

Premier Paper Group Limited
Directors' report and financial statements
for the year ended 31 December 2002

Registered no: 3672117



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Premier Paper Group Limited

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Premier Paper Group Limited

Directors and advisers

Directors

K J Lindborg (Chairman)
G J Griffiths (Managing Director)
P Morgan (Finance Director)

Registered Auditors

KPMG LLP
St James Square
Manchester
M2 6DS

Secretary and registered office

G S Tye
Premier House
Mercury Way, Mercury Park
Barton Dock Road
Urmston, Manchester
M41 7PA

Solicitors

DLA
Victoria Square House
Victoria Square
Birmingham
B2 4DL

Bankers

Barclays Bank Plc
Manchester City Office
51 Mosley Street
Manchester
M60 2AU

Premier Paper Group Limited

Directors' report **for the year ended 31 December 2002**

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company consists of the distribution and merchanting of paper.

Review of business

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

The 2002 results reflect continuing difficult trading conditions exacerbated by a significant level of bad debts.

During 2002 the business underwent a substantial programme of business improvements and restructuring, instigated following the appointment of a new managing director and finance director. The management of the business is confident that the steps taken in reorganising the business will return the company to profitability. The company has the full support of its parent M-Real Oyj.

Dividends and transfers to reserves

The directors do not recommend the payment of a dividend.

The loss for the year of £9,830,000 will be deducted from reserves.

Capital injection

The directors are negotiating a capital injection from the parent company of £8million to be introduced prior to 31 December 2003.

Directors

The directors of the company at 31 December 2002 are listed on page 1. The changes since 31 December 2001 are as follows:

D C Rogan	(resigned on 9 th February 2002)
C Davy	(resigned on 15 th March 2002)
H Nördstrom	(resigned on 30 th June 2002)
G J Griffiths	(appointed on 8 th February 2002)
P Morgan	(appointed on 7 th May 2002)

Directors' interests

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

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

Premier Paper Group Limited

Directors' report *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 enable them to ensure that the financial statements 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.

Employees

The company's employment policies are based on equal opportunities for all staff, irrespective of sex, religion, race or colour. These policies include, whenever feasible and practicable, the full and fair consideration for the employment and training of disabled persons, and the retraining of employees who may become disabled.

The company is committed to effective communication with all staff. Employees are provided with information on relevant matters by means of newsletters and circulars.

Charitable contributions

The contributions made by the company during the year for charitable purposes were £4,376 (2001: £2,399).

Taxation status

The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


G S Tye
Secretary

**Premier House
Mercury Way, Mercury Park
Barton Dock Road
Manchester**

kpmg LLP

St James' Square
Manchester M2 6DS
United Kingdom

Report of the independent auditors' to the members of Premier Paper Group Limited

We have audited the financial statements on pages 5 to 21.

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 auditor's 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

The directors are responsible for preparing the directors' report and, as described on page 3 the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

kpmg up
KPMG LLP
Chartered Accountants
Registered Auditor

27 October 2003
**St James Square
Manchester**

Premier Paper Group Limited

Profit and loss account **for the year ended 31 December 2002**

	Notes	2002 £'000	2001 £'000
Turnover from continuing operations	2	184,260	197,060
Cost of sales		(159,226)	(170,173)
Gross profit		25,034	26,887
Other operating expenses	4	(35,272)	(32,800)
Other operating income		1,117	490
Operating loss from continuing operations		(9,121)	(5,423)
Interest payable and similar charges	7	(709)	(899)
Loss on ordinary activities before taxation		(9,830)	(6,322)
Tax on loss on ordinary activities	8	-	-
Loss on ordinary activities after taxation and retained for the financial year		(9,830)	(6,322)

