

TULLIS RUSSELL PAPERMAKERS LIMITED

Report and Financial Statements

31 March 2008



TULLIS RUSSELL PAPERMAKERS LIMITED

REPORT AND FINANCIAL STATEMENTS

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TULLIS RUSSELL PAPERMAKERS LIMITED

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F A W Bowden
C A G Parr
M M Sinclair
N J Fedo
N Shepherd
G D Wallace

SECRETARY

G D Miller

REGISTERED OFFICE

Rothsfield
Markinch
Glenrothes
Fife

BANKERS

The Royal Bank of Scotland plc
18 Crossgate
Cupar
Fife
KY15 5HL

SOLICITORS

Dundas & Wilson CS LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Erskine House
68 73 Queen Street
Edinburgh
EH2 4NH

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2008

ACTIVITIES

The Company's principal activity is the manufacture and coating of high printing grades of paper and board. It operates in the UK and through overseas branches in France, Germany, Benelux and the USA.

BUSINESS REVIEW

Volumes were 3% higher than in 2007. Margins were again under pressure this year as a result of increased costs. Pulp prices, chemical prices and packaging costs were all higher than in 2007 and energy costs again increased substantially with rises in gas and electricity. Despite these factors the gross margin percentage was 10%. Return on Capital Employed was 1.5% in 2008.

There was a cash outflow of £2.5m in 2008 reducing bank and cash balances to £6.6m. Net funds finished at £0.6m which includes the loan taken out to finance the purchase of the Gemini brand, the loan amount outstanding is £6m. We have no Gearing in 2008 (9% 2007). During the year land, which was redundant to the business, was sold to a major retailer realising a gain of £5.8m. We also reduced the loan outstanding for the purchase of Gemini by £7m in the year, of which £6m was an additional payment.

Key Business Risks

The main risks the Company is exposed to are weak markets for our products, pulp and energy costs and foreign currency exposures.

Energy costs are a significant burden to the company and we work towards minimising energy costs by optimising the use of our coal and gas fired boilers. A comprehensive review of our power requirements is currently being undertaken to ensure that we have an appropriate strategy going forward to meet our needs and comply with legislative requirements.

Financial instruments

The Company has significant operations outside the UK and as such is exposed to movements in exchange rates. The currency risk is managed by entering into fixed forward contracts over the period of our business plan for key foreign currencies, which will fix a significant proportion of these exposures thereby giving certainty over a substantial part of our income stream and costs. The Company does not enter into any speculative financial instruments.

The Company's principal financial assets are bank balances and trade debtors. The Company manages its credit risk in relation to trade debtors by spreading exposure over a large number of customers and holding credit insurance in respect of trade debtors. The amounts presented in the balance sheet are net of provisions for doubtful debts. The credit risk on liquid funds is limited because the counterparties are UK banks.

Future Outlook

The external commercial environment is expected to remain competitive in 2009.

Environmental

It is the Company's objective to continually improve the environment for its workforce and the local communities in which it operates. Implicit within that objective is to continually work towards minimising any practice or elements of the manufacturing process that would have a negative impact on the environment.

TULLIS RUSSELL PAPERMAKERS LIMITED

DIRECTORS' REPORT (CONTINUED)

REVIEW OF DEVELOPMENTS

The trading performance was excellent considering the difficult market conditions. The substantial increases in pulp, chemical and packaging costs could not be fully recovered by higher selling prices albeit a general price increase was issued in February 2008.

The profit on the ordinary activities before taxation was £6,457,000 (2007 restated Loss £1,139,000). The taxation charge was £1,303,000 (2007 credit £249,000), leaving a profit after taxation of £5,154,000 (2007 restated Loss £890,000).

DIVIDENDS

There were dividends paid in the year of £13,138,000 (2007 no dividend payments during the year).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors served throughout the year. None of the directors had any interest in the shares of the Company at 31 March 2008 or 1 April 2007. D C Munro retired as a director on 25 September 2007. F A W Bowden and C A G Parr are also directors of the parent undertaking Tullis Russell Group Limited.

