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TULLIS RUSSELL GROUP LIMITED

Report and Accounts

28 March 2015

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TULLIS RUSSELL GROUP LIMITED

REPORT AND ACCOUNTS 2015

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TULLIS RUSSELL GROUP LIMITED

REPORT AND ACCOUNTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F A W Bowden
B M Jackson
G D Miller
M R Arrowsmith

SECRETARY

G D Miller

REGISTERED OFFICE

Markinch
Glenrothes
Fife
KY7 6PB

BANKERS

Lloyds Banking Group plc
Level 3 Floor 2 Block C
69 Morrison Street
Edinburgh
EH3 8BW

SOLICITORS

CMS Cameron McKenna LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Shepherd and Wedderburn LLP
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

STATUTORY AUDITOR

Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB

TULLIS RUSSELL GROUP LIMITED

STRATEGIC REPORT

This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Tullis Russell Group Limited and its subsidiary undertakings when viewed as a whole.

PRINCIPAL ACTIVITIES

Tullis Russell Group Limited ("TRG") is an employee-owned industrial holding company, providing management services. The principal subsidiary companies, which are detailed in note 28, are involved mainly in the manufacture of high quality printing grades of paper and board and the manufacture and distribution of other paper products with specialist uses.

BUSINESS AND FINANCIAL REVIEW

The papermaking business continued to experience severe difficulties following a structural decline in its core markets. This was as a result of a move from paper based to digital products, resulting in worldwide oversupply and price competition. In addition, the business suffered from consistently high pulp prices and a strengthening of sterling against the Euro during the year. These factors were in part offset by steps taken to widen the product range and customer base and improve the efficiency of operations. The business did benefit from lower power costs as a result of the Biomass plant however this benefit was negated by the impact of the deterioration in the market and exchange rates.

The actions taken by the directors of the papermaking business and the reduced power costs stabilised the performance during the first part of the financial year and the papermaking business generated profits during that period. The second half of the year proved more difficult and in the quarter to March 2015 markets slowed down significantly and Sterling strengthened by 10% against the Euro resulting in a material reduction in the value of our sales, which we were unable to mitigate through hedging arrangements, directly impacting profit and cash. This caused difficulties not only for ourselves but also for our customers. In January 2015 one of our largest and most profitable customers started to withhold payments and credit insurance was withdrawn resulting in us being unable to make supplies to them.

On 1 April 2015 the customer went into Administration in the UK and the loss of business from that customer impacted the ongoing sustainability of the business. There was increasing pressure on cash during April 2015 due to the adverse market conditions, a strong Pound and the loss of a major customer. Throughout this period the directors of Tullis Russell Papermakers Ltd took legal and professional advice and, mindful of the advice given, on 27 April 2015 the directors of Tullis Russell Papermakers Limited concluded that the interests of the company's creditors were best served by placing Tullis Russell Papermakers Limited into Administration. Following Administration, the papermaking business wound-down operations over a short period of time, however, as all operations had not ceased within three months of the year end we are required to show the papermaking operation as continuing in these financial statements. At the date of signing the accounts all papermaking operations had ceased.

As a result of the administration of Tullis Russell Papermakers Limited, the Papermakers section of the defined benefit pension scheme entered an assessment period with the PPF and potentially would have entered the Pension Protection Fund. The company entered into discussions with the pension scheme trustees and the Administrator and agreed to enter into a contractual agreement to take over the Papermakers liabilities and meet any contributions required to fund the technical deficit in relation to these liabilities. The result of this agreement is that the pension entitlements of the members of the Tullis Russell Pension Scheme are not affected by the administration of Tullis Russell Papermakers Limited.

As detailed in note 1, the papermaking division reported a loss of £14.2m (2014: £4.3m). The Specialist Coating division delivered a profit of £2.9m in 2015 (2014: £3.1m), continues to be profitable and is not significantly affected by the difficulties experienced by the papermaking business.

The results for the year are set out in the Group Profit and Loss Account on page 9. There was a negative Return on Sales, calculated as profit after tax divided by revenue, of 10.4% in 2015 compared to a negative return of 1.2% in 2014. Gross margin, excluding exceptional cost of sales of £1.2m (2014: £nil), increased from 19.2% in 2014 to 23.3% in 2015. After exceptional operating expenses of £16.8m, this resulted in an operating loss of £12.6m in 2015 compared with a loss of £2.1m in 2014.

STRATEGIC REPORT

BUSINESS AND FINANCIAL REVIEW (CONTINUED)

The administration of Tullis Russell Papermakers Limited on 27 April 2015 has resulted in provisions being made in order to value the remaining assets at the lower of cost and net realisable value as detailed in note 5. The value of the industrial site at Markinch is dependent on such a variety of factors that the directors consider it impossible to support any given valuation and have opted to impair all of the remaining cost. The plant and machinery which was used by Tullis Russell Papermakers is very industry specific and the directors have reduced its value to the value recovered at the date of signing the accounts. The write down of raw material stock included in exceptional cost of sales relates primarily to items which would have ordinarily been consumed in production and for which there is no market for resale.

Return on Capital Employed (pre Own Shares) was a negative return of 91.6% in 2015 (2014: negative return 4.5%). There was a cash inflow of £0.8m in 2015 resulting in net funds of £4.6m at 28 March 2015.

SUPPLIER PAYMENT POLICY

The Group's policy is to pay suppliers within agreed payment terms. The ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year ended 28 March 2015 and the amounts owed to its trade creditors at the end of the year was 81 days (2014: 72 days).

PRINCIPAL RISKS AND UNCERTAINTIES

Key Business Risks

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

The strategic expansion of the continuing businesses is focussed on the coating and converting division, which manufactures higher value added products. We invested £1.1m in coating capability at our Bollington site in 2015 which will enable us to grow into different market segments and drive increased profitability. Development of new products is a core activity and the Group has an established process for bringing new products on stream to replace mature or declining products. Competitive pressure across all markets is a continuing risk for the Group, which could result in it losing sales to its key competitors. The Group manages this risk by providing added value services to its customers, having fast response times in not only delivery of the products but also handling customer queries. The Group also manages the risk in that it produces technically challenging products compared to the competitors in the market.

Financial instruments

The Group has significant operations outside the UK and exports a significant proportion of its UK production and as such is exposed to movements in exchange rates. The Group's policy is to manage the currency risk by entering into forward contracts over twelve months for key foreign currencies, which will provide certainty over a significant proportion of these exposures. The Group does not enter into any speculative financial instruments.

