

INTERGLAS TECHNOLOGIES LIMITED

Report and Financial Statements

30 June 2002

**Deloitte & Touche
Bristol**



REPORT AND FINANCIAL STATEMENTS 2002

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Dr B Meffert
D T Puckett
W O Seuffert

SECRETARY

D T Puckett

REGISTERED OFFICE

Interglas Technologies Limited
Sherborne
Dorset
DT9 3RB

BANKERS

Barclays Bank plc
61 Cheap Street
Sherborne
Dorset
DT9 3BB

SOLICITORS

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

AUDITORS

Deloitte & Touche
Bristol

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2002.

ACTIVITIES

The principal activities of the company are the weaving and processing of glass fibre fabrics and the production under licence of composite fabrics.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Results for the period

Details of the company's performance are given in the profit and loss account on page 6 and the notes thereto.

Financial position

The position of the company at the end of the year is set out in the balance sheet on page 7 and the notes thereto.

Future prospects

In the business year 2001/2002 the company has kept its profitability again.

Despite the strong pound, lower sales due to the downturn of the relevant markets, lower output due to the inventory adjustments, higher monthly contributions of £32,500 in total to the Retirements Benefits Plan and the increase in labour costs, the profit of the company remained positive.

To improve the profitability of the company furthermore and to secure its market position a restructuring programme has been put in place, which includes significant cost reductions.

This programme is supported by the readjustment of the product portfolio and the development and the market introduction of new products.

DIVIDENDS

The directors do not propose the payment of a dividend (2001: nil).

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1. All directors were in office throughout the year.

None of the directors in office at the end of the year had any interest in the share capital of the company or any other group company.

DIRECTORS' REPORT (continued)

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in dark ink, appearing to read 'D. T. Puckett', is written over a faint, larger handwritten signature that appears to read 'D. T. Puckett'.

D T Puckett
Secretary

21 MARCH 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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; 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
INTERGLAS TECHNOLOGIES LIMITED**

We have audited the financial statements of Interklas Technologies Limited for the year ended 30 June 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 for the above year and consider the implications for our report if we become aware of any apparent misstatements.

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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts, concerning the uncertainty as to the continuation of support by the company's parent company and hence its ability to continue as a going concern. In view of the significance of this uncertainty, we consider that it 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Bristol

31 March 2003

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2002

	Note	2002 £	2001 £
TURNOVER - continuing operations	2	16,386,543	18,045,588
Change in stocks of finished goods and work in progress		(1,365,423)	350,922
Other operating income		7,856	3,747
		<u>15,028,976</u>	<u>18,400,257</u>
Raw materials and consumables		7,976,199	10,499,187
Other external charges		741,507	778,897
Staff costs (includes redundancy costs - see note 3)	3	3,811,944	4,572,404
Depreciation		312,228	418,992
Other operating charges		1,903,301	1,876,367
		<u>(14,745,179)</u>	<u>(18,145,847)</u>
OPERATING PROFIT - continuing operations		283,797	254,410
Interest receivable		85	-
Interest payable and similar charges	4	(258,421)	(241,428)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	25,461	12,982
Tax on profit on ordinary activities	6	-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	25,461	12,982
Profit and loss account brought forward		(4,819,746)	(4,832,728)
PROFIT AND LOSS ACCOUNT CARRIED FORWARD		<u>(4,794,285)</u>	<u>(4,819,746)</u>

The company has no recognised gains or losses other than those included in the profit and loss accounts above and therefore no separate statement of total recognised gains and losses has been presented.

