J R Crompton Limited

Directors' report and financial statements

31 December 2001

Registered number 58810

J R Crompton Limited

Directors' report and financial statements

Contents *Page*

J R Crompton Limited

Directors' report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2001.

Principal activity

The principal activity of the company is the manufacture and sale of special long fibre papers.

Business review

On 18 April 2000, the Crompton group of companies, headed by Crompton Specialist Papermakers Limited, was acquired by Westvan (2001) Limited as part of the refinancing of the group. Following this refinancing, a major review of the business was undertaken which resulted in the implementation of a significant restructuring plan. Although the main elements of this plan were completed during the period to 31 December 2000, incurring total exceptional costs of £4,818,000, further exceptional costs of £844,000 were charged in the year to 31 December 2001. These included £137,000 of stock provisions and write-offs, redundancy costs of £399,000 and equipment re-commissioning costs of £214,000 associated with the upgrading of a previously mothballed paper-making machine to provide the additional manufacturing capacity necessary to meet the increased level of sales demand. This also resulted in the reversal of an impairment provision established on the acquisition in April 2000.

The benefits of the restructuring activity started in 2000 are seen in the operating results for the year to 31 December 2001. In spite of another year of trading in a very competitive environment, sales volumes on a full year basis rose by 13.7% with turnover increasing by 11.1%. Volume growth came from both existing markets and products and also as a result of the group's significant investment in new product development for the tea, coffee and sausage casing markets. We believe that Crompton remains the market leader in both tea and coffee bag paper and is number two in sausage casing.

In such a competitive beverage filter paper market, it is essential that we remain the low cost producer and in this regard we remain committed to controlling our cost base. Staff numbers fell by a further 2.3% during 2001 following a 15% reduction in 2000, helping to maintain our distribution and administration cost base at a level of 10.3% of sales against 12.6% in 2000.

Before exceptional items, our trading profit increased to a level of £7,900,000 from an equivalent level of £5,785,000 in 2000. Although market conditions remain challenging, we believe that our continued focus on providing quality products to our customers at competitive prices, backing this up with an unrivalled level of customer service and continuing to invest in the development of new products in our core product areas, will provide further growth opportunities in 2002.

J R Crompton Limited

Directors' report *(continued)*

Business review and future developments *(continued)*

Net interest costs for the year were £3,413,000, including £2,701,000 of interest payable on the company's loan account with Westvan (2001) Limited and £307,000 on bank overdrafts.

Proposed dividend and transfer to reserves

The directors do not recommend the payment of a dividend.

The retained profit for the year, after charging exceptional items, is £4,111,000.

Directors and directors' interests

The directors who held office during the year were as follows:

PJ Ashby	
B Tomkinson	
AS Dowd	(resigned 28 March 2001)
JT Jarvis	(resigned 16 November 2001)
C Hill	(appointed 21 March 2001)
CJ Jowsey	(appointed 30 May 2001)
MH Walker	(appointed 16 November 2001)

MH Walker, C Hill and CJ Jowsey, who were appointed directors since the last general meeting, retire in accordance with the articles of association and, being eligible, offer themselves for re-election.

None of the directors who held office at the end of the financial year has any disclosable interest in the shares of the company.

The directors' interests in the share capital of the ultimate holding company are given in the financial statements of that company.

J R Crompton Limited

Directors' report (*continued*)

Directors and directors' interests (*continued*)

According to the register of directors' interests no rights to subscribe for shares in or debentures of the company or any other group company were granted to the directors or any of their immediate families or exercised by them during the financial year.

Employees

The company maintains a policy of providing employees with information on matters of concern aimed at achieving a common awareness of the financial and economic factors affecting the performance of the company. Regular briefings provide a forum for communication so that views can be taken into account in making decisions which are likely to affect the interests of employees. Incentives are provided to staff employees through a bonus scheme which is related to personal performance and group profitability.

Employment of disabled persons

Applications for employment by disabled persons are treated in the same way as any others. Company policy is to make special arrangements by providing the necessary training and opportunity for rehabilitation in cases of disablement while in the company's employment.

