

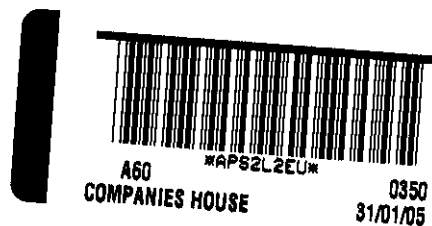
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**CWV Limited**  
(formerly CWV Group Limited)

Report and Financial Statements

Year Ended

31 December 2003



**BDO Stoy Hayward**  
Chartered Accountants

# **CWV LIMITED**

## **Annual report and financial statements for the year ended 31 December 2003**

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### **Directors**

E.M. Kilby  
K. Revitt  
J.C. Kay  
M.L. Widders

### **Secretary and registered office**

S.P. Cunliffe  
Number One @ The Beehive  
Shadsworth Business Park  
Lions Drive  
Blackburn  
Lancashire  
BB1 2QS

### **Company number**

2630824

### **Auditors**

BDO Stoy Hayward LLP, Commercial Buildings, 11-15 Cross Street, Manchester, M2 1WE

## **CWV LIMITED**

### **Report of the Directors for the year ended 31 December 2003**

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The directors present their report together with the audited financial statements for the year ended 31 December 2003.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend the payment of an ordinary dividend.

#### **Principal activities**

The principal activity of the company is the design and distribution of home furnishings including the manufacture of wallcoverings.

On 9 August 2004 the company changed its name from CWV Group Limited to CWV Limited.

#### **Business review**

The business and assets of Crown Wallcoverings were purchased on 5 September 2003. This was accompanied by the investment of new capital in the business to allow restructuring of the Division's facilities.

Wallcoverings manufacture has been concentrated in one factory at Morecambe, with the Commercial Division based in new offices at Shadsworth, Blackburn. The business is now well placed to take advantage of current markets.

#### **Directors**

The directors of the company during the year were:

E.M. Kilby

K. Revitt

J.C. Kay

M.L. Widders

G.J. Hey (resigned 25 August 2004)

K.P. Woodcock (resigned 5 August 2003)

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company or its immediate and ultimate parent undertaking.

According to the register of directors' interest, no rights to subscribe for shares in or debentures of the company or its immediate and ultimate parent undertaking were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

## **CWV LIMITED**

### **Report of the Directors for the year ended 31 December 2003 (Continued)**

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#### **Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The company places considerable value on the involvement of its employees and has continued its previously practice of keeping them informed on matters affecting them as employees. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

#### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £3,695 (2002 - £3,869).

#### **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 of the company 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 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 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.

#### **Auditors**

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

#### **On behalf of the Board**



**E. M. Kilby**  
**Director**

28 January 2005

## **CWV LIMITED**

### **Report of the independent auditors**

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#### **To the shareholders of CWV Limited**

We have audited the financial statements of CWV Ltd for the year ended 31 December 2003 on pages 5 to 19 which have been prepared under the accounting policies set out on pages 7 and 8.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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

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 company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

We conducted our audit in accordance with United Kingdom 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.

**CWV LIMITED**

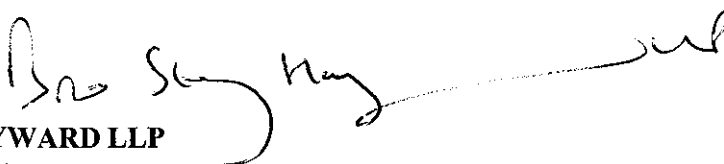
**Report of the independent auditors (Continued)**

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*Qualified opinion arising from the omission of Retirement Benefits information*

As explained in note 26 the financial statements do not disclose certain information as required by Financial Reporting Standard 17 "Retirement Benefits".

