Don & Low Limited

Directors' report and consolidated financial statements

Registered number 5657

31 December 2002



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Directors and advisers

Directors	Costas Halioris (Chairman) Nicos Androutsopoulos (Non executive) Graham Dewick (Non Executive) Stephen Andrew Duffy Robert Dunn Giuseppe Rossi (Non Executive)
Secretary	Stephen Andrew Duffy
Registered Office	Newfordpark House Glamis Road Forfar DD8 1FR
Auditors	KPMG LLP 37 Albyn Place Aberdeen AB10 1JB
Bankers	The Royal Bank of Scotland plc 65 East High Street Forfar DD8 2EP National Bank of Greece SA 50 St Mary Axe London EC3A 8EL
Solicitors	Thorntons WS 40 Castle Street Dundee DD1 3AQ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities and review of the business

The principal activity of the group is the manufacture and marketing of woven and nonwoven polyolefin textiles.

Throughout the year the group has maintained its long standing commitment to achieving the highest standards in safety, quality, customer service and continuous improvement.

Economic and market challenges have continued to have a major influence on the Wovens business. Notwithstanding this, however, significant progress has been made compared to the previous year as a result of ongoing restructuring and cost reduction.

The continued growth of the Nonwovens business in higher value markets, against a highly competitive background, was encouraging.

Results and dividends

The profit after taxation amounted to £1,165,000 *(2001: £2,000)*. The directors recommend the payment of a final dividend of £873,000 *(2001: £nil)*.

Research and development

Product improvement and development is a continuing process.

Directors and directors' interests

The directors who held office during the year are shown on page 1.

In terms of the articles of association directors are not subject to retirement by rotation.

The directors had no notifiable interests in the shares of the group throughout the year.

No director has or had an interest in any contract or arrangement to which the group was a party.

Employment of disabled persons

The group policy is to facilitate the employment of disabled people, their recruitment, training, career development and promotion, and the retention of employees who become disabled. The operation of this policy is reviewed regularly.

Employee involvement

The group policies relating to employee involvement continue to be developed and improved. Employees and their representatives are briefed, consulted and provided with information in a variety of ways designed to ensure that they are kept fully informed about developments in the group including the financial performance.

Directors' report *(continued)*

Health and safety

The group uses BUPA for advice on occupational health matters and the provision of trained nursing staff who visit all group locations on a regular basis. In addition, employees with training in first aid are present in all locations at all times. Environmental working conditions at all locations are monitored by trained staff.

The group has complied with the Health and Safety at Work Act 1974 in issuing a written statement of its general policy on the health and safety of its staff, and the organisation and arrangements for carrying out that policy.

Charitable and political contributions

Charitable contributions made by the group during the year totalled £1,000 *(2001: £1,000)*. It is the group's policy that no political contributions be made.

Auditors

Our auditors KPMG have indicated to the directors' that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 31 May 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising. A resolution for the re-appointment of KPMG LLP as auditors of the group is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Stephen Duffy

S Duffy
Secretary

Newfordpark House
Forfar
DD8 1FR

11 February 2003

Statement of directors' responsibilities

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 and group and of the profit or loss 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, 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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditors' report to the members of Don & Low Limited

We have audited the financial statements on pages 6 to 22.

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 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 auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 group is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with 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 group'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 affairs of the company and the group as at 31 December 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

12 February 2003

Consolidated profit and loss account

for the year ended 31 December 2002

	Note	2002 £000	2001 £000
Turnover	2	**41,555**	39,844
Change in stocks of finished goods and work in progress		**(38)**	275
Other operating income		**26**	12
Raw materials and consumables		**(16,370)**	(16,424)
Other external charges		**(4,422)**	(4,418)
		(20,804)	(20,555)
		20,751	19,289
Staff costs	5	**(10,556)**	(10,849)
Depreciation		**(3,500)**	(3,509)
Other operating charges		**(4,527)**	(4,052)
Operating profit		**2,168**	879
Profit on sale of fixed assets		**26**	107
		2,194	986
Bank interest receivable	6	**30**	44
Interest payable	7	**(631)**	(894)
Profit on ordinary activities before taxation	3	**1,593**	136
Taxation on profit on ordinary activities	8	**(428)**	(134)
Profit on ordinary activities after taxation for the financial year		**1,165**	2
Retained profit brought forward		**12,003**	11,967
Transfer from revaluation reserve	19	**34**	34
Dividends	9	**(873)**	-
Retained profit carried forward		**12,329**	12,003

A statement of movements on reserves is given in note 19.

The group had no gains or losses other than the profit for the financial year.

