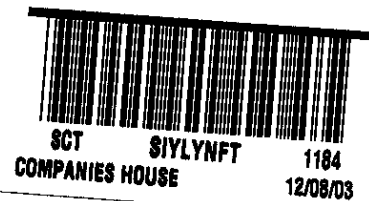


TULLIS RUSSELL PAPERMAKERS LIMITED

Report and Financial Statements

31 March 2003

**Deloitte & Touche
Edinburgh**



TULLIS RUSSELL PAPERMAKERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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TULLIS RUSSELL PAPERMAKERS LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

G D Miller

REGISTERED OFFICE

Rothsfield
Markinch
Glenrothes
Fife

BANKERS

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

SOLICITORS

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

AUDITORS

Deloitte & Touche
Chartered Accountants
Edinburgh

TULLIS RUSSELL PAPERMAKERS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS

The trading performance was excellent considering the difficult market conditions.

The profit on the ordinary activities before taxation was £2,747,000 (2002: £1,137,000). The taxation charge was £1,000,000 (2002: £394,000), leaving a profit after taxation of £1,747,000 (2002: £743,000). Cash balances increased by £2,496,000 during the year.

DIVIDENDS

The directors recommend the payment of a dividend of £852,000 (2002: £965,000).

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 2003 or 1 April 2002. Directors' interests in the share capital of the parent undertaking were as follows:

	At 31 March 2003 Ord shares of 10p each	At 31 March 2002 Ord shares of 10p each
M M Sinclair	21,891	21,059
N Shepherd	19,280	16,084
N J Fedo	9,001	2,258
	<hr/>	<hr/>
	50,172	39,401
	<hr/>	<hr/>

CAG Parr, DC Munro and FAW Bowden are directors of Tullis Russell Group Limited and information regarding their shareholdings is given in the accounts of that company.

The price of the parent company's shares at 31 March 2003 was 57.0p and the range during the year ended March 2003 was 20.3p to 57.0p.

EMPLOYMENT 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 2003 was £1,137,000 (2002 £1,184,000). 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 2003 £243,000 (2002 £331,000) has been charged against profits to buy shares.

DIRECTORS' REPORT

Consulting with employee representatives take place at group and company level. Representative bodies include: the Share Council, Works Councils, Management Safety Policy Committees, 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 respect of employees who have become disabled during the year, 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 organisation amounted to £7,000 (2002 : £8,000).

Supplier Payment Policy

The company's policy is to pay suppliers within agreed payment terms. The policy is known to the staff who handle payments to suppliers.

The ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year ended 31 March 2003 and the amounts owed to its trade creditors at the end of the year was 82 days (2002 – 87 days).

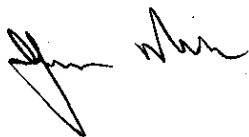
AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approval of Accounts

The accounts were approved by the Board of the Directors on 12 June 2003 and were signed on behalf of the directors by D C Munro and C A G Parr on that date.

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



GD Miller

Secretary

12 June 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. 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

TULLIS RUSSELL PAPERMAKERS LIMITED

We have audited the financial statements of Tullis Russell Papermakers Limited for the year ended 31 March 2003 which comprise the profit and loss account, the note of historical cost profits and losses, the balance sheet, and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company and other members of the group is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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 judgements 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 of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors

Edinburgh

12 June 2003

TULLIS RUSSELL PAPERMAKERS LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
TURNOVER: continuing operations	2	107,543	108,181
Cost of sales		(80,218)	(81,278)
Gross profit		<u>27,325</u>	<u>26,903</u>
Distribution costs		(18,347)	(17,647)
Administrative expenses:			
Net costs of ESOPs		-	(3,826)
Other administration expenses		(5,715)	(5,435)
Total administration expenses		<u>(5,715)</u>	<u>(9,261)</u>
OPERATING PROFIT/(LOSS): continuing operations	4	3,263	(5)
Net interest payable	5	(516)	(554)
Exceptional gain on disposal of land		-	1,696
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>2,747</u>	<u>1,137</u>
Tax on profit on ordinary activities	6	(1,000)	(394)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>1,747</u>	<u>743</u>
Dividends	7	(852)	(965)
RETAINED PROFIT/(LOSS) FOR THE YEAR	16	<u>895</u>	<u>(222)</u>

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly, no Statement of Total Recognised gains and losses is shown.