The Group's principal financial assets are bank balances and trade debtors. The Group manages its credit risk in relation to trade debtors by 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.

ENVIRONMENTAL

It is the Group'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.

TULLIS RUSSELL GROUP LIMITED

STRATEGIC REPORT (CONTINUED)

RESEARCH AND DEVELOPMENT

All the businesses in the Group are 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 businesses 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 28 March 2015 was £0.4m (2014: £0.9m). Employees 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 28 March 2015 £158,000 (2014: £174,000) has been charged against profits in respect of these share arrangements.

Consultations with employee representatives take place at Group and company level. Representative bodies include: the Employee Ownership Board, Health & Safety Steering Group, Trades Unions, Works Committee and the Staff Association.

Disabled Employees

The Group complies with the requirements of the Disability Discrimination Act 1995. The Group 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 Group 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.

FUTURE DEVELOPMENTS

Following the administration of the papermaking business we are now able to focus more on developing the specialist coating division. We have engaged the individual businesses in a strategic assessment and the outcome of this strategic assessment will help to shape the group going forward. We are committed to developing the remaining group and we are focussed on continuing to work in partnership with our customers to deliver a high quality product offering.

Details of significant events since the balance sheet date are contained in note 30 to the Accounts.

GOING CONCERN

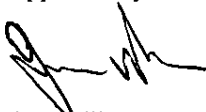
The directors have considered the current trading position of the businesses along with the prevailing economic conditions and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Specialist Coating businesses continue to trade profitably and are cash generative. The reserves available to the group comprise existing cash, cash flow generated by the existing businesses and short term overdraft facilities, of which the directors have a reasonable expectation of their continuance through the going concern period. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements.

STRATEGIC REPORT (CONTINUED)

CORPORATE GOVERNANCE

Tullis Russell discharges its responsibilities for corporate governance through the Board. Although not required to comply with the provisions of the UK Corporate Governance Code, which is applicable to public companies, Tullis Russell is committed to following the Code and has implemented the principles of Good Governance set out in the Code where it is believed that these add value to the governance of the Group. There are sub-committees responsible for Nominations, Remuneration, Audit and Risk. There is a risk management process that identifies the key business risks, monitors their likely impact on the business and ensures that actions are put in place to mitigate these risks, as appropriate. There is a Group internal compliance function that reviews the operating companies' adherence to group accounting procedures. In addition, the Board reviews its own performance each year. An annual report is made to the Employee Ownership Board on corporate governance that encompasses the above activities.

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



G D Miller
Secretary

22nd December 2015

TULLIS RUSSELL GROUP LIMITED

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 28 March 2015:

RESULTS AND DIVIDENDS

The results for the year are set out in the Group Profit and Loss Account on page 9. The Group loss on ordinary activities before taxation was £13.1m (2014: £3.0m). The taxation charge was £2.6m (2014: credit of £1.1m), leaving a loss after taxation attributable to members of the company of £15.7m (2014: £1.8m). During the year an interim dividend of £199,000 (2014: £nil) was paid by the Company. The directors do not recommend the payment of a final dividend (2014: £nil). Details of the business activities during the year, the financial results and the principal risks and uncertainties facing the Group are set out in the Strategic Report on pages 2 to 5.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Donations to charitable and public organisations amounted to £208,000 (2014: £1,000). The donations were all made to local charitable organisations in order to support the community. There were no political donations.

DIRECTORS' AND OFFICERS' LIABILITY

Directors' and officers' liability insurance has been in place throughout the year ended 28 March 2015 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. The directors who served throughout the year and up to the date of this report, unless stated otherwise, were:

F A W Bowden	C A G Parr (Resigned 31 July 2015)	G D Miller
B M Jackson	M R Arrowsmith	

The director retiring by rotation is Mike Arrowsmith, as required by the Articles of Association, and he will seek re-election.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. 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; 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 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.

TULLIS RUSSELL GROUP LIMITED

DIRECTORS' REPORT (CONTINUED)

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events after the balance sheet date can be found in the Strategic Report on pages 2 to 5 and form part of this report by cross reference.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Details of financial risk management objectives and policies can be found in the Strategic Report on pages 2 to 5 and form part of this report by cross reference.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

AUDITOR

The auditor is appointed by the shareholders at each Annual General Meeting to act until the conclusion of the following Annual General Meeting. The responsibilities of the auditor are set out in their audit report on page 8. Our auditor, Deloitte LLP, is willing to remain in office and a resolution concerning their re-appointment and remuneration will be proposed this year.

The financial statements on pages 9 to 29 were approved by the Board of Directors and signed by order of the Board.

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



G D Miller
Secretary

22nd December 2015

Company Registration No. SC 150075

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TULLIS RUSSELL GROUP LIMITED

We have audited the financial statements of Tullis Russell Group Limited for the year ended 28 March 2015 which comprise the Group Profit and Loss Account, the Group Statement of Total Recognised Gains and Losses, the Group and Parent Company Balance Sheets, the Group Cashflow Statement, the Statement of Accounting Policies and the related notes 1 to 30. 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).

This report is made solely to 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. 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 auditor's 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 auditor

As explained more fully in the Directors' Responsibilities Statement, 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.

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 Group's and the parent 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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Group's and of the parent company's affairs as at 28 March 2015 and of the Group's 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.

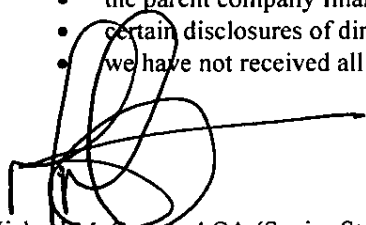
Opinion on other matter prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Michael McGregor ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Edinburgh, United Kingdom
22nd December 2015

TULLIS RUSSELL GROUP LIMITED

GROUP PROFIT AND LOSS ACCOUNT For the year ended 28 March 2015

	Notes	2015 £000	2014 £000
TURNOVER	1	150,664	158,585
Cost of sales		(115,502)	(128,083)
Exceptional cost of sales	5	(1,200)	-
Total cost of sales		(116,702)	(128,083)
GROSS PROFIT		33,962	30,502
Operating expenses	2	(29,541)	(31,268)
Exceptional operating expenses	5	(16,814)	(1,124)
Total operating expenses		(46,355)	(32,392)
Profit Sharing Share Scheme allocation		(158)	(174)
OPERATING LOSS		(12,551)	(2,064)
Finance charges (net)	6	(519)	(916)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(13,070)	(2,980)
Tax on loss on ordinary activities	7	(2,613)	1,144
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	21	(15,683)	(1,836)

There are no material differences between the loss on ordinary activities before taxation and the retained loss for the financial years stated above and their historical cost equivalents.

