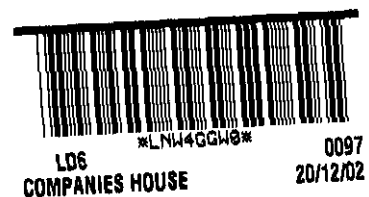


AMENDING

Registered Number 2993086

A&R Carton (UK) Limited  
Annual Report  
for the year ended 31 December 2001 (revised)



A&R Carton (UK) Limited

Annual Report

for the year ended 31 December 2001

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# **A&R Carton (UK) Limited**

## **Directors and advisors for the year ended 31 December 2001**

### **Directors**

P A Lundeen

T Roder – resigned 5 June 2002

J R Wood – resigned 24 May 2002

A Thompson – appointed 2 April 2002

### **Secretary and Registered Office**

D T Lawson

Holmewood Industrial Park

Park Road

Holmewood

Chesterfield

S42 5UY

### **Auditors**

PricewaterhouseCoopers

1 East Parade

Sheffield

S1 2ET

### **Solicitors**

BRM

Gray Court

99 Saltergate

Chesterfield

S40 1LD

### **Bankers**

National Westminster Bank plc

5 Market Place

Chesterfield

S40 1TJ

# **A&R Carton (UK) Limited**

## **Directors' report for the year ended 31 December 2001**

The directors present their annual report and the audited revised financial statements of the company for the year ended 31 December 2001. The original financial statements for the period have been revised to correct an error in the gross profit figure in the profit and loss account, an error in the deferred income figure and the profit and loss account reserve in the balance sheet and notes 19, 21 and 22 to the financial statements and an error in the exceptional administration costs figure in note 2 to the financial statements. The note on page 7 gives further details.

### **Principal activity**

The group is involved in the manufacture and marketing of printed cartons.

### **Results and dividends**

The group loss for the year after taxation amounted to £2,876,000 (2000: loss of £3,921,000). The directors do not recommend the payment of a dividend (2000: nil).

### **Review of the business and future developments**

Manufactured product business activity remained at similar levels to last year. There has been continued pressure on margins particularly on conventional carton products. There has been a high level of development activity on primary packaging products which continue to be a significant area for future development. Operational performance and efficiencies will continue to receive specific attention in the current year.

### **Post balance sheet events**

On 29<sup>th</sup> August 2002, the company increased the Authorised share capital by £10,000,000 to £15,000,000 and the Issued share capital by £3,500,000 to £13,171,000 at par. The consideration for the shares issued was the conversion of the loan account with the parent company, A&R Carton AB. See also note 28 to the accounts.

### **Directors and their interests**

The names of the directors are set out on page 1. No director had any interest in the shares of the Company.

### **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001, that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

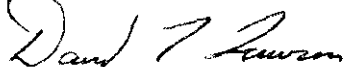
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## A&R Carton (UK) Limited

### Auditors

PricewaterhouseCoopers remain in office as auditors to the company in accordance with section 386 of the Companies Act 1985.

By order of the Board

A handwritten signature in black ink, appearing to read 'D T Lawson', written over the printed name.

D T Lawson

Secretary

19~~th~~ December 2002

# A&R Carton (UK) Limited

## Independent auditors' report to the members of A&R Carton (UK) Limited

We have audited the revised financial statements which comprise the profit and loss account, the balance sheet and the related notes. The revised financial statements replace the original financial statements approved by the directors on 30 October 2002.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

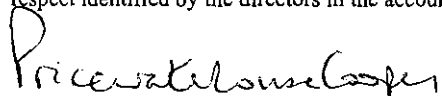
### Basis of audit opinion

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 revised financial statements give a true and fair view, seen at 30 October 2002, the date the original financial statements were approved, of the state of affairs of the company and group at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985 as they have effect under the Companies (Revision of defective accounts and report) Regulations 1990. In our opinion the original financial statements, for the year ended 31 December 2001 failed to comply with the requirements of the Companies Act 1985 in the respect identified by the directors in the accounting policies.



PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Sheffield

20 December 2002

## A&R Carton (UK) Limited

### Consolidated profit and loss account for the year ended 31 December 2001

	Note	2001 £'000	2000 £'000
<b>Turnover</b>	1	<b>21,816</b>	22,299
Cost of sales		(18,295)	(20,407)
<b>Gross profit</b>		<b>3,521</b>	1,892
Administrative expenses		(4,501)	(3,616)
Administration expenses – exceptional items	2	(456)	(728)
<b>Operating loss</b>	3	<b>(1,436)</b>	(2,452)
Interest receivable and similar income	6	124	154
Interest payable and similar charges	7	(1,364)	(1,415)
<b>Loss on ordinary activities before taxation</b>		<b>(2,676)</b>	(3,713)
Tax on loss on ordinary activities	8	(200)	(208)
<b>Retained loss for the financial year</b>	21	<b>(2,876)</b>	(3,921)

All operations relate to continuing activities.

The group has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.


There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents.

# A&R Carton (UK) Limited

## Balance sheets as at 31 December 2001

		Group	Company	Group	Company
	Note	2001	2001	2000	2000
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	10	10,680	10,680	11,033	11,033
<b>Current assets</b>					
Stocks	12	2,969	2,969	3,749	3,749
Debtors – due within one year	13	4,047	3,996	6,461	7,334
Debtors – due after one year	13	-	-	50	-
Cash at bank and in hand	14	4	3	15	5
Long term cash deposit	14	2,576	2,576	2,576	2,576
		9,596	9,544	12,851	13,664
<b>Creditors: amounts falling due within one year</b>	15	(6,506)	(6,506)	(9,906)	(9,893)
<b>Net current assets</b>		<b>3,090</b>	<b>3,038</b>	<b>2,945</b>	<b>3,771</b>
<b>Total assets less current liabilities</b>		<b>13,770</b>	<b>13,718</b>	<b>13,978</b>	<b>14,804</b>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(13,880)</b>	<b>(13,883)</b>	<b>(10,567)</b>	<b>(13,785)</b>
Deferred income	19	(160)	-	(805)	-
<b>Net (liabilities)/assets</b>		<b>(270)</b>	<b>(165)</b>	<b>2,606</b>	<b>1,019</b>
<b>Capital and reserves</b>					
Called up share capital	20	9,671	9,671	9,671	9,671
Profit and loss account	21	(9,941)	(9,836)	(7,065)	(8,652)
<b>Equity shareholders' funds</b>	22	<b>(270)</b>	<b>(165)</b>	<b>2,606</b>	<b>1,019</b>

The revised financial statements on pages 5 to 22 were approved by the board of directors on 19 December 2002 and were signed on its behalf by:

  
A Thompson  
Director

# **A&R Carton (UK) Limited**

## **Accounting policies**

### **Revised financial statements**

The financial statements have been revised under Section 4 of the Companies (Revision of defective accounts and report) Regulations 1990 and replace the original financial statements, prepared at 30 October 2002, for the year ended 31 December 2001. The financial statements have been prepared as at 30 October 2002 and not at the date of revision. Accordingly, the financial statements do not deal with events between 30 October 2002 and the date of revision.

The original financial statements did not comply with the Companies Act 1985 in respect of an error in the casting of the gross profit figure in the profit and loss, an error in the disclosure of the deferred income figure in the balance sheet and note 19 to the financial statements and an error in the loss transferred to reserves in note 21 to the financial statements, the profit and loss account reserves in the balance sheet and note 22 to the financial statements, and the disclosure of the exceptional administration costs figures in note 2 to the financial statements.

### **Basis of accounting and going concern**

The consolidated financial statements are prepared in accordance with the historical cost convention and applicable Accounting Standards.

The financial statements are presented on a going concern basis as the ultimate parent undertaking has informed the Board of its intention to support the operations of the Company and group for the foreseeable future.

### **Change in accounting policies**

In November and December 2000, the Accounting Standards Board issued FRS 17, 'Retirement benefits', FRS 18, 'Accounting policies', and FRS 19, 'Deferred tax'.

The group has adopted the transitional rules of FRS 17, which has resulted in additional disclosures, as in note 27.