The company has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

Premier Paper Group Limited

Balance sheet **at 31 December 2002**

	Notes	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	9	-	11
Tangible assets	10	3,006	3,646
Investment in subsidiaries	11	10,000	10,000
		13,006	13,657
Current assets			
Stocks	12	11,254	13,707
Debtors	13	48,802	56,489
Cash at bank and in hand		7	2,396
		60,063	72,592
Creditors: amounts falling due within one year	14	(59,994)	(59,823)
Net current assets		69	12,769
Total assets less current liabilities		13,075	26,426
Creditors: amounts falling due after one year	15	(13,500)	(17,000)
Provisions for liabilities and charges	16	(156)	(177)
Net (liabilities) / assets		(581)	9,249
Capital and reserves			
Called up share capital	17	10,000	10,000
Profit and loss account	18	(10,581)	(751)
Equity Shareholder's funds		(581)	9,249

The financial statements on pages 5 to 21 were approved by the board of directors on 27th October 2003 and were signed on its behalf by:

P Morgan
Director



Premier Paper Group Limited

Reconciliation of movements in shareholder's funds **For the year ended 31 December 2002**

	2002 £'000	2001 £'000
Loss for the financial year	<u>(9,830)</u>	<u>(6,322)</u>
Net reduction to shareholder's funds	(9,830)	(6,322)
Opening shareholder's funds	9,249	15,571
Closing shareholder's funds	<u>(581)</u>	<u>9,249</u>

Notes to the financial statements
for the year ended 31 December 2002

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. The company has adopted FRS 18 'Accounting policies' and FRS 19 'Deferred tax' in these financial statements.

Basis of preparation

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

The directors have received confirmation from their parent company M-Real Oyj that it will continue to make funds available to enable the company to trade and to discharge its liabilities to third parties when they fall due. These funds will be available for at least 12 months from the date of signature of these financial statements.

Accordingly the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Under FRS 1, the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Intangible fixed assets and amortisation

Intangible fixed assets, representing trademarks, are stated at their purchase cost, together with any incidental expenses of acquisition. These costs are amortised to nil on a straight line basis over their estimated useful economic life.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at their purchase cost, together with any incidental expenses of acquisition.

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

Plant and machinery	10% straight line or 15% reducing balance
Fixtures and fittings	4% straight line or 15% reducing balance
Computer equipment	20% straight line

Leasehold properties are amortised over 50 years or, if shorter, the period of the lease.

Notes *(continued)*

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

Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

Taxation

Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Post retirement benefits

The company operates defined contribution pension schemes for a number of its directors and employees. The assets of these schemes are held separately from those of the company in independently administered funds. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes.

The company also operates pension schemes providing benefits for a number of its directors and employees based on final pensionable pay. The assets of these schemes are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the employees working lives with the company.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Related party disclosures

As the company is a wholly owned subsidiary of Map Merchant Group Limited, the company has taken advantage of the exemption contained within FRS 8 'Related party transactions' and has therefore not disclosed transactions or balances with entities which form part of the group.

Premier Paper Group Limited

Notes (continued)

Accounting policies (Continued)

The consolidated financial statements of M-Real Oyj, within which this company is included, can be obtained from the address given in note 22.

Turnover

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

2 Analysis of turnover and loss on ordinary activities before taxation

The whole of the company's turnover and loss on ordinary activities before taxation is derived from paper merchanting, and distribution, and arises solely in the United Kingdom.

3 Loss on ordinary activities before taxation

	2002 £'000	2001 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charged for the year on owned assets	847	692
Amounts written off fixed assets as a result of disposal	288	-
Amortisation of intangible fixed assets	11	18
Auditors' remuneration		
Audit	76	50
Non-audit	140	5
Operating lease rentals:		
Plant and machinery	2,343	2,423
Other	1,876	1,861
Rent receivable	(550)	(592)
	<hr/>	<hr/>

4 Other operating expenses

	2002 £'000	2001 £'000
Distribution costs	28,569	25,904
Administrative expenses	6,703	6,896
	<hr/>	<hr/>
	35,272	32,800

Premier Paper Group Limited

Notes (continued)

5 Directors' emoluments

	2002 £'000	2001 £'000
Directors' emoluments	293	250
Pension contributions	47	16
Compensation for loss of office	184	-
	<hr/> 524 <hr/>	<hr/> 266 <hr/>

Retirement benefits are accruing to 2 (2001: 2) directors under a defined contribution scheme.