TULLIS RUSSELL PAPERMAKERS LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Reported profit on ordinary activities before taxation		2,747	1,137
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	16	450	438
Historical cost profit on ordinary activities before taxation		<u>3,197</u>	<u>1,575</u>
Historical cost profit retained after taxation and dividends		<u>1,345</u>	<u>216</u>

TULLIS RUSSELL PAPERMAKERS LIMITED

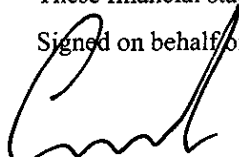
BALANCE SHEET

As at 31 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	<u>43,335</u>	<u>44,227</u>
CURRENT ASSETS			
Stocks	9	12,481	10,677
Debtors	10	17,298	18,322
Cash at bank and in hand		<u>11,193</u>	<u>8,697</u>
		40,972	37,696
CREDITORS: amounts falling due within one year	11	<u>(24,569)</u>	<u>(24,066)</u>
NET CURRENT ASSETS		<u>16,403</u>	<u>13,630</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		59,738	57,857
CREDITORS: amounts falling due after more than one year			
Obligations under finance leases	12	(339)	(509)
Pension commitments	13	(2,565)	(2,865)
Deferred tax	14	<u>(4,851)</u>	<u>(3,690)</u>
		(7,755)	(7,064)
ACCRUALS AND DEFERRED INCOME			
Deferred government grants		<u>(1,375)</u>	<u>(1,080)</u>
NET ASSETS		<u>50,608</u>	<u>49,713</u>
CAPITAL AND RESERVES			
Called up share capital	15	5,449	5,449
Share premium account	16	876	876
Revaluation reserve	16	6,601	7,051
Profit and loss account	16	<u>37,682</u>	<u>36,337</u>
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	<u>50,608</u>	<u>49,713</u>

These financial statements were approved by the Board of Directors on 12 June 2003

Signed on behalf of the Board of Directors



CAG Parr

Director



DC Munro

Director

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The particular accounting policies adopted are described below.

Cash flow statement

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 on the same basis as owned assets. 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 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 profit and loss account in accordance with the terms of the relevant lease agreements.

Depreciation

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 :

Heritable buildings	-	50 years
Plant and equipment	-	4 to 20 years

Revalued assets

The company assets were revalued in June 1994 and have not been updated since. Transitional arrangements for FRS15 are being adopted and the company is not continuing the revaluation policy in relation to these assets.

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.

Provision for losses is made, where relevant, by reference to the contracted or selling price of the item concerned.

Research and development

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

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

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

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. The defined benefit section is valued every three years by a professionally qualified independent actuary and any variations from regular cost arising from the actuarial valuations are charged to the profit and loss account over the average remaining service lives of its active members, following consultations with the actuary. Any difference between the charge to the profit and loss account and the actual contributions paid to the scheme is included as an asset or liability in the balance sheet. Company contributions relating to the defined contribution section are charged to the profit and loss account in the period they are incurred.

2. TURNOVER

	2003 £'000	2002 £'000
Turnover by destination:		
United Kingdom	49,846	54,047
Europe	36,660	33,062
North America	8,772	8,429
Asia	1,349	4,527
Other	10,916	8,116
	<u>107,543</u>	<u>108,181</u>

All turnover originates from manufacturing in the U.K.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

3. STAFF COSTS

	2003	2002
	£'000	£'000
Wages and salaries	14,848	13,483
Social security costs	1,395	1,038
Other pension costs	654	699
	<u>16,897</u>	<u>15,220</u>

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

	2003	2002
	No	No
Management and administration	42	41
Manufacturing and production	496	500
Distribution	78	92
	<u>616</u>	<u>633</u>

	2003	2002
	£'000	£'000
Directors' remuneration:		
Remuneration	590	543
Pension contributions	58	72
	<u>648</u>	<u>615</u>

Remuneration of highest paid director:

Remuneration	172	157
Annual Pension accruing to highest paid director	<u>33</u>	<u>20</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. The earliest any payments under the plan will become payable will be in the year ending 31 March 2005 and will be based on the financial performance of the company in the three years to March 2004.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

4. OPERATING PROFIT

	2003	2002
	£'000	£'000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	4,438	4,109
Leased assets	191	188
Rentals under operating leases		
Plant and machinery	250	305
Land and Buildings	520	619
Government grant release	(173)	(100)
Directors remuneration (note 3)	648	615
Loss on foreign currency exchange	385	189
Auditors' remuneration		
audit fees	26	34
other services	18	18
	<u> </u>	<u> </u>