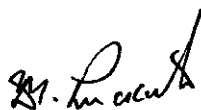
BALANCE SHEET

At 30 June 2002

	Note	2002		2001	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		2,052,822		2,004,804
Investments	8		1,000,000		1,000,000
			<u>3,052,822</u>		<u>3,004,804</u>
CURRENT ASSETS					
Stocks	9	3,862,923		5,406,752	
Debtors	10	2,640,086		1,099,028	
		<u>6,503,009</u>		<u>6,505,780</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(2,490,933)		(2,378,873)	
NET CURRENT ASSETS			<u>4,012,076</u>		<u>4,126,907</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,064,898		7,131,711
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(1,098,226)		(1,000,000)	
Convertible loans from Interglas Technologies AG	13	(3,547,000)		(3,547,000)	
			<u>(4,645,226)</u>		<u>(4,547,000)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	14		(59,500)		(250,000)
NET ASSETS			<u>2,360,172</u>		<u>2,334,711</u>
CAPITAL AND RESERVES					
Called up share capital	15		4,566,197		4,566,197
Share premium account	16		2,588,260		2,588,260
Profit and loss account	16		(4,794,285)		(4,819,746)
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>2,360,172</u>		<u>2,334,711</u>

These financial statements were approved by the Board of Directors on 21 MARCH 2003

Signed on behalf of the Board of Directors


D T Puckett
Director

NOTES TO THE ACCOUNTS**Year ended 30 June 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of preparation - going concern

The company meets its day-to-day working capital requirements primarily through loans from Interglas Technologies AG, its parent company and through an overdraft facility provided by the company's bankers. In turn, Interglas Technologies AG is financed by credit facilities offered by a consortium of five German banks.

The nature of the industry within which the group and company operate and the current market conditions are such that it is difficult to accurately predict future sales, and hence the timing of cash inflows. The group is implementing cost reduction measures as part of its ongoing restructuring programme. The full extent of the effect of these measures on operational capacity and cash outflows can only be predicted with limited accuracy at this stage. The directors of Interglas Technologies AG have prepared projected cash flow information for the period to June 2004, (approximately 22 months from the date of approval of these financial statements).

On the basis of this cashflow information and discussions with the consortium of banks, the directors have formed a judgement at the time of approving the financial statements that, assuming the sales and cost reduction targets are met, the predicted periods of net cash outflow in the next 12 months will be adequately financed by additional funds made available to the group by the bank consortium. However, on the basis of this latest projected cashflow information, the amount of headroom projected to be available to the group over the twelve month period from the date of approval of these financial statements is very limited. Following discussions with the directors of Interglas Technologies AG, the directors believe that the company's bankers will continue to support it for a minimum of 12 months from the date of approval of the financial statements. On this basis, the directors of Interglas Technologies Limited consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of support by the bank consortium to the parent company, and hence do not include any adjustments that would result from the inability for Interglas Technologies AG to provide ongoing financial support to its subsidiary.

Tangible fixed assets

No depreciation is provided on freehold land. On other assets depreciation is provided on cost less estimated residual value in equal annual instalments over the estimated lives of the assets as follows:

Freehold buildings:	
- factory buildings	25 years
- private house	50 years
Plant and machinery	5 to 15 years
Fixtures, fittings and equipment	3 to 10 years

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

1. ACCOUNTING POLICIES (continued)**Investments**

Investments held as fixed assets are stated at cost less any impairment in value. The company has taken advantage of the exemption conferred by Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. Group accounts are prepared by the ultimate parent company. The information presented in the financial statements relates to the company as an individual entity.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost represents materials, labour and appropriate production overheads.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Amounts receivable and payable in foreign currencies are translated into sterling at the rate of exchange ruling at the year end. Gains and losses on transactions in foreign currencies are included in the profit and loss account.

Pension costs

The company operates various pension schemes to provide retirement benefits to eligible employees. For defined contribution schemes, pension costs are charged against profits as they become payable.

For the company's defined benefit scheme, the expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of the assets. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rental costs under operating leases are charged to profit and loss account in equal annual instalments over the periods of the leases.

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

2. TURNOVER

Turnover comprises the value of sales (excluding VAT) of goods and services from the company's principal activity in the normal course of business.

