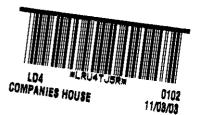
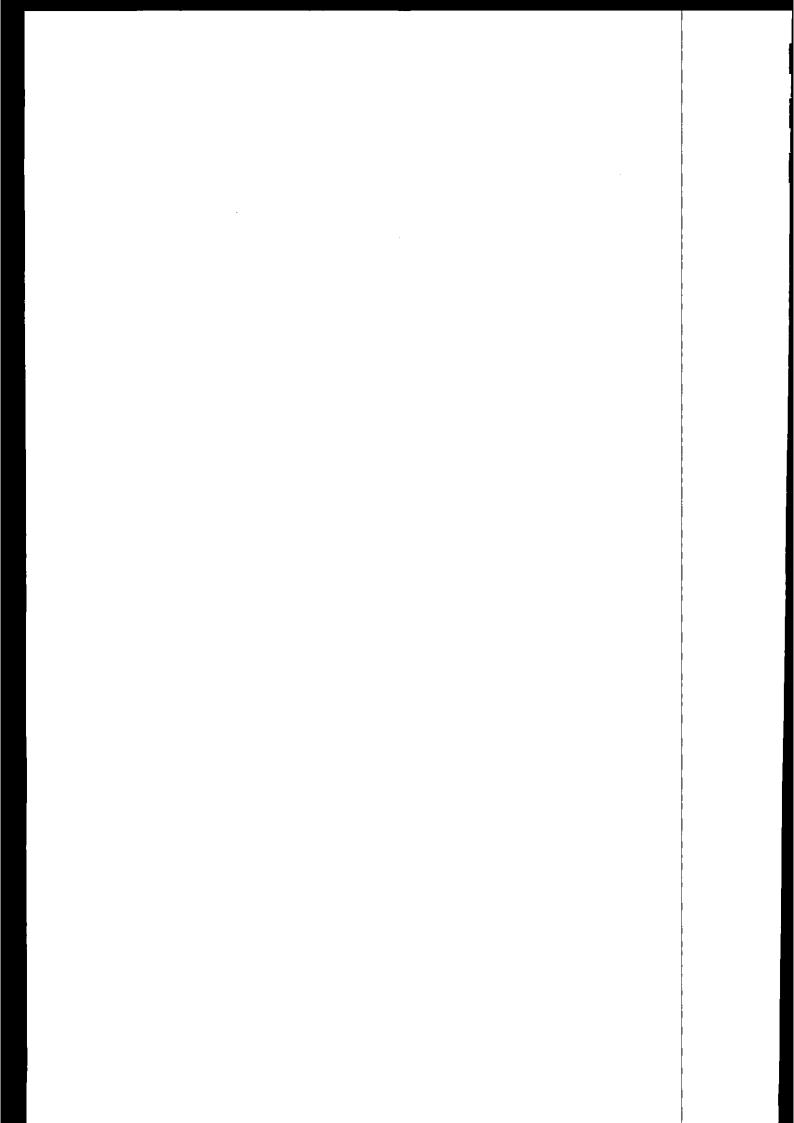
THE VALSPAR (UK) HOLDING CORPORATION LIMITED

Report and Financial Statements 31 December 2001

Registered No. 3171339





DIRECTORS

John Ballbach Rolf Engh William L Mansfield

SECRETARY

Timothy Beastrom

AUDITORS

Ernst & Young LLP Apex Plaza Reading Berkshire RG1 1YE

BANKERS

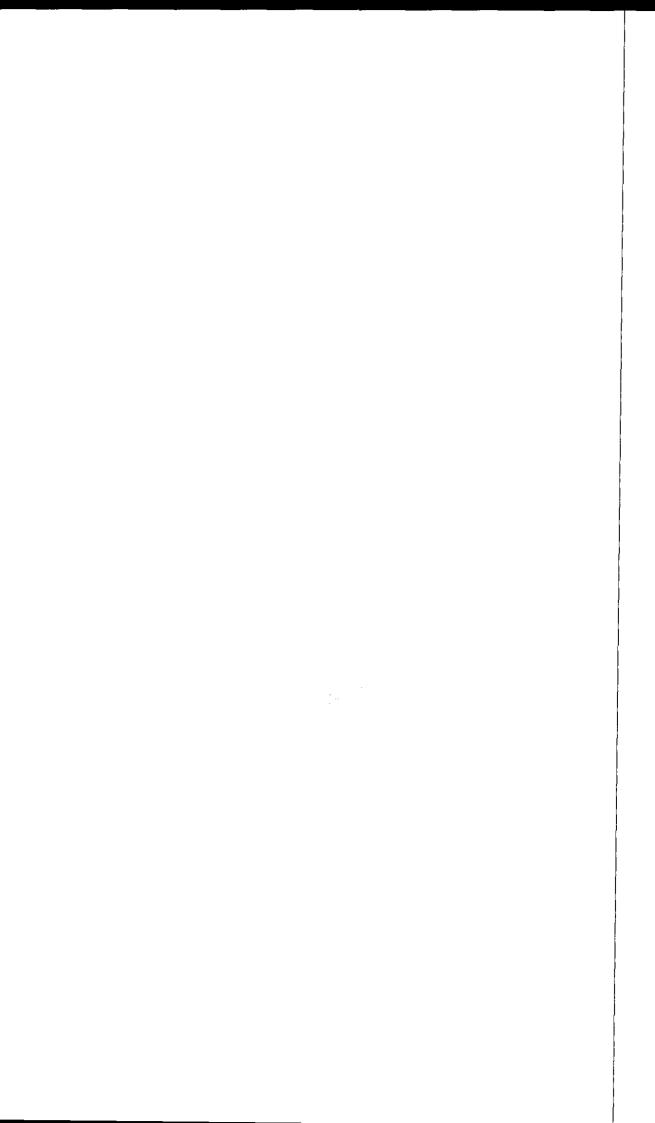
National Westminster Bank Plc 23 High Street Witney Oxon OX28 6LW

SOLICITORS

Eversheds 10 Newhall Street Birmingham B3 3LX

REGISTERED OFFICE

Station Lane Witney Oxon OX8 6XZ



DIRECTORS' REPORT

DIRECTORS' REPORT

The directors present their report and the audited consolidated accounts for the year ended 31 December 2001.

RESULTS

The group loss for the year, after taxation, amounted to £5,652,000 (2000: Profit £1,196,000. This figure has now been restated to reflect the write off of Goodwill. This amounted to £21,761,000. The group loss for 2000 is restated as £20,565,000).

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The group's principal activity is the manufacturing and distribution of coatings and ink to the metal packaging industry.