The results for the current and prior year have been derived wholly from continuing operations.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 28 March 2015

	Notes	2015 £000	2014 £000
Loss for the financial year		(15,683)	(1,836)
Actuarial (loss)/gain relating to the pension scheme	18	(1,863)	705
Movement on deferred tax relating to the pension liability		90	(162)
Currency translation differences on foreign currency net investments	21	327	(502)
Total recognised losses related to the year		(17,129)	(1,795)

TULLIS RUSSELL GROUP LIMITED

GROUP BALANCE SHEET

As at 28 March 2015

	Notes	2015 £000	2014 £000
FIXED ASSETS			
Goodwill	9	517	548
Tangible assets	10	5,905	24,143
		<u>6,422</u>	<u>24,691</u>
CURRENT ASSETS			
Stocks	12	17,522	17,780
Debtors – amounts falling due within one year	13	21,802	21,358
Cash at bank and in hand	26	6,933	6,026
Deferred tax	17	264	2,250
		<u>46,521</u>	<u>47,414</u>
CREDITORS: amounts falling due within one year	14	<u>(36,352)</u>	<u>(38,205)</u>
NET CURRENT ASSETS		<u>10,169</u>	<u>9,209</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,591</u>	<u>33,900</u>
CREDITORS: amounts falling due after more than one year			
Deferred government grants		(2,087)	(2,233)
Finance leases	15	(86)	(131)
		<u>(2,173)</u>	<u>(2,364)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		<u>14,418</u>	<u>31,536</u>
PENSION LIABILITY	18	<u>-</u>	<u>(32)</u>
NET ASSETS		<u>14,418</u>	<u>31,504</u>
CAPITAL AND RESERVES			
Called up share capital	19	4,352	4,352
Share premium account	21	25,686	25,686
Capital reserve	21	24,641	24,641
Capital redemption reserve	21	361	361
Profit and loss account	21	(22,844)	(4,878)
Own shares	22	(17,778)	(18,658)
SHAREHOLDERS' FUNDS	23	<u>14,418</u>	<u>31,504</u>

These financial statements were approved by the Board of Directors on 22nd December 2015.

Signed on behalf of the Board



Geoff Miller

Director

Company Registration No. SC 150075

TULLIS RUSSELL GROUP LIMITED

COMPANY BALANCE SHEET

As at 28 March 2015

	Notes	2015 £000	2014 £000
FIXED ASSETS			
Investments	11	194	38,030
Tangible assets	10	-	11,020
		<u>194</u>	<u>49,050</u>
CURRENT ASSETS			
Debtors – amounts falling due within one year	13	420	4,691
Cash at bank and in hand		877	138
Deferred tax	17	358	527
		<u>1,655</u>	<u>5,356</u>
CREDITORS: amounts falling due within one year	14	<u>(1,302)</u>	<u>(11,116)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>353</u>	<u>(5,760)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>547</u>	<u>43,290</u>
NET ASSETS		<u>547</u>	<u>43,290</u>
CAPITAL AND RESERVES			
Called up share capital	19	4,352	4,352
Share premium account	21	25,686	25,686
Capital redemption reserve	21	361	361
Profit and loss account	21	(12,074)	31,549
Own shares	22	(17,778)	(18,658)
SHAREHOLDERS' FUNDS	23	<u>547</u>	<u>43,290</u>

These financial statements were approved by the Board of Directors on 22nd December 2015.

Signed on behalf of the Board



Geoff Miller

Director

Company Registration No. SC 150075

TULLIS RUSSELL GROUP LIMITED

GROUP CASHFLOW STATEMENT

For the year ended 28 March 2015

	Note	2015 £000	2014 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES		2,879	1,670
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(256)	(405)
Interest received		3	-
		(253)	(405)
TAXATION			
Overseas tax paid		(651)	(135)
TAX PAID		(651)	(135)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(1,174)	(419)
Sale of tangible fixed assets		-	30
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,174)	(389)
DIVIDENDS PAID		(199)	-
NET CASH INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		602	741
FINANCING			
Purchase and sale of own shares by ESOP		255	253
Capital repayments on finance leases		(42)	(40)
		213	213
INCREASE IN CASH IN THE YEAR	25	815	954

RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	2015 £000	2014 £000
Operating loss		(12,551)	(2,064)
Depreciation charge	10	2,863	3,194
Amortisation and impairment of intangible assets	9	47	45
Loss on disposal of tangible fixed assets		-	12
Impairment of fixed assets	5	16,814	-
Deferred government grant and lease premium released	4	(146)	(177)
(Increase)/decrease in stocks		(942)	5,488
Exceptional stock write off	5	1,200	-
Increase in debtors		(444)	(99)
Decrease in creditors		(2,192)	(4,258)
Decrease in pension commitments		(1,770)	(471)
NET CASH INFLOW FROM OPERATING ACTIVITIES		2,879	1,670

TULLIS RUSSELL GROUP LIMITED

STATEMENT OF ACCOUNTING POLICIES

Year ended 28 March 2015

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

Accounting Convention

The accounts are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

Going Concern

The directors have considered the current trading position of the business along with the prevailing economic conditions and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further details of the Directors' assessment of going concern are included in the Strategic Report on pages 2 to 5.

Basis of Consolidation

The consolidated accounts include the accounts of Tullis Russell Group Limited ("TRG") and its subsidiary undertakings made up to the Saturday nearest to 28 March each year. As permitted by Section 408 of the Companies Act 2006, no profit and loss account is presented for TRG. The results of subsidiaries acquired or sold are consolidated for the periods from the date on which control passed.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Intangible Fixed Assets

Intangible assets are capitalised at cost and amortised on a straight-line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of the asset 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.

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 Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group 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 Group bases its view of contingencies on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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 evenly over the lease term.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of any depreciation and provision for impairment. Depreciation, calculated on cost 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	-	23-50 years
Plant and Equipment	-	4-25 years

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.

Certain goods held on consignment terms appropriate to materials which will normally be consumed by the Group are included as stocks. The liability to pay for such goods is included in trade creditors.

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.

Research and Development

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

TULLIS RUSSELL GROUP LIMITED

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Year ended 28 March 2015

Current and Deferred Taxations

Current tax, including UK corporation tax and overseas 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 have originated but not reversed and 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. Deferred tax is measured at average rates expected to apply in the period in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. 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.