Except for the failure to provide certain information about retirement benefits, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of the loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Manchester

28 January 2005

# CWV LIMITED

## Profit and loss account for the year ended 31 December 2003

	Note	Acquisitions £'000	Continuing activities £'000	Total 2003 £'000	Total 2002 £'000
Turnover	2	11,000	25,945	36,945	46,747
Cost of sales (including exceptional costs of £1,099,000, 2002 : £2,655,000)	5	(6,529)	(22,203)	(28,732)	(32,723)
<b>Gross profit</b>		4,471	3,742	8,213	14,024
Distribution costs		(1,106)	(2,446)	(3,552)	(4,348)
Administrative expenses (including exceptional costs of £904,000, 2002: £nil)	5	(3,111)	(8,134)	(11,245)	(18,364)
<b>Operating profit/(loss)</b>	4	254	(6,838)	(6,584)	(8,688)
Profit on disposal of tangible fixed assets	6			-	7,091
Profit on disposal of division	6			-	3,059
Interest receivable and similar income	9			51	-
Interest payable and similar charges	10			(137)	(612)
<b>(Loss)/profit on ordinary activities before taxation</b>				(6,670)	850
Tax on loss on ordinary activities	11			1,546	-
<b>(Loss)/profit on ordinary activities after taxation</b>				(5,124)	850

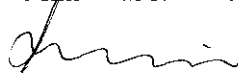
The notes on pages 7 to 19 form part of these financial statements.

**CWV LIMITED**

**Balance sheet at 31 December 2003**

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
<b>Fixed assets</b>					
Intangible assets					
Negative goodwill	12		(9,199)		-
Tangible assets	13		20,429		10,522
Investments	14		34		34
			<u>11,264</u>		<u>10,556</u>
<b>Current assets</b>					
Stocks	15	11,182		6,082	
Debtors	16	15,012		10,430	
Cash at bank and in hand		-		3	
		<u>26,194</u>		<u>16,515</u>	
<b>Creditors: amounts falling due within one year</b>	17	21,484		9,498	
		<u></u>		<u></u>	
<b>Net current assets</b>			4,710		7,017
<b>Total assets less current liabilities</b>			<u>15,974</u>		<u>17,573</u>
<b>Creditors: amounts falling due after more than one year</b>	18		7,525		4,000
			<u>8,449</u>		<u>13,573</u>
<b>Capital and reserves</b>					
Called up share capital	20		1,293		1,293
Share premium account	21		9,728		9,728
Profit and loss account	21		(2,572)		2,552
<b>Equity shareholders' funds</b>	22		<u>8,449</u>		<u>13,573</u>

The financial statements were approved by the Board on 28 January 2005.

  
**E. M. Kilby**  
**Director**

The notes on pages 7 to 19 form part of these financial statements.



**1 Accounting policies**

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

*Group accounts*

Group accounts have not been prepared as the company is a wholly owned subsidiary of CWV Group Limited and is included in the consolidated financial statements of that company.

*Cashflow statement*

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised) as it is a wholly owned subsidiary of CWV Group Limited and is included in the consolidated financial statements of CWV Group Limited.

*Turnover*

Turnover represents sales to outside customers at invoiced amounts less value added tax.

*Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Plant, machinery and motor vehicles        -     3-25 years

*Goodwill and negative goodwill*

Goodwill arising on an acquisition of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill arising on consolidation is included within fixed assets and released to the profit and loss account in the periods over which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

*Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

*Related party transactions*

The directors have taken advantage of the exemption under Financial Reporting Standard 8, and not disclosed transactions or balances between group entities that are part of the CWV Group Limited group.

**1 Accounting policies (*Continued*)**

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties nor on capital gains relating to other group companies and rolled over into the company unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profit in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

*Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

*Post retirement benefits*

The company operates both defined benefit and defined contribution pensions schemes.

The company has not adopted FRS17 'Retirement benefits' for the year ended 31 December 2003.

Contributions to the company's defined benefit pension scheme continue to be accounted for under Statement of Standard Accounting Practice 24 'Accounting for Pension Costs':

Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the company. Variations to pension costs caused by differences between the assumptions used and actual experience are spread over the average remaining working lives of the current employees at each actuarial date.

For the defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contribution paid in the period. Differences between contributions actually paid are shown as either accruals or prepayments in the balance sheet. The assets of the scheme are held separately from those of the company in independently administered funds.