All activities relate to continuing operations.

Consolidated balance sheet

at 31 December 2002

	Note	2002		2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	10		22,973		25,944
Current assets					
Stocks	12	5,614		5,513	
Debtors	13	7,130		6,608	
Cash at bank and in hand		1,397		1,485	
		14,141		13,606	
Creditors: amounts falling due within one year	14	(10,208)		(9,153)	
Net current assets			3,933		4,453
Total assets less current liabilities			26,906		30,397
Creditors: amounts falling due after more than one year	15		(6,500)		(10,000)
Provisions for liabilities and charges	16		(3,817)		(4,074)
Accruals and deferred income	17		(155)		(181)
Net assets			16,434		16,142
Capital and reserves					
Called up share capital	18		3,421		3,421
Revaluation reserve	19		684		718
Profit and loss account	19		12,329		12,003
Equity shareholders' funds	20		16,434		16,142

These financial statements were approved by the board of directors on 11 February 2003 and were signed on its behalf by:

R Dunn
Director

Balance sheet

at 31 December 2002

	Note	2002		2001	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	*10*		**22,973**		25,944
Investments	*11*		**575**		575
			23,548		26,519
Current assets					
Stocks	*12*	**5,614**		5,513	
Debtors	*13*	**7,130**		6,608	
Cash at bank and in hand		**1,397**		1,485	
		14,141		13,606	
Creditors: amounts falling due within one year	*14*	**(10,783)**		(9,728)	
Net current assets			**3,358**		3,878
Total assets less current liabilities			**26,906**		30,397
Creditors: amounts falling due after more than one year	*15*		**(6,500)**		(10,000)
Provisions for liabilities and charges	*16*		**(3,817)**		(4,074)
Accruals and deferred income	*17*		**(155)**		(181)
Net assets			**16,434**		16,142
Capital and reserves					
Called up share capital	*18*		**3,421**		3,421
Revaluation reserve	*19*		**684**		718
Profit and loss account	*19*		**12,329**		12,003
Equity shareholders' funds	*20*		**16,434**		16,142

These financial statements were approved by the board of directors on 11February 2003 and were signed on its behalf by:

R Dunn
Director

Consolidated cash flow statement

for the year ended 31 December 2002

	Note	2002		2001	
		£000	**£000**	£000	£000
Cash flow from operating activities	(i)		**5,576**		3,323
Returns on investments and servicing of finance					
Interest received		**30**		44	
Interest paid		**(641)**		(1,084)	
Net cash outflow for returns on investments and servicing of finance			**(611)**		(1,040)
Taxation			**(409)**		291
Capital expenditure and financial investments					
Purchase of tangible fixed assets		**(472)**		(1,706)	
Sale of tangible fixed assets		**27**		107	
Net cash outflow for capital expenditure and financial investments			**(445)**		(1,599)
Acquisitions and disposals					
Sale of investment		**-**		29	
Net cash inflow from acquisitions and disposals			**-**		29
Cash inflow before financing			**4,111**		1,004
Financing					
Repayment of loan	(iii)	**(3,500)**		(2,000)	
Net cash outflow from financing			**(3,500)**		(2,000)
Increase (decrease) in cash in the year	(ii) &(iii)		**611**		(996)

Notes to consolidated cash flow statement

(i) **Reconciliation of operating profit to operating cash flows**

	2002 £000	2001 £000
Operating profit	**2,168**	879
Depreciation and amortisation on fixed assets	**3,500**	3,509
Deferred grant	**(26)**	(12)
(Increase) in stocks	**(101)**	(197)
(Increase) in debtors	**(522)**	(533)
Increase (decrease) in creditors	**557**	(323)
Net cash inflow from operating activities	**5,576**	3,323

(ii) **Reconciliation of net cash flow to movement in net debt**

	2002 £000	2001 £000
Increase (decrease) in cash in the year	**611**	(996)
Cash outflow from decrease in debt and lease financing	**3,500**	2,000
Movement in net debt in the year	**4,111**	1,004
Net debt at beginning of year	**(12,785)**	(13,789)
Net debt at end of year	**(8,674)**	(12,785)

(iii) **Analysis of changes in net debt**

	2001 £000	Cashflow £000	**2002 £000**
Cash at bank	1,485	(88)	**1,397**
Bank overdraft	(2,270)	699	**(1,571)**
	(785)	611	**(174)**
Debt due within 1 year:			
Bank loan	(2,000)	-	**(2,000)**
Debt due after more than 1 year:			
Bank loan	(10,000)	3,500	**(6,500)**
	(12,000)	3,500	**(8,500)**
	(12,785)	4,111	**(8,674)**

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain fixed assets.