EMPLOYEE INVOLVEMENT

Employee involvement is central to the management approach of the group. Systems operate in each of the group's businesses to provide all employees with information of concern to them, including information regarding financial and economic conditions affecting the group and its business and the results achieved. Principal communication methods used are monthly team briefings, the issue of a quarterly magazine, the distribution of annual financial information and annual reporting meetings.

Employees are encouraged to participate fully in the performance of their place of work. There is commitment to total quality management. There are cash bonuses, under which employees participate in the profits of their place of work. The amount charged in respect of the schemes to 31 March 2008 was £331,000 (2007 £497,000). All employees with qualifying service share in the group's profits, receiving free shares under the Share Incentive Plan ("SIP"). Employees also have the opportunity to purchase Partnership Shares and receive Matching Shares under the SIP. In respect of the year ended 2008 £50,103 (2007 £39,018) has been charged against profits to buy shares. Consulting with employee representatives takes place at group and company level. Representative bodies include the Share Council, Information and Consultation Committee, Management Safety Policy Committees, Trade Unions and the Staff Association.

DIRECTORS' REPORT (CONTINUED)

DISABLED EMPLOYEES

The Company complies with the requirements of the Disability Discrimination Act 1996. The Company policy is to give full and fair consideration to applications for employment by disabled persons having regard to their particular aptitudes and abilities. In the event of members of staff becoming disabled the Company policy is to continue their employment and arrange for appropriate training where suitable positions exist. Disabled employees have the same training, career development and promotion opportunities as all other employees.

CHARITABLE DONATIONS

Donations to charitable organisations amounted to £11,881 (2007: £8,390).

SUPPLIER PAYMENT POLICY

The Company's policy is to pay suppliers within agreed payment terms. The employees who are responsible for the administration of payments are fully aware of the Company policy. The ratio expressed in days, between the amounts invoiced to the Company by its suppliers in the year ended 31 March 2008 and the amounts owed to its trade creditors at the end of the year was 83 days (2007: 74 days).

AUDIT INFORMATION

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- So far as each of the directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- Each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

AUDITORS

Our auditors, PricewaterhouseCoopers LLP, are willing to remain in office and a resolution concerning their re-appointment and remuneration will be proposed at the forthcoming Annual General Meeting.

APPROVAL OF ACCOUNTS

The accounts were approved by the Board of the Directors on 22 May 2008 and were signed on behalf of the directors by C A G Parr and G D Wallace on that date.

Approved by the Board of Directors
and signed by order of the Board



G D Miller

Secretary

30 May 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the financial statements for the Company in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP")

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with UK GAAP of the state of affairs of the Company and of the profit or loss of the Company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TULLIS RUSSELL PAPERMAKERS LIMITED

We have audited the financial statements of Tullis Russell Papermakers Limited for the year ended 31 March 2008 which comprise the profit and loss account, statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh

3 June 2008

TULLIS RUSSELL PAPERMAKERS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2008

	Note	2008 £'000	2007 Restated* £'000
TURNOVER: continuing operations	2	116,553	110,202
Cost of sales		(92,059)	(89,336)
Gross profit		24,494	20,866
Distribution costs		(18,370)	(18,201)
Administrative expenses		(4,794)	(3,272)
OPERATING PROFIT/(LOSS): continuing operations	4	1,330	(607)
Exceptional items Profit on sale of land	5	5,826	
Net interest payable	6	(699)	(532)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		6,457	(1,139)
Tax on profit/(loss) on ordinary activities	7	(1,303)	249
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	22	5,154	(890)

* The group profit and loss account for the year ended 31 March 2007 has been restated to reflect the adoption of FRS 17 "Retirement Benefits (see note 18)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 March 2008