FUTURE DEVELOPMENTS

The current European market for coatings is difficult with some of our customers transferring business to Eastern Europe or in some cases the Far East. However, even given the above we are confident of commercialisation of our new water based interior coating for beverage coil. The launch of our new water based exterior 2 piece product will also lead to healthy growth in sales over the next few years. Overall new technology, to satisfy environmental, regulatory and cost requirements, will be the market driver in future periods and we are well placed with our technology programs as the above examples indicate.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 2001 of the company were as follows:

John Ballbach Rolf Engh William L Mansfield

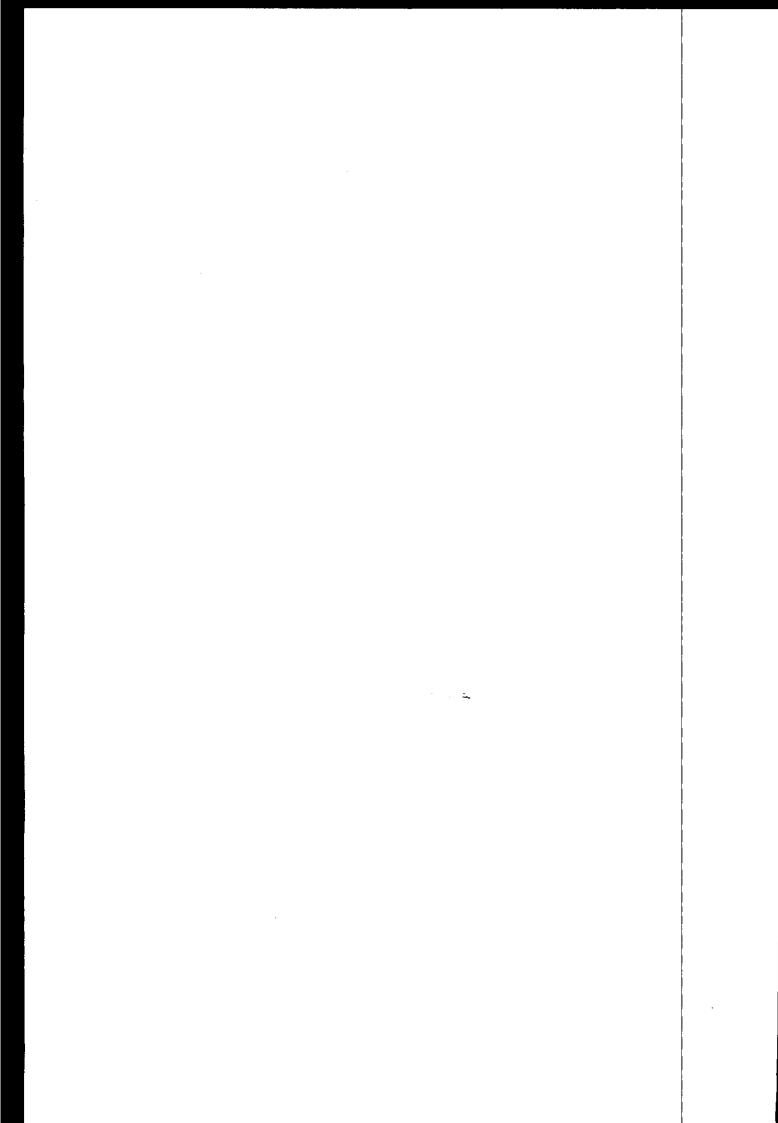
The directors do not have any interests in the share capital of the company.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board

0 MAR 2003

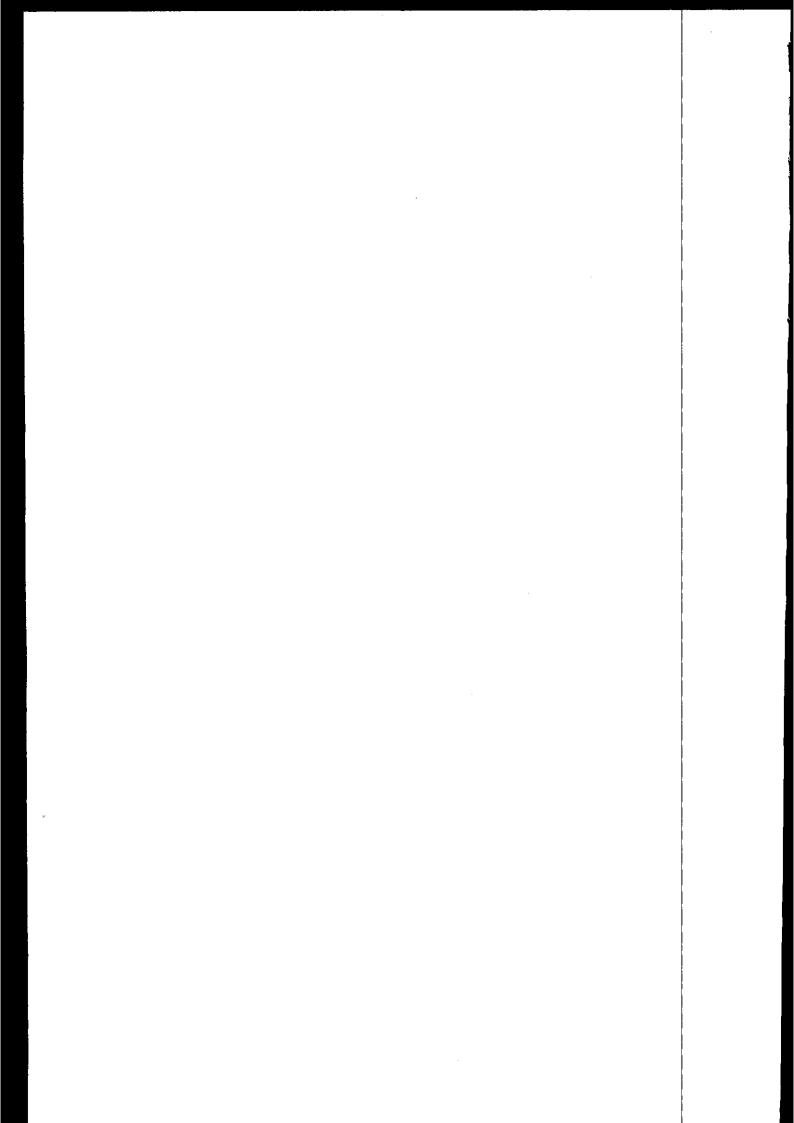


STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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; 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.



II ERNST & YOUNG

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VALSPAR (UK) HOLDING CORPORATION LIMITED

We have audited the group's financial statements for the year ended 31 December 2001, which comprise the Consolidated Profit and Loss Account, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Total Recognised Gains and Losses, and the related notes 1 to 21. These financial statements have been prepared on the basis of 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 company's 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 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 group 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.

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 group's circumstances, consistently applied and adequately disclosed.

