

AEROSOL PRODUCTS LTD

3843496

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AEROSOL PRODUCTS LTD

DIRECTORS AND ADVISORS

Directors:	Dr C H B Honeyborne M Handley T J Monks D J Wills B J Skipper B H D Minto J P Budsworth	Chairman (Appointed 4 October 1999) (Appointed 4 October 1999) (Appointed 4 October 1999) (Appointed 4 October 1999) (Appointed 5 November 1999) (Appointed 14 April 2000) (Appointed 4 October 1999 and Resigned 14 April 2000)
Secretary:	C A Barnet	
Registered Office:	Middleton Way Middleton MANCHESTER M24 4DP	
Registered Number:	3843496	
Auditors:	KPMG St James' Square MANCHESTER M2 6DS	
Solicitors:	Kuit, Steinart, Levy & Co 3 St Mary's Parsonage MANCHESTER M3 2RD	
Bankers:	The Royal Bank of Scotland plc PO Box 450 5-10 Great Tower Street LONDON EC3P 3HX	

AEROSOL PRODUCTS LTD

REPORT OF THE DIRECTORS

The Directors present their first report and the accounts for the period from the date of incorporation, 17 September 1999, to 30 June 2000.

PRINCIPAL ACTIVITY

The Company manufactures aerosol products for the household and personal care markets.

RESULTS AND DIVIDENDS

Loss before tax for the period ended 30 June 2000 was £5,668,000. No dividend has been declared payable.

DIRECTORS

Mr J P Budsworth was appointed a Director on 4 October 1999 and resigned as a Director on 14 April 2000 and Mr. Minto was appointed in his place.

In accordance with the Articles of Association, none of the Directors are required to retire by rotation.

REVIEW OF OPERATIONS

On 5 November 1999 the Company acquired the trade and assets of the aerosols businesses of Nichol Beauty Products Ltd ("NBP") and Robert McBride Ltd ("RMB"). On the same date, each of these companies subscribed for 50% of the ordinary share capital of Aerosol Products Ltd.

It is the intention to keep the Company's product range at the forefront of market requirements and to ensure that customers are served to their complete satisfaction.

POLICY ON PAYMENT TO SUPPLIERS

All payments to suppliers are made on the basis of mutually agreed terms and conditions.

In accordance with SI 1997 No. 571 The Companies Act 1985 (Directors' Report) (Statement of Payment Practice) Regulations 1997, the Company had 76 days of purchases outstanding at the end of the financial period.

CHARITABLE DONATIONS

No charitable donations were made in the period.

MARKET VALUE OF LAND AND BUILDINGS

In the opinion of the Directors, the current open market value of land and buildings does not materially differ from the net book amount of £1,187,000 shown in the accounts.

EMPLOYMENT OF DISABLED PERSONS

The Company aims to provide a working environment and to offer terms and conditions of service which allow disabled people with the necessary skills and qualifications to obtain employment with the Company. If an employee becomes disabled while in the service of the Company, he or she is, wherever practicable retained in employment. Disabled people are afforded equal opportunities in recruitment, promotion and training.

AEROSOL PRODUCTS LTD

REPORT OF THE DIRECTORS (Continued)

EMPLOYEE INVOLVEMENT

The Company is committed to communications with employees by way of briefings and information bulletins.

ENVIRONMENTAL POLICY

The Company places considerable importance on compliance with environmental standards and aims to ensure that it conforms with all relevant legislation and codes of practice.

DIRECTORS' INTERESTS

None of the Directors had any interest in shares or debentures of the Company.

No Director, either during or at the end of the financial year, was materially interested in any contract that was significant in relation to the Company's business.

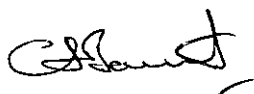
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare accounts 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 of the Company for that period. In preparing those accounts, 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company 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 accounts comply with the Companies Act 1985. They have a 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.

By Order of the Board



C A Barnett

Secretary

Middleton Way

Middleton

Manchester M24 4DP

16 February 2001

AEROSOL PRODUCTS LTD

REPORT OF THE AUDITORS, KPMG

TO THE MEMBERS OF AEROSOL PRODUCTS LTD

We have audited the financial statements on pages 7-20.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Directors' report and, as described on page 5, 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. 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 the 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.

