Company Registration No. SC006195

TULLIS RUSSELL PAPERMAKERS LIMITED

Report and Financial Statements

31 March 2013

TULLIS RUSSELL PAPERMAKERS LIMITED

CONTENTS

TULLIS RUSSELL PAPERMAKERS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F A W Bowden
C A G Parr
M M Sinclair
N J Fedo
N Shepherd
G D Miller
A Gibson (resigned 31 March 2013)
S J Moss (resigned 19 April 2013)
M Steadman (appointed 18 February 2013)

SECRETARY

G D Miller

REGISTERED OFFICE

Rothesfield
Markinch
Glenrothes
Fife
KY7 6PB

BANKERS

Lloyds Banking Group plc
Corporate Banking
West Level 8
123 St Vincent Street
Glasgow
G2 5ER

SOLICITORS

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

STATUTORY 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 2013.

PRINCIPAL 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, Spain, China and the USA.

BUSINESS REVIEW

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 2012 and energy costs again increased substantially with rises in gas and electricity. The net effect of these factors caused the gross margin percentage to drop to 15% (2012: 17%). Return on Capital Employed was negative 50.6% (2012: negative 54.6%). Return on Sales was negative 3.9% (2012: negative 5.2%). Operating loss for the year of £4,382,000 (2012: £6,002,000) is stated after exceptional redundancy costs of £169,000 (2012: £1,300,000).

There was a cash outflow of £3.3m in 2013 resulting in an overdraft of £2.7m.

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 20 year energy supply agreement has been signed with RWE Npower who are currently building a 50MW Biomass plant at the Markinch site. Within the terms of this agreement Tullis Russell will be supplied with all its electricity and steam requirements from the power plant which will be built, owned and operated by RWE Npower. This arrangement is facilitated by a long-term lease which we have granted to RWE Npower. The plant is now in commissioning which is scheduled to be completed in autumn 2013.

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 forward contracts over the twelve months for key foreign currencies, which will provide an effective hedge over a significant proportion of these exposures. 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 counter parties are UK banks.

Future Outlook

The external commercial environment is expected to remain challenging in 2014, as a result of the continued economic uncertainty. The commissioning of the Biomass plant in autumn 2013 is expected to return the company to a profitable trading position.

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 reducing any practice or elements of the manufacturing process that would have a negative impact on the environment.

DIRECTORS' REPORT (CONTINUED)

RESULTS AND DIVIDENDS

The loss on the ordinary activities before taxation was £5,062,000 (2012: £6,828,000). The taxation credit was £1,022,000 (2012: £1,468,000), leaving a loss after taxation of £4,040,000 (2012: £5,360,000). There were no dividends paid in the year (2012: no dividend paid).

RESEARCH AND DEVELOPMENT

The Company is committed to research and development, dedicated both to improving the quality of existing products and processes and the design of new ones.

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 regular 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 2013 was £250,000 (2012: £200,000). All employees with qualifying service share in the group's profits by receiving free shares under the Share Incentive Plan ("SIP"). Employees also have the opportunity to purchase Partnership Shares and where approved by the Board, receive Matching Shares under the SIP. In respect of the year ended 31 March 2013 £150,000 (2012: £153,000) has been charged against profits in respect of these share arrangements.

Consulting with employee representatives takes place at group and company level. Representative bodies include: the Employee Ownership Board, Health & Safety Steering Group, Trade Unions, and the Staff Association.

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.

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 2013 and the amounts owed to its trade creditors at the end of the year was 67 days (2012: 58 days).

POLITICAL AND CHARITABLE CONTRIBUTIONS

Donations to charitable organisations amounted to £nil (2012: £190,000). The prior year donations were made to the Tullis Russell Eco Centre. There were no political donations.

DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' liability insurance has been in place throughout the year to 31 March 2013 and this remains in place as at the date of approving the directors' report.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. F A W Bowden, C A G Parr and G D Miller are also directors of the parent undertaking Tullis Russell Group Limited.

DIRECTORS' REPORT (CONTINUED)

AUDIT INFORMATION

In the case of each director in office at the date the directors' report is approved, that:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

Auditors are appointed by the shareholders at each Annual General Meeting to act until the conclusion of the following Annual General Meeting. The responsibilities of the auditors are set out in their audit report on page 6. 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.

Approved by the Board of Directors and signed by order of the Board. The financial statements on pages 8 to 24 were approved by the Board of Directors and signed by order of the Board.