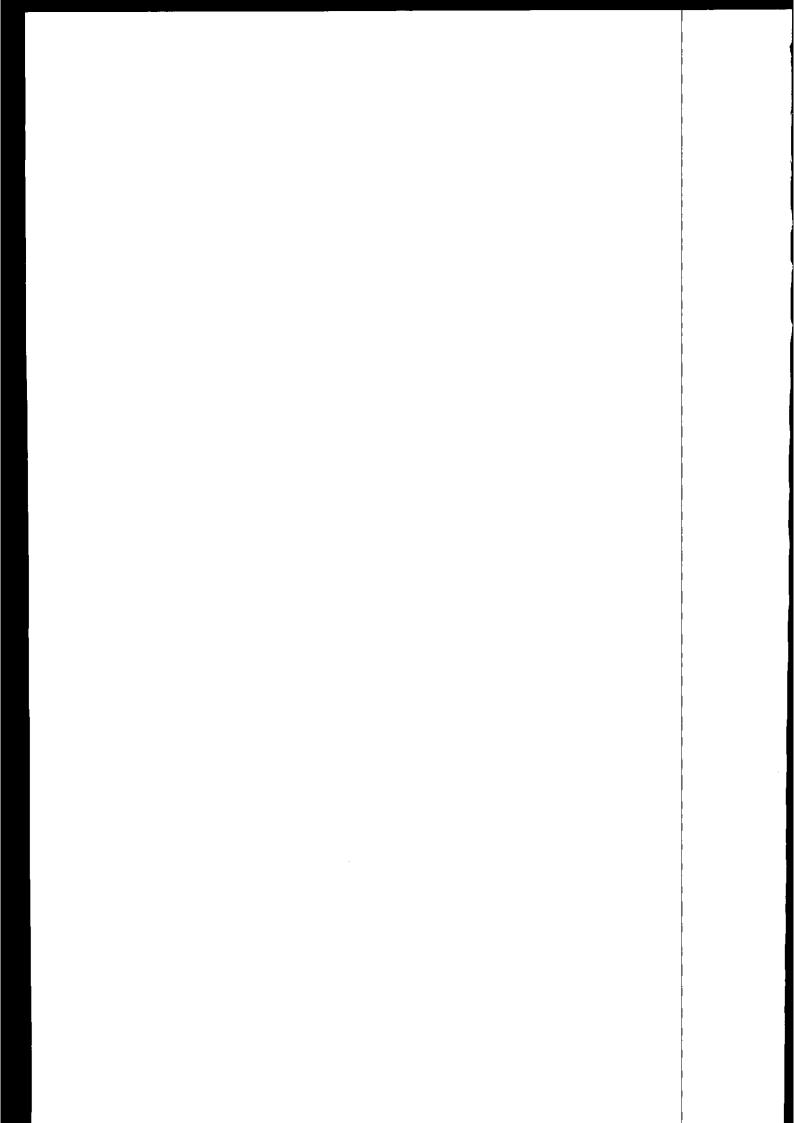
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 accounts give a true and fair view of the state of affairs of the group and the company as at 31 December 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditor
Reading