Profit for the financial year	5,154	(890)
Actuarial gain relating to the pension scheme	9,285	7,408
Movement in deferred tax relating to pension liability	(2,595)	(1,334)
Total recognised gains and losses related to the year	11,844	5,184
Prior year adjustment (as explained in note 25)	(9,861)	
Total gains and losses recognised since the last annual report and financial statements	1,983	

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2008

		2008	2007
		£'000	Restated* £'000
Reported profit/(loss) on ordinary activities before taxation		6,457	(1,139)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	22	324	335
Historical cost profit/(loss) on ordinary activities before taxation		<u>6,781</u>	<u>(804)</u>
Historical cost profit retained after taxation		<u>5,478</u>	<u>555</u>

TULLIS RUSSELL PAPERMAKERS LIMITED

BALANCE SHEET 31 March 2008

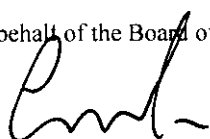
	Note	2008 £'000	2007 Restated* £'000
FIXED ASSETS			
Intangible assets	9	6 843	9,087
Tangible assets	10	34,065	37,669
Investments	11	30	
		<u>40 938</u>	<u>46 756</u>
CURRENT ASSETS			
Stocks	12	12,643	13,477
Debtors	13	14,551	16 132
Cash at bank and in hand		6 568	9,039
		<u>33 762</u>	<u>38,648</u>
CREDITORS amounts falling due within one year	14	<u>(31,599)</u>	<u>(23 435)</u>
NET CURRENT ASSETS		<u>2 163</u>	<u>15,213</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>43 101</u>	<u>61 969</u>
CREDITORS amounts falling due after more than one year			
Loans	15	(5,000)	(12,000)
Deferred tax	19	(3,534)	(4 962)
		<u>(8,534)</u>	<u>(16 962)</u>
ACCRUALS AND DEFERRED INCOME			
Deferred government grants	20	<u>(1 337)</u>	<u>(1,648)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>33,230</u>	<u>43 359</u>
PENSION LIABILITY	18	<u>(1 026)</u>	<u>(9,861)</u>
NET ASSETS		<u>32 204</u>	<u>33 498</u>
CAPITAL AND RESERVES			
Called up share capital	21	5,449	5 449
Share premium account	22	876	876
Revaluation reserve	22	4 907	5,231
Profit and loss account	22	20,972	21,942
TOTAL SHAREHOLDERS' FUNDS	23	<u>32,204</u>	<u>33,498</u>

*The balance sheet for the year ended 31 March 2007 has been restated to reflect the adoption of FRS 17 Retirement Benefits (see note 18)

These financial statements were approved by the Board of Directors on 30 May 2008

Signed on behalf of the Board of Directors

CAG Parr
Director




GD Wallace
Director

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the current and preceding financial year.

Accounting convention

The accounts are prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Cash flow statement

As permitted by FRS 1, a cash flow statement is not included because the company is a wholly owned subsidiary undertaking of a parent undertaking which produces group accounts including a consolidated cash flow statement.

Government Grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

Leased assets

Assets held under finance leases and hire purchase agreements are capitalised as tangible fixed assets at fair value and are depreciated over the shorter of the lease term and the economic life. The obligation for lease and capital payments less finance charges allocated to future periods is included in creditors. Finance charges for each contract are charged to the profit and loss account on a basis which reflects the owner's estimated net cash investment in the contract.

Rentals paid under operating leases are charged to the profit and loss account in accordance with the terms of the relevant lease agreements.

Intangible fixed assets

Intangible assets acquired separately from a business are capitalised at cost.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

The anticipated life of the intangible asset is

Gemini Brand – between 4 and 5 years

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of any depreciation and provision for impairment.

Depreciation is provided on all tangible fixed assets, other than land and assets in the course of construction, at rates calculated to write off the cost or valuation, less estimated realisable value, of each asset over its expected useful life.