FRS 18 'Accounting policies' has been adopted in the current year but this has not required any restatement of balances.

The company has adopted FRS 19 early, and the transitional rules of FRS 17, in the financial statements. The adoption of FRS 19 reflects a change in accounting policy; however, it has led to no change in the figures stated.

### **Turnover and revenue recognition**

Turnover is recognised on invoicing for UK and overseas sales. For stocks held on consignment, turnover is recognised on advice of usage by the customer. Turnover excludes value added tax.

# A&R Carton (UK) Limited

## **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

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

Plant and machinery	10 years
Fixtures and fittings	10 years
Motor vehicles	5 years
Computer equipment	4 years

## **Stocks**

Stocks are stated at the lower of cost and net realisable value.

Cost represents the expenditure incurred in bringing each product to its present location and condition, on a first-in, first-out basis. The cost of work in progress and finished goods comprises direct materials and labour plus attributable production overheads based on normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

## **Deferred taxation**

Deferred taxation is provided using the liability method on all short term material timing differences to the extent that it is probable that a liability or asset will crystallise.

## **Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated at closing rates of exchange. Translation differences are accounted for through the profit and loss account.

## **Operating leases**

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## **Finance leases**

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright.

Assets held under such agreements are included in fixed assets and the capital element of the commitments is shown as obligations under finance leases. Payments under such agreements are treated as consisting of capital and interest elements. The interest element is charged to the profit and loss account over the primary lease period in proportion to the reducing capital element outstanding.

Assets are depreciated over their useful economic lives.

## **Pension costs**

Details of the group's pensions schemes are provided in note 27. Contributions to the pension schemes and the pension cost are assessed in accordance with the advice of an independent actuary using the projected unit method.

## **A&R Carton (UK) Limited**

### **Exemption from the obligation to prepare cash flow statement**

The company has taken advantage of an exemption from the obligation to prepare a cash flow statement on the grounds that the company is a wholly owned subsidiary of A&R Carton AB and the cash flows are consolidated in the group financial statements of that company.

# A&R Carton (UK) Limited

## Notes to the financial statements for the year ended 31 December 2001

### 1 Turnover

Turnover arose from the principal business activity of printed cartons – the analysis by geographical destination comprises:

	2001 £'000	2000 £'000
<b>Geographical analysis</b>		
United Kingdom	21,466	21,907
Other EC	350	392
	<b>21,816</b>	<b>22,299</b>
 Sourced from within the UK	 18,152	 19,124
Sourced from within the EC	3,664	3,175
	<b>21,816</b>	<b>22,299</b>

### 2 Exceptional administration costs

	2001 £'000	2000 £'000
Reorganisation costs	456	728

The exceptional administration costs relate to redundancy costs incurred as part of the changes required to improve the operational effectiveness of the company.

# A&R Carton (UK) Limited

## 3 Operating loss

	2001	2000
	£'000	£'000
Operating loss is stated after charging/(crediting)		
Operating lease rentals		
- plant and machinery	24	25
- other operating leases	965	952
Auditors' remuneration		
- audit (parent company: £25,000 (2000: £36,000))	25	36
- other services	36	23
Depreciation of tangible fixed assets		
- owned assets	523	677
- leased assets	1,058	777
Profit on sale of fixed assets	(431)	(183)

## 4 Staff costs

	2001	2000
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	4,168	5,389
Social security costs	411	529
Other pensions costs	203	186
	4,782	6,104
Average number of people employed		
	Number	Number
	2001	2000
Office and management	40	40
Manufacturing, distributing and selling	154	184
	194	224

## A&R Carton (UK) Limited

### 5 Directors' emoluments

	2001	2000
	£'000	£'000
Aggregate directors emoluments	108	105

One director is accruing benefits using a defined benefit scheme (2000: one).