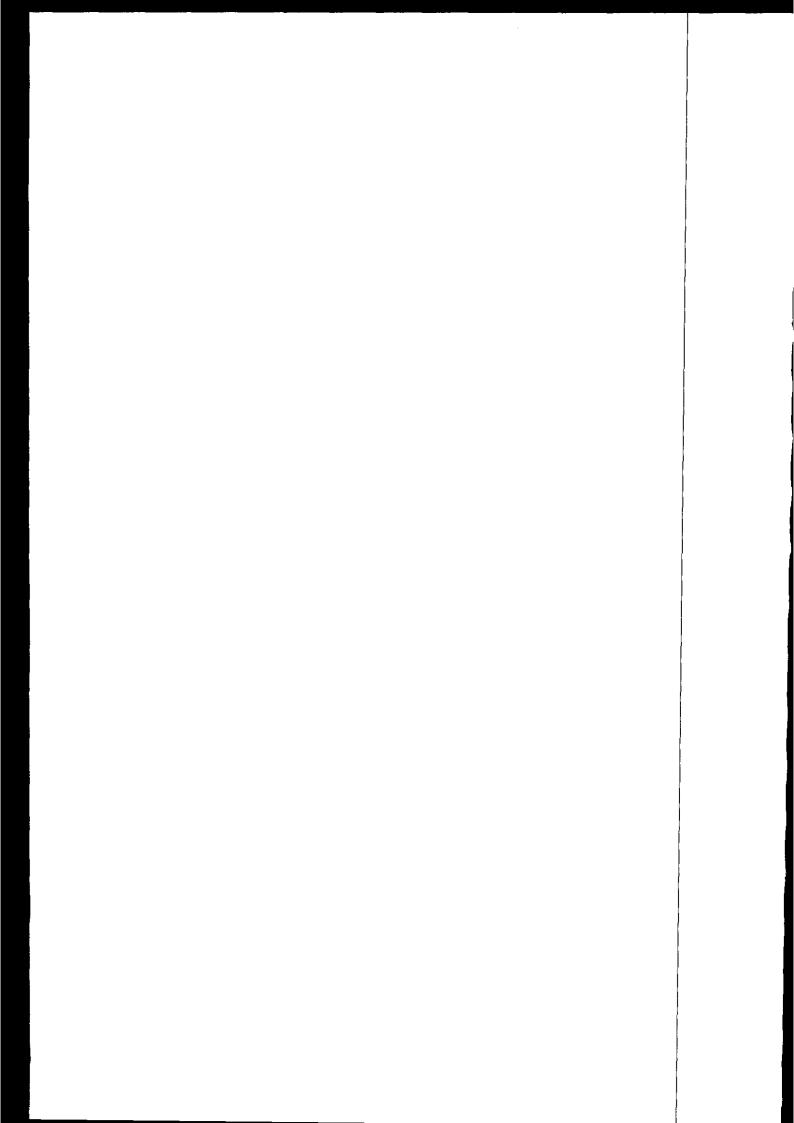
11 March 2003



CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

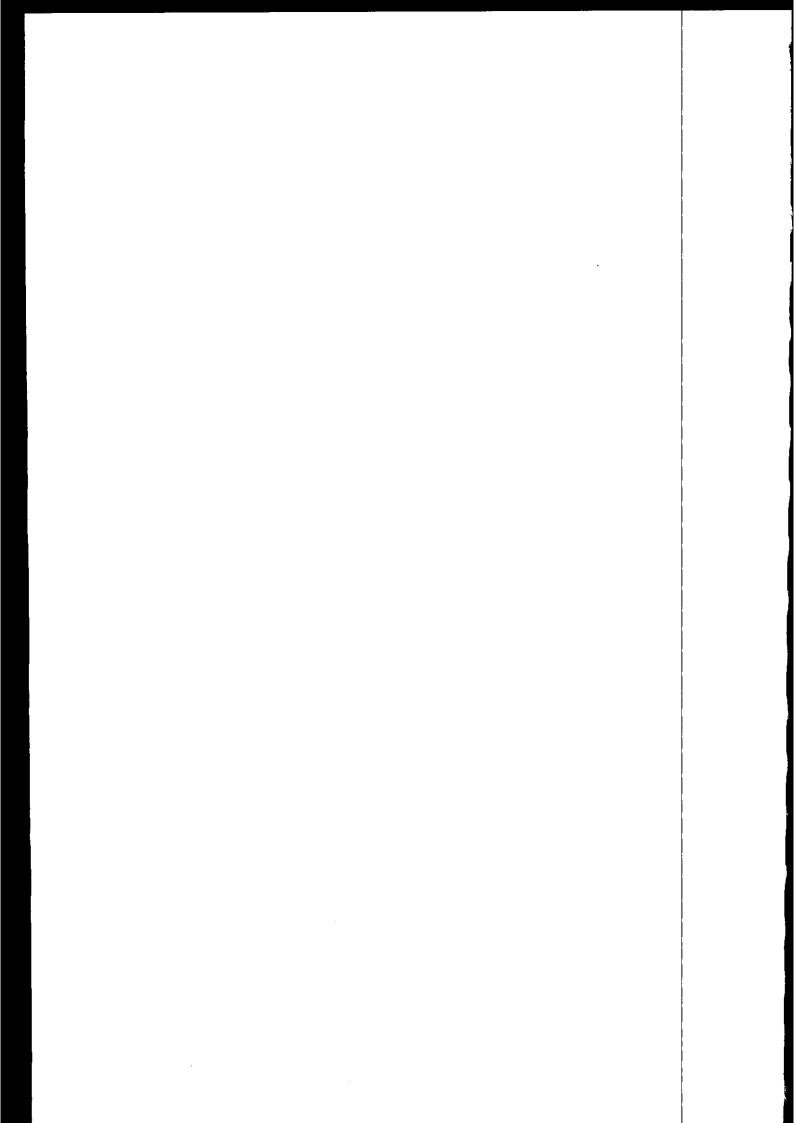
	Note	2001 £'000	2000 £'000
TURNOVER	2	113,499	108,147
Cost of sales		(86,432)	(82,046)
GROSS PROFIT		27,067	26,101
Distribution costs		(5,938)	(3,562)
Administrative costs		(19,007)	(17,289)
OPERATING PROFIT	3	2,122	5,250
Exceptional items	4	, -	(1.148)
Other Income & Expenditure		(3,807)	-
Bank interest receivable		483	634
Interest payable	7	(2,539)	(2,916)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(3,741)	1,820
Tax on profit on ordinary activities	8	(1,911)	(624)
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(5,652)	1,196



CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES For the year ended 31 December 2001

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £'000	2000 £'000
(Loss)/profit for the financial year Currency translation differences in foreign currency net investments	(5,652) 902	1,196 195
Total recognised gains and losses relating to the year	(4,750)	1,391
Prior year adjustment	(21,761)	
	(26,511)	

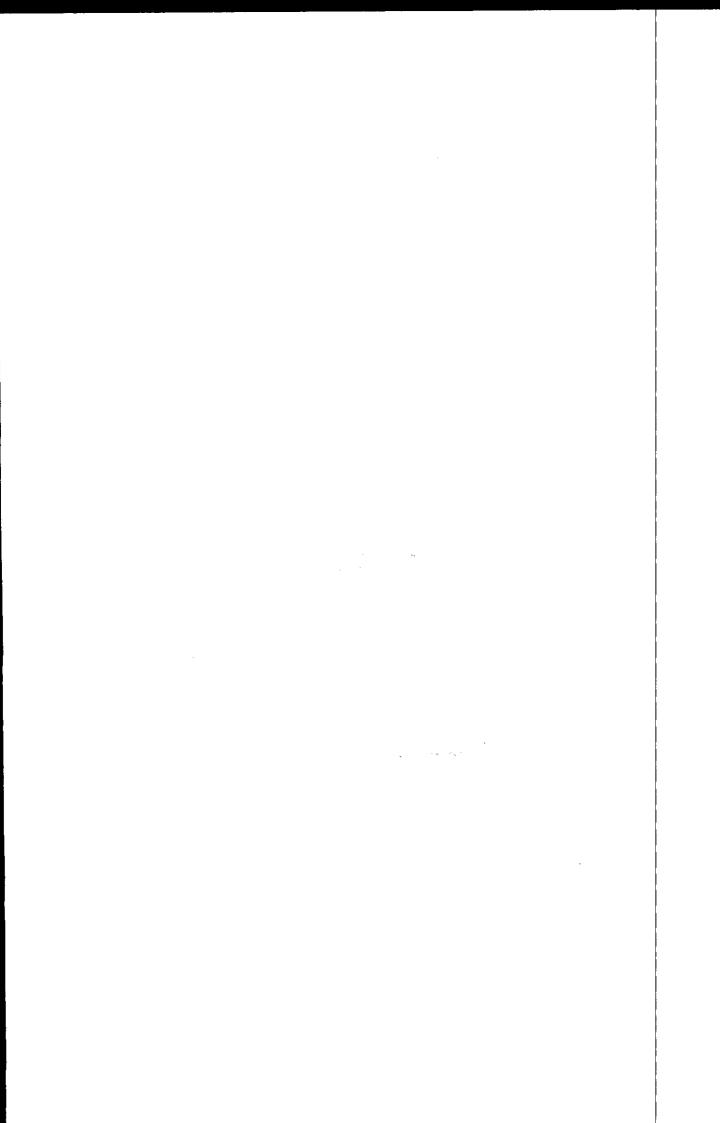


CONSOLIDATED BALANCE SHEET

At 31 December 2001

	Note	2001 £'000	2000 £'000 Restated
FIXED ASSETS			
Intangible fixed assets	0	0.640	10.05
Positive goodwill	9 9	9,649	10,957
Negative goodwill	9 .	(2,721)	(2,959)
		6,928	7,998
Other intangible assets	9	485	620
		7,413	8,618
Tangible fixed assets	10	19,761	21,754
Investments	11	913	2,232
	-	28,087	32,604
CURRENT ASSETS			
Stock	12	15,493	18,016
Debtors	13	32,805	33,077
Cash at bank and in hand		5,806	3,331
		54,104	54,424
CREDITORS: amounts falling due within one year	14	(70,468)	(70,341)
NET CURRENT (LIABILITIES)		(16,364)	(15,917)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,723	16,687
CREDITORS: amounts falling due after more than one year	15	(17,063)	(17,230)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(2,757)	(2,804)
		(8,097)	(3,347)
CAPITAL AND RESERVES			
Called-up share capital	19	1	1
Capital contribution	20	18,593	18,593
Profit and loss account	20	(26,691)	(21,941)
EQUITY SHAREHOLDERS' FUNDS		(8,097)	(3,347)
			

Approved by the Board on 7 males 2003



COMPANY BALANCE SHEET

At 31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS		.0.50	
Investments	11	18,725	18,725
CURRENT ASSETS			
Debtors	13	6,396	4,663
Cash at bank and in hand		803	83
	_	7,199	4,746
CREDITORS: amounts falling due within one year	14	(7,311)	(4,873)
NET CURRENT LIABILITIES	-	(112)	(127)
TOTAL ASSETS LESS CURRENT LIABILITIES	-	18,613	18,598
CREDITORS: amounts falling due after more than one year	15	(310)	(310)
	ſ	18,303	18,288
CAPITAL AND RESERVES	2		
Called-up share capital	19	1	1
Capital contribution	20	18,593	18,593
Profit and loss account	20	(291)	(306)
EQUITY SHAREHOLDERS' FUNDS	-	18,303	18,288
	-		

Approved by the Board on

0 7 MAR 2003

NOTES TO THE ACCOUNTS

At 31 December 2001

1 ACCOUNTING POLICIES

The following accounting policies are applied consistently, as appropriate, in dealing with items which are considered material in relation to the group's accounts.