**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)**

	2003 £'000	2002 £'000
By geographical destination:		
United Kingdom	23,771	39,410
North America	6,889	3,322
Rest of world	6,285	4,015
	<u>36,945</u>	<u>46,747</u>

	Continuing	Dis-continued	Total
	£'000	£'000	£'000
Turnover	27,690	19,057	46,747
Cost of sales	(23,940)	(8,783)	(32,723)
Gross profit	3,750	10,274	14,024
Distribution costs	(2,805)	(1,543)	(4,348)
Administrative expenses	(8,366)	(9,998)	(18,364)
Operating loss	(7,421)	(1,267)	(8,688)

	2003 £'000	2002 £'000
This has been arrived at after charging:		
Auditors' remuneration:		
Audit	25	18
Other services	-	2
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,623	2,703
Release of negative goodwill	(2,500)	-
Operating leases - plant and machinery	293	482
- other	-	362

	2003	2002
	£'000	£'000
Cost of restructuring - cost of sales	1,099	2,655
- administrative expenses	904	-
	<u>2,003</u>	<u>2,655</u>

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## CWV LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

#### 6 Profit on disposal

	2003 £'000	2002 £'000
Profit on disposal of land and buildings	-	7,091
Profit on disposal of textile division	-	3,059
	<u>-</u>	<u>10,150</u>

During the previous year the company sold its freehold land and buildings for a consideration of £14,000,000.

During the previous year the company also sold the textile division to CW Textiles Limited for a consideration of £11,000,000.

#### 7 Remuneration of Directors

	2003 £'000	2002 £'000
Directors' emoluments	54	211
Company contributions to money purchase pension schemes	-	9
Compensation for loss of office	73	-
	<u>127</u>	<u>220</u>

The aggregate emoluments of the highest paid director was £54,098 (2002 - £85,398).

	Number of Directors	
	2003	2002
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	1
Defined benefit schemes	-	1

**CWV LIMITED****Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****8 Staff numbers and costs**

	<b>Number of employees</b>	
	<b>2003</b>	<b>2002</b>
The average monthly number of employees, including directors was as follows:		
Production	274	220
Distribution	11	38
Sales	39	453
Administration	98	161
	<u>422</u>	<u>872</u>

The aggregate payroll costs of these persons were as follows:

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	9,402	11,961
Social security costs	932	804
Other pension costs	1,038	698
	<u>11,372</u>	<u>13,463</u>

**9 Interest receivable and similar income**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Other interest receivable and similar income	51	-
	<u>51</u>	<u>-</u>

**10 Interest payable and similar charges**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans and overdrafts	137	612
	<u>137</u>	<u>612</u>

**11 Taxation**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
UK Corporation tax		
Current tax on (loss) for the year	(223)	-
Adjustment in respect of previous years	(1,323)	-
	<u>(1,546)</u>	<u>-</u>

**CWV LIMITED****Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****11 Taxation (continued)**

The tax assessed for the period is different than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £'000	2002 £'000
(Loss)/profit on ordinary activities before tax	(6,670)	850
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 : 30%)	(2,001)	255
Effect of:		
Expenses not deductible for tax purposes	33	33
Depreciation in excess of capital allowances	419	687
Profit on sale of fixed assets	-	(2,127)
Capital items expensed	-	420
Profit on sale of goodwill	-	(918)
Capital gains	-	638
Losses carried forward	-	102
Group relief surrendered for no consideration	-	910
Adjustments to tax charge in previous periods	(1,323)	-
Other short term timing differences	82	-
Unrelieved tax losses	1,244	-
Current tax charge for the period	(1,546)	-

**12 Intangible fixed assets**

	Negative goodwill £'000
<i>Cost</i>	
Additions and balance at end of year	(11,699)
<i>Amortisation</i>	
Charge for year and balance at end of year	2,500
<i>Net book value</i>	
At 31 December 2003	(9,199)

Negative goodwill arose on the acquisition of the business and assets of The Imperial Home Decor Group (UK) Limited (see note 23). This negative goodwill is being released to the profit and loss account commensurate with the recovery of the non-monetary assets acquired to which it relates, whether through depreciation or sale and discharge of its liabilities, and in any event will be released over a period of not more than ten years.