GOING CONCERN

In forming our opinion we have considered the adequacy of the disclosures made in the Basis of Preparation note, concerning the uncertainties as to the Company's funding. In view of the significance of this uncertainty we consider that these disclosures should be drawn to your attention, but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 30 June 2000 and of the loss of the Company for the period from the date of incorporation, 17 September 1999, to 30 June 2000 and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
Chartered Accountants
Registered Auditors
Manchester

20 February 2001

AEROSOL PRODUCTS LTD

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 30 JUNE 2000

	<u>Note</u>	<u>June 2000</u> <u>£'000</u>
TURNOVER	1	28,587
Cost of Sales		<u>(25,140)</u>
Gross Profit		3,447
Distribution Costs		(870)
Administrative Expenses		<u>(7,525)</u>
OPERATING LOSS	4	(4,948)
Interest Payable and Similar charges	5	<u>(720)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE AND AFTER TAX AND RETAINED FOR THE PERIOD		<u><u>(5,668)</u></u>

All activities relate to acquisitions during the period and are derived from continuing operations.

There are no recognised gains or losses other than those shown above.

AEROSOL PRODUCTS LTD

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE PERIOD ENDED 30 JUNE 2000

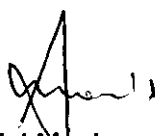
	Period Ended June 2000 <u>£'000</u>
Loss for the Financial Period	(5,668)
Share Premium Account	<u>12,100</u>
Net Movement on Shareholders' Funds	6,432
Opening Shareholders' Funds	<u>-</u>
Closing Shareholders' Funds	<u>6,432</u>


AEROSOL PRODUCTS LTD

BALANCE SHEET AS AT 30 JUNE 2000

	<u>Note</u>	<u>June 2000</u> <u>£'000</u>
FIXED ASSETS		
Intangible assets	6	16,885
Tangible assets	7	<u>5,860</u>
		<u>22,745</u>
CURRENT ASSETS		
Stocks	8	8,546
Debtors	9	<u>6,414</u>
		<u>14,960</u>
CREDITORS: Amounts falling due within one year	10	<u>(21,500)</u>
NET CURRENT LIABILITIES		<u>(6,540)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,205
CREDITORS: Amounts falling due after more than one year	11	(9,000)
Provisions for Liabilities and Charges	12	<u>(773)</u>
NET ASSETS		<u>6,432</u>
CAPITAL AND RESERVES		
Called up share capital	15	-
Share Premium Account	16	12,100
Profit and loss account	16	<u>(5,668)</u>
		<u>6,432</u>
Attributable to Equity Shareholders		6,432
Attributable to Non-Equity Shareholders		<u>-</u>
		<u>6,432</u>

The accounts were approved by the Board on 16 February 2001
and signed on its behalf by


T J Monks
Director


D J Wills
Director

AEROSOL PRODUCTS LTD

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 30 JUNE 2000

Reconciliation of operating loss to net cash flow from operating activities

	<u>£'000</u>	<u>£'000</u>
Operating loss		(4,948)
Depreciation charges		442
Goodwill amortisation		570
Movements in stock		(738)
Movements in debtors		2,861
Movements in creditors		(489)
Net cash flow from operating activities		<u>(2,302)</u>

Cash flow statement

Cash flow from operating activities		(2,302)
Loan set up costs	(120)	
Interest paid	<u>(720)</u>	
Returns on investment and servicing of finance		<u>(840)</u>
Operating cash flow after taxation and finance costs		(3,142)

Payments to acquire tangible fixed assets	<u>(919)</u>	
Capital expenditure		(919)

Payments to acquire:

Net assets and trade of NBP aerosol business	(10,000)	
Acquisition costs	<u>(1,753)</u>	
Acquisitions (see note 13)		(11,753)

Cash flow before use of liquid resources and financing		<u>(15,814)</u>
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Financing		
Bank loan	<u>12,000</u>	
Cash inflow from financing		12,000

Decrease in cash in the period		<u>(3,814)</u>
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Reconciliation of net cash flow to movement in net debt

Decrease in cash in the period		(3,814)
Cash inflow from increase in debt		<u>(12,000)</u>

Change in net debt resulting from cash flows		(15,814)
Net debt at beginning of period		-

Net debt at end of period		<u>(15,814)</u>
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Analysis of net debt

At beginning of period		-
Overdraft		(3,814)
Debt: due within one year		(3,000)
Debt: due after more than one year		<u>(9,000)</u>
At end of period		<u>(15,814)</u>

AEROSOL PRODUCTS LTD

ACCOUNTING POLICIES

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

a. Basis of Preparation

The Company meets its working capital requirements from bank loans, an overdraft facility and trading balances with Robert McBride Ltd, a shareholder. The Directors have prepared a detailed cash flow projection for the period ending 30 June 2001 and an annualised cash flow forecast for the two years thereafter. In November 2000, the Company received an additional loan from Robert McBride Ltd of £4 million, repayable on 2 July 2001. In addition, the Company has received a letter of support from McBride plc, stating that it is prepared to provide financial and other support (on terms acceptable to McBride plc) so as to assist the Company to meet its liabilities as and when they fall due.