Going Concern

The financial statements have been prepared on a going concern basis on the basis that the parent company has undertaken to provide financial support for a period of at least 12 months from the date of signing of these financial statements.

Basis of preparation

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

Basis of consolidation

The group accounts consolidate the accounts of The Valspar (UK) Holding Corporation Limited for the year ended 31 December 2001 and those of all its subsidiary undertakings made up to the same date, as disclosed in note 11.

In accordance with section 230(4) of the Companies Act 1985, The Valspar (UK) Holdings Corporation Limited is exempt from the requirement to present its own profit and loss account for the year ended 31 December 2001.

Cash flow statement

No cash flow statement is presented, as the consolidated financial statements of the company's ultimate parent undertaking, The Valspar Corporation Inc., are publicly available.

Goodwill

Positive goodwill arising on acquisitions is capitalised and classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the value may not be recoverable.

Negative goodwill arising on acquisitions is capitalised and classified as an asset on the balance sheet and amortised over the period in which the non-monetary assets acquired are recovered.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the costs of each asset evenly over its expected useful life, as follows:

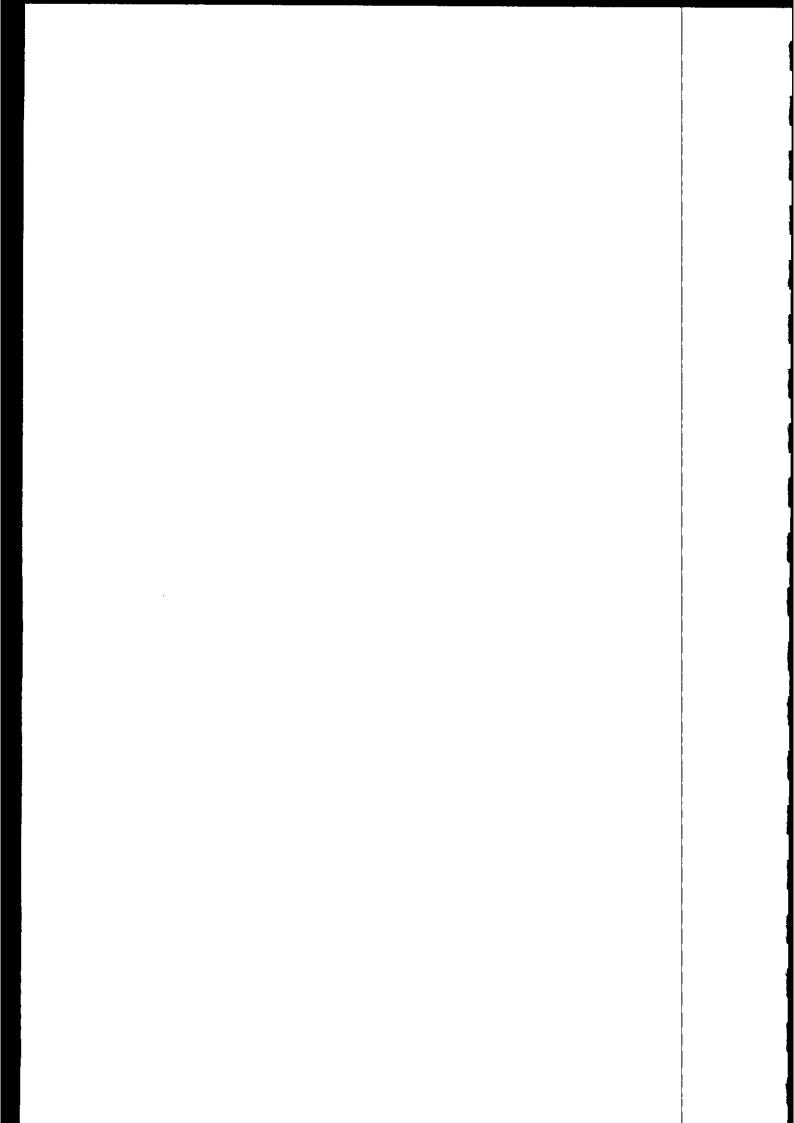
Freehold land and buildings - over 10 to 40 years
Leasehold land and buildings - over the lease term
Plant and machinery - over 10 to 20 years
Fixtures and fittings - over 3 to 10 years

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value as follows:

Raw materials, consumables and goods for resale Work in progress and finished goods purchase cost on a first-in, first-out basis
 cost of direct materials and labour plus
 attributable overheads based on a normal level of activity.

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



NOTES TO THE ACCOUNTS

At 31 December 2001

1 ACCOUNTING POLICIES (CONTINUED)

Leasing

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replace, calculated at the rate, which it is anticipated the timing differences will reverse. Advance corporation tax, which is expected to be recoverable in the future, is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonable certain.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at 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 or losses arising on translation are included in the profit and loss account.