Auditors

KPMG were reappointed auditors at the Annual General Meeting but since reappointment their business has transferred to a Limited Liability Partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 14 May 2002 and the directors reappointed KPMG LLP to fill the vacancy arising. A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

MH Walker
Secretary

12th Floor
Sunlight House
Quay Street
Manchester
M3 3JZ

28 June 2002

J R Crompton Limited

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 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; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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 company and to prevent and detect fraud and other irregularities.

KPMG

St James' Square
Manchester M2 6DS

Report of the independent auditors to the members of JR Crompton Limited

We have audited the financial statements on pages 6 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the director's 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 director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors

28 June 2002

J R Crompton Limited

Profit and loss account

for the year ended 31 December 2001

		2001			2000		
		Before exceptional items £000	Exceptional items £000	Total £000	Before exceptional items £000	Exceptional items £000	Total £000
Turnover from continuing operations	*2*	53,403	-	53,403	47,984	-	47,984
Cost of sales		(40,027)	(351)	(40,378)	(36,141)	(2,543)	(38,684)
Gross profit/(loss)		13,376	(351)	13,025	11,843	(2,543)	9,300
Distribution costs		(1,753)	-	(1,753)	(1,965)	-	(1,965)
Administrative expenses		(3,723)	(493)	(4,216)	(4,093)	(2,275)	(6,368)
Operating profit/(loss) from continuing operations		7,900	(844)	7,056	5,785	(4,818)	967
Interest receivable	*7*	15	-	15	12	-	12
Interest payable and similar charges	*8*	(3,225)	-	(3,225)	(3,511)	-	(3,511)
Profit/(loss) on ordinary activities before taxation	*2-8*	4,690	(844)	3,846	2,286	(4,818)	(2,532)
Tax on profit/(loss) on ordinary activities	*9*	265	-	265	53	-	53
Profit/(loss) on ordinary activities after taxation and retained for the financial year		4,955	(844)	4,111	2,339	(4,818)	(2,479)

The company has no recognised gains or losses in either the current or preceding year other than those reported above and therefore no statement of total recognised gains and losses has been presented.

Details of exceptional items are given in note 4 to the financial statements.

J R Crompton Limited

Balance sheet
at 31 December 2001

	Note	**2001** £000	**2001** £000	2000 £000	2000 £000
Fixed assets					
Tangible assets	*10*		**52,152**		54,160
Investments	*11*		**1**		1
			52,153		54,161
Current assets					
Stocks	*12*	**8,875**		10,093	
Debtors	*13*	**9,892**		8,373	
Cash at bank and in hand		**446**		430	
Total current assets		**19,213**		18,896	
Creditors: amounts falling due within one year	*14*	**(11,717)**		(12,649)	
Net current assets			**7,496**		6,247
Total assets less current liabilities			**59,649**		60,408
Financed by:					
Creditors: amounts falling due after more than one year	*15*		**37,718**		43,147
Provisions for liabilities and charges	*16*		**3,280**		2,721
Capital and reserves					
Called up share capital	*18*	**20,087**		20,087	
Share premium account	*19*	**122**		122	
Profit and loss account	*19*	**(1,558)**		(5,669)	
Equity shareholder's funds			**18,651**		14,540
			59,649		60,408

These financial statements were approved by the board of directors on 28 June 2002 and were signed on its behalf by:

PJ Ashby
Director

J R Crompton Limited

Reconciliation of movements in shareholder's funds
for the year ended 31 December 2001

	2001	2000
	£000	£000
Profit/(loss) for the financial year	**4,111**	(2,479)
Net addition to/(reduction in) shareholder's funds	**4,111**	(2,479)
Opening shareholder's funds	**14,540**	17,019
Closing shareholder's funds	**18,651**	14,540

J R Crompton Limited

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 company's financial statements. The company has followed the transitional arrangements of FRS 17 *Retirement Benefits* in these financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated accounts.

As 100% of the company's voting rights are controlled within the group headed by Westvan (2001) Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Westvan (2001) Limited, within which this company is included, can be obtained from the address given in note 23.

Other related party transactions are set out in note 22 of these financial statements.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	25-50 years
Leasehold land and buildings	-	life of lease
Plant and machinery	-	10 to 25 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land or assets in the course of construction.

Investments

Investments are stated at cost.

