

Company Registration No. SC 332132

FIBRELOC LIMITED

Report and Financial Statements

Year Ended 31 March 2012

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FIBRELOC LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

| CONTENTS | Page |
|---|-------------|
| Officers and professional advisors | 1 |
| Directors' report | 2 |
| Statement of directors' responsibilities | 3 |
| Independent auditors' report | 4 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 |

FIBRELOC LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Chris Parr (appointed 22 June 2012)
Craig Lax
Sandford Lax
Geoff Miller
Mike Start (appointed 22 June 2012)

SECRETARY

Geoff Miller

REGISTERED OFFICE

Rothsfield,
Markinch,
Fife,
KY7 6PB

BANKERS

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

SOLICITORS

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

STATUTORY AUDITORS

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

FIBRELOC LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year to 31 March 2012.

ACTIVITIES

The company's principal activity is the development of paper, which contains a unique design, to be used in the security paper market. Development of the hardware to read the design within the paper is also being undertaken.

During the past 12 months the focus has been on integrating new hardware into a Fibreloc application and using this as the basis for all future promotions. Intellectual Property Rights are held by Fibreloc Limited with a patent granted in both China and Europe. The Fibreloc patent is being enforced and will be effective in 29 European countries.

RESULTS, DIVIDENDS AND TRANSFER TO RESERVES

The company made a loss after taxation of £43,845 (2011: loss £71,598) which was transferred from reserves.

The directors do not recommend the payment of a dividend.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company, surround the effective development of the hardware required to allow the technology to be integrated and whether the technology is well received commercially.

DIRECTORS

The directors who held office during the year were:

C A G Parr (appointed 22 June 2012)
G D Miller
C Lax

M M Sinclair (resigned 22 June 2012)
M X Start (appointed 22 June 2012)
S Lax

AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

Each director, as at the date of this report, has confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

COMPANY NUMBER

The company's registered number is SC332132.

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the annual general meeting.

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



Geoff Miller

Secretary

18th December 2012

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIBRELOC LIMITED

We have audited the financial statements of Fibreloc Limited for the year ended 31 March 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

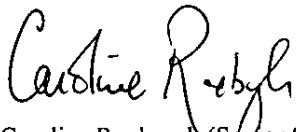
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FIBRELOC LIMITED

(Continued)

Matters on which we are required to report by exception

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

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



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

Edinburgh

21 December 2012

FIBRELOC LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 March 2012

| | Note | Year ended March 2012 £ | Year ended March 2011 £ |
|--|------|-------------------------------|-------------------------------|
| Administrative Expenses | | (43,845) | (71,598) |
| OPERATING LOSS | 2 | (43,845) | (71,598) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (43,845) | (71,598) |
| Tax on ordinary activities | 3 | - | - |
| LOSS AFTER TAX FOR THE FINANCIAL YEAR | 7 | (43,845) | (71,598) |

The company has no recognised gains or losses other than as stated above, and so no Statement of Total Recognised Gains and Losses is presented.

There are no material differences between the loss on ordinary activities before taxation and loss for the year stated above and its historic cost equivalent.

All activities of the company are continuing operations.

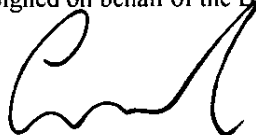
FIBRELOC LIMITED

BALANCE SHEET 31 March 2012

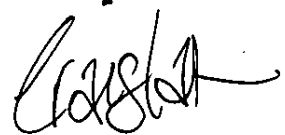
| | Note | 31 March 2012 £ | 31 March 2011 £ |
|---|------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash at Bank | | 1,711 | 427 |
| VAT refundable | | - | 3,556 |
| | | <u>1,711</u> | <u>3,983</u> |
| CREDITORS: amounts falling due within one year | 4 | <u>(153,654)</u> | <u>(112,081)</u> |
| NET LIABILITIES | | <u>(151,943)</u> | <u>(108,098)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 5 | 5,252 | 5,252 |
| Share premium | 6 | 99,788 | 99,788 |
| Profit and loss account – deficit | 7 | <u>(256,983)</u> | <u>(213,138)</u> |
| DEFICIT IN SHAREHOLDERS' FUNDS | 6 | <u>(151,943)</u> | <u>(108,098)</u> |

These financial statements were approved by the Board of Directors on 18th December 2012.

Signed on behalf of the Board of Directors



C A G Parr
Director



C Lax
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

1. ACCOUNTING POLICIES

Accounting convention

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

The directors believe that the going concern basis is appropriate due to the fact that the shareholders will continue to provide financial support to Fibreloc Limited, to enable the company to meet liabilities as they become due.