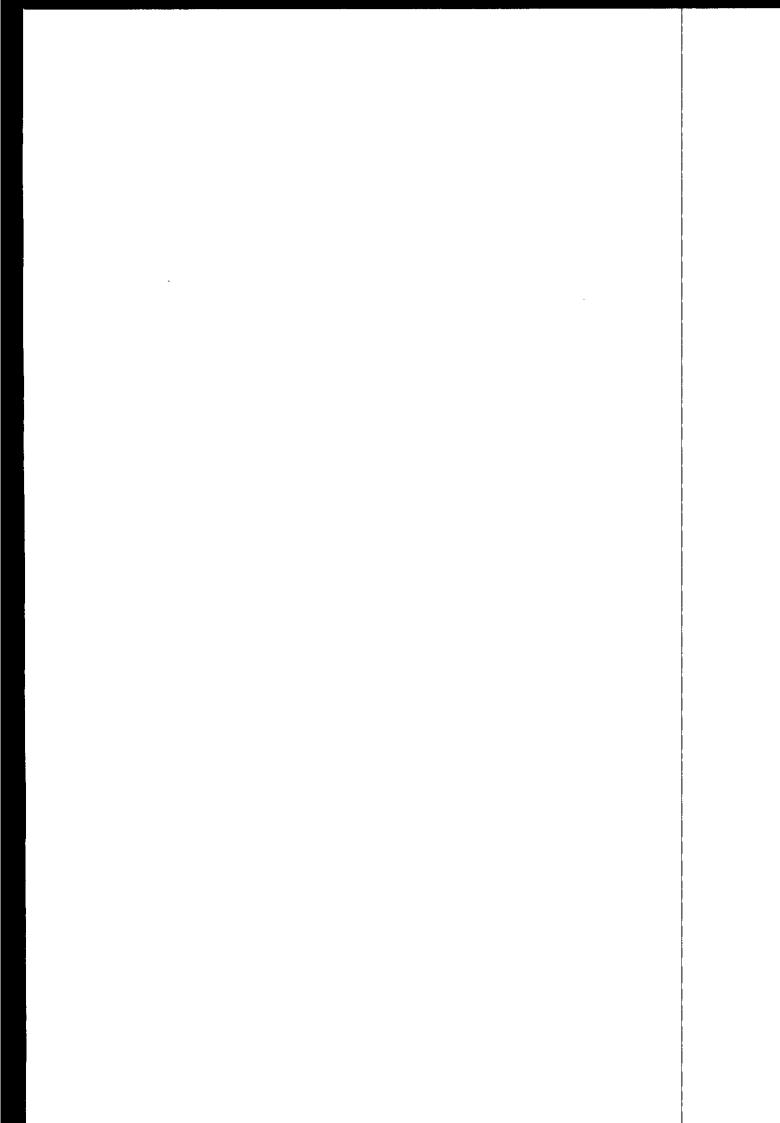
For consolidation purposes, the accounts of overseas subsidiary undertakings are translated at the exchange rate ruling at the balance sheet date. Exchange differences arising on retranslation of opening net assets is taken directly to reserves.

Pensions

The group operates a defined benefit pension scheme in its subsidiary UK. Contributions are required to be made to a separately administered fund. Contributions to the fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated either as a provision or a prepayment in the balance sheet.

2 TURNOVER

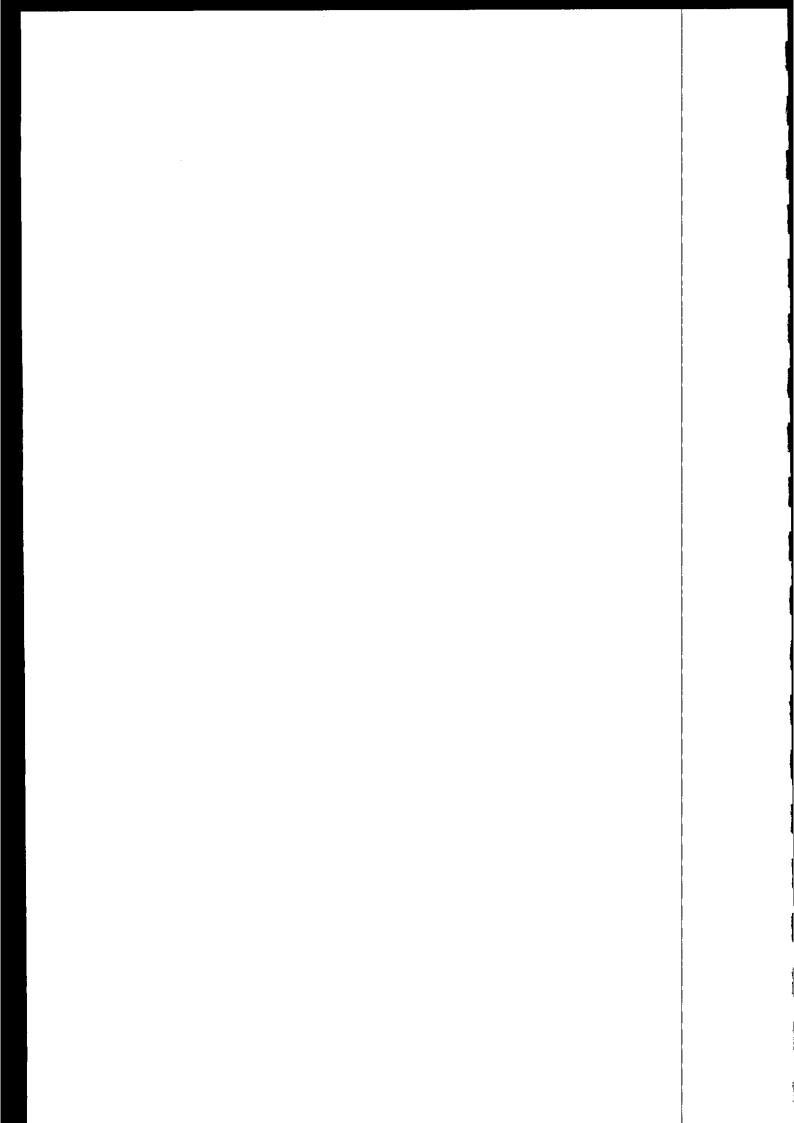
Turnover, which is stated net of value added tax, represents amounts invoiced to third parties. Turnover is attributable to one continuing activity, the manufacture and supply of coatings and inks to the metal packaging industry.



NOTES TO THE ACCOUNTS

At 31 December 2001

2	TURNOVER (CONTINUED) An analysis of turnover is given below:		
	Group		
	•	2001	2000
		£'000	£'000
	By geographical market:		
	UK	18,049	17,700
	Other Europe	75,328	72,847
	Other	20,122	17,600
		113,499	108,147
	There is no turnover in the company.		
3	OPERATING PROFIT		
	Group		
		2001	2000
		£'000	£'000
	Auditors' remuneration - audit services	117	90
	- non-audit services	65	50
	Amortisation - goodwill	566	623
	Amortisation - negative goodwill	(238)	(238)
	Amortisation - other intangibles	135	166
	Depreciation of owned fixed assets	2,758	3,020
	Operating lease rentals - land and buildings	472	286
	Operating lease rentals - other	<u>235</u>	258
4	EXCEPTIONAL ITEMS Group		
	•••		
		2001	2000
		£'000	£'000
	Other exceptional credits	-	(113)
	Other exceptional charges	<u>-</u>	1,261
		- · ·	1,148