Basis of consolidation

The group financial statements consolidate the accounts of Don & Low Limited and both its subsidiary undertakings drawn up to 31 December. The subsidiary companies are dormant and have not traded during the year. No profit and loss account is presented for Don & Low Limited as provided by section 230 of the Companies Act 1985.

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than land, at rates calculated to write off the cost or valuation less the estimated residual value of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	35 to 40 years
Plant and machinery	-	4 to 10 years

Land and buildings originally revalued at 31 May 1986, were valued on the basis of replacement cost or open market value for existing use, as appropriate at 21 June 1998. On adoption of Financial Reporting Standard 15 – Tangible Fixed Assets, the group has followed the transitional provisions to retain the net book value of land and buildings which were revalued previously but not to revalue in the future.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Government grants

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

Leases

Operating lease rentals are charged to the profit and loss account as incurred.

Pension costs

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and contributions paid to the schemes is shown as a liability *(2001 - liability)* in the balance sheet.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is the invoiced value of materials plus labour and attributable overheads based on a normal level of production.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

Turnover represents the invoiced value of sales, excluding value added tax and is shown net of returns and allowances. Turnover is attributable principally to one activity, the manufacture and marketing of textiles.

An analysis of turnover by geographical market is given below:

	2002		2001	
	Turnover £000	**%**	Turnover £000	%
By geographical market				
United Kingdom	**22,284**	**53.6**	22,850	57.3
Europe - EC	**15,939**	**38.4**	14,274	35.8
- Other	**794**	**1.9**	622	1.6
Other overseas territories	**2,538**	**6.1**	2,098	5.3
	41,555	**100**	39,844	100.0

3 Profit on ordinary activities before taxation

	2002 £000	2001 £000
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit	**21**	19
Other services	**5**	6
Depreciation	**3,500**	3,509
Operating lease rentals	**102**	95
after crediting:		
Government grants released	**26**	12

Notes *(continued)*

4 Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	323	293

The aggregate emoluments of the highest paid director was £161,000 *(2001: £124,000)*.

	2002	2001
Retirement benefits are accruing to the following number of directors:		
Defined benefit schemes	2	2

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2002 Number	2001 Number
Manufacturing	451	477
Selling	22	23
Administration	18	21
	491	521

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Wages and salaries	9,427	9,857
Social security costs	654	656
Other pension costs (Note 22)	475	336
	10,556	10,849

6 Interest receivable

	2002 £000	2001 £000
Bank interest	30	44

Notes *(continued)*

7 Interest payable

	2002 £000	2001 £000
On loan wholly repayable within seven years	547	850
Bank interest	84	44
	631	894

8 Taxation

	2002 £000	2001 £000
UK corporation		
Current tax on profit for the year on ordinary activities	685	180
Deferred taxation		
Reversal of timing differences	(257)	(46)
	428	134

Factors affecting the tax charge for the current period

The current tax charge for the year is higher *(2001: higher)* than the standard rate of corporation tax in the UK 30%, *(2001: 30%)*. The differences are explained below.

	2002 £000	2001 £000
Current tax reconciliation		
Profit on ordinary activities before tax	1,593	136
Current tax at 30% *(2001: 30%)*	478	41
Effects of:		
Expenses not deductible for tax purposes	19	116
Income not taxable	(8)	(4)
Capital allowances for period in excess of depreciation	257	46
Reduction of general provision	(30)	-
Buildings depreciation but no deferred tax provision	(27)	(19)
Adjustments to deferred tax charge in respect of previous periods	(4)	-
Total current tax charge (see above)	685	180

9 Dividends

	2002 £000	2001 £000
Ordinary shares	873	-

Notes *(continued)*

10 Tangible fixed assets

Group and company	Freehold land and buildings £000	Plant and machinery £000	Total £000
Cost or valuation			
At beginning of year	14,105	54,953	69,058
Additions	46	484	530
Disposals	-	(80)	(80)
At end of year	14,151	55,357	69,508
Depreciation			
At beginning of year	2,692	40,422	43,114
Charge for year	362	3,138	3,500
On disposals	-	(79)	(79)
At end of year	3,054	43,481	46,535
Net book value			
At 31 December 2002	**11,097**	**11,876**	**22,973**
At 31 December 2001	11,413	14,531	25,944

Details of the revalued assets are given below:

Group and company	2002 £000	2001 £000
Freehold land and buildings		
At revalued amount	**3,564**	3,564
Aggregate depreciation thereon	**(1,139)**	(1,105)
Net book value	**2,425**	2,459