Cashflow statement

The Company has taken advantage of the exemption from preparing cash flow statements conferred by FRS 1 on the grounds that it is a small company by definition.

Deferred Taxation policy

Deferred taxation is provided on timing differences, arising from different treatment for accounts and taxation purposes of events and transactions recognised in the financial statements of current and previous years. Deferred taxation is calculated at the rates at which it is estimated that taxation will arise.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the immediate and ultimate parent company continuing its support by providing adequate financial resources. The immediate and ultimate parent company, Tullis Russell Group Limited, has confirmed that it will continue to do this.

As a result of the above, the directors believe it is appropriate to prepare the accounts on a going concern basis.

2. OPERATING LOSS

| | 2012 £ | 2011 £ |
|--|--------------|--------------|
| Operating loss is stated after charging: | | |
| Auditors fees | <u>2,250</u> | <u>2,250</u> |

The company had no directly employed personnel other than the directors who received no remuneration for their services to the company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

3. TAX ON LOSS ON ORDINARY ACTIVITIES

| | 2012 £ | 2011 £ |
|-------------------------------------|-----------|-----------|
| Taxation charge | | |
| <i>Current taxation</i> | | |
| Corporation tax charge for the year | - | - |
| | <hr/> | <hr/> |
| Tax charge for the year | <hr/> - | <hr/> - |

The standard rate of tax for the current and prior year, based on the UK standard rate of corporation tax, is 26% (2011: 28%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation.

| | 2012 £ | 2011 £ |
|---|--------------|--------------|
| Loss on ordinary activities before tax | (43,845) | (71,598) |
| | <hr/> | <hr/> |
| Tax on loss on ordinary activities at standard rate | (11,400) | (20,047) |
| <i>Factors affecting the charge for the period</i> | | |
| Other timing differences | <hr/> 11,400 | <hr/> 20,047 |
| | <hr/> | <hr/> |
| Total actual amount of current tax | <hr/> - | <hr/> - |

The company has a potential deferred tax asset of £60,590 (2011: £55,415) which is not recognised due to the uncertainty of future profits against which it would be recognised.

A number of changes to the UK Corporation tax system were announced in the June 2011 and March 2012 Budget Statements.

A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax to 24% from 1 April 2012. Finance Act 2012 included legislation reducing the main rate of corporation tax from 24% to 23% from 1 April 2013. A further reduction to the main rate is proposed to reduce the rate to 22% by 1 April 2014. These rate reductions to 23% and 22% had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The overall effect of the further changes from 24% to 22%, if these are applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by £5,049 (being £2,525 recognised in 2013 and £2,524 recognised in 2014).

FIBRELOC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2012

4. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2012 £ | 2011 £ |
|--------------------------------------|----------------|----------------|
| Tullis Russell Papermakers Limited | 110,831 | 109,831 |
| Other creditors and accrued expenses | 42,823 | 2,250 |
| | <u>153,654</u> | <u>112,081</u> |

There is no fixed security over the amount due to Tullis Russell Papermakers and no interest is payable. No fixed repayment date is in place.

5. CALLED UP SHARE CAPITAL

| | 2012 £ | 2011 £ |
|--|--------------|--------------|
| Called up, allotted and fully paid: | | |
| 3,752 Ordinary A shares of £1 each | 3,752 | 3,752 |
| 1,500 Ordinary B shares of £1 each | 1,500 | 1,500 |
| | <u>5,252</u> | <u>5,252</u> |

6. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2012 | 2011 |
|-------------------------------|------------------|------------------|
| Opening shareholders' funds | (108,098) | (36,500) |
| Loss for the financial Period | (43,845) | (71,598) |
| Closing shareholders' funds | <u>(151,943)</u> | <u>(108,098)</u> |

7. PROFIT AND LOSS ACCOUNT - DEFICIT

| | 2012 | 2011 |
|---------------------|------------------|------------------|
| Balance at 1 April | (213,138) | (141,540) |
| Loss for the period | (43,845) | (71,598) |
| Balance at 31 March | <u>(256,983)</u> | <u>(213,138)</u> |

8. ULTIMATE PARENT UNDERTAKING

The immediate and ultimate parent undertaking and ultimate controlling party is Tullis Russell Group Limited. The only group into which the results of this company are consolidated is that headed by Tullis Russell Group Limited. Copies of the financial statements of Tullis Russell Group Limited may be obtained from Companies House, 4th floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.