An analysis of turnover by geographical market is given below:

	2002 £	2001 £
Europe	<u>16,386,543</u>	<u>18,045,588</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The remuneration paid to directors was:

	2002 £	2001 £
Emoluments (excluding pension contributions but including benefits in kind)	<u>48,671</u>	<u>49,187</u>

	No.	No.
Number of directors who are members of a defined benefit pension scheme	<u>1</u>	<u>1</u>

W O Seuffert and Dr B Meffert were remunerated by Interglas Technologies AG the company's ultimate parent company, in respect of their services to the group as a whole. It is not practical to allocate this remuneration between individual group companies.

Average number of persons employed:	No.	No.
Production	115	144
Sales and distribution	20	20
Administration	32	36
	<u>167</u>	<u>200</u>

Employee costs during the year:	£	£
Wages and salaries	3,124,689	3,892,957
Social security costs	263,286	345,297
Other pension costs	222,500	286,621
Redundancy costs	201,469	47,529
	<u>3,811,944</u>	<u>4,572,404</u>

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

4. INTEREST PAYABLE AND SIMILAR CHARGES	2002	2001
	£	£
On intercompany borrowings	248,515	228,399
Bank overdrafts and other loans repayable within five years	9,906	13,029
	<u>258,421</u>	<u>241,428</u>
 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	 2002	 2001
	£	£
Profit on ordinary activities before taxation is after charging:		
Rentals under operating leases for plant and machinery	469,416	450,969
Depreciation:		
- owned assets	287,378	418,992
- leased assets	24,850	-
Auditors' remuneration:		
- audit fees	30,000	25,500
- other services	-	29,000
	<u>-</u>	<u>29,000</u>
 6. TAXATION		
The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax of 30% (2001: 30%).		
The differences are explained below:	2002	2001
	£	£
Profit on ordinary activities before tax	<u>25,461</u>	<u>12,982</u>
	£	£
Tax at 30%	(7,639)	(3,895)
Expenses not deductible for tax purposes	(76,947)	(67,565)
Capital allowances in excess of depreciation	70,751	85,434
Increase of tax losses	(83,357)	(6,804)
Movement in short-term timing differences	97,192	(7,170)
Current tax charge for the year	<u>-</u>	<u>-</u>

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances, provisions and tax losses as there is insufficient evidence that the asset will be recovered. The asset would be recovered, either in full or in part, if the company makes sufficient profits in future accounting periods.

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

7. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 July 2001	2,468,962	6,801,655	889,221	10,159,838
Additions	-	346,295	13,951	360,246
Disposals	-	(55,000)	(630)	(55,630)
At 30 June 2002	2,468,962	7,092,950	902,542	10,464,454
Accumulated depreciation				
At 1 July 2001	1,089,929	6,326,070	739,035	8,155,034
Charge in the year	97,264	153,184	61,780	312,228
Disposals	-	(55,000)	(630)	(55,630)
At 30 June 2002	1,187,193	6,424,254	800,185	8,411,632
Net book value				
At 30 June 2002	1,281,769	668,696	102,357	2,052,822
At 30 June 2001	1,379,033	475,585	150,186	2,004,804

The net book value of the plant and machinery includes £237,293 (2001: nil) in respect of assets held under finance leases and hire purchase contracts.

8. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Total £
Cost			
At 1 July 2001 and at 30 June 2002	1,053,562	368,051	1,421,613
Provisions			
At 1 July 2001 and at 30 June 2002	(53,562)	(368,051)	(421,613)
Net book value			
At 30 June 2001 and at 30 June 2002	1,000,000	-	1,000,000

NOTES TO THE ACCOUNTS
Year ended 30 June 2002**8. INVESTMENTS HELD AS FIXED ASSETS (continued)**

Subsidiary undertakings	Country of incorporation	Activity	Portion of ordinary shares held %
CS-I Sherborne Limited	England	Dormant	100
Alpha International Associates Limited	England	Dormant	100

In the opinion of the directors the aggregate value of the shares in and amounts owing from the subsidiary undertakings is not less than the aggregate of the amounts at which they are stated in the company's balance sheet.