The highest paid director:

Directors' emoluments	165	164
Pension contributions	16	10
	<hr/> 181 <hr/>	<hr/> 174 <hr/>

6 Staff numbers and costs

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

	2002 Number	2001 Number
Administration	69	76
Warehouse and distribution	192	210
Sales	181	207
	<hr/> 442 <hr/>	<hr/> 493 <hr/>

The aggregate payroll costs of these persons were as follows:

	2002 £'000	2001 £'000
Wages and salaries	11,648	12,965
Social security costs	1,097	1,232
Other pension costs (see note 20)	695	775
	<hr/> 13,440 <hr/>	<hr/> 14,972 <hr/>

Premier Paper Group Limited

Notes (continued)

7 Interest payable and similar charges

	2002	2001
	£'000	£'000
On bank loans and overdrafts	709	899
	<hr/>	<hr/>

8 Taxation

2002	2001
£'000	£'000

Analysis of charge in the year

UK corporation tax

Current tax on income for the year	-	-
Adjustments in respect of prior periods	-	-
	<hr/>	<hr/>
Total current tax	-	-
Deferred tax (see note 16)	-	-
	<hr/>	<hr/>
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2001: higher) than the standard rate of corporation tax in the UK (30%, 2001: 30%). The differences are explained below:

2002	2001
£'000	£'000

Current tax reconciliation

Loss on ordinary activities before taxation	(9,830)	(6,322)
	<hr/>	<hr/>
Current tax at 30% (2001: 30%)	(2,949)	(1,897)
Expenses not deductible for tax purposes	115	197
Tax relief on prior years adjustment	-	(1,140)
Capital allowances in excess of depreciation	239	169
Other timing differences	(6)	11
Tax losses arising in the years not utilised	2,601	2,336
Losses carried back to prior years	-	324
	<hr/>	<hr/>
Total current tax charge (see above)	-	-
	<hr/>	<hr/>

Premier Paper Group Limited

Notes *(continued)*

9 Intangible fixed assets

	Trademarks £'000
Cost	
At 1 January 2002 and 31 December 2002	30
Amortisation	
At 1 January 2002	19
Charge for the year	11
At 31 December 2002	30
Net book value	
At 31 December 2002	Nil
At 31 December 2001	11

10 Tangible fixed assets

	Leasehold properties £'000	Plant, machinery and other assets £'000	Total £'000
Cost			
At 1 January 2002	1,400	10,039	11,439
Additions	23	472	495
Disposals	(442)	-	(442)
At 31 December 2002	981	10,511	11,492
Depreciation			
At 1 January 2002	701	7,092	7,793
Charge for the year	50	797	847
Eliminated on disposals	(154)	-	(154)
At 31 December 2002	597	7,889	8,486
Net book value			
At 31 December 2002	384	2,622	3,006
Net book value At 31 December 2001	699	2,947	3,646

Premier Paper Group Limited

Notes (continued)

11 Investments in subsidiaries

	£'000
Shares at cost	
At 1 January 2002 and 31 December 2002	10,000

Details of the principal subsidiary companies are as follows:

	Country of registration	Nature of business	Proportion of shares held
Alliance Paper Group Plc	England	Dormant	100%
Guppy Paper Limited	England	Dormant	100%
Classic Papers Limited	England	Dormant	100%

12 Stocks

	2002 £'000	2001 £'000
Finished goods and goods for resale	11,254	13,707

13 Debtors

	2002 £'000	2001 £'000
Amounts falling due within one year		
Trade debtors	44,066	49,020
Amounts owed by group undertakings	138	556
Other debtors	4,055	6,190
Prepayments and accrued income	543	723
	48,802	56,489