5. NET INTEREST PAYABLE

	2003	2002
	£'000	£'000
Bank interest payable	324	288
Finance charges payable under finance leases	28	36
Interest on loan from parent undertaking	595	600
Bank interest receivable	(431)	(370)
	<u> </u>	<u> </u>
	<u>516</u>	<u>554</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003	2002
	£'000	£'000
<i>Current taxation</i>		
UK corporation tax charge for the period	-	165
Adjustment in respect of prior years	(165)	(140)
Overseas tax	4	-
	<u> </u>	<u> </u>
Total current tax	(161)	25
<i>Deferred taxation</i>		
Origination and reversal of timing differences	1,246	369
Adjustment in respect of prior years	(85)	-
	<u> </u>	<u> </u>
	<u>1,000</u>	<u>394</u>

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 exceeds the standard rate for the reasons set out in the following reconciliation.

	2003	2002
	£'000	£'000
Profit on ordinary activities before tax	<u>2,747</u>	<u>1,137</u>
Tax on profit on ordinary activities at standard rate	824	341
<i>Factors affecting the charge for the period:</i>		
Expenses not deductible for tax purposes	422	419
Capital allowances in excess of depreciation	(105)	(198)
Other deferred tax movements – losses and provisions	(1,141)	(170)
Difference between taxable gain and accounting gain	-	(227)
Adjustments to tax in respect of prior periods	(165)	(140)
Overseas tax	4	-
	<u> </u>	<u> </u>
Total actual amount of current tax	<u>(161)</u>	<u>25</u>

7. DIVIDENDS

	2003	2002
	£'000	£'000
Equity dividends		
Final proposed	<u>852</u>	<u>965</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

8. TANGIBLE FIXED ASSETS

	Land & building	Plant and equipment		Assets in course of construction	Total
	£'000	Owned £'000	Leased £'000	£'000	£'000
Cost or valuation					
At 1 April 2002	15,792	49,025	3,771	1,534	70,122
Additions	-	3,422	-	315	3,737
Commissioned	-	1,534	-	(1,534)	-
Disposals	-	(20)	-	-	(20)
At 31 March 2003	15,792	53,961	3,771	315	73,839
Depreciation					
At 1 April 2002	(2,679)	(22,029)	(1,187)	-	(25,895)
Charge for the year	(371)	(4,067)	(191)	-	(4,629)
Disposals	-	20	-	-	20
At 31 March 2003	(3,050)	(26,076)	(1,378)	-	(30,504)
Net book value					
At 31 March 2003	12,742	27,885	2,393	315	43,335
Net book value					
At 31 March 2002	13,113	26,996	2,584	1,534	44,227

The net book value of the company's assets includes £731,000 (2002: £834,000) held under finance leases and hire purchase contracts.

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. Assets acquired subsequently have been included at original historic cost.

Had the assets not been valued, the amounts at 31 March 2003 would have been:-

	£'000	£'000	£'000	£'000	£'000
Historical cost	11,060	83,890	8,753	315	104,018
Depreciation	(3,794)	(58,110)	(5,380)	-	(67,284)
Historical cost net book value	7,266	25,780	3,373	315	36,734
Historical cost depreciation charge for the year	197	3,676	306	-	4,179

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

9. STOCKS

	2003	2002
	£'000	£'000
Raw materials	4,078	4,293
Work in progress	1,830	1,692
Finished goods	6,573	4,692
	<u>12,481</u>	<u>10,677</u>

10. DEBTORS

	2003	2002
	£'000	£'000
Trade debtors	15,515	16,761
Amounts owed by group undertakings	1,454	1,217
Other debtors	7	24
Prepayments and accrued income	288	320
Corporation tax receivable	34	-
	<u>17,298</u>	<u>18,322</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003	2002
	£'000	£'000
Trade creditors	19,726	19,787
Obligations under finance leases	170	170
Other taxes and social security	31	344
Other creditors	4,021	3,115
Accruals and deferred income	621	650
	<u>24,569</u>	<u>24,066</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

12. OBLIGATIONS UNDER LEASE CONTRACTS

	2003 £'000	2002 £'000
Finance leases		
Amounts payable:		
Within one year	170	170
In the second to fifth years inclusive	339	509
	<u>509</u>	<u>679</u>

	2003		2002
	Land & Buildings £'000	Other £'000	Land & Buildings £'000
Operating leases which expire:			
Within one year	-	26	-
In the second to fifth years inclusive	14	196	14
After five years	506	121	506
	<u>520</u>	<u>343</u>	<u>520</u>
			<u>313</u>

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.