9. STOCKS

	2002 £	2001 £
Raw materials	1,207,916	1,386,322
Work in progress	886,777	916,561
Finished goods	1,768,230	3,103,869
	<u>3,862,923</u>	<u>5,406,752</u>

10. DEBTORS

	2002 £	2001 £
Trade debtors	4,144	6,519
Amounts owed by group companies	2,519,390	963,094
Prepayments	116,552	129,415
	<u>2,640,086</u>	<u>1,099,028</u>

Included with amounts owed by group companies is £1,479,267 owed by the parent company which is payable in more than on year.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft	114,634	30,466
Trade creditors	1,065,068	1,453,742
Obligations under finance leases and hire purchase contracts	87,323	-
Amounts owed to group companies	233,873	122,649
Other taxation and social security	239,353	145,049
Accruals and deferred income	750,682	626,967
	<u>2,490,933</u>	<u>2,378,873</u>

The bank overdraft facility is secured by way of a debenture given by Interklas Technologies Limited in approved form.

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2002 £	2001 £
Convertible loan (note 13)	3,547,000	3,547,000
Amount owed to group companies	1,000,000	1,000,000
Obligations under finance leases and hire purchase contracts:		
- due within one to two years	87,323	-
- due within two to five years	10,903	-
	<u>4,645,226</u>	<u>4,547,000</u>

13. CONVERTIBLE LOANS

The amount owed to group companies is a loan from a subsidiary company of £1,000,000. There are no repayment terms. The subsidiary company has indicated that it will not demand repayment within one year of the approval of the financial statements. No interest is payable on this loan.

Obligations under finance leases and hire purchase contracts are secured by related leased assets.

The convertible loan of £3,547,000 from the parent company is unsecured. There are no set repayment terms, however there is an agreement in place, which states no repayments will be demanded until both companies are in agreement that they should commence. The parent company have confirmed this will not be within one year. The interest rate to be charged on this loan every six months is 0.75% above the six month D-Mark LIBOR rate as quoted in the Frankfurter Allgemeine Zeitung. The parent company has the right at any time by notice to the company to require the sterling equivalent of the loan or any part of it to be converted at par into 'C' ordinary shares of £1 each in the company.

14. PROVISIONS FOR LIABILITIES AND CHARGES

Pension obligations (see note 20)	£
At 1 July 2001	250,000
Release of provisions	(190,500)
At 30 June 2002	<u>59,500</u>

The release of the provision represents the excess of contributions made to the scheme in the year over the pension cost for the year as determined by the scheme's actuary.

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

15. CALLED UP SHARE CAPITAL

	2002 £	2001 £
Authorised		
7,000,000 7% 'A' preference shares of £1 each	7,000,000	7,000,000
500,000 'B' redeemable preference shares of £1 each	500,000	500,000
6,800,000 'C' ordinary shares of £1 each	6,800,000	6,800,000
	<u>14,300,000</u>	<u>14,300,000</u>
	£	£
Called up, allotted and fully paid		
4,566,197 'C' ordinary shares of £1 each	<u>4,566,197</u>	<u>4,566,197</u>

16. COMBINED RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £	Share premium account £	Profit and loss account £	Total 2002 £	Total 2001 £
Balance at beginning of year	4,566,197	2,588,260	(4,819,746)	2,334,711	2,321,729
Profit for the year	-	-	25,461	25,461	12,982
Balance at 30 June	<u>4,566,197</u>	<u>2,588,260</u>	<u>(4,794,285)</u>	<u>2,360,172</u>	<u>2,334,711</u>

17. CAPITAL COMMITMENTS

There were no capital commitments contracted for at the balance sheet date (2001: nil)

18. CONTINGENT LIABILITIES

The overdraft of Interklas AG, the parent company, is secured by way of a guarantee from Interklas Technologies Limited of £800,000.

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

19. OPERATING LEASE COMMITMENTS

At 30 June 2002 the company was committed to making the following payments during the next year in respect of operating leases:

Other - plant and machinery	2002 £	2001 £
Leases which expire:		
- within one year	59,598	345,655
- within two to five years	401,071	111,242
- thereafter	6,194	-
	<u>466,863</u>	<u>456,897</u>

20. PENSION SCHEME

The company operates a defined contribution pension scheme for certain employees and for eligible employees a scheme providing benefits based on final pensionable pay. The total pension charge for both schemes for the year was £222,500 (2001: £286,621).