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. Revenue grants are released to the profit and loss account when received.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies and the net assets of overseas undertakings are translated at the rate of exchange ruling at the balance sheet date or, if different, at the rate used to hedge the balances.

The trading results of overseas undertakings are converted into sterling at the average exchange rates for the year. Translation differences and the difference between the trading results converted at the average exchange rates and the rates ruling at the balance sheet date are dealt with in the profit and loss account reserve.

Employee Share Ownership Plans ("ESOPs")

The group has adopted UITF 38 "Accounting for ESOP Trusts". The assets, borrowings and other liabilities of the ESOPs sponsored by the company and whose investments are, as defined by UITF 38, under control of the parent company, are included in the company's balance sheet.

The costs of operating ESOPs are included in the consolidated profit and loss account. Dividends on shares owned by the ESOPs, where not waived, are accounted for on an accruals basis.

Share Based Payments

The group 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 in shareholders' funds. No charge is taken to the profit and loss account for Partnership shares as the Group deducts employee remuneration equivalent to the fair values 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 H M Revenue & Customs agreed for this purpose.

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

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 result 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.

Profit and Loss Format

In accordance with the Companies Act 2006, Schedule 4, paragraph 3(3), the headings have been adapted to separately disclose the Profit Sharing Share Scheme allocation.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

1. TURNOVER AND SEGMENTAL INFORMATION

(a) CLASSES OF BUSINESS

	Papermaking £000	2015 Specialist Coating & Other £000	Total £000	Papermaking £000	2014 Specialist Coating & Other £000	Total £000
Sales						
Total sales	120,186	38,769	158,955	124,610	43,551	168,161
Inter-segment sales	(1,380)	(6,911)	(8,291)	(1,516)	(8,060)	(9,576)
TURNOVER	<u>118,806</u>	<u>31,858</u>	<u>150,664</u>	<u>123,094</u>	<u>35,491</u>	<u>158,585</u>
(LOSS)/PROFIT BEFORE TAXATION						
Segment (loss)/profit	(14,199)	2,935	(11,264)	(4,266)	3,059	(1,207)
Common costs			(1,287)			(845)
			(12,551)			(2,052)
Loss on disposal of fixed assets			-			(12)
Net interest payable			(519)			(916)
GROUP LOSS BEFORE TAXATION			<u>(13,070)</u>			<u>(2,980)</u>
OPERATING NET ASSETS						
Segment net operating assets	524	9,341	9,865	21,143	6,665	27,808
COMPOSITION OF NET OPERATING ASSETS						
Group net assets			14,418			31,504
Cash and bank balances less borrowings (note 26)			(4,553)			(3,696)
Total operating net assets			<u>9,865</u>			<u>27,808</u>

(b) GEOGRAPHICAL SEGMENTS

	Papermaking £000	2015 Specialist Coating & Other £000	Total £000	Papermaking £000	2014 Specialist Coating & Other £000	Total £000
TURNOVER						
Turnover by destination:						
United Kingdom	36,686	1,640	38,326	39,479	1,703	41,182
Europe	56,950	13,716	70,666	61,962	13,824	75,786
North America	10,940	3,073	14,013	10,883	3,949	14,832
Asia	10,177	11,261	21,438	7,782	15,016	22,798
Other	4,053	2,168	6,221	2,988	999	3,987
	<u>118,806</u>	<u>31,858</u>	<u>150,664</u>	<u>123,094</u>	<u>35,491</u>	<u>158,585</u>
Turnover by place of manufacture:						
United Kingdom	118,806	15,129	133,935	123,094	20,789	143,883
Asia	-	16,729	16,729	-	14,702	14,702
	<u>118,806</u>	<u>31,858</u>	<u>150,664</u>	<u>123,094</u>	<u>35,491</u>	<u>158,585</u>

The directors consider it prejudicial to provide profit before tax and net asset disclosure for geographical segments.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

2. OPERATING EXPENSES

	2015 £000	2014 £000
Distribution costs	23,639	23,689
Administration expenses	5,902	7,579
Exceptional administrative expenses	16,814	1,124
Total administrative expenses	22,716	8,703
Total operating expenses	46,355	32,392

3. STAFF COSTS AND EMPLOYEE INFORMATION

	2015 £000	2014 £000
Wages and salaries	22,773	23,729
Social security costs	2,370	2,280
Other pension costs	1,989	1,788
	27,132	27,797

	2015 Number	2014 Number
The average monthly number of employees (including directors) during the year was made up as follows:		
Management and administration	107	104
Manufacturing and production	498	511
Distribution	60	77
	665	692

	2015 £000	2014 £000
Directors' emoluments excluding pension contributions	518	667
Money purchase contributions	27	26
	545	693

The aggregate emoluments of the highest paid director were £378,000 (2014: £372,000), which included £nil (2014: £98,000) for performance related pay in respect of the previous year. Pension contributions for the highest paid director were £15,000 (2014: £14,000).

The highest paid director (C A G Parr) did not exercise any share options in the year other than through the Partnership share scheme whereby he purchased 12,288 shares at 19p in August 2014 and was awarded 12,288 Matching shares.

There were 2 directors who were members of the Money Purchase section of the Pension Scheme at the year end (2014: 2).

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2015 £000	2014 £000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Auditor's remuneration:		
- For audit work: Group (including TRG £20,000 (2014: £16,000))	80	103
- For other services: Tax compliance services – Group (including TRG £10,000 (2014: £8,000))	54	47
Advisory – Group (including TRG £31,000 (2014: £nil))	41	-
Depreciation		
Tangible owned assets (note 10)	2,818	3,149
Tangible leased assets (note 10)	45	45
Government grants	(146)	(158)
Lease premium release	-	(19)
Rentals under operating leases:		
- Plant and machinery	791	846
- Land and buildings	512	841
(Profit)/Loss on foreign currency exchange	(177)	604
Amortisation of intangible assets (note 9)	47	45
Loss on disposal of tangible fixed assets	-	12
Gain on settlement of pension liabilities	(131)	(471)
Exceptional items: impairment losses on fixed assets	16,814	-
write-down of stock	1,200	-
redundancy costs	-	1,124
	<u> </u>	<u> </u>

Auditor's remuneration in respect of other services relates to taxation compliance work.

Fixed asset impairments, asset write downs and redundancy costs are disclosed separately as exceptional operating expenses on the Profit and Loss Account.