Based on this information, the Directors consider it appropriate to prepare the accounts on the going concern basis. However, the margin of funding over requirements is not large and, inherently, there can be no certainty in relation to these matters. The accounts do not include any adjustments that would result from a withdrawal of the support of McBride plc or the Company's overdraft facility.

b. Goodwill

Goodwill is being amortised over the Directors' estimate of the useful life of 20 years, following a detailed review of the factors affecting its durability including the lifespans of the Company's products, technology, the stability of the industry and the Company's competitive position within it.

c. Tangible Fixed Assets

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

Freehold Buildings	50 years
Leasehold Property	Life of lease
Plant and Fixtures	10 years
Computer Equipment	5 years
Motor Vehicles	4 years

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

d. 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, standard cost is used, as adjusted to historical purchase price. For work in progress and finished goods manufactured by the Company, cost is taken as production cost, which includes an appropriate portion of attributable overheads.

e. Taxation

Corporation tax payable is provided on taxable profits at the current rate. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

AEROSOL PRODUCTS LTD

f. Foreign Currencies

Transactions in foreign currencies are recorded at rates of exchange ruling at the date of the transaction or at the contracted rate if covered by a forward exchange contract.

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.

g. Leases

Assets acquired under finance leases are capitalised in the balance sheet and depreciated over their useful lives. The interest element is charged to the profit and loss account over the term of the contract.

Operating leases are charged to the profit and loss account on a straight line basis over the life of the operating lease.

h. Turnover

Turnover represents the amounts, excluding Value Added Tax, derived from the provision of goods to Robert McBride Ltd during the period.

i. Pensions

Eligible employees participate in the Robert McBride Pension Fund. The assets of the schemes are held separately from those of the Company in independently administered funds. The regular cost of providing defined benefits is charged to profit over the period benefiting from employee service. Variations from regular cost are spread over the remaining service lives of employees in the schemes. The pension cost is assessed by independent, qualified actuaries and further details are given in note 19.

j. Research and Development Expenditure

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

AEROSOL PRODUCTS LTD

NOTES TO THE ACCOUNTS

1. TURNOVER

Turnover arises from a single business segment in the following geographical areas:

June 2000
£'000

United Kingdom

28,587

2. EMPLOYEE COSTS

The aggregate payroll costs of employees were as follows:

June 2000
£'000

Wages and Salaries

4,004

Social Security Costs

460

Other Pension Costs

129

4,593

The average weekly number of employees during the period was as follows:

No.

Operations

296

Finance and Administration

37

333

3. DIRECTORS' EMOLUMENTS

None of the Directors received any remuneration for their work as Director of the Company.

4. OPERATING LOSS

June 2000
£'000

Operating loss is stated after charging:

Depreciation

442

Operating Leases

- Plant & Machinery

35

Auditors' Remuneration:

- Audit Fees

40

Amortisation of Goodwill

570

Research & Development Expenditure

125

AEROSOL PRODUCTS LTD

NOTES TO THE ACCOUNTS (Continued)

5. INTEREST PAYABLE AND SIMILAR CHARGES

An analysis of the Interest Payable for the period ended 30 June 2000 is set out below:

June 2000
£'000

Interest on Bank Loans and Overdrafts

720

6. INTANGIBLE FIXED ASSETS

Goodwill arising on acquisitions as set out in note 13.:

£'000

COST

At beginning of period

-

Additions in the period

17,455

At end of period

17,455

AMORTISATION

At beginning of period

-

Charged in period

570

At end of period

570

NET BOOK VALUE

At 30 June 2000

16,885

AEROSOL PRODUCTS LTD

NOTES TO THE ACCOUNTS (Continued)

7. TANGIBLE FIXED ASSETS

	Freehold Property £'000	Plant & Fixtures £'000	Payments on Account and Assets Under Construction £'000	Total £'000
COST				
At beginning of period	-	-	-	-
Acquisitions at Fair Value	1,207	4,176	-	5,383
Additions	-	871	48	919
At end of period	<u>1,207</u>	<u>5,047</u>	<u>48</u>	<u>6,302</u>
DEPRECIATION				
At beginning of period	-	-	-	-
Charged in period	20	422	-	442
At end of period	<u>20</u>	<u>422</u>	<u>-</u>	<u>442</u>
NET BOOK VALUE				
30 June 2000	<u>1,187</u>	<u>4,625</u>	<u>48</u>	<u>5,860</u>

Included in the Net Book Value of Freehold Property at 30 June 2000 is Freehold Land of £51,000.