Contributions amounting to £32,500 (2001: £32,500) were outstanding at 30 June 2002. These amounts are included in accruals.

The assets of the pension schemes are held separately from those of the company being invested by independent investment managers.

SSAP 24

Contributions to the defined benefit scheme are determined by a qualified actuary, on the basis of triennial valuations, using the projected unit method.

The most recent formal valuation was at 31 March 2000. The principal actuarial assumptions were that investment returns would be 5.25% per annum, that pay increases would average 3.75% per annum, and that retail price inflation would average 2.75% per annum. The valuation showed that the market value of the scheme's assets was £4,965,000 and that the actuarial value of those assets represented 79% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The excess of the cumulative pension charge over the amount funded has been included in provisions, see note 14.

A formal valuation will be carried out as at 31 March 2003, at which point company contributions will be increased if required.

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

20. PENSION SCHEME (continued)

FRS17 - disclosure information only

In accordance with the transitional rules of FRS17, an update to the actuarial valuation has been obtained at the balance sheet date. This was based on the same assumptions as the formal valuation with certain additional assumptions being made. These were that the rate of increase in pensions in payment would be between 2.75% and 5% per annum (2001: between 2.75% and 5%) (pensions in payment in excess of the guaranteed minimum pension increase at a rate of either 5% per annum or limited price indexation), the rate of increase for deferred pensioners would be 2.75% per annum (2001: 2.75%) and in addition a discount rate of 5.8% (2001: 6.15%) per annum was applied. This showed that the fair value of the scheme assets was £3,717,000 (2001: £4,353,000), the actuarial value of the scheme liabilities was £6,091,000 (2001: £5,896,000) and there was an overall deficit of £2,374,000 (2001: £1,543,000).

At 30 June 2001 and 30 June 2002 the scheme was primarily invested in equities. The expected return on equities for the year ended 30 June 2002 was 7.25% (2001: 7.5%).

Under the accounting requirements of FRS17 the amount which would have been charged to operating profit which relates to current service is £95,000, the amount to be credited to other financial income which is the net effect of the expected return on plan assets of £316,000 and interest on liabilities of £363,000 is £47,000.

If FRS17 was adopted in full the amounts to be included within the statement of total recognised gains and losses would be:

	2002 £	Percentage of plan assets
Actual return less expected return on plan assets	(952,000)	-25.6%
Experience gains and losses arising on liabilities	164,000	4.4%
Change in assumptions underlying present value of liabilities	(316,000)	-
Actuarial loss recognised in statement of total recognised gains and losses	(1,104,000)	-29.7%

The movement in the deficit during the year would be as follows:

Reconciliation of scheme assets and liabilities to the balance sheet	2002 £	2001 £
Fair value of scheme assets	3,717,000	4,353,000
Present value of scheme liabilities	(6,091,000)	(5,896,000)
Deficit in the scheme and net pension liability	(2,374,000)	(1,543,000)
Profit and loss reserve	£	£
Profit and loss reserve excluding pension liability	(4,794,285)	(4,819,746)
Pension reserve	(2,374,000)	(1,543,000)
Profit and loss reserve	(7,168,285)	(6,362,746)

NOTES TO THE ACCOUNTS

Year ended 30 June 2002

21. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption contained in Financial Reporting Standard No. 8 from the requirement to disclose related party transactions within the group.

22. CASH FLOW STATEMENT

The ultimate parent company, Interglas Technologies AG, will prepare a consolidated cash flow statement thus exempting the company from the requirement to prepare a cash flow statement in accordance with Financial Reporting Standard No. 1.

23. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate and ultimate parent company and controlling party is Interglas Technologies AG, a company incorporated in Germany. Copies of its group accounts are available from Postfach 1103, D-89151, Erbach, Germany.