Notes *(continued)*

10 Tangible fixed assets *(continued)*

Of the total shown for freehold land and buildings £1,252,000 *(2001: £1,252,000)* relates to freehold land which is not depreciated. On an historical cost basis freehold land and buildings would have been included at:

Group and company	**2002 £000**	2001 £000
Historical cost of revalued assets	**9,038**	8,994
Aggregate depreciation based on historical cost	**(4,400)**	(4,072)
Historical cost net book value	**4,638**	4,922
Historical cost profit on ordinary activities before taxation	**1,627**	170
Historical cost profit for the year retained after taxation and dividends	**326**	36

11 Fixed asset investments

Company	£000
At beginning and end of year	**575**

Details of the investments in subsidiary undertakings are as follows:

Name of company	*Nature of business*	*Proportion of ordinary shares held*
Don & Low (Holdings) Limited	Dormant	100%
Don & Low Nonwovens Limited	Dormant	100%

12 Stocks

	Group and company	
	2002 £000	2001 £000
Raw materials and consumables	**1,632**	1,493
Work in progress	**1,334**	1,221
Finished goods	**2,648**	2,799
	5,614	5,513

The estimated replacement costs do not materially differ from the above values.

Notes *(continued)*

13 Debtors: due within one year

	Group and company	
	2002	2001
	£000	£000
Trade debtors	**6,365**	5,881
Other debtors and prepayments	**337**	315
Amounts owed by group undertakings	**428**	412
	7,130	6,608

14 Creditors: amounts falling due within one year

	Group		Company	
	2002	2001	**2002**	2001
	£000	£000	**£000**	£000
Bank overdraft	**1,571**	2,270	**1,571**	2,270
Current instalments due on loan (note 15)	**2,000**	2,000	**2,000**	2,000
Trade creditors	**1,609**	1,176	**1,609**	1,176
Amounts owed to group undertakings	**1,802**	1,809	**1,802**	1,809
Amounts owed to undertakings in which the company has a participating interest	**-**	-	**575**	575
Corporation tax	**331**	55	**331**	55
Other taxes and social security costs	**396**	390	**396**	390
Other creditors and accruals	**1,626**	1,453	**1,626**	1,453
Ordinary dividends payable	**873**	-	**873**	-
	10,208	9,153	**10,783**	9,728

15 Creditors: amounts falling due after more than one year

	Group and Company	
	2002	2001
	£000	£000
Loan	**6,500**	10,000
Analysis of total borrowings		
Amounts falling due:		
Within one year	**2,000**	2,000
Between one and two years	**2,000**	2,000
Between two and five years	**4,500**	6,000
Over five years	**-**	2,000
	8,500	12,000

The loan from the National Bank of Greece SA, bears interest payable at LIBOR plus 0.9%. The loan is repaid at six monthly intervals.

Notes *(continued)*

16 Provisions for liabilities and charges

Group and company	Pension £000	Deferred Taxation £000	Total £000
At beginning of year	2,315	1,759	4,074
Credit for year in profit and loss account	-	(257)	(257)
At end of year	**2,315**	**1,502**	**3,817**

Deferred taxation	2002		2001	
	Provided	Full potential liability	Provided	Full potential liability
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	1,502	1,502	1,759	1,759

The company's land and buildings were revalued at 21 June 1998. In the event of disposal of these assets at valuation it is anticipated that the chargeable gain arising would be rolled-over against expenditure incurred within the group companies under the provisions of Section 152, Taxation of Capital Gains Act 1992 and that no liability would arise.

17 Accruals and deferred income

Group and company	£000
Government grants	
At beginning of year	181
Credited to profit and loss account	(26)
At end of year	**155**

18 Called up share capital

Group and company	2002 £000	2001 £000
Authorised		
Ordinary shares of 25p each	4,000	4,000
Allotted, called up and fully paid		
Ordinary shares of 25p each	3,421	3,421

Notes *(continued)*

19 Reserves

Group and company	Revaluation reserve £000	Profit and loss account £000
At beginning of year	718	12,003
Profit for the year	-	1,165
Dividend	-	(873)
Transferred to profit and loss account	(34)	34
At end of year	**684**	**12,329**

20 Reconciliation of movements in shareholders' funds

	Group and Company £000
Opening shareholders' funds	16,142
Profit for the financial year	1,165
Dividends payable	(873)
Closing shareholders' funds	**16,434**

21 Commitments

Capital commitments

Group and company	2002 £000	2001 £000
Contracted	65	-

Lease commitments

The group has entered into operating leases in respect of plant and machinery, the payments for which extend over a period of up to 4 years. The total rental for the year ended 31 December 2002 is £102,000 (*year ended 31 December 2001: £95,000)* all of which is applicable to the company.