As stated on page 2 of the Strategic Report, all commercial activities of Tullis Russell Papermakers Limited had not ceased within three months of the Balance Sheet date and therefore the results of Tullis Russell Papermakers Limited are included in these financial statements as continuing operations.

5. EXCEPTIONAL EXPENSES

	2015 £000	2014 £000
Exceptional cost of sales		
Write down of raw material stock	(1,200)	-
	<u>(1,200)</u>	<u>-</u>
Exceptional operating expenses		
Impairment of land and buildings	(10,695)	-
Impairment of plant and machinery	(6,119)	-
Redundancy costs	-	(1,124)
	<u>(16,814)</u>	<u>(1,124)</u>

The administration of Tullis Russell Papermakers Limited on 27 April 2015 has resulted in provisions being made in order to value the remaining assets at the lower of cost and net realisable value. The value of the industrial site at Markinch is dependent on such a variety of factors that the directors consider it impossible to support any given valuation and have opted to impair all of the remaining cost. The plant and machinery which was used by Tullis Russell Papermakers is very industry specific and the directors have reduced its value to the value recovered at the date of signing the accounts. The write down of raw material stock included in exceptional cost of sales relates primarily to items which would have ordinarily been consumed in production and for which there is no market for resale.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

6. FINANCE CHARGES (NET)

	2015 £000	2014 £000
Interest payable on overdraft	247	396
Interest payable on pension scheme financing (note 18)	266	511
Interest payable on finance leases	9	11
Other interest receivable	(3)	(2)
	<u>519</u>	<u>916</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2015 £000	2014 £000
<i>Current taxation</i>		
UK corporation tax charge for the year	(118)	-
Adjustment in respect of prior years	1	-
	<u>(117)</u>	<u>-</u>
Foreign tax	(420)	(410)
Total current tax	<u>(537)</u>	<u>(410)</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(2,285)	1,849
Adjustment in respect of prior years	104	21
Effect of changes in tax rates	105	(316)
Total deferred tax	<u>(2,076)</u>	<u>1,554</u>
Tax on loss on ordinary activities	<u>(2,613)</u>	<u>1,144</u>

The standard rate of tax for the current year, based on the UK standard rate of corporation tax is 21% (2014: 23%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation.

	2015 £000	2014 £000
Loss on ordinary activities before tax	(13,070)	(2,980)
Tax on loss on ordinary activities at standard rate UK corporation tax of 21% (2014: 23%)	(2,745)	(685)
Factors affecting the charge for the year:		
Expenses not deductible for tax purposes	2,747	-
Depreciation in excess of capital allowances	1,437	1,029
Other timing differences	(468)	(48)
Timing differences relating to the pension scheme	-	(21)
Income not taxable	(20)	(587)
Utilisation of tax losses	(690)	560
Adjustment in respect of prior years	(1)	-
Foreign tax adjustment	277	162
Current tax charge for the year	<u>537</u>	<u>410</u>

There was a reduction in the UK corporation tax rate to 21% (effective from 1 April 2014). A further reduction to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013 and further reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 28 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 28 March 2015 has been calculated based on the rate of 20% enacted at the balance sheet date.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

8. DIVIDENDS

	2015 £000	2014 £000
Dividends paid of 1.1p (2014: £nil) per ordinary share	199	-

The ESOPs have waived entitlements to dividends in respect of 2015 totalling £292,000 (2014: £nil). Dividends proposed in respect of 2015 and 2014 are disclosed in the Directors' Report on page 6.

9. GOODWILL

	Goodwill £000
GROUP	
Cost:	
At 30 March 2014	1,230
Exchange adjustments	73
At 28 March 2015	1,303
Amortisation:	
At 30 March 2014	(682)
Charge for the year	(47)
Exchange adjustments	(57)
At 28 March 2015	(786)
Net book value:	
At 28 March 2015	517
At 29 March 2014	548

10. TANGIBLE ASSETS

	Freehold Land and Buildings £000	Plant and Equipment £000	Assets in Course of Construction £000	Total £000
GROUP				
Cost:				
At 30 March 2014	20,827	78,727	91	99,645
Additions	35	450	689	1,174
Commissioned	-	299	(299)	-
Disposals	-	(1,792)	-	(1,792)
Exchange adjustments	204	463	-	667
At 28 March 2015	21,066	78,147	481	99,694
Depreciation:				
At 30 March 2014	(7,974)	(67,528)	-	(75,502)
Charge for the year	(443)	(2,420)	-	(2,863)
Impairment losses	(10,695)	(6,119)	-	(16,814)
Disposals	-	1,792	-	1,792
Exchange adjustments	(29)	(373)	-	(402)
At 28 March 2015	(19,141)	(74,648)	-	(93,789)
Net book value:				
At 28 March 2015	1,925	3,499	481	5,905
At 29 March 2014	12,853	11,199	91	24,143

Included within Plant and Equipment are assets held under finance leases with a cost at 28 March 2015 of £223,000 (2014: £223,000), accumulated depreciation at 28 March 2015 of £89,000 (2014: £45,000) and a net book value at 28 March 2015 of £134,000 (2014: £178,000). Depreciation charged in the year to 28 March 2015 was £45,000 (2014: £45,000).

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

10. TANGIBLE ASSETS (CONTINUED)

	Freehold Land and Buildings £000	Total £000
COMPANY		
Cost:		
At 30 March 2014	11,020	11,020
Additions	-	-
At 28 March 2015	11,020	11,020
Depreciation:		
At 30 March 2014	-	-
Charge for the year	(325)	(325)
Impairment losses	(10,695)	(10,695)
At 28 March 2015	(11,020)	(11,020)
Net book value:		
At 28 March 2015	-	-
At 29 March 2014	11,020	11,020

As noted in the Strategic Report on pages 2 to 5, Tullis Russell Papermakers Limited was placed in administration on 27 April 2015. The land and building from which this business operated were owned by the Company and were utilised solely by that business. The continuing businesses of the Group did not operate from this site and there are no immediate plans by the Group to undertake alternative trading activities at this site. The directors are assessing the future options for this asset. Against this backdrop the directors have concluded that it is appropriate to reduce the net book value of this asset to £nil.

Plant and equipment owned by Tullis Russell Papermakers Limited have been subject to an impairment charge, based on the directors' best estimate of net realisable value at the date of approving these financial statements.