### 6 Interest receivable and similar income

	2001	2000
	£'000	£'000
Interest receivable on bank deposits	124	149
Foreign currency exchange gains	-	5
	124	154

### 7 Interest payable and similar charges

	2001	2000
	£'000	£'000
Bank overdrafts and other borrowings	(135)	(215)
Finance leases	(766)	(746)
Group interest charges	(463)	(454)
	(1,364)	(1,415)

Interest payable on bank overdrafts and other borrowings relates to interest charges paid and payable on funds advanced by NMB-Heller Limited and National Westminster Bank plc.

## A&R Carton (UK) Limited

### 8 Tax on loss on ordinary activities

	2001	2000
	£'000	£'000
<hr/>		
<b>The taxation charge for the year comprised:</b>		
Deferred taxation (Note 18)	(200)	(208)
	(200)	(208)
<hr/>		

The group tax charge reflects the movement in respect of the deferred tax asset arising on the deferment of profit on the sale and lease back transaction (see Note 19).

No taxation credit is recognised in respect of the current year loss, which is carried forward and is available for relief against future trading profits.

### 9 Loss for the financial year

As permitted by Section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £1,184,000 (2000: £4,361,000 loss).

# A&R Carton (UK) Limited

## 10 Tangible assets

Company and Group	Plant and machinery	Motor vehicles	Fixtures, fittings and computer equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2001	20,086	7	270	20,363
Additions	1,252	-	-	1,252
Disposals	(2,774)	(7)	-	(2,781)
<b>At 31 December 2001</b>	<b>18,564</b>	<b>-</b>	<b>270</b>	<b>18,834</b>
<b>Depreciation</b>				
At 1 January 2001	9,193	7	130	9,330
Charge for the year	1,557	-	24	1,581
Disposals	(2,750)	(7)	-	(2,757)
<b>At 31 December 2001</b>	<b>8,000</b>	<b>-</b>	<b>154</b>	<b>8,154</b>
<b>Net book amount</b>				
<b>At 31 December 2001</b>	<b>10,564</b>	<b>-</b>	<b>116</b>	<b>10,680</b>
At 31 December 2000	10,893	-	140	11,033

The net book value of fixed assets held under finance leases amounted to £7,530,000 (2000: £8,063,000).

## 11 Investments

### Shares in subsidiary undertaking

The Company holds a 100% interest in the issued share capital and voting rights of FCP Cartons (Development) Limited, a company incorporated in Great Britain. The principal activity of the company is construction management. The authorised share capital is 1,000 ordinary shares of £1 each and only one share is in issue.

# A&R Carton (UK) Limited

## 12 Stocks

Company and Group	2001	2000
	£'000	£'000
Raw materials and consumables	533	1,161
Work in progress	532	800
Finished goods and goods for resale	1,904	1,788
	<b>2,969</b>	<b>3,749</b>

## 13 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Trade debtors	3,173	4,492	3,173	4,492
Amounts due from other group undertakings	245	581	244	1,409
Other debtors	248	251	248	497
Deferred taxation – due within one year	50	200	-	-
Deferred taxation – due after one year	-	50	-	-
Prepayments and accrued income	331	937	331	936
	<b>4,047</b>	<b>6,511</b>	<b>3,996</b>	<b>7,334</b>
Debtors – due within one year	4,047	6,461	3,996	7,334
Debtors – due after one year	-	50	-	-

## 14 Cash and cash deposits

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Cash at bank and in hand	4	15	3	5
Long term cash deposit	2,576	2,576	2,576	2,576
	<b>2,580</b>	<b>2,591</b>	<b>2,579</b>	<b>2,581</b>

## A&R Carton (UK) Limited

The long term cash deposit represents an amount equivalent to three years rental payments on the company's property (See Note 19). The amount provides security to the landlord that payment obligations under the associated lease will be punctually discharged. The funds remain blocked until the term of the lease has expired or other qualifying criteria are satisfied under the lease. Interest on the balance is credited to profit and loss account.

### 15 Creditors – Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank loans and other borrowing	1,214	2,472	1,214	2,472
Trade creditors	2,131	3,733	2,131	3,720
Amounts due to group undertakings	404	1,084	512	1,084
Finance leases (note 17)	1,549	951	1,549	951
Other taxation and social security	538	567	538	567
Other creditors	217	940	109	940
Accruals	453	159	453	159
	6,506	9,906	6,506	9,893

£1,214,000 of bank loans and other borrowings are secured over the assets of the Company as disclosed in note 25.