NOTES TO THE ACCOUNTS

At 31 December 2001

5 STAFF COSTS

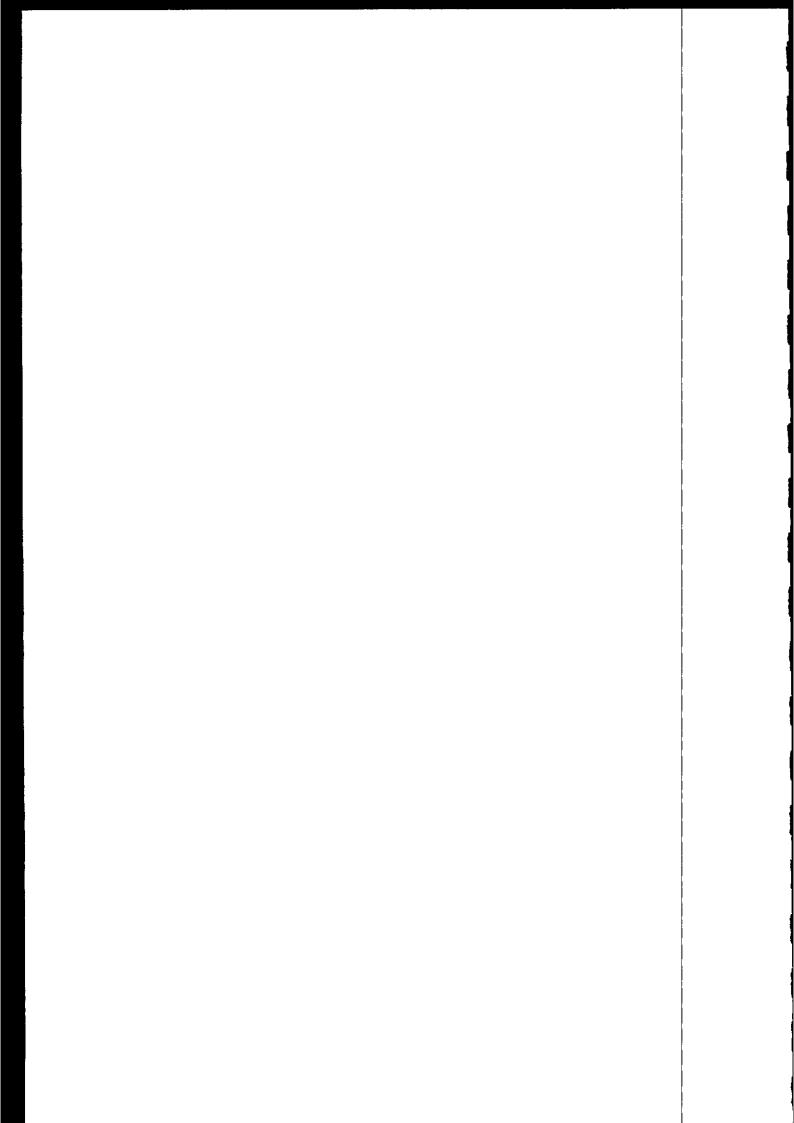
Group

		2001	2000
		£'000	£'000
	Wages and salaries	19,633	17,614
	Social security costs	4,506	3,819
	Other pension costs	735	410
		24,874	21,843
	The average weekly number of employees during the period was as follows:	·· ———	
		2001	2000
		No.	No.
	Manufacturing	393	440
	Administration	162	235
		555	675
6	DIRECTORS' EMOLUMENTS Group		
	5. 5 . 1 .	2001	2000
		£'000	£'000
	Emoluments	-	32

The directors received no payments or pension contributions in respect of qualifying services to the company in the year.

Aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in The Valspar Corporation Inc., granted to or held by the directors. One director exercised share options in the year (2000: one director exercised share options).

At 31 December 2001 and 31 December 2000 retirement benefits were accruing to one director under a money purchase scheme operated by the ultimate parent company in the US in respect of his services to the UK company.



NOTES TO THE ACCOUNTS

At 31 December 2001

7 INTEREST PAYABLE

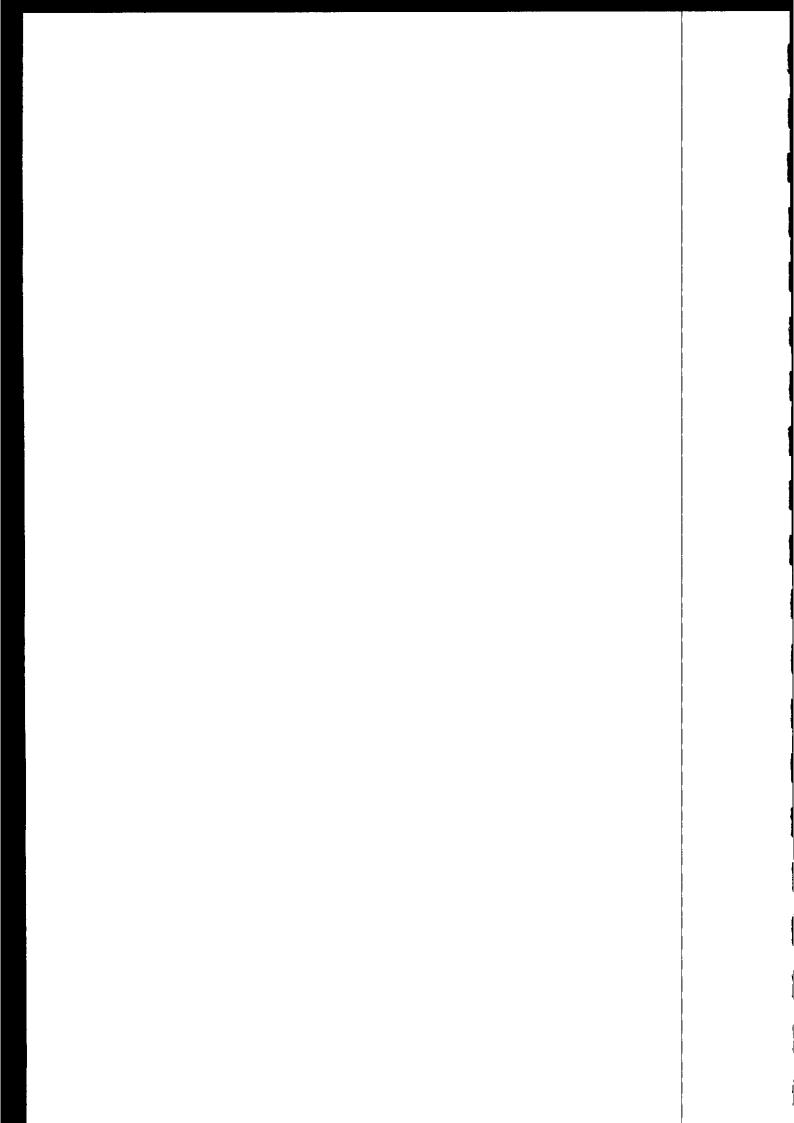
Group

		2001	2000
		£'000	£`000
	Bank loans and overdrafts	1,775	2,098
	Interest payable to group undertakings	764	818
		2,539	2,916
		=======================================	
8	TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES Group		
	,	2001	2000
		£'000	£'000
	UK corporation tax	-	-
	Overseas tax relating to subsidiaries	1,958	271
	Transfers to deferred taxation (note 16)	(47)	353
		1,911	624

The overall tax charge for the period is due to a combination of a number of factors. These include the disallowance of a number of permanent differences, the non-recognition of certain deferred tax assets due to uncertainty over their eventual utilisation and the inability to aggregate current tax profits in certain countries against taxable losses in others.