11. INVESTMENTS

Company	Subsidiary Undertakings £000
Cost:	
At 30 March 2014 and 28 March 2015	39,580
Provision for impairment:	
At 30 March 2014	(1,550)
Charge for the year	(37,836)
At 28 March 2015	(39,386)
Net book value:	
At 28 March 2015	194
At 29 March 2014	38,030

Details of the Company's principal subsidiary undertakings at 28 March 2015 are listed in note 28.

Following the administration of Tullis Russell Papermakers Limited on 27 April 2015, the investment in that business, together with investments in Tullis Russell Inc, Tullis Russell France SARL, Tullis Russell GmbH, Tullis Russell Benelux BV and Tullis Russell Iberia SL, which are also being wound up, have been reduced to £nil in the parent company.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

12. STOCKS

	2015 £000	2014 £000
Raw materials and consumables	3,656	5,063
Work in progress	3,319	3,346
Finished goods and goods for resale	10,547	9,371
	<u>17,522</u>	<u>17,780</u>

13. DEBTORS – AMOUNTS DUE WITHIN ONE YEAR

	2015		2014	
	Group £000	Company £000	Group £000	Company £000
Trade debtors	19,029	-	17,079	3
Amounts due from group undertakings	-	305	-	3,969
Prepayments and accrued income	204	-	326	-
Other debtors	2,569	115	3,953	719
	<u>21,802</u>	<u>420</u>	<u>21,358</u>	<u>4,691</u>

Amounts due from Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

14. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015		2014	
	Group £000	Company £000	Group £000	Company £000
Bank loans and overdrafts (note 26)	2,249	-	2,157	1,108
Trade creditors	25,721	283	25,395	112
Amounts due to group undertakings	-	-	-	9,315
Other taxation and social security	1,280	-	606	-
Finance leases (note 15)	45	-	42	-
Accruals and deferred income	4,173	956	8,936	494
Other creditors	2,665	63	826	87
Corporation tax	219	-	243	-
	<u>36,352</u>	<u>1,302</u>	<u>38,205</u>	<u>11,116</u>

Amounts due to Group undertakings are unsecured, interest free and are payable on demand.

15. FINANCE LEASES

	2015 £000	2014 £000
Maturity of finance leases:		
In one year or less	45	42
In more than one year, but not more than two years	45	45
In more than two years, but not more than five years	41	86
	<u>131</u>	<u>173</u>

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

15. FINANCE LEASES (CONTINUED)

	2015 £000	2014 £000
Future minimum payments under finance leases are as follows:		
Within one year	51	51
In more than one year, but not more than five years	90	140
Total gross payments	141	191
Less finance charges included above	(10)	(18)
	<u>131</u>	<u>173</u>

16. LEASE OBLIGATIONS

Operating leases

The annual commitments under non-cancellable operating leases are as follows:

	Group			
	2015 Land & Buildings £000	Other £000	2014 Land & Buildings £000	Other £000
Operating leases which expire:				
Within one year	142	465	140	141
In the second to fifth years inclusive	-	333	184	597
Over five years	-	-	-	-
	<u>142</u>	<u>798</u>	<u>324</u>	<u>738</u>

The Company has no operating lease commitments in either year.

17. DEFERRED TAXATION

	Group £000	Company £000
At start of period	2,250	527
(Charged)/credited to profit and loss account in the current year	(2,180)	1
Credited to statement of total recognised gains and losses	90	-
Adjustment in respect of prior year credited / (charged) to profit & loss account	104	(170)
At end of period	<u>264</u>	<u>358</u>

	2015 Group £000	Company £000	2014 Group £000	Company £000
The deferred tax asset consists of the following amounts:				
Capital allowances in excess of depreciation	-	-	(1,130)	-
Short term timing differences	-	1	(317)	-
Tax losses available	264	357	3,697	527
	<u>264</u>	<u>358</u>	<u>2,250</u>	<u>527</u>

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

18. PENSION COMMITMENTS

The group 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.

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 2013 and updated to 28 March 2015 by Aon Consulting, independent consulting actuaries using the Projected Unit Method.

The major assumptions used by the actuary were:

	2015	2014
Rate of increase in pensions in payment	2.90%	3.15%
Discount rate	3.20%	4.35%
Rate of inflation (RPI)	3.00%	3.30%
Rate of inflation (CPI)	1.90%	2.20%

Mortality for current and future pensioners for 2015 and 2014 has been based on SAPS, with 2014 CMI Improvements with 1.25% underpin, + 3 years for females only.

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

	2015		2014	
	Long-term Rate of Return Expected	Fair Value £000	Long-term Rate of Return Expected	Fair Value £000
Bonds	4.00%	31,105	4.00%	22,490
Cash	2.50%	1,939	2.50%	2,345
Annuity policy	4.35%	66,145	4.35%	61,307
Total market value of assets		99,189		86,142
Present value of scheme liabilities		(95,510)		(86,182)
Unrecognised asset		(3,679)		-
Deficit in scheme		-		(40)
Related deferred tax asset		-		8
Net pension deficit		-		(32)

In accordance with FRS 17 the Directors have not recognised the net pension surplus as it does not give rise to an asset of the Group, either by way of a refund or a reduction in future contributions.

Reconciliation of present value of scheme liabilities

	2015 £000	2014 £000
At start of period	(86,182)	(87,174)
Defined benefit scheme costs	(872)	(558)
Interest cost	(3,738)	(3,988)
Actuarial (loss)/gain	(5,997)	4,002
Liabilities extinguished on settlements	131	471
Benefits paid	1,148	1,065
At end of period	(95,510)	(86,182)

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 28 March 2015

18. PENSION COMMITMENTS (CONTINUED)

Reconciliation of fair value of scheme assets

	2015 £000	2014 £000
At start of period	86,142	86,469
Expected return	3,472	3,477
Actuarial gain/(loss)	7,813	(3,297)
Contributions paid by employer	2,910	558
Benefits paid	(1,148)	(1,065)
At end of period	99,189	86,142

Scheme assets do not include any of Tullis Russell Group Limited's own financial instruments, or any property occupied by Tullis Russell Group Limited. 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 a return of £11,258,000 (2014: £180,000).

Amounts charged to the profit and loss account are as follows:

	2015 £000	2014 £000
Expected return on pension scheme assets	(3,472)	(3,477)
Interest on pension scheme liabilities	3,738	3,988
	266	511
Settlement gain	(131)	(471)
	135	40

Members elected to participate in a Pension Increase Exchange resulting in a gain on liabilities of £131,000 (2014 £471,000).