The range of anticipated lives of the assets is

Freehold buildings	50 years
Plant and equipment	4 to 20 years

The Company's tangible fixed assets were revalued as at 30 June 1994 on the basis of open market value for the existing use and the values incorporated in the books at that date. Transitional arrangements for FRS15 are being adopted and the company is not continuing the revaluation policy in relation to these assets.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

1 ACCOUNTING POLICIES (Continued)

Stocks

Stocks (including work in progress) are valued at the lower of cost and estimated net realisable value on a first in, first out basis. The cost of stocks comprises direct materials and related costs of conversion being direct labour and production overheads.

Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items as appropriate.

Research and development

Research and development expenditure is charged to profit and loss account in the year in which it is incurred.

Turnover and revenue recognition

Turnover comprises sales in the normal course of business, excluding value added tax. Revenue is recognised when goods are despatched.

Current and Deferred Taxation

Current tax, including United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or at the rate used to hedge the balances, if different. These transaction differences are dealt with in the profit and loss account.

Pension costs

The company makes pension contributions to The Tullis Russell Pension Scheme (the Scheme) on behalf of its employees. There are two schemes, one of which is the defined benefit type, while the other is a defined contribution plan.

In prior years the company was unable to identify its share of the underlying assets and liabilities of the defined benefits scheme on a consistent and reasonable basis and therefore, in accordance with FRS 17 "Retirement Benefits", the company accounted for the schemes as if they were defined contribution schemes. Following a more detailed analysis by the scheme actuary the company can now identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore has accounted for the schemes as a defined benefit plan under FRS 17 for the first time this year, as a change in accounting policy. The prior year adjustment in respect of the implementation of FRS 17 is disclosed in note 23.

The employer's pension costs for the defined contribution plan are charged to the profit and loss account as they become payable.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

1. ACCOUNTING POLICIES (Continued)

Financial instruments and derivatives

The Company uses forward foreign currency contracts to minimise the financial risk attaching to future sales of finished goods or purchases of raw materials, services or capital equipment denominated in foreign currencies. Gains and losses on these contracts are deferred and realised when the underlying transactions are recognised in the financial statements.

Share based payments

The Company has a share compensation scheme, the Share Incentive Plan ("SIP") and the Company accounts for this scheme in accordance with FRS 20.

Under the terms of the SIP, all employees are eligible for an annual award of Free shares. All employees have the right to subscribe for Partnership shares by way of a deduction to salary. Employees who have subscribed for Partnership shares may be eligible to receive Matching shares on a maximum ratio of two Matching shares to every one Partnership share.

The Fair value of the free shares is charged to the profit and loss account over the period from the beginning of the financial year from which qualifying service commences to the date at which the compensation is expected to vest in the employees. Shares are deemed to vest in the employees when all the risks and rewards have substantially transferred. The corresponding credit is included as a liability. No charge is taken to the profit and loss account for Partnership shares as the Company deducts employee remuneration equivalent to the fair value awarded. The fair value of Matching share awards is charged to the profit and loss account at the date any awards are granted. The fair value of any awards granted by way of Free or Matching shares is calculated by reference to the approved valuation with HM Revenue and Customs agreed for this purpose.

The cash cost of settling these awards is borne by the Company.

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2008**

2. TURNOVER

	2008 £'000	2007 £'000
Turnover by destination		
United Kingdom	48,828	47,270
Europe	57,492	49,793
North America	950	1,320
Asia	5,067	6,111
Other	4,216	5,708
	<u>116,553</u>	<u>110,202</u>

All turnover originates from manufacturing in the U K

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

3. STAFF COSTS

	2008 £'000	2007 £'000
Wages and salaries	15,217	15,528
Social security costs	1,541	1,601
Other pension costs	1,101	1,412
	<u>17,859</u>	<u>18,541</u>

The average monthly number of employees during the year was made up as follows

	2008 No.	2007 No.
Management and administration	43	43
Manufacturing and production	448	452
Distribution	59	55
	<u>550</u>	<u>550</u>

Directors' remuneration:

	2008 £'000	2007 £'000
Remuneration	754	726
Pension contributions	124	103
	<u>878</u>	<u>829</u>
Remuneration of highest paid director		
Remuneration	189	217
Pension accrued	25	24
	<u>214</u>	<u>241</u>

	2008 No.	2007 No.
Directors who are members of the pension scheme (who are not also directors of the parent company)	<u>4</u>	<u>4</u>

All directors are members of the Long Term Incentive Plan which was approved at the 2002 Annual General Meeting as part of the remuneration policy. These payments are included within directors' emoluments above.