G D Miller

Secretary

30 May 2013

Company Registration No. SC006195

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. They are also responsible 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 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Note of Historical Cost Profits and Losses, the Balance Sheet, the Statement of Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Caroline Roxburgh

Caroline Roxburgh (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

31 May 2013

PROFIT AND LOSS ACCOUNT
For the year ended 31 March 2013

	Note	2013 £000	2012 £000
TURNOVER: continuing operations	1	128,617	131,688
Cost of sales		(108,980)	(109,613)
Gross profit		19,637	22,075
Distribution costs		(19,320)	(18,638)
Administrative expenses		(4,530)	(8,139)
Operating loss before exceptional costs	3	(4,213)	(4,702)
Exceptional operating costs	3	(169)	(1,300)
OPERATING LOSS: continuing operations	3	(4,382)	(6,002)
Net interest payable	4	(680)	(826)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,062)	(6,828)
Tax on loss on ordinary activities	5	1,022	1,468
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	15	(4,040)	(5,360)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 March 2013

	Note	2013	2012
Loss for the financial year		(4,040)	(5,360)
Actuarial gain/(loss) relating to the pension scheme	13	1,445	(2,106)
Movement on deferred tax relating to pension liability		(358)	477
Total recognised gains and losses related to the year		(2,953)	(6,989)

NOTE OF HISTORICAL COST PROFITS AND LOSSES
For the year ended 31 March 2013

	Note	2013 £000	2012 £000
Reported loss on ordinary activities before taxation		(5,062)	(6,828)
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	15	12	(63)
Historical cost loss on ordinary activities before taxation		(5,050)	(6,891)
Historical cost loss retained after taxation		(4,028)	(5,423)

TULLIS RUSSELL PAPERMAKERS LIMITED

BALANCE SHEET
As at 31 March 2013

	Note	2013 £000	2012 £000
FIXED ASSETS			
Tangible assets	6	21,063	23,107
		21,063	23,107
CURRENT ASSETS			
Stocks	7	18,808	14,943
Debtors	8	15,453	14,917
Cash at bank and in hand		5	631
		34,266	30,491
CREDITORS: amounts falling due within one year	9	(43,605)	(37,442)
NET CURRENT LIABILITIES		(9,339)	(6,951)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,724	16,156
CREDITORS: amounts falling due after more than one year	10	(2,564)	(2,584)
NET ASSETS EXCLUDING PENSION LIABILITY		9,160	13,572
PENSION LIABILITY	13	(492)	(1,951)
NET ASSETS		8,668	11,621
CAPITAL AND RESERVES			
Called up share capital	14	5,449	5,449
Share premium account	15	876	876
Revaluation reserve	15	3,798	3,810
Profit and loss account	15	(1,455)	1,486
TOTAL SHAREHOLDER'S FUNDS	16	8,668	11,621

These financial statements were approved by the Board of Directors on 30 May 2013.

Signed on behalf of the Board of Directors

CAG Parr
Director

GD Miller
Director

STATEMENT OF ACCOUNTING POLICIES
As at 31 March 2013

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 on a going concern basis, under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

Cash flow statement

As permitted by FRS 1 (revised 1996), a cash flow statement is not included because the Company is a wholly owned subsidiary undertaking of a parent undertaking which produces publicly available 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 on a straight-line basis over the expected useful lives of the relevant assets.

Leased assets

The fair value of assets acquired under finance leases and hire purchase contracts is included in Tangible Fixed Assets and is depreciated over the shorter of the lease term and economic life. The obligations for lease payments, less finance charges allocated to future periods, are included in creditors. Finance charges for each contract are charged to the profit and loss account on a basis which reflects the lessor'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.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of any depreciation and provision for impairment. Depreciation, calculated on cost or valuation less estimated residual value, is provided on a straight-line basis on all tangible fixed assets, other than land and assets in the course of construction, over the anticipated useful lives of the relevant assets from the date of acquisition (or commissioning if later).

The range of anticipated lives of the assets is:

Freehold buildings	-	50 years
Plant and equipment	-	4-20 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.

STATEMENT OF ACCOUNTING POLICIES
As at 31 March 2013

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.

Turnover and revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Company recognises revenue at the point at which goods are despatched, as the risk has been transferred at that point and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 principal group pension scheme encompasses both a defined benefit section for service up to 5 April 2002 and a defined contribution section for service from 6 April 2002.