Actuarial valuation

A triennial valuation was undertaken at 6 April 2013 resulting in a deficit of £8,087,000. This was subsequently updated to 6 April 2014 when the deficit had reduced to £5,154,000. At the beginning of the financial year a payment of £1,500,000 was made and monthly repayments recommenced from April 2014. The Company has agreed with the trustees that it will make annual cash contributions of £1,000,000 over the next 4.5 years to make good the deficit. The scheme is closed to new entrants and to future accrual for existing members.

The Directors have considered the recent guidance of IFRIC 14 and the potential for a schedule of contributions to the defined benefit pension scheme to constitute a minimum funding requirement. The directors have opted to maintain their existing accounting policy under the extant guidance of FRS17 for the current financial year which does not require the schedule of contributions to be assessed in determining the expected pension costs to the Group.

Amounts for current and previous four years

	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Defined benefit obligation	(95,910)	(86,182)	(87,174)	(85,670)	(76,618)
Plan assets	95,910	86,142	86,469	82,584	72,124
Unrecognised surplus	3,279	-	-	-	-
Deficit	-	(40)	(705)	(3,086)	(4,494)
Experience adjustments on plan assets	7,813	(3,297)	102	3,190	(10,840)
Experience adjustments on plan liabilities	4,016	6,088	3,625	1,656	7,073
Total amount recognised in the statement of total recognised gains and losses	(1,863)	705	1,736	(2,664)	(1,243)

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

18. PENSION COMMITMENTS (CONTINUED)

Company

The scheme is a group scheme covering employees of the UK operating companies. The assets and liabilities of the scheme have been split between Tullis Russell Papermakers Limited and Tullis Russell Coaters Limited and accordingly there are no additional FRS 17 disclosures required for the holding company.

On 17 December 2015 the Company entered into an agreement with the trustees of the scheme to take on the liabilities for the Papermakers members and to fund the deficit in relation to those liabilities on a technical provisions basis. The pension liabilities relating to the Tullis Russell Papermakers Limited employees will therefore continue to be provided without any impact arising out of the administration of the papermaking company.

Defined Contribution Scheme

Group

The defined contribution pension cost and death in service costs for the Group were £1,854,000 (2014: £1,748,000). Outstanding contributions of £104,000 (2014: £96,000) are included in Creditors: amounts falling due within one year. The pension cost in both periods includes costs arising overseas.

19. CALLED UP SHARE CAPITAL

	Allotted, Called-up and Fully Paid	
	2015 £000	2014 £000
Ordinary shares of 10p each	4,326	4,326
Non-voting ordinary shares of 10p each	26	26
Special share	-	-
	<u>4,352</u>	<u>4,352</u>

There were no movements during the year.

	Ordinary Shares	Number Non-voting Ordinary Shares	Special	Ordinary Shares	£000 Non-voting Ordinary Shares	Special
At 29 March 2014 and 28 March 2015	<u>43,262,710</u>	<u>260,920</u>	<u>1</u>	<u>4,326</u>	<u>26</u>	<u>-</u>

Non-voting ordinary shares will be converted into ordinary shares on a one-for-one basis in the event of the directors approving the listing of any of the company's shares on a public securities market.

The terms of the special share entitle its holder, The Russell Trust, in certain circumstances to 51% of the votes at a general meeting of the company.

20. INTERESTS IN SHARE CAPITAL

Major shareholders at 28 March 2015

	Ordinary Shares	Non-Voting Ordinary Shares	Special Share
The Russell Trust	11,932,800	-	1
Tullis Russell (1987) Employee Benefits Trust	21,747,810	219,379	-
Tullis Russell Group Second Employee Share Ownership Trust	3,451,864	-	-
Tullis Russell Employee Profit Sharing Share Scheme	159,805	-	-
Tullis Russell Group Employee Profit Sharing Share Scheme	352,332	-	-
Tullis Russell Group Employee Share Ownership Plan	4,935,017	-	-
	<u>42,579,628</u>	<u>219,379</u>	<u>1</u>

The directors consider that, because the directors of the companies which are the trustees of Tullis Russell (1987) Employee Benefits Trust, Tullis Russell Group Second Employee Share Ownership Trust, Tullis Russell Employee Profit Sharing Share Scheme, Tullis Russell Group Employee Profit Sharing Share Scheme and Tullis Russell Group Employee Share Ownership Plan are the same people and the interests of all these trusts are closely aligned, these trusts, acting in concert will, in normal circumstances, form the controlling party as defined in FRS 8 'Related Party Disclosures'.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

21. RESERVES

	Profit & Loss Account					
	Share Premium Account	Capital Reserve	Capital Redemption Reserve	Share Appropriation	Other	Total
	£000	£000	£000	£000	£000	£000
Group						
At 30 March 2014	25,686	24,641	361	14	(4,892)	45,810
Reversal of opening share appropriation provision	-	-	-	(14)	-	(14)
Loss for the financial year	-	-	-	-	(15,683)	(15,683)
Dividends paid (note 8)	-	-	-	-	(199)	(199)
Actuarial loss relating to the pension scheme	-	-	-	-	(1,773)	(1,773)
Loss on disposal of own shares	-	-	-	-	(624)	(624)
Gain on foreign currency translation	-	-	-	-	327	327
At 28 March 2015	25,686	24,641	361	-	(22,844)	27,844
Company						
At 30 March 2014	25,686	-	361	14	31,535	57,596
Reversal of opening share appropriation provision	-	-	-	(14)	-	(14)
Loss for the financial year	-	-	-	-	(42,786)	(42,786)
Dividends paid (note 8)	-	-	-	-	(199)	(199)
Loss on disposal of own shares	-	-	-	-	(624)	(624)
At 28 March 2015	25,686	-	361	-	(12,074)	13,973

Profit of the holding company

The directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

The loss attributable to shareholders dealt with in the accounts of the parent company was £42,718,000 (2014: a profit of £88,000).

22. OWN SHARES

The company has sponsored four ESOP Trusts: Tullis Russell (1987) Employee Benefits Trust ("EBT"), Tullis Russell Group Employee Share Ownership Trust ("ESOT"), Tullis Russell Group Second Employee Share Ownership Trust ("No 2 ESOT") and Tullis Russell Group Employee Share Ownership Plan ("SIP"). The company funds the cost of the trusts by donations. Shares are allocated to employees under the terms of the SIP.

GROUP AND COMPANY

	EBT Ordinary Shares £000	No 2 ESOT Ordinary Shares £000	Total £000
At 30 March 2014	15,004	3,654	18,658
Purchased	44	-	44
Appropriated	(472)	(452)	(924)
At 28 March 2015	14,576	3,202	17,778

Nominal Value:

At 28 March 2015 the nominal value of the above shareholdings was £2,542,000 (2014: £2,679,000).