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

4. OPERATING PROFIT/(LOSS)

	2008 £'000	2007 £'000
Operating profit/(loss) is after charging/(crediting)		
Depreciation and amortisation		
Intangible owned assets (note 9)	3,044	3,044
Tangible owned assets (note 10)	4,700	4,657
Rentals under operating leases		
Plant and machinery	501	520
Land and buildings	520	518
Pension settlement gain	352	
Government grant release (note 20)	(311)	(312)
Directors' remuneration (note 3)	878	829
Loss/(Gain) on foreign currency exchange	953	(944)
Redundancy costs	152	91
Auditors' remuneration		
Audit fees	42	41
Other services	12	45
	<u> </u>	<u> </u>

5. EXCEPTIONAL ITEM

During the year the company sold land for a net consideration of £5,826,000

6. NET INTEREST PAYABLE

	2008 £'000	2007 Restated £'000
Bank interest payable	528	350
Interest on bank loan	771	776
Bank interest receivable	(622)	(437)
Pension scheme financing (note 18)	22	(157)
	<u> </u>	<u> </u>
	699	532

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

7. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2008 £'000	2007 Restated £'000
<i>Current taxation</i>		
UK corporation tax charge for the period	1,396	(335)
Adjustment in respect of prior years	103	3
Total current tax	1,499	(332)
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(196)	83
	1,303	(249)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 30%. The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

	2008 £'000	2007 Restated £'000
Profit/(loss) on ordinary activities before tax	6,457	(1,139)
Tax on profit/(loss) on ordinary activities at standard rate	1,937	(342)
<i>Factors affecting the charge for the period</i>		
Expenses not deductible for tax purposes	114	(830)
Tax at marginal rates	(2)	
Capital allowances in excess of depreciation	781	279
Chargeable gains	(17)	
Release of IBA Deferred tax	(312)	
Transfer pricing adjustment	48	
Movement on Pension	(1,013)	(47)
Short term timing differences	(140)	605
Adjustments to tax in respect of prior periods	103	3
Total actual amount of current tax	1,499	(332)

8. DIVIDENDS

	2008 £'000	2007 £'000
Final paid £13,138,000 (24 1p per ordinary share)	13,138	

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 March 2008**

9. INTANGIBLE FIXED ASSETS

	Brand £'000
Cost:	
At 1 April 2007	13,418
Adjustment (see below)	800
	<hr/>
At 31 March 2008	14,218
	<hr/>
Amortisation:	
At 1 April 2007	4,331
Provided during the year	3,044
	<hr/>
At 31 March 2008	7,375
	<hr/>
Net book value:	
At 31 March 2008	6,843
	<hr/>
At 1 April 2007	9,087
	<hr/>

Further to a review of the intangible asset a revised assessment resulted in an increase to the cost by £800,000

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

10. TANGIBLE FIXED ASSETS

	Land & buildings	Plant and equipment	Assets in course of construction	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2007	15,153	66,820	132	82,105
Additions		1,162	72	1,234
Commissioned		132	(132)	
Disposals	(83)	(229)		(312)
At 31 March 2008	15,070	67,885	72	83,027
Depreciation				
At 1 April 2007	3,938	40,498		44,436
Charge for the year	384	4,316		4,700
Disposals		(174)		(174)
At 31 March 2008	4,322	44,640		48,962
Net book value				
At 31 March 2008	10,748	23,245	72	34,065
Net book value				
At 31 March 2007	11,215	26,322	132	37,669

The Company's tangible fixed assets were revalued as at 30 June 1994 on the basis of open market value for the existing use and the values incorporated in the books at that date. No subsequent revaluations have taken place in accordance with the company's policy. Assets acquired subsequently have been included at original historic cost.