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 either the rate of exchange ruling at the balance sheet date or the rate of exchange to which the company is committed under forward exchange contracts and the gains or losses on translation are included in the profit and loss account.

Notes *(continued)*

1 **Accounting policies (*continued*)**

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale the weighted average purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods to customers during the year.

J R Crompton Limited

Notes *(continued)*

2 Analysis of turnover and profit/(loss) on ordinary activities before taxation

Turnover and profit/(loss) on ordinary activities before taxation are wholly derived from the company's principal activity. An analysis of turnover by geographical market is as follows:

	2001	2000
	£000	£000
United Kingdom	**18,313**	19,394
Rest of Europe	**9,581**	8,509
USA	**6,166**	5,472
Far East	**10,594**	8,838
Rest of the World	**8,749**	5,771
	53,403	47,984

3 Profit/(loss) on ordinary activities before taxation

	2001	2000
	£000	£000
Profit/(loss) on ordinary activities before taxation is stated:		
after charging:		
Auditors' remuneration:		
- Audit	**31**	26
- Other services	**6**	24
Depreciation:		
Owned assets	**3,395**	3,022
Assets held under finance lease	**24**	24
Hire of other assets – rentals operating leases	**231**	336
Research and development expenditure	**179**	506
Property rental costs	**211**	188
Exchange loss	**413**	61
Loss on sale of fixed assets	**30**	146

J R Crompton Limited

Notes *(continued)*

4 **Exceptional items**

In 2000 the group implemented a significant restructuring plan which led to exceptional costs of £844,000 *(2000:£4,818,000)* in the year, made up as follows:

	2001	2000
	£000	£000
Included in cost of sales:		
Stock adjustments and write offs	**137**	2,543
Re-commissioning costs	**214**	-
	351	2,543
Included in administrative expenses:		
Transaction costs	**94**	479
Transfer of plant	-	617
Termination payments	**399**	1,053
Other costs	-	126
	493	2,275
Total exceptional items	**844**	4,818

J R Crompton Limited

Notes *(continued)*

5 **Remuneration of directors**

	2001	2000
	£000	£000
Directors' emoluments:		
Remuneration as executives	**641**	706
Pension contributions	**89**	84
Fees	**12**	18
Compensation for loss of office	**184**	-
	926	808

The emoluments, excluding pension contributions, of the highest paid director were £263,000 *(2000: £324,000)*. Pension contributions of £23,000 *(2000: £28,000)* were paid on his behalf. He is a member of a defined benefit scheme, under which the accrued pension to which he would be entitled from normal retirement date if he were to retire at the year end, is £13,000 *(2000: £9,000)*. Retirement benefits were accruing to seven directors during the year (*2000: five*) under defined benefit schemes.

6 **Staff numbers and costs**

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

	Number of employees	
	2001	2000
Production and engineering	**332**	336
Selling and administration	**51**	56
	383	392

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£000	£000
Wages and salaries	**10,259**	10,099
Social security costs	**832**	803
Other pension costs (see note 21)	**824**	888
	11,915	11,790

J R Crompton Limited

Notes *(continued)*

7 **Interest receivable**

	2001	2000
	£000	£000
Bank interest	**15**	12

8 **Interest payable and similar charges**

	2001	2000
	£000	£000
Amounts payable on bank loans and overdrafts	**307**	450
Amounts payable on other loans	**2,498**	2,993
Net exchange losses	**413**	61
Finance charges payable in respect of finance leases and hire purchase contracts	**7**	7
	3,225	3,511

The amount payable on other loans, was payable to Crompton Specialist Papermakers Limited. Interest is charged at 7% (*2000:7%*) on the intercompany balance.

9 **Taxation**

	2001	2000
	£000	£000
Under provision in previous years	**-**	(82)
Deferred taxation (see note 16)	**265**	135
	265	53

There is no charge to taxation due to the tax losses within the company of approximately £8.4 million (*2000 £9 million*).