The minimum annual rentals under the foregoing leases are as follows:

Group and company	2002 £000	2001 £000
Operating leases which expire:		
Within one year	13	3
Within 2-5 years	59	86
	72	89

Notes *(continued)*

22 Pension commitments

The group has applied the phased transitional rules under Financial Reporting Standard 17: *Retirement Benefits ("FRS 17")*. The disclosures given in (a) are those required under Statement of Standard Accounting Practice 24: *Accounting for pension costs*, whilst disclosures required under FRS 17, to the extent not given in (a), are set out in (b).

(a) This fund is established as a separate trust with the result that its assets are held independently from the group's own assets. The fund is contracted-out of the State Earnings Related Pension arrangements. The funding objective is to build up and maintain sufficient assets to ensure that, at any given time, it is sufficient to secure the liabilities in respect of service rendered to date.

The most recent actuarial valuations were made as at 31 December 2001. The main financial assumptions adopted in making these valuations were as follows:

		Rates per annum
Price inflation		2.5%
Return on investments		6.6%
Increases in earnings		4.0%
Increases in pensions		2.5%
Increases in equity/dividend	- pre retirement	5.75%
	- post retirement	5.0%

Based on these assumptions and using the projected unit method, it is estimated that the aggregate assessed value of the assets amounts to more than 106% of the accrued liabilities (after making allowance for the expected future increases in earnings and increases to pensions once in payment). The market value of the funds assets as at 31 December 2001 amounted to £47.5m.

The group's aggregate pension contribution to the fund for the year amounted to £0.5m *(2001: nil)* whereas under SSAP 24 the aggregate pension cost amounted to £0.5m *(2001: £0.3m)*. Thus the current operating profit for the year has been reduced by £0.5m *(1999: reduced by £0.3m)*.

(b) Whilst the group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs' under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation was updated by the actuary on an FRS 17 basis as at 31 December 2001 and 31 December 1999.

The major assumptions used by the actuary in this valuation were:

Rate of increase in salaries	3.8%
Rate of increase in pensions in payment and deferred pensions	2.3%
Discount rate applied to scheme liabilities	5.8%
Inflation assumption	2.3%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Notes *(continued)*

22 Pension commitments *(continued)*

The fair value of the scheme's assets, which are not intended to be realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2002 %	Value at 2002 £m	Long term rate of return 2001 %	Value at 2001 £m
Equities	8.50	32.2	7.75	37.8
Bonds	5.00	5.9	5.25	8.2
Other – property	3.80	0.8	4.50	1.7
		38.9		47.7
Present value of scheme liabilities		(51.9)		(49.9)
Deficit in the scheme		(13.0)		(2.2)
Related deferred tax asset		3.9		0.7
Net pension liability		(9.1)		(1.5)

Movement in deficit during the year

	Value at 2002 £m
Deficit in scheme at beginning of year	(2.2)
Current service cost	(1.4)
Contributions paid	0.5
Past service cost	-
Other finance income	0.6
Actuarial loss	(10.5)
Deficit in the scheme at end of year	(13.0)

Analysis of other pension costs which would be charged in arriving at operating profit if FRS17 applied

	31 December 2002 £m
Current service cost	1.4
	1.4

Notes *(continued)*

22 Pension commitments *(continued)*

Analysis of amounts which would be included in other finance income (costs) if FRS 17 applied	31 December 2002 £m
Expected return on pension scheme assets	(3.4)
Interest on pension scheme liabilities	2.8
	(0.6)

Actuarial loss	31 December 2002 £m
Actual return less expected return on scheme assets	11.0
Experience gains and losses arising on scheme liabilities	1.9
Changes in assumptions underlying the present value of scheme liabilities	(2.4)
Actuarial loss	(10.5)

23 Related party transactions

The company is controlled by Thrace Plastics Co SA the ultimate parent company who own 80% of the company and Basell UK Holdings Limited who hold a minority interest of 20%.

The related party transactions during the year and the balances as at the year end are as follows:

	Thrace £000	Basell £000
Sales	392	-
Purchases	99	7,116
Year end debtor balances	264	164
Year end creditor balances	-	1,802

24 Ultimate parent company

The largest group in which the results of the company are consolidated is Thrace Plastics Co SA incorporated in Greece. The consolidated accounts of this group are available to the public and may be obtained from The Ministry of Development, Secretariat of Commerce, Kanigos Square, GR 101 81 Athens, Greece.