8. STOCKS

	<u>June 2000</u> <u>£'000</u>
Raw Materials and Consumables	4,288
Finished Goods	<u>4,258</u>
	<u>8,546</u>

The replacement value of stocks is not materially different from the balance sheet value.

9. DEBTORS

	<u>June 2000</u> <u>£'000</u>
Trade Debtors (Amounts due from Robert McBride Ltd)	5,098
Other Debtors	981
Prepayments and accrued income	<u>335</u>
	<u>6,414</u>

AEROSOL PRODUCTS LTD

10. CREDITORS: Amounts falling due within one year

	<u>June 2000</u> <u>£'000</u>
Trade Creditors	10,088
Amounts due to Robert McBride Ltd	686
Other Creditors including taxation and Social Security (£88,000)	444
Accruals and deferred income	3,468
Bank Loans and overdrafts	6,814
	<u>21,500</u>

11. CREDITORS: Amounts falling due after more than one year

	<u>June 2000</u> <u>£'000</u>
Bank loans	<u>9,000</u>

	<u>June 2000</u> <u>£'000</u>
These are repayable by instalments	
Between one and two years	3,000
Between two and five years	6,000
	<u>9,000</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	FLT cancellation £'000	Lease exit £'000	Redundancy £'000	Decommis- sioning £'000	Total £'000
At the beginning of period	-	-	-	-	-
Fair Value Adjustments	278	187	1,703	722	2,860
Utilised	(58)	-	(1,337)	(722)	(2,087)
At end of period	<u>220</u>	<u>187</u>	<u>366</u>	<u>-</u>	<u>773</u>

The forklift truck ("FLT") provision was set up to provide against the expected cost of terminating the lease agreements on forklift trucks at Thetford.

The decommissioning costs were incurred in restoring the Thetford property to its original condition.

The lease exit provision was set up to provide for the future lease payments on the property at Thetford.

The redundancy provision was made to cover the costs of severance of the Thetford employees. This decision was announced by the Company prior to the acquisition of the assets and trade of the aerosols business of Nichol Beauty Products Ltd.

AEROSOL PRODUCTS LTD

13. ACQUISITIONS

The Company acquired the trade and assets of the aerosol businesses of Robert McBride Ltd and of Nichol Beauty Products Ltd on 5th November 1999. The acquisition method of accounting has been adopted. The analysis of net assets acquired and the fair value to the Company is as follows:

Robert McBride Ltd Aerosol Business

	Book Value £'000	Fair value to Company £'000
Fixed Assets	3,301	3,301
Debtors	4,458	4,458
Stock	4,337	4,337
Creditors	<u>(5,515)</u>	<u>(5,515)</u>
Net Assets	6,581	6,581
Consideration and cost of acquisition		
Consideration (see note below)		6,050
Acquisition costs		<u>916</u>
Goodwill arising		<u>385</u>

Nichol Beauty Products Ltd Aerosol Business

	Book Value £'000	Fair Value Adjustments £'000	Fair value to Company £'000
Fixed Assets	2,474	(392)	2,082
Debtors	5,417	(133)	5,284
Stock	3,496	(1,072)	2,424
Creditors	(6,936)	(147)	(7,083)
Redundancy provision	-	(1,703)	(1,703)
Lease Exit provision	-	(187)	(187)
Decommissioning provision	-	(722)	(722)
Fork Lift Truck provision	<u>-</u>	<u>(278)</u>	<u>(278)</u>
	4,451	(4,634)	(183)
Consideration and cost of acquisition			
Cash			10,000
Consideration (see note below)			6,050
Acquisition costs			<u>837</u>
Goodwill arising			<u>17,070</u>

Descriptions of the fair value provisions are provided in note 12.

The fair values of identifiable assets and liabilities have been calculated on a provisional basis and will be reviewed 12 months from the balance sheet date.