J R Crompton Limited

Notes *(continued)*

10 **Tangible fixed assets**

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Payments on account for assets in the course of construction £000	Total £000
Cost					
At beginning of year	12,783	68,373	51	347	81,554
Additions	8	628	13	-	649
Disposals	-	(35)	(39)	-	(74)
Transfers	-	195	-	(195)	-
At end of year	12,791	69,161	25	152	82,129
Depreciation					
At beginning of year	1,114	26,254	26	-	27,394
Charge for year	416	2,995	8	-	3,419
Reversal of past impairment	-	(794)	-	-	(794)
On disposals	-	(21)	(21)	-	(42)
At end of year	1,530	28,434	13	-	29,977
Net book value					
At 31 December 2001	**11,261**	**40,727**	**12**	**152**	**52,152**
At 31 December 2000	11,669	42,119	25	347	54,160

Included within plant and machinery are assets held under finance leases and similar hire purchase contracts with a net book value of £70,000 *(2000: £94,000)*. The depreciation charge for the year on these assets was £24,000 *(2000: £24,000)*.

The net book value of land and buildings comprises:

	2001 £000	2000 £000
Freehold	**11,223**	11,630
Short leasehold	**38**	39
	11,261	11,669

The gross amount of land and buildings includes £12,005,000 *(2000: £11,997,000)* of depreciable assets.

During the year the company re-commissioned one of its paper making machines. As a consequence of this a past impairment attributable to this asset has been reversed.

J R Crompton Limited

Notes *(continued)*

11 **Fixed asset investments**

On 23 September 1999, the company invested £450 for a 45% interest in Marla Innovations Limited.

Investment	Country of registration	Shares held	% holding	Nature of business
Marla Innovations Limited	England and Wales	'B' ordinary shares of £1 each	45%	Licensing of intellectual property

Marla Innovations Limited was incorporated on 19 July 1999. Management accounts have been prepared for the year to 31 December 2001. No account has been taken of the results for the period to 31 December 2001 in these financial statements on the grounds that they are not material.

The above joint venture is jointly managed through a management board, on which the other 45% shareholder is represented.

Mr P J Ashby holds the remaining 10% of the share capital of Marla Innovations Limited.

12 **Stocks**

	2001	2000
	£000	£000
Raw materials and consumables	**5,389**	7,051
Work in progress	**834**	840
Finished goods and goods for resale	**2,652**	2,202
	8,875	10,093

13 **Debtors**

	2001	2000
	£000	£000
Trade debtors	**8,753**	7,868
Other debtors	**388**	217
Prepayments and accrued income	**751**	288
	9,892	8,373

All debtors fall due within one year.

J R Crompton Limited

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2001	2000
	£000	£000
Bank loans and overdrafts	**1,561**	3,631
Obligations under finance leases and hire purchase contracts	**24**	24
Trade creditors	**4,902**	5,270
Bills of exchange payable	**2,286**	788
Taxation and social security	**283**	234
Accruals and deferred income	**2,661**	2,702
	11,717	12,649

15 Creditors: amounts falling due after more than one year

	2001	2000
	£000	£000
Amounts owed to group undertakings	**37,672**	43,079
Obligations under finance leases and hire purchase contracts	**46**	68
	37,718	43,147

Interest is due on the loan from the parent company at a rate of 7% (*2000: 7%*) per annum. There are no fixed repayment terms in respect of this loan.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2001	2000
	£000	£000
Within one year	**24**	24
In the second to fifth years	**46**	68
	70	92

The company has granted a fixed and floating charge, supported by cross guarantees and keyman insurance, in support of the group's bank borrowings (see also note 17).

J R Crompton Limited

Notes *(continued)*

16 **Provisions for liabilities and charges**

	Pensions and similar obligations £000	Deferred taxation on pension provision £000	Total £000
At beginning of year	3,887	(1,166)	2,721
Charge to the profit and loss account for the year	824	(265)	559
At end of year	**4,711**	**(1,431)**	**3,280**

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000	
	Provided	**Unprovided**	Provided	Unprovided
(Asset)/liability	**£000**	**£000**	£000	£000
Difference between accumulated depreciation and capital allowances	**-**	**9,828**	-	8,497
Other timing differences	**(1,431)**	**(885)**	(1,166)	(2,285)
	(1,431)	**8,943**	(1,166)	6,612

The deferred tax asset of £1,431,000 *(2000:£1,166,000)* is in respect of the provision established under SSAP 24 for the company's pension scheme. This asset will be recovered after more than one year.