**CWV LIMITED****Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****13 Tangible assets**

	<b>Plant and machinery £'000</b>
<i>Cost</i>	
At beginning of year	24,079
Acquisitions	10,989
Additions	541
Disposals	(5,136)
At end of year	<u>30,473</u>
<i>Depreciation</i>	
At beginning of year	13,557
Charge for year	1,623
Disposals	(5,136)
At end of year	<u>10,044</u>
<i>Net book value</i>	
At 31 December 2003	<u>20,429</u>
At 31 December 2002	<u>10,522</u>

**14 Fixed assets investments**

	<b>Shares in group undertakings £'000</b>
<i>Cost</i>	
At beginning and end of year	<u>658</u>
<i>Provision</i>	
At beginning and end of year	<u>624</u>
<i>Net book value</i>	
At 31 December 2003	<u>34</u>
At 31 December 2002	<u>34</u>

## CWV LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

### 14 Fixed assets investments (*continued*)

The undertakings in which the company's interest at the year end is more than 20% are as follows:

Subsidiary undertakings	Nature of business	Country of incorporation
Transprints (UK) Limited	Dormant Company	United Kingdom*
Crown Wallpapers Limited	Dormant Company	United Kingdom*
Rembrandt Engravers Limited	Dormant Company	United Kingdom*
CWVA Limited	Dormant Company	United Kingdom*
CWV Group LLC	Wholesale of wallcoverings	United States**

All subsidiary undertakings have share capital consisting solely of ordinary shares and are wholly owned by the company.

\* Registered in England and Wales

\*\* Registered in United States

### 15 Stocks

	2003 £'000	2002 £'000
Raw materials and consumables	1,660	857
Work in progress	746	449
Finished goods and goods for resale	8,776	4,776
	<u>11,182</u>	<u>6,082</u>

### 16 Debtors

	2003 £'000	2002 £'000
Trade debtors	10,149	4,523
Amounts owed by subsidiary undertaking	2,109	4,507
Other debtors	1,507	19
Prepayments and accrued income	1,247	1,037
Other taxation, social security and employee costs	-	344
	<u>15,012</u>	<u>10,430</u>

Debtors include prepayments and accrued income of £331,000 (2002 - £346,000) due after more than one year.



# CWV LIMITED

## Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

### 17 Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Bank loans and overdrafts	5,901	1,338
Trade creditors	11,137	6,477
Amounts owed to group undertakings	86	-
Taxation and social security	1,507	-
Other creditors	797	766
Accruals and deferred income	2,056	917
	<u>21,484</u>	<u>9,498</u>

### 18 Creditors: amounts falling due after more than one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	7,525	4,000
	<u>7,525</u>	<u>4,000</u>

### 19 Provisions for liabilities and charges

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

	2003		2002	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Difference between accumulated depreciation and amortisation and capital allowances	-	(1,013)	-	(1,825)
Revenue losses	-	(2,450)	-	(1,740)
Other timing differences	-	(35)	-	(298)
Deferred tax (asset)	<u>-</u>	<u>(3,498)</u>	<u>-</u>	<u>(3,863)</u>

A deferred tax asset has not been recognised in accordance with generally accepted practice as it is not considered appropriate to recognise an asset.

### 20 Share capital

	Authorised		Allotted, called up and fully paid	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Equity:				
35,000,000 (allotted 25,860,000) ordinary shares of £0.05 each	<u>1,750</u>	<u>1,750</u>	<u>1,293</u>	<u>1,293</u>

# CWV LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

## 21 Reserves

	Share premium account £'000	Profit and loss account £'000
At beginning of year	9,728	2,552
Retained loss for the year	-	(5,124)
At end of year	9,728	(2,572)

## 22 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
(Loss)/profit for the financial year	(5,124)	850
Net (reduction)/increase in shareholders' funds	(5,124)	850
Opening shareholders' funds	13,573	12,723
Closing shareholders' funds	8,449	13,573

## 23 Acquisitions

On 5 September 2003 a group subsidiary acquired the business and certain assets of The Imperial Home Decor Group (UK) Limited for a consideration of £3,685,000. On the same day, the business and assets were transferred to CWV Limited. The acquisition has been dealt with in the accounts of CWV Limited. The following net assets were acquired:-

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	15,696	(4,707)	10,989
Current assets	5,454	(703)	4,751
Creditors due within 1 year	(356)	-	(356)
Net assets	20,794	(5,410)	15,384
Consideration - cash			3,525
Acquisition costs			160
Total consideration			3,685
Net assets acquired			15,384
Negative goodwill arising on acquisition			(11,699)

The fair value adjustments relate to the alignment of accounting policies.