Market Value:

At the most recent valuation price (July 2015) the aggregate market value of ordinary shares in the above holdings at 28 March 2015 was £5,084,000 (2014: £5,091,000).

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2015		2014	
	Group £000	Company £000	Group £000	Company £000
Opening shareholders' funds	31,504	43,290	33,053	42,950
Total recognised gains and losses	(17,129)	(42,786)	(1,795)	94
Dividends paid on equity shares (note 8)	(199)	(199)	-	-
Net purchase of own shares	242	242	246	246
Net (reduction)/addition to shareholders' funds	(17,086)	(42,743)	(1,549)	340
Closing shareholders' funds	14,418	547	31,504	43,290

24. CAPITAL COMMITMENTS

	Group 2015 £000	Group 2014 £000
Contracted but not provided for	505	71

25. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET FUNDS

	2015 £000	2014 £000
Increase in cash for the year	815	954
Capital element of finance lease repayment	42	40
	857	994
Net funds at start of period end	3,696	2,702
Net funds at end of period	4,553	3,696

26. ANALYSIS OF NET FUNDS

	At 30 March 2014 £000	Cashflows £000	At 28 March 2015 £000
Cash at bank	6,026	907	6,933
Bank loans and overdrafts	(2,157)	(92)	(2,249)
Finance leases due after 1 year	(131)	45	(86)
Finance leases due within 1 year	(42)	(3)	(45)
	3,696	857	4,553

27. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' with regard to the non-disclosure of transactions between Group companies. There were no other related party transactions.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

28. GROUP STRUCTURE

	Country of Incorporation and Operation	Shares Owned	%
Principal Group Company			
Tullis Russell Group Limited	Great Britain		
Papermaking Division			
Papermaking			
Tullis Russell Papermakers Limited	Great Britain	Ordinary	100
Specialist Coating and Distribution Division			
Paper Coating & Conversion			
Tullis Russell Coaters Limited	Great Britain	Ordinary	100
Tullis Russell Coated Papers Limited	Great Britain	Ordinary	100
Tullis Russell Coaters Korea Ltd	Republic of Korea	Common stock	100*
Overseas Sales Companies			
Tullis Russell Inc	USA	Common Stock	100
Tullis Russell France SARL	France	Ordinary	100
Tullis Russell GmbH	Germany	Ordinary	100
Tullis Russell Benelux BV	Netherlands	Ordinary	100
Tullis Russell Iberia SL	Spain	Ordinary	100
Dongguan Tullis Russell Paper Company Limited	China	Registered Capital	100
Non-trading Companies			
Tullis Russell Asia Pacific limited	Great Britain	Ordinary	100
Tullis Russell Developments Limited	Great Britain	Ordinary	100
Revolutionary Adhesive Materials Limited	Great Britain	Ordinary	100
TR Employee Benefits Trust limited	Great Britain	Ordinary	100
TRG ESOT Limited	Great Britain	Ordinary	100
TR Employee Share Scheme Limited	Great Britain	Ordinary	100

* held by a subsidiary company.

Tullis Russell Papermakers went into administration on 27 April 2015. As detailed in note 11, the Directors have impaired the investments in Tullis Russell Papermakers Limited, Tullis Russell Inc, Tullis Russell France SARL, Tullis Russell GmbH, Tullis Russell Benelux BV and Tullis Russell Iberia SL to £nil (2014: £37.3m).

Tullis Russell Asia Pacific Limited is exempt from a statutory audit of its financial statements in accordance with S479A Companies Act 2006.

29. DERIVATIVES

The Group has entered into forward currency contracts to reduce its exposure to exchange rate movements affecting the income it receives in Euro and US Dollars and also the purchases it makes in US Dollars. At the balance sheet date, the total value of contracts held were for the sale of £nil (2014: €10.28m) and the purchase of \$nil (2014: \$1.50m). The average contracted rates in 2014 were €1.2008:£1 and \$1.5758:£1.

30. POST BALANCE SHEET EVENTS

Tullis Russell Papermakers Limited went into administration on 27 April 2015. The administrators continued to convert work-in-progress into finished goods for a short period of time after the administration date and as all operations had not ceased within three months of the year end date the operations of the Papermaking Division are included in results derived from continuing operations in the Group Profit and Loss Account, although this division was in the process of being, and subsequently has been, discontinued. The closure of Tullis Russell Papermakers Limited has also resulted in the closure of Tullis Russell Inc, Tullis Russell France SARL, Tullis Russell GmbH, Tullis Russell Benelux BV and Tullis Russell Iberia SL, all of whom were dependent on Papermakers for their stock. Within the Specialist Coating & Other Division all the businesses continue to trade.

Stock held by Tullis Russell Papermakers Limited at 28 March 2015 included £1,200,000 of raw materials that were not consumed in production and had no market for resale. These items have been written down to £nil.

The land and buildings from which this business operated were owned by the Company and were utilised solely by the Papermaking business. The continuing businesses of the Group did not operate from this site and there are no immediate plans by the Group to undertake alternative trading activities at this site. The directors are assessing the future options for this asset. Against this backdrop the directors have concluded that it is appropriate to reduce the net book value of this asset to £nil, and an impairment charge of £10,695,000 (2014: £nil) has been recorded in the Group Profit and Loss Account.

TULLIS RUSSELL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 28 March 2015

30. POST BALANCE SHEET EVENTS (CONTINUED)

Plant and equipment owned by Tullis Russell Papermakers Limited have been subject to an impairment charge of £6,119,000 (2014: £nil) based on the directors' best estimate of net realisable value at the date of approving these financial statements.

The investment in Tullis Russell Papermakers Limited, together with investments in Tullis Russell Inc, Tullis Russell France SARL, Tullis Russell GmbH, Tullis Russell Benelux BV and Tullis Russell Iberia SL, which are also being wound up, have been reduced to £nil in the parent company. The impairment charge recorded in respect of these entities in the current year was £37,339,000 (2014: £nil).

On 17 December 2015 the Company entered into an agreement with the trustees of the defined benefit pension scheme to take on the liabilities for the Tullis Russell Papermakers Limited members and to fund the deficit in relation to those liabilities on a technical provisions basis. The pension liabilities relating to the Tullis Russell Papermakers Limited employees will therefore continue to be provided without any impact arising out of the administration of the papermaking company.