For the defined benefit section the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount within interest payable. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The defined benefit section is funded, with the assets held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

STATEMENT OF ACCOUNTING POLICIES
As at 31 March 2013

Research and development

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

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.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

1. TURNOVER

	2013 £000	2012 £000
Turnover by destination:		
United Kingdom	43,298	48,137
Europe	61,402	67,651
North America	8,871	3,629
Asia	9,831	6,885
Other	5,215	5,386
	128,617	131,688

All turnover originates from manufacturing in the U.K.

2. STAFF COSTS AND EMPLOYEE INFORMATION

	2013 £000	2012 £000
Wages and salaries	15,983	17,664
Social security costs	1,615	1,750
Other pension costs	1,309	1,294
	18,907	20,708

The average monthly number of employees (including directors) during the year was made up as follows:-

	2013 No.	2012 No.
Management and administration	69	71
Manufacturing and production	392	409
Distribution	64	59
	525	539

Directors' emoluments:	2013 £000	2012 £000
Emoluments	623	779
Pension contributions	51	67
	674	846

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

2. STAFF COSTS AND EMPLOYEE INFORMATION (CONTINUED)

During the current year five of the directors of the Company (who are not also directors of the parent company) were members of the group pension scheme (2012: five).

The aggregate emoluments of the highest paid director were £174,000 (2012: £169,000), including £11,000 in relation to pension contributions (2012: £11,000).

3. OPERATING LOSS

	2013 £000	2012 £000
Operating loss is after charging/(crediting):		
Depreciation		
Tangible owned assets (note 6)	2,546	3,028
Rentals under operating leases		
Plant and machinery	749	628
Land and buildings	673	541
Pension settlement gain (note 13)	-	(38)
Government grants and lease premium release	(193)	(266)
Loss on foreign currency exchange	113	4,575
Redundancy costs	169	1,300
Auditors' remuneration		
Audit fees	46	46
Other services	-	4

Redundancy costs are disclosed separately as exceptional operating costs on the profit and loss account.

4. NET INTEREST PAYABLE

	2013 £000	2012 £000
Bank interest payable	205	436
Bank interest receivable	(4)	(3)
Interest payable on pension scheme financing (note 13)	479	393
	680	826

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

5. TAX ON LOSS ON ORDINARY ACTIVITIES

	2013 £000	2012 £000
Current taxation		
UK corporation tax for the year	(434)	283
Adjustment in respect of prior years	(41)	(134)
Total current tax	(475)	149
Deferred taxation		
Origination and reversal of timing differences	(502)	(1,736)
Adjustment in respect of prior years	(45)	130
Changes in tax rates or laws	-	(11)
Tax on loss on ordinary activities	(1,022)	(1,468)

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 24% (2012: 26%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation.

	2013 £000	2012 £000
Loss on ordinary activities before tax	(5,062)	(6,828)
Tax on loss on ordinary activities at standard rate	(1,215)	(1,775)
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	300	365
Capital allowances in excess of depreciation	130	166
Short term timing differences	(166)	(255)
Income not taxable for tax purposes	(49)	(62)
Utilisation of tax losses	566	1,844
Adjustments to tax in respect of prior periods	(41)	(134)
Current tax (credit)/charge for the year	(475)	149

A change in the UK corporation tax rate from 26% to 24%, effective from 1 April 2012, was substantively enacted in March 2012. A further reduction to 23%, effective from 1 April 2013, was substantively enacted in July 2012; the relevant deferred tax balances have been re-measured accordingly. In addition, a number of further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget. These include further reductions to the main rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These changes had not been substantively enacted at the balance sheet date and, therefore, are no are not included in these financial statements.

The proposed reductions to the main rate of corporation tax are expected to be enacted separately. The overall effect of these further changes, if applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax liability by an additional £18,003 from 1 April 2014 and £9,001 from 1 April 2015.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

6. TANGIBLE ASSETS

	Freehold Land & buildings	Plant and equipment	Assets in course of construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2012	16,298	64,884	1,713	82,895
Additions	-	426	76	502
Transfer	-	351	(351)	-
At 31 March 2013	16,298	65,661	1,438	83,397
Accumulated depreciation				
At 1April 2012	5,673	54,115	-	59,788
Charge for the year	325	2,221	-	2,546
At 31 March 2013	5,998	56,336	-	62,334
Net book value				
At 31 March 2013	10,300	9,325	1,438	21,063
Net book value				
At 31 March 2012	10,625	10,769	1,713	23,107

Included within Plant and Equipment are assets held under finance leases with a net book value at 31 March 2013 of £223,000 (2012: £nil).