Had the assets not been valued, the amounts at 31 March 2008 would have been

	£'000	£'000	£'000	£'000
Historical cost	10,757	101,580	72	112,409
Depreciation	(4,609)	(78,642)		(83,251)
Historical cost net book value	6,148	22,938	72	29,158
Historical cost depreciation charge for the year	222	4,154		4,376

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

11. INVESTMENTS

	Subsidiary Undertakings £000's
Cost At 1 April 2007	30
Additions	<u>30</u>
Net book value at 31 March 2008	<u><u>30</u></u>

12. STOCKS

	2008 £'000	2007 £'000
Raw materials	3,123	3,569
Work in progress	2,194	2,644
Finished goods	7,326	7,264
	<u>12,643</u>	<u>13,477</u>

13. DEBTORS

	2008 £'000	2007 £'000
Trade debtors	13,604	14,829
Amounts owed by group undertakings	550	996
Prepayments and accrued income	375	284
Corporation tax receivable	22	23
	<u>14,551</u>	<u>16,132</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £'000	2007 £'000
Trade creditors	19,014	17,635
Amounts due to group undertakings	3,706	670
Other taxes and social security	2,824	608
Other creditors and accrued expenses	5,055	3,522
Loans (note 16)	1,000	1,000
	<u>31,599</u>	<u>23,435</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2008 £'000	2007 £'000
Loans (note 16)	5,000	12,000
Deferred tax (note 19)	3,534	4,962
	<u>8,534</u>	<u>16,962</u>

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

16. LOANS

	2008 £'000	2007 £'000
Amounts falling due		
In one year or less	1,000	1,000
In more than one year but not more than two years	1,000	1,000
In more than two years but no more than five years	4,000	11,000
	<u>6,000</u>	<u>13,000</u>

The long term loan is repayable in 2 annual instalments of £1m each commencing 31 May 2008 with a final payment of £4m 31 May 2010. Interest is payable on the loan monthly at 1% above LIBOR and the loan is unsecured.

17. OBLIGATIONS UNDER LEASE CONTRACTS

At 31 March 2008 the Company had annual commitments under non cancellable operating leases for assets expiring as follows

	2008		2007	
	Land & Buildings £'000	Other £'000	Land & Buildings £'000	Other £'000
Operating leases which expire				
Within one year		1		6
In the second to fifth years inclusive		492		506
After five years	523		516	2
	<u>523</u>	<u>493</u>	<u>516</u>	<u>514</u>

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2008

18. PENSION COMMITMENTS

The Company is part of the Tullis Russell Group which operates one principal pension scheme in the UK and one principal scheme in the USA which covers 3 employees. The UK scheme provides defined benefits for service earned before 6 April 2002 and defined contribution for service from 6 April 2002. The USA scheme is a defined contribution scheme.

The following details apply to the UK scheme. The assets of the scheme are held separately from those of the group and are invested by trustees in pooled managed funds. Contributions to the scheme are determined by a qualified actuary, using the Attained Age Method.

The total pension costs of the company, charged to the profit and loss account, were £1,101,000 (2007 £1,412,000). This amount comprised normal pension contributions of £1,453,000 (2007 £1,412,000) offset by a credit of £352,000 (2007 nil) for a settlement gain on the transfer of benefits out of the defined benefits section of the scheme.

FRS 17

In prior years the company was unable to identify its share of the underlying assets and liabilities of the defined benefits scheme on a consistent and reasonable basis and therefore, in accordance with FRS 17 "Retirement Benefits", the company accounted for the schemes as if they were defined contribution schemes. Following a more detailed analysis by the scheme actuary the company can now identify its share of the underlying assets and liabilities of the schemes on a consistent and reasonable basis and therefore has accounted for the schemes as a defined benefit plan under FRS 17 for the first time this year, as a change in accounting policy. See note 1.