AEROSOL PRODUCTS LTD

NOTES TO THE ACCOUNTS (Continued)

On 5 November 1999 APL acquired the Robert McBride Ltd aerosol business for £6,050,000, before acquisition fees. On the same day APL issued 50 £1 ordinary shares which are held by Robert McBride Ltd and for which the issue proceeds were £6,050,000. No cash flow occurred for either of these transactions as the net payable between the parties was £nil. On 5 November 1999 APL issued £6,050,000 of convertible debt to Nichol Beauty Products Ltd which was subsequently converted to 50 £1 ordinary shares. On the same day APL acquired the aerosol business of Nichol Beauty Products Ltd for £16,050,000. The net amount payable by APL to Nichol Beauty Products Ltd resulted in a cash outflow of £10,000,000.

14. FRS 6 DISCLOSURES

Set out below is the turnover and operating profit for the acquired RMB business for the period from the beginning of its financial year to the effective date of acquisition:

	1 July 1998 to 30 June 1999 <u>£'000</u>	1 July 1999 to 5 November 1999 <u>£'000</u>
Turnover	23,104	8,808
Operating profit/loss	<u>512</u>	<u>(657)</u>

The above information is not available in respect of the acquired Nichol business.

15. CALLED UP SHARE CAPITAL

The share capital at 30 June 2000 was:

	<u>Authorised Number</u>	<u>Allotted, called up and Fully Paid £</u>
Ordinary 'A' Shares of £1.00 each	450	50
Ordinary 'B' Shares of £1.00 each	450	50
Redeemable Participating Preference Shares of £1.00 each	100	100
	<u>1,000</u>	<u>200</u>

All of the shares were issued during the period for a total consideration of £12,100,100.

The rights and privileges attaching to the 6% Preference Shares in issue at 30 June 2000 are as follows:

a. INCOME

Priority as to receipt of dividend paid as a fixed cumulative preferential dividend at the rate of 6% per annum payable half yearly on 1 January and 1 July.

b. CAPITAL

Priority, on a return of capital on a winding up or otherwise, to the repayment of the amounts paid up or credited as paid up together with all arrears of the fixed cumulative dividend and together also by way of premium on Preference Shares.

AEROSOL PRODUCTS LTD

NOTES TO THE ACCOUNTS (Continued)

c. VOTING AND ATTENDANCE AT GENERAL MEETINGS

The shares confer no voting rights.

16. RESERVES

	Share Premium Account £'000	Profit & Loss Account £'000	Total £'000
At beginning of period	-	-	-
Loss in the period	-	(5,668)	(5,668)
Issue of Shares	<u>12,100</u>	<u>-</u>	<u>12,100</u>
Retained loss at end of period	<u>12,100</u>	<u>(5,668)</u>	<u>6,432</u>

17. FINANCIAL COMMITMENTS

a. Capital Commitments

June 2000
£'000

Authorised and Contracts placed

251

b. Operating Leases

At the end of the period the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings £'000	Other £'000	Total £'000
Operating leases which expire:			
Within one year	-	44	44
Between two and five years	<u>-</u>	<u>140</u>	<u>140</u>
	<u>-</u>	<u>184</u>	<u>184</u>

18. RELATED PARTY TRANSACTIONS

During the period, the Company entered into certain transactions with Robert McBride Ltd ("RMB"). Transactions with RMB during the period are summarised below.

Goods are purchased from the Company by RMB and sold to third party customers at nil gross margin. During the period sales of £26,191,000 were made by APL under these terms.

Additionally management services are provided by RMB under a Management Services Agreement. During the period £1,358,000 was paid to RMB in respect of these services.

Balances outstanding between APL and RMB at the period end were:

	£'000
Trade Debtor	5,098
Other Debtor	543
Other Creditor	(686)

AEROSOL PRODUCTS LTD

19. PENSION FUND ARRANGEMENTS

The pension costs for the period ended 30 June 2000 was £129,060. Eligible employees are members of the Robert McBride Ltd Pension Fund.

The latest actuarial valuation of the Robert McBride Pension Fund, was carried out as at 5 April 1997 using the projected unit method. The most significant actuarial assumptions were that price inflation would be 4% per annum, pensionable salary increases would be 6% per annum and the investment return would be 8.25% per annum. The Company has continued to contribute to the defined benefit scheme at full rates even though the scheme has a valuation surplus.

The assets of the Plan are held in separately administered trusts. Pension plan assets are managed by independent professional investment managers.