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 revalued, the amounts at 31 March 2013 would have been:-

	Freehold Land & buildings	Plant and Equipment	Assets in course of construction	Total
	£000	£000	£000	£000
Historical cost	12,067	116,544	1,438	130,049
Aggregate depreciation	(5,856)	(106,929)	-	(112,785)
Historical cost net book value	6,211	9,615	1,438	17,264
Historical cost depreciation charge for the year	238	2,296	-	2,534

7. STOCKS

	2013 £000	2012 £000
Raw materials and consumables	6,883	4,545
Work in progress	3,477	2,897
Finished goods and goods for resale	8,448	7,501
	18,808	14,943

The replacement cost of stocks is not materially different from the above.

8. DEBTORS

	2013 £000	2012 £000
Trade debtors	11,405	12,071
Amounts due from group undertakings	712	763
Prepayments and accrued income	276	540
VAT recoverable	2,248	1,346
Other debtors	59	103
Deferred tax (note 12)	753	94
	15,453	14,917

Amounts due from group undertakings are unsecured, interest free and are repayable on demand.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £000	2012 £000
Bank overdrafts	2,678	-
Trade creditors	24,079	20,810
Amounts due to group undertakings	9,219	8,099
Other taxes and social security	560	493
Finance leases (note 11)	40	-
Other creditors and accrued expenses	7,029	8,040
	43,605	37,442

The supplier payment policy is disclosed in the Directors' Report on page 3. The directors consider that the carrying amount of trade payables approximates to their fair value. Amounts due to group undertakings are unsecured, interest free and are payable on demand.

The bank facilities are secured against the Company's debtors ledger.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

10. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2013 £000	2012 £000
Deferred government grants	2,391	2,584
Finance leases (note 11)	173	-
	2,564	2,584

11. FINANCE LEASES

	2013 £000	2012 £000
Maturity of finance leases:		
Within one year	40	-
In more than one year, but not more than two years	88	-
In more than two years, but not more than five years	85	-
	213	-

	2013 £000	2012 £000
Future minimum payments under finance leases are as follows:		
Within one year	51	-
In more than one year, but not more than five years	191	-
Total gross payments	242	-
Less finance charges included above	(29)	-
	213	-

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

12. DEFERRED TAXATION

	Deferred Taxation £000
At 1 April 2012	94
Current year profit and loss account credit	614
Adjustment in respect of prior year	45
At 31 March 2013	753

	2013 £000	2012 £000
Provision for deferred taxation consists of the following amounts:		
Capital allowances in excess of depreciation	(2,238)	(2,461)
Other timing differences	(350)	(541)
Losses	3,341	3,096
	753	94

13. PENSION COMMITMENTS

Eligible employees of the company are members of The Tullis Russell Pension Scheme and particulars of the actuarial valuation of the scheme are contained in the accounts of Tullis Russell Group Limited.

The group operates one principal pension scheme in the UK which provides defined benefits for service earned before 6 April 2002 and defined contribution for service from 6 April 2002.

Defined Benefit Scheme

The assets of the scheme are held separately from those of the group and are invested by trustees in pooled managed funds. An actuarial valuation was carried out at 6 April 2010 and updated to 31 March 2013 by Aon Consulting, independent consulting actuaries using the Projected Unit Method.

The major assumptions used by the actuary were:	**2013**	**2012**
Rate of increase in pensions in payment	3.15%	3.1%
Discount rate	4.6%	4.8%
Rate of inflation – RPI	3.3%	3.2%
Rate of inflation - CPI	2.2%	2.2%

Mortality for current and future pensioners for 2012 and 2013 has been based on SAPS, with 2010 CMI Improvements with 1% underpin, + 3 years for females only.

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:

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

13. PENSION COMMITMENTS (CONTINUED)

The assets in the scheme and the expected rates of return were:

	2013		2012	
	Long-term Rate of Return Expected	**Fair Value £000**	**Long-term Rate of Return Expected**	**Fair Value £000**
Bonds	4.0%	17,696	4.0%	15,865
Cash	2.5%	2,161	2.5%	2,093
Annuity policy	4.6%	46,447	4.8%	45,422
Total market value of assets		66,304		63,380
Present value of scheme liabilities		(66,944)		(65,948)
Deficit in scheme		(640)		(2,568)
Related deferred tax asset		148		617
Net pension deficit		(492)		(1,951)