The full actuarial valuation at 6 April 2007 was updated to 31 March 2008 by a qualified independent actuary. In accordance with FRS 17, the actuarial calculations have been carried out using the Projected Unit Method.

As stated in the Tullis Russell Group Limited financial statements for the year ended 31 March 2008, the most recent valuation was updated at 31 March 2008 by a qualified actuary. The following information has been extracted directly from the Group financial statements.

	At 31 March 2008	At 31 March 2007	At 31 March 2006
The major assumptions used by the actuary were			
Rate of increase in salaries (excluding promotions)	n/a	4.6%	4.7%
Rate of increase in national annual earnings	n/a	4.6%	4.7%
Rate of increase in deferred pensions	3.5%	3.1%	3.2%
Rate of increase in pensions in payment	3.5%	3.1%	3.2%
Discount rate	6.7%	5.4%	4.9%
Inflation assumption	3.5%	3.1%	3.2%

Mortality for current and future pensioners has been based on PMA/PFA 00 Medium Cohort Birth Year Age Adjustment of +2 Years.

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

18. PENSION COMMITMENTS (CONTINUED)

The company's share of the assets in the scheme, the present value of liabilities in the scheme and the expected rates of return at each balance sheet date were

	2008		2007		2006	
	Long term Rate of Return Expected	Fair Value £000	Long term Rate of Return Expected	Fair Value £000	Long term Rate of Return Expected	Fair Value £000
Equities	7.8%	16,530	7.8%	35,798	8.5%	33,764
Bonds	6.9%	19,022	5.4%	33,441	4.9%	33,993
Property	6.0%	920	6.5%	1,988	7.5%	1,818
Cash	5.0%	387	4.7%	5	4.0%	53
Total fair value of assets		36,859		71,232		69,628
Present value of scheme liabilities		(38,284)		(85,320)		(91,279)
Deficit in scheme		(1,425)		(14,087)		(21,651)
Related deferred tax asset		399		4,226		6,495
Net pension liability		(1,026)		(9,861)		(15,156)

	2008 £000	2007 £000
Analysis of the movement in the scheme deficit in the year		
Opening deficit in the scheme	(14,087)	(21,651)
Current service cost	(455)	(635)
Contributions	3,502	3,597
Net finance return	(22)	157
Settlement gain	352	
Actuarial (loss)/gain	9,285	4,445
Closing deficit in the scheme	(1,425)	(14,087)
Analysis of amounts included within operating profit	£000	£000
Current service cost	(455)	(635)
Total included within operating profit	(455)	(635)
Analysis of the amount which has been charged to net finance costs:	£000	£000
Expected return on pension scheme assets	4,643	4,831
Interest cost on pension scheme liabilities	(4,665)	(4,674)
Net finance cost	(22)	157

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2008

18. PENSION COMMITMENTS (CONTINUED)

History of experience gains and losses	2008	2007
	£000	£000
Amounts taken to the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets		
Amount	(5,607)	11
Percentage of scheme assets	8%	0%
Experience gains and losses arising on the scheme liabilities		
Amount	3,212	(1,657)
Percentage of present value of scheme liabilities	4%	(2%)
Changes in financial assumptions underlying the scheme liabilities		
Amount	11,680	6,091
Percentage of present value of scheme liabilities	16%	6%
Actuarial (loss)/gain before tax	9,285	4,445
Actual gain as a percentage of the scheme liabilities	24.3%	5.2%

Future Funding Contributions

The Group has agreed to make additional annual cash payments of £3,800,000 into the pension scheme for the next five years. The continued adequacy of these contributions has been reassessed following completion of the current actuarial valuation as at 5 April 2007, found to be adequate and the funding plan has been agreed with the Pension Scheme Trustees.

Defined Contribution scheme

The defined contribution pension cost for the Company was £1,288,000 (2007, £1,366,000). Outstanding contributions of £114,287 (2007, £134,028) are included in Creditors' amounts falling due within one year.