Premier Paper Group Limited

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2002	2001
	£'000	£'000
Bank loans and overdrafts	6,109	1,495
Trade creditors	24,991	28,747
Amounts owed to group undertakings	25,239	25,599
Other creditors	1,269	693
Other taxation and social security	2,096	2,999
Dividends payable	290	290
	59,994	59,823

15 Creditors: amounts falling due after one year

	2002	2001
	£'000	£'000
Bank loans and overdrafts	3,500	7,000
Amounts owed to subsidiary undertakings	10,000	10,000
	13,500	17,000

Bank loans and overdrafts

Bank loans and overdrafts are repayable as follows:

	2002	2001
	£'000	£'000
In one year or less	6,109	1,495
In more than one year but not more than two years	3,500	3,500
Between two and five years	-	3,500
	9,609	8,495

Included in bank loans is an amount of £7,000,000 which is payable in two equal annual instalments commencing July 2003 and carries interest at LIBOR plus 0.275%. Also included in bank overdrafts is £2,609,000, which is part of a Group facility.

The bank overdraft is repayable on demand and is secured by a floating charge on all assets of the company.

Premier Paper Group Limited

Notes (continued)

16 Provisions for liabilities and charges

	Deferred Tax £'000	Pensions £'000	Total £'000
At 1 January 2002	-	177	177
Charge for the year	-	(21)	(21)
At 31 December 2002	Nil	156	156

Deferred taxation

The elements of deferred tax are as follows:

	2002 £'000	2001 £'000
Difference between accumulated depreciation and Amortisation and capital allowances	-	-
Other timing differences	-	-
Undiscounted provision	-	-

The deferred tax asset of £5,403,000 (2001: £2,442,000) in respect of trading losses has not been recognised as future suitable taxable profits against which the asset can be deducted, are not considered to be probable.

17 Called up share capital

	2002 £'000	2001 £'000
Authorised		
10,000,100 ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
10,000,001 ordinary shares of £1 each	10,000	10,000

Premier Paper Group Limited

Notes (continued)

18 Reserves

	Profit and loss account £'000
Balance at 1 January 2002	(751)
Loss for the year	(9,830)
Balance at 31 December 2002	<u>(10,581)</u>

19 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases of:

	Land and buildings		Plant and machinery	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	190	18	-	-
Between two to five years	129	231	1,648	2,115
Over five years	1,306	1,368	-	-
	<u>1,625</u>	<u>1,617</u>	<u>1,648</u>	<u>2,115</u>

20 Pension commitments

Defined Contribution Pension Schemes

The company operates a defined contribution pension scheme, Premier Paper Group Limited Retirement Benefit Scheme which is open to all employees. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £408,000 (2001: £411,000)

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

The company also operates another defined contribution pension scheme, The UK Paper Plc Retirement Scheme C which is closed to new employees. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £16,000 (2001 : £17,000)

Premier Paper Group Limited

Notes *(continued)*

20 Pension commitments *(continued)*

UK Paper Plc Retirement Schemes A and B

The company also operates a defined benefit scheme, which is closed to new employees, providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was carried out at 5 April 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. As the scheme is closed to new employees, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

The most recent actuarial valuation showed that the market value of the scheme's assets was £115,556,000 at 5 April 2001, and that the actuarial value of those assets represented 89% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company are 14.5%, whilst the employee's contribution is 6%.

The pension charge for the period of £195,000 (2001 : £221,000) included a credit of £21,000 (2001 : £66,000) in respect of the amortisation of the experience surpluses that are being recognised over 15 years, the average remaining service lives of employees. A provision of £156,000 (2001 : £177,000) is included in provisions for liabilities and charges representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

The company is a participating employer in the above defined benefit scheme and because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits' the scheme will be accounted for by the company, when the accounting standard is fully adopted, as if the scheme was a defined contribution scheme, and the current balance sheet accrued expense of £156,000 as at 31 December 2002 will cease.

