an asterisk which are registered in England.