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

19. PROVISION FOR LIABILITIES AND CHARGES

	Deferred Taxation £'000
Balance at 1 April 2007	4,962
Current year credit	(1,428)
	<hr/>
Balance at 31 March 2008	3,534
	<hr/>

	2008 £'000	2007 £'000
Provision for deferred taxation consists of the following amounts		
Capital allowances in excess of depreciation	3,981	5,047
Other timing differences	402	719
Losses	(849)	(804)
	<hr/>	<hr/>
	3,534	4,962
	<hr/>	<hr/>

During the year, as a result of the change in the UK Corporation Tax rate from 30% to 28% that will be effective from 1st April 2008, deferred tax balances have been measured using the effective rate for the period (28%)

20. DEFERRED GOVERNMENT GRANTS

	£'000
At 1 April 2007	1,648
Amortised during the year	(311)
	<hr/>
At 31 March 2008	1,337
	<hr/>

	2008 £'000	2007 £'000
Deferred government grants can be split as follows		
Release due within one year	311	311
Release due after more than one year	1,026	1,337
	<hr/>	<hr/>
	1,337	1,648
	<hr/>	<hr/>

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

21. CALLED UP SHARE CAPITAL

	2008 £'000	2007 £'000
Authorised		
54,691,000 ordinary shares of 10p each	5,469	5,469
Called up, allotted and fully paid		
54,490,000 ordinary shares of 10p each	5,449	5,449

22. STATEMENT OF RESERVES

	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
At 1 April 2007 as previously reported	876	31,803	5,231	37,910
Prior year adjustment (see note 25)		(9,861)		(9,861)
At 1 April 2007 as restated	876	21,942	5,231	28,049
Profit after taxation for the year		5,154		5,154
Dividends paid		(13,138)		(13,138)
Actuarial gain relating to pension scheme (net of deferred tax movement)		6,690		6,690
Transfer of amount equivalent to additional depreciation on revalued assets		324	(324)	
At 31 March 2008	876	20,972	4,907	26,755

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Opening shareholders' funds as reported	43,359	43,470
Prior year adjustment (see note 25)	(9,861)	(15,156)
	33,498	28,314
Profit for the year	11,844	5,184
Dividends paid	(13,138)	
Net (reduction)/addition to shareholders' funds	(1,294)	5,184
Closing shareholders' funds	32,204	33,498

24. CAPITAL COMMITMENTS

	2008 £'000	2007 £'000
Contracted	2	119

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2008

25. RESTATEMENT

Adoption of FRS 17 "Retirement Benefits"

As a result of the adoption of FRS 17, the group profit and loss account and the group balance sheet have been restated to reflect the impact of moving to FRS 17. The effects of this change in accounting policy are disclosed in the table below.

	Per 2007 Financial Statement £000's	Adoption of FRS 17 £'000	Restated 2007 Accounts £'000
Profit and Loss account			
Operating loss	(607)		(607)
Net Interest payable	(689)	157	(532)
Tax Credit	1,185	(936)	249
	<u>(111)</u>	<u>(779)</u>	<u>(890)</u>
Balance Sheet			
Pension Liability		(9,861)	(9,861)
Net Assets	43,359	(9,861)	33,498
Profit and loss account	31,803	(9,861)	21,942

26. GUARANTEES

The maximum bank borrowings guaranteed by the company, including amounts recognised in these financial statements, relating to group borrowings amounted to £14,651,000 (2007: £18,075,000).

27. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary of Tullis Russell Group Limited and has therefore taken advantage of the exemption permitted by FRS8 'Related Party Disclosures', with regard to the disclosure of Related Party transactions with other group companies. There have been no other related party transactions.

28. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking and ultimate controlling party is Tullis Russell Group Limited. This is the only group of undertakings of which the company is a member. Copies of the accounts of Tullis Russell Group Limited may be obtained from Companies House, 37 Castle Terrace, Edinburgh.