## CWV LIMITED

### Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

#### 23 Acquisitions (continued)

The cash flows relating to the acquisition are as follows:

	£'000
Operating cash flows	1,850
Returns on investment and servicing of finance	(14)
Investing activities	(3,892)
	<u>(2,056)</u>

It is not possible to determine the results of the acquisition to the date of acquisition or for the previous year.

#### 24 Commitments

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

	2003 £'000	2002 £'000
Contracted	161	5
Authorised but not contracted for	32	50
	<u>193</u>	<u>55</u>

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

	2003 £'000	2002 £'000
Plant and machinery:		
Operating leases which expire:		
Within one year	74	40
In the second to fifth years inclusive	202	159
	<u>276</u>	<u>199</u>

#### 25 Contingent liabilities

The company is party to group banking arrangements of CWV Group Limited. Consequently it is jointly and severally liable for the loans and overdrafts of CWV Group Limited and certain of its subsidiary undertakings. At 31 December 2003 the liability under this guarantee amounted to £25,250,000.

**26 Pension scheme**

The company operates two pension schemes.

**Defined Benefit Scheme**

The Vymura Pension Plan is a funded defined benefit UK pension scheme in which certain employees participate. The scheme provides benefits based on final pensionable salary with contributions being charged to the profit and loss so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified independent actuary on the basis of triennial valuations. The scheme is closed to new entrants.

The company has continued to account for pensions in accordance with SSAP24 and the disclosures required by that standard are set out below.

**SSAP 24**

The most recent actuarial valuation was carried out at 5 April 2003 by the independent actuary using the projected unit method. The principal assumptions and results of the valuation, for the purposes of SSAP 24, are set out below:

Discount rate and expected rate of return	6.5%
Rate of increase in pensionable salaries	4.1%
Rate of increase in pensions in payment and inflation	2.6%
Market (and actuarial) value of assets	£14.9 million
Level of funding (actuarial value of assets as a percentage of accrued service liabilities)	71.0%

The next actuarial valuation is due to be carried out no later than 5 April 2006.

The funding level disclosed above has been calculated on an ongoing funding basis. If the scheme was to be wound up and members' benefits secured with an insurance company, then the funding level of the scheme would be significantly lower than the figure of 71% disclosed above.

The contributions of the employees are set out in the rules of the scheme. The contributions of the company are 13.4% of pensionable salary in respect of the ongoing accrual benefits. In addition, the company has undertaken to make additional regular contributions to eliminate the deficit.

The total charge for the year in the accounts of the company was £790,000 (2002:£550,000). Prepaid contributions at the beginning and end of the year amounted to £346,000 and £331,000 respectively.

**26 Pension scheme (continued)**

**Financial Reporting Standard 17 "Retirement Benefits"**

The directors do not consider it meaningful to adopt FRS 17 for the year ended 31 December 2003 and, specifically, certain disclosures required by the transitional rules of FRS 17 have been omitted. The disclosures omitted relate to the fair value of the assets and liabilities of the scheme as at 31 December 2003 and the main financial assumptions inherent in those valuations.

**Defined Contribution Scheme**

The pension cost for the defined contribution scheme, which represents contributions payable by the company, amounted to £248,000 (2002: £187,000).

**27 Related party disclosures**

During the year the company paid rent for premises of £990,978 (2002 - £362,000) to Northern Trust Company Limited.

Northern Trust Company Limited is a subsidiary of Northern Trust Group Limited. The ultimate parent company of CWV Limited and Northern Trust Group Limited are controlled by the family interests of Mr TJ Hemmings.

**28 Post balance sheet events**

On 1 March 2004 the company announced the intention to consolidate production onto one site resulting in the closure of the Hyde site.

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

The company is a wholly owned subsidiary undertaking of Coloroll Exports (Jersey) Limited. Coloroll Exports (Jersey) Limited is controlled by the family interests of Mr TJ Hemmings.

The largest and smallest group in which the results of the company are consolidated is that headed by CWV Group Limited, incorporated in the United Kingdom.