### 16 Creditors – amounts falling due after more than one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Amounts due to group undertakings	8,351	3,770	8,354	6,988
Finance leases (note 17)	5,529	6,797	5,529	6,797
	13,880	10,567	13,883	13,785

## A&R Carton (UK) Limited

### 17 Obligations under finance leases

Amounts due under finance leases were:

	2001	2000
	£'000	£'000
Amounts payable:		
Within one year	1,549	1,688
Within two to five years	5,293	7,199
After five years	236	1,006
	7,078	9,893
Less: finance charges allocated to future periods	(1,399)	(2,145)
	5,679	7,748

### 18 Deferred taxation

Amounts provided for deferred taxation, representing the full potential liability, are as follows:

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Accelerated capital allowances	349	235	349	235
Short term timing differences	(349)	(235)	(349)	(235)
	-	-	-	-

In addition to the above provision, a deferred tax asset has been recognised in the consolidated financial statements, amounting to £50,000 (2000: £250,000) and is shown under prepayments and accrued income in the balance sheet. This amount is recognised in respect of profits earned in the subsidiary company which have been deferred on consolidation in accordance with relevant accounting standards (See Note 19).

The movement on the deferred taxation balance during the year was as follows:

	2001	2000
	£'000	£'000
<b>Group</b>		
Deferred tax asset movement	(200)	(208)
Movement in the year (Note 8)	(200)	(208)

The company had a deferred tax liability of £nil at 31 December 2001 (2000: £nil).

## A&R Carton (UK) Limited

### 19 Deferred income

	2001	2000
	£'000	£'000
<b>Group</b>		
Deferred income	160	805

In 1998, the group facilitated the completion of the new factory building. The factory has been subject to a sale and lease back arrangement effective from 4 April 1997. The lease term is for a period of 25 years, with the first rent review occurring after 5 years.

Profit arising on the sale of the new factory has been deferred in the group financial statements. This is being released on a straight line basis from the date of occupation of the new factory to the date of the first rent review.

Under current accounting practice, the lease is being treated as an operating lease and the profit and loss account is charged with the rental payments made in each accounting period. The terms of the lease are such that substantially all risks and rewards of ownership remain with the landlord and a commercial rent is being paid over the term of the lease, with no option available to the Company to acquire the property at the end of the lease.

### 20 Share capital

	Authorised	Allotted and fully paid
	£'000	£'000
Ordinary shares of £1 each at 1 January 2001	10,000	9,671
Ordinary shares at £1 each at 31 December 2001	10,000	9,671

# A&R Carton (UK) Limited

## 21 Profit and loss reserves

	Profit and loss account
	£'000
<b>Group</b>	
At 1 January 2001	(7,065)
Loss for the year transferred to reserves	(2,876)
<b>At 31 December 2001</b>	<b>(9,941)</b>
<b>Company</b>	
At 1 January 2001 as restated	(8,652)
Loss for the year transferred to reserves	(1,184)
<b>At 31 December 2001</b>	<b>(9,836)</b>

## 22 Reconciliation of movements in shareholders' funds

	2001	2000
	£'000	£'000
Shareholders' funds at 1 January 2001	2,606	(344)
Loss for the year	(2,876)	(3,921)
New shares issued	-	6,871
<b>Shareholders' funds at 31 December 2001</b>	<b>(270)</b>	<b>2,606</b>

## A&R Carton (UK) Limited

### 23 Operating lease commitments

Annual contributions under non-cancellable operating leases are as follows:

	Group and Company	
	2001	2000
	£'000	£'000
<b>Land and buildings – operating leases which expire:</b>		
After five years	859	859
<b>Other – operating leases which expire:</b>		
Within one year	123	39
Between two and five years	142	86
	265	125
	1,124	984

### 24 Capital commitments

Capital commitments contracted for but not provided for totalled £nil (2000: £690,000) of which £nil will be held under a finance lease arrangement (2000: £520,000 finance leases).