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 most recent valuation was made at 6 April 2002. The assumptions relating to the return on investments, the rates of increase in salaries, the rates of revaluation (which are in line with those applying to the State Earnings Related Pension Scheme) and rates of increase in pensions, have the most significant effect on the results of the valuations. It was assumed that the return on investments would exceed the other relevant rates of increase by the following margins: Pensionable pay 1.5%; Revaluations 2%; Pensions 3.75%. According to the 2002 actuarial valuation, the market value of the assets of the scheme was £74m. In addition, the trustees of the scheme are entitled to receive pensions on an insured basis for certain retired members. A smoothed market value of assets was adopted for the actuarial valuation for SSAP 24 purposes, and this represented 105% of the benefits that had accrued to members, after allowing for expected future increases in earnings and revaluations.

The pension charge for the year is £654,000 (2002 - £699,000).

The pension cost figures used in these financial statements comply with the current pension cost accounting standard SSAP 24. However, under the transitional arrangements for the new pension cost standard, FRS 17, the company is required to disclose the following additional information.

The group scheme is such that the company, Tullis Russell Papermakers Limited, cannot separately identify its share of the underlying assets and liabilities of the scheme. Within the parent company's accounts (Tullis Russell Group Limited) a FRS 17 deficit of £17,585,000, net of deferred tax, is disclosed.

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

13. PENSION COMMITMENTS (CONTINUED)

The cash contributions payable into the defined benefit section of the pension scheme are governed by the scheme actuary's determination of the ongoing funding position of the scheme. This funding position is underpinned by the Minimum Funding Requirement (MFR). The MFR funding level calculation is quite different to the FRS 17 calculation. The MFR position is determined using a prescribed set of assumptions which are different to the market based assumptions prescribed and used under FRS 17. MFR regulations require that where the MFR funding level (ratio of assets to liabilities) is below 100%, the company must make up any shortfall by way of payments into the pension scheme within certain prescribed timescales.

The MFR funding level of the Tullis Russell Pension Scheme was formally calculated at April 2002. The scheme actuary's assessment of the MFR funding level was a figure of 97% meaning that there is a shortfall in the funding of the scheme on an MFR basis. As a result, the company has agreed to make additional annual cash payments into the pension scheme for the next 10 years. The continued adequacy of these contributions will be reassessed each year.

A provision of £2,565,000 (2002: £2,865,000) is included in long term creditors, this being the excess of the company's pension cost charged to the profit and loss account over the amounts paid in company contributions.

14. PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation £'000	Pension £'000	Total £'000
Balance at 1 April 2002	3,690	2,865	6,555
Current year charge	1,246	654	1,900
Adjustment in respect of prior years	(85)	-	(85)
Utilised in year	-	(954)	(954)
Balance at 31 March 2003	4,851	2,565	7,416

Deferred taxation	2003 £'000	2002 £'000
-------------------	---------------	---------------

Provision for deferred taxation consists of the following amounts:

Capital allowances in excess of depreciation	6,108	6,001
Other timing differences	(1,257)	(2,311)
	4,851	3,690

15. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'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 10 each	5,449	5,449

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

16. PROFIT AND LOSS ACCOUNT

	Share premium account £'000	Profit and loss account £'000	Revaluation reserve £'000	Total £'000
At 1 April 2002	876	36,337	7,051	44,264
Retained profit for the year	-	895	-	895
Transfer of amount equivalent to additional depreciation on revalued assets	-	450	(450)	-
At 31 March 2003	<u>876</u>	<u>37,682</u>	<u>6,601</u>	<u>45,159</u>

17. MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Shareholders' funds at 1 April 2002	49,713	49,935
Profit for the year	<u>1,747</u>	<u>743</u>
	51,460	50,678
Dividend	<u>(852)</u>	<u>(965)</u>
Shareholders' funds at 31 March 2003	<u>50,608</u>	<u>49,713</u>

18. CAPITAL COMMITMENTS

	2003 £'000	2002 £'000
Contracted	<u>110</u>	<u>788</u>
Committed	<u>2,422</u>	<u>1,810</u>

19. CONTINGENT LIABILITIES AND GUARANTEES

Contingent liabilities and guarantees not provided.

	2003 £'000	2002 £'000
Guarantees and indemnities		
Bank borrowings – extent utilised at 31 March – group undertaking	<u>284</u>	<u>1,074</u>

The maximum bank borrowings guaranteed by the company relating to group borrowings amounted to £20,179,000 (2002: £19,554,000).

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

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', with regard to the disclosure of Related Party transactions with other group companies.

21. ULTIMATE PARENT UNDERTAKING

The 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.