The Classic Papers Limited Pension Fund and Life Assurance Scheme

The company also operates another defined benefit scheme, which is closed to new employees, providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was carried out at 1 January 2001. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. As the scheme is closed to new employees, under the projected unit method, the current service cost will increase as the members of the scheme approach retirement.

Premier Paper Group Limited

Notes (continued)

20 Pension commitments (continued)

The most recent actuarial valuation on 1 January 2001 showed that the market value of the scheme's assets was £1,700,000 which was sufficient to cover 99% of the benefits that had accrued to members, after allowing for expected increases in earnings. The actuarial method used was the projected unit credit method. The contributions of the company and employees will remain at 18.5% and 5% of earnings respectively.

The pension charge for the period was £76,000 (2001 : £126,000).

Whilst the company continues to account for pension costs in accordance with Statement of Standard accounting Practice 24 "Accounting for Pension cost", under FRS 17 "Retirement benefits" the following transitional disclosures are required:

The valuation at 1 January 2001 has been updated by the actuary on the FRS 17 basis as at 31 December 2002.

The major assumptions used in this valuation were:

	2002	2001
Rate of increase in salaries	3.8 %	4.0 %
Rate of increase in pensions in payment	3.3 %	3.3 %
Discount rate	5.5 %	5.8 %
Inflation assumption	2.3 %	2.6 %

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme Assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were:

	Long Term rate of return 2002	Value at 2002 £'000	Long Term rate of return 2001	Value at 2001 £'000
Cash Accumulation Policy	7.2 %	2,902	7.5 %	3,087
Secured pensions in payment	5.5 %	505	5.8 %	445
Total market value of assets		3,407		3,532
Present value of scheme liabilities		4,521		3,839
Deficit in the Scheme – Pension Liability		1,114		307

The amount of this net pension liability would have a consequential effect on reserves.

Premier Paper Group Limited

Notes (continued)

20 Pension commitments (continued)

Movement in deficit during the year

	2002 £'000
Deficit in the scheme at the beginning of the year	307
Current service cost	155
Contributions paid	(114)
Other finance income	(35)
Actuarial loss	801
Deficit in the scheme at the end of year	1,114

If FRS 17 had been fully adopted in these financial statements the pension costs for this defined benefit scheme would have been:

Analysis of other pension costs charged in arriving at operating profit/loss

	2002 £'000
Current service cost	155
Total operating charge	155

Analysis of amounts included in other finance income/costs

	2002 £'000
Expected return on pension scheme assets	261
Interest on pension scheme liabilities	(226)
Net return	35

Notes (continued)

20 Pension commitments (continued)

Analysis of amount recognised in statement of total recognised gains and losses

	2002	2002 £'000
Actual return less expected return on scheme assets		(477)
Percentage of year end scheme assets	14.0 %	
Experience gains and losses arising on scheme liabilities		282
Percentage of present value of year end scheme liabilities	6.2 %	
Changes in assumptions underlying the present value of scheme liabilities		(606)
Percentage of present value of year end scheme liabilities	13.4%	
Actuarial loss recognised in statement of total recognised gains and losses		(801)
Percentage of present value of year end scheme liabilities	17.7 %	

21 Contingent liabilities

A general indemnity has been given to the bank for bonds, guarantees and indemnities given by the bank to third parties on behalf of the company. No loss is expected to arise from these arrangements.

22 Ultimate and immediate parent companies

The directors regard M-Real Oyj, a company incorporated in Finland, as the ultimate parent company and controlling party. According to the register kept by the company, Map Merchant Group Ltd, a company registered in England and Wales has a 100% interest in the equity capital of Premier Paper Group Limited at 31 December 2002. Copies of the ultimate parent company's consolidated financial statements may be obtained from M-Real Oyj, PO Box 10, FIN-02020 Metsä, Finland.