Reconciliation of present value of scheme Liabilities	**2013 £000**	**2012 £000**
At 1 April	(65,948)	(58,833)
Defined benefit service cost	(424)	(383)
Interest cost	(3,149)	(3,321)
Actuarial gain/(loss)	1,363	(4,625)
Liabilities extinguished on settlements	-	298
Benefits paid	1,214	916
At 31 March	(66,944)	(65,948)

Reconciliation of fair value of scheme assets	**2013 £000**	**2012 £000**
At 1 April	63,380	55,282
Expected return	2,670	2,928
Actuarial gain	85	2,521
Assets distributed on settlements	-	(260)
Contributions paid by employer	1,383	3,825
Benefits paid	(1,214)	(916)
At 31 March	66,304	63,380

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance sheet date. The actual return on scheme assets in the year was £2,755,000 (2012: £5,449,000).

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

13. PENSION COMMITMENTS (CONTINUED)

Amounts (credited)/charged to the profit and loss are as follows:	**2013 £000**	**2012 £000**
Expected return on pension scheme assets	(2,670)	(2,928)
Interest on pension scheme liabilities	3,149	3,321
Settlement gain	-	(38)
	479	355

Actuarial valuation

The full actuarial valuation at 6 April 2010 showed a decrease in the deficit from £19,724,000 to £15,084,000. The company agreed a deferment of cash payments to fund the deficit for one year from June 2012. On recommencment of payments from July 2013, the group has agreed with the trustees that it will make annual cash contributions of £2,000,000 over the next 9 years to make good the deficit. The scheme is closed to new entrants and to future accrual for existing members.

Amounts for current and previous four years	**2013 £000**	**2012 £000**	**2011 £000**	**2010 £000**	**2009 £000**
Defined benefit obligation	(66,944)	(65,948)	(58,833)	(71,983)	(52,241)
Plan assets	66,304	63,380	55,282	65,002	51,395
Deficit	(640)	(2,568)	(3,551)	(6,981)	(846)
Experience adjustments on plan assets	85	2,521	(8,231)	7,949	(3,409)
Experience adjustments on plan liabilities	3,025	1,309	5,371	6,025	(1,981)
Total amount recognised in the statement of total recognised gains and losses	1,445	(2,106)	(943)	(8,543)	(3,332)

Defined Contribution scheme

The defined contribution pension cost for the Company was £878,000 (2012: £890,000). Outstanding contributions of £78,000 (2012: £122,000) are included in Creditors: amounts falling due within one year.

14. CALLED UP SHARE CAPITAL

	2013 £000	**2012 £000**
Allotted, called up and fully paid		
54,490,000 ordinary shares of 10p each	5,449	5,449

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

15. RESERVES

	Share premium account £000	Profit and loss account £000	Revaluation reserve £000	Total £000
At 1 April 2012	876	1,486	3,810	6,172
Loss after taxation for the year	-	(4,040)	-	(4,040)
Actuarial gain relating to the pension scheme	-	1,087	-	1,087
Transfer of amount equivalent to additional depreciation on revalued assets	-	12	(12)	-
At 31 March 2013	876	(1,455)	3,798	3,219

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2013 £000	2012 £000
Opening shareholder's funds	11,621	18,610
Total recognised gains and losses	(2,953)	(6,989)
Closing shareholder's funds	8,668	11,621

17. LEASE OBLIGATIONS

At 31 March 2013 the Company had annual commitments under non-cancellable operating leases for assets expiring as follows:-

	2013		2012	
	Land & Buildings £000	Other £000	Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	198	130	-	2
In the second to fifth years inclusive	281	605	380	711
After five years	-	-	165	12
	479	735	545	725

18. CAPITAL COMMITMENTS

	2013 £000	2012 £000
Contracted	24	58

19. CONTINGENT LIABILITIES AND GUARANTEES

The maximum bank borrowings guaranteed by the company, including amounts recognised in these financial statements, relating to group borrowings amounted to £nil (2012: £27,000).

The UK bank facilities for the Tullis Russell Group are secured against the Company's debtors ledger.

NOTES TO FINANCIAL STATEMENTS
Year ended 31 March 2013

20. 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' in not disclosing details of transactions with other group companies. There have been no other related party transactions.

21. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking and ultimate controlling party is Tullis Russell Group Limited. Tullis Russell Group Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements. Copies of the accounts of Tullis Russell Group Limited may be obtained from Companies House, 4th floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh EH3 9FF.