17 **Contingent liabilities**

There is an unlimited cross guarantee between group companies of £41,000,000 *(2000: £45,500,000)* in respect of bank borrowings.

18 Called up share capital

	2001 £000	2000 £000
Authorised		
200,869,590 Ordinary shares of US $ 0.0001 each	**13**	13
201,500,000 Deferred ordinary shares of 10p each	**20,150**	20,150
	20,163	20,163
Allotted, called up and fully paid		
200,869,590 Deferred ordinary shares of 10p each	**20,087**	20,087

Rights

Deferred shares

The holders of the deferred shares shall not be entitled to participate in the profits or assets of the company unless on a return of assets the holders of every other class of shares in the company have received the sum of £1 million per share.

There are no voting rights attached to these shares. The company is able to repurchase any or all of the deferred shares for a total of £1.

19 Reserves

	Share premium account £000	Profit and loss account £000
At beginning of year	122	(5,669)
Profit for the year	-	4,111
At end of year	**122**	**(1,558)**

Notes *(continued)*

20 Commitments

(i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2001	2000
	£000	£000
Contracted	**15**	6
Authorised but not contracted	**-**	57

(ii) Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		**Other**	
	2001	2000	**2001**	2000
	£000	£000	**£000**	£000
Operating leases which expire:				
Within one year	**-**	-	**24**	24
In the second to fifth years inclusive	**85**	85	**116**	150
Over five years	**114**	91	**-**	14
	199	176	**140**	188

21 **Pension scheme**

The company operates a defined benefit scheme, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees working lives with the company.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 May 1999. The assumptions which have the most significant effect on the results of the valuation are:

Investment return	6% per annum
Salary increase	4.5% per annum
Pension increase (LPI)	2.5% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £27,531,000 at 1 May 1999 and that the actuarial value of those assets represented 109% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension charge for the year of £824,000 *(2000: £888,000)* included £824,000 *(2000: £450,000)* in respect of the amortisation of surpluses that are being recognised over the average remaining service lives of employees.

The group paid contributions on the basis of 10% of pensionable earnings, until 29 May 2000. Thereafter, no contributions are to be paid until 1 January 2002, when contributions will be at a rate of 12.8% of pensionable earnings. Employees are contributing at a rate of 5%.

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

There is a pension provision of £4,711,000 *(2000: £3,887,000)* at the year end.

FRS 17

Whilst the company 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 at 1 May 1999 has been updated by the actuary on an FRS 17 basis as at 31 December 2001. The major assumptions used in this valuation were:

Rate of increase in salaries	4.0%
Rate of increase in pensions in payment	2.5%
Discount rate	5.8%
Inflation assumption	2.5%

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.

J R Crompton Limited

Notes *(continued)*

21 **Pension scheme** *(continued)*

***FRS 17** (continued)*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are 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 expected	**Value at year end**
		£000
Equities	7.9%	19,734
Corporate Bonds	5.8%	1,972
Government Bonds	4.9%	3,525
Present value of scheme liabilities		25,231
Actuarial value of liability		(28,685)
Deficit in the scheme		(3,454)
Related deferred tax asset		1,036
Net pension liability		(2,418)

The amount of this net pension asset / liability would have a consequential positive effect on reserves, as the provision under SSAP 24 (note 16) is larger.

22 **Related party transactions**

Royalties charged by Marla Innovations Limited (note 11) to the company amounted to £134,218 *(2000:£92,000)* of which £44,650 *(2000:£25,000)* is included within accruals at the period end.

During the period, management fees of £60,000 *(2000:£18,000)* were paid to venture capital providers or related institutions in respect of directors' services.

23 **Ultimate parent company and parent undertaking of larger group of which the company is a member**

The company is a subsidiary undertaking of Crompton Specialist Papermakers Limited which itself is a subsidiary of Westvan (2001) Limited, a company incorporated in England and Wales.

The largest group in which the results of the company are consolidated is that headed by Westvan (2001) Limited.

The smallest group in which they are consolidated is that headed by Crompton Specialist Papermakers Limited, a company incorporated in England and Wales.

The consolidated financial statements of these groups are available to the public and may be obtained from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.