### 25 Contingent liabilities

NMB Heller Business Finance holds a Mortgage Debenture over all the assets of the Company, unless subject to specific exclusion. ING hold a charge over one lithographic printing machine, one cut and crease machine and one gluing and folding machine which have a net book value of £293,000.

### 26 Other related party disclosures

In accordance with the exemption allowed by Financial Reporting Standard Number 8 "Related party transactions", transactions with FCP Cartons (Development) Ltd, A&R Carton AB and fellow subsidiaries are not disclosed.

There are no related party transactions requiring disclosure (2000: nil).

# A&R Carton (UK) Limited

## 27 Pension commitments

### Defined benefit scheme

The Company operates two pension schemes, namely the A&R Carton (UK) Limited Pension Fund (formerly FCP (UK) Limited Pension Fund) and the A&R Carton (UK) Limited Executive Pension and Life Assurance Plan (formerly FCP (UK) Limited Executive Pension and Life Assurance Plan) ("the schemes"). These are defined benefit schemes providing benefits based on final pay and service at retirement. The schemes are operated under trust and its assets are invested independently of the company.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions to the final salary scheme are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The current contribution rate was determined in a valuation at 6 April 2001.

The assumptions which have the most significant effect on the results of the valuation are those relating to the discount rate and to the rates of increase in salaries. A discount rate of 6.0% has been used and it was assumed that the salary increase would be 4% per annum.

The net pension cost for the period based on the above assumptions was £384,000. The balance sheet shows a net provision of £9,000 (2000: Prepayment of £214,000).

The most recent actuarial valuation at 6 April 2001 showed that the market value of the scheme's assets were £4.917 million and that the actuarial value of those assets represented 119% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The disclosures required under the transitional arrangements within FRS 17 'Retirement Benefits' have been calculated by qualified independent actuaries based on the most recent full actuarial valuation at 6 April 2001, updated to 31 December 2001. The financial assumptions used at 31 December 2001 were:

	% per annum
Rate of increase in salaries	3.75%
Rate of increase in pensions in payment	3.00%
Rate of increase in pensions in deferment	2.25%
Discount rate	5.75%
Inflation assumption	2.25%

The assets in the schemes and the expected rates of return at 31 December 2001 were:

	Expected rates of return %	Value at 31 December 2001 £000
Equities	9.10%	4,364
Fixed Interest - Bonds	4.56%	933
Index Linked - Bonds	4.50%	17
Other	4.00%	266
		5,580

## A&R Carton (UK) Limited

The following amounts at 31 December 2001 were measured in accordance with the requirements of FRS 17:

	£000
Market value of scheme assets	5,580
Present value of scheme liabilities	(6,807)
Deficit in the scheme	(1,227)
Deferred tax asset	368
Net pension liability	(859)

If the above amounts had been recognised in the financial statements the group's net assets and profit and loss reserve at 31 December 2001, would have been as follows:

	£000
Group net liabilities	(271)
FRS17 pension liability	(1,227)
Group revised net liabilities	(1,498)

	£000
Profit and loss reserve excluding pension liability	(9,942)
Pension liability – pension fund	(1,227)
Profit and loss reserve including pension liability	(11,169)

### Defined contribution scheme

The company also operates a defined contribution scheme, which is a contracted out money purchase scheme.

Pension costs for the year are disclosed in note 4.

## 28 Post balance sheet events

On 29<sup>th</sup> August 2002, the company increased the Authorised share capital from £10,000,000 to £15,000,000 and the Issued share capital by £3,500,000 to £13,171,000 at par. The consideration for the shares issued was the conversion of the loan account with the parent company, A&R Carton AB.

## 29 Ultimate parent undertaking and ultimate controlling party

A&R Carton AB, a company registered in Sweden, is the ultimate parent undertaking and ultimate controlling party of the Company. A&R Carton AB was formed on 21 January 2000, following a merger between Folding Carton Partner SA and the carton business of Akerland & Rausing AB.

Copies of the accounts of A&R Carton AB may be obtained from Adelgatan 6, SE – 21122, Malmö, Sweden.