9 INTANGIBLE FIXED ASSETS

Group			Other	
	Positive	Negative	intangible	
	Goodwill	goodwill	assets	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 January 2001	12,461	(3,335)	3,320	12,446
Disposals	(742)	=	-	(742)
At 31 December 2001	11,719	(3,335)	3,320	11,704
Amortisation:				
At 1 January 2001	1,504	(376)	2,700	3,828
Charge/credit for the year	566	(238)	135	463
At 31 December 2001	2,070	(614)	2,835	4,291
Net book value:				_
At 31 December 2001	9,649	(2,721)	485	7,413
At 31 December 2000	10,957	(2,959)	620	8,618
				



NOTES TO THE ACCOUNTS

At 31 December 2001

9 INTANGIBLE FIXED ASSETS (CONTINUED)

Positive goodwill is being written off in equal annual instalments over its estimated economic life of 20 years.

Negative goodwill is being written off over the periods in which the non-monetary assets of the acquired entity are recovered.

Other intangible assets are being amortised over their useful economic lives.

10 TANGIBLE FIXED ASSETS

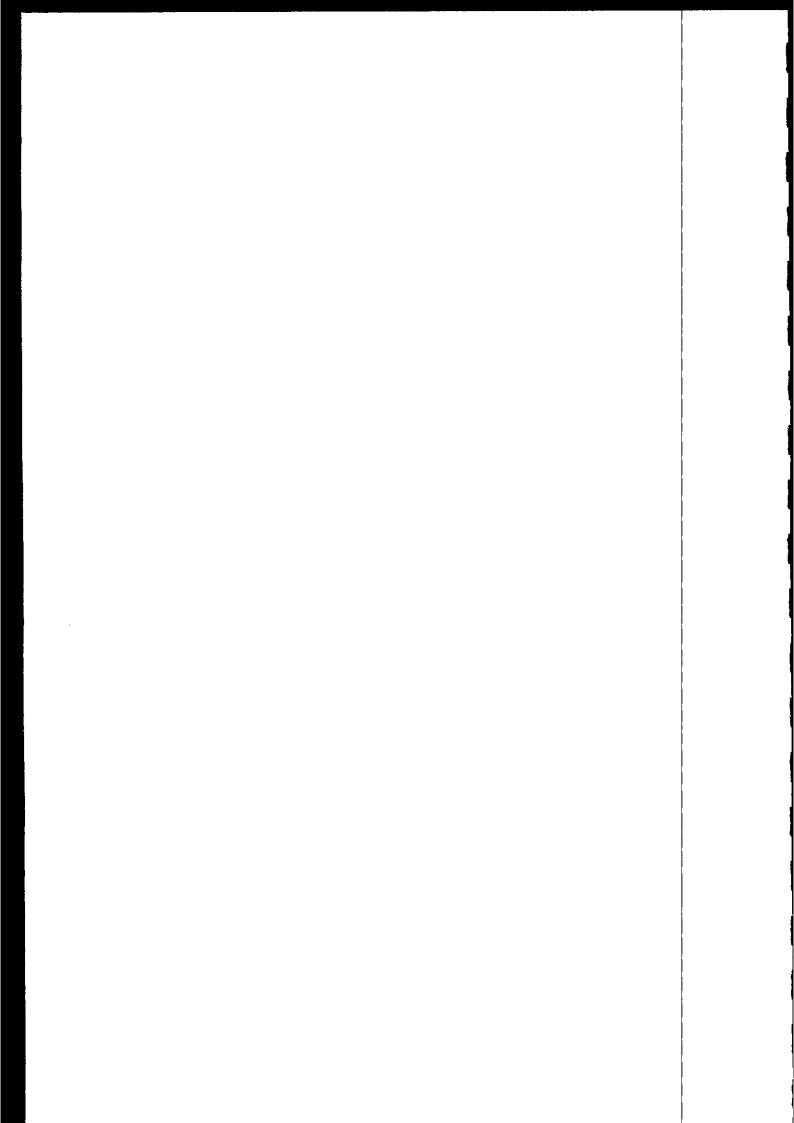
Group

	Freehold				
	Land and	Long	Plant &	Fixtures	
	Buildings	leasehold	machinery	and fittings	Total
	£'000	.£'000	£'000	£'000	£'000
Cost:					
At 1 January 2001	12,090	3,666	27,250	2,796	45,802
Exchange adjustment	(365)	2	(461)	(101)	(925)
Addition	52	(91)	90	1,138	1,189
At 31 December 2001	11,777	3,577	26,879	3,833	46,066
		====	=====		
Depreciation:					
At I January 2001	4,649	1,696	15,703	2,000	24,048
Exchange adjustment	(231)	(4)	(1,082)	816	(501)
Charged during the year	526	(40)	1,959	313	2,758
At 31 December 2001	4,944	1,652	16,580	3,129	26,305
Net book value:					
At 31 December 2001	6,833	1,925	10,299	704	19,761
At 31 December 2000	7,441	1,970	11,547	796	21,754
					

The company does not hold any tangible fixed assets under finance leases.

11 FIXED ASSET INVESTMENTS

	Group £'000	Company £'000
At cost 1 January 2001	2,232	18,725
Less disposals	1,319	
At 31 December 2001	913	18,725



NOTES TO THE ACCOUNTS

At 31 December 2001

11 FIXED ASSET INVESTMENTS (CONTINUED)

Details of the investments in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Country of registration or incorporation	Holding	Proportion of voting rights and shares held
Subsidiary undertakings			
The Valspar (UK) Corporation Limited	England and Wales	Ordinary shares	100%
The Valspar (France) Corporation S.A.	France	Ordinary shares	100%
The Valspar (Norway) Corporation S.A.	Norway	Ordinary shares	100%
The Valspar (Germany) GmbH	Germany	Ordinary shares	100%
The Valspar (Spain) Corporation S.R.L.	Spain	Ordinary shares	100%
The Valspar (Italy) Corporation S.R.L.	Italy	Ordinary shares	98%
The Valspar (Switzerland) Holding Corporation	Switzerland	Ordinary shares	100%
The Valspar GmbH	Austria	Ordinary shares	100%
The Valspar (France) Corporation SARL	France	Ordinary shares	100%±
The Valspar (Vernicolor) Corporation AG	Switzerland	Ordinary shares	100%±
± Held by a subsidiary undertaking			
Investment			
Verniplast SA	Switzerland	Ordinary shares	35%±

All of the subsidiaries are unlisted and have accounting periods equivalent to The Valspar (UK) Holding Corporation Limited with the exception of The Valspa (UK) Corporation Limited and The Valspar (Vernicolor) Corporation AG whose accounting period end on 30 September. The balance sheet and results of The Valspar (UK) Corporation Limited have been adjusted to reflect the results for the 12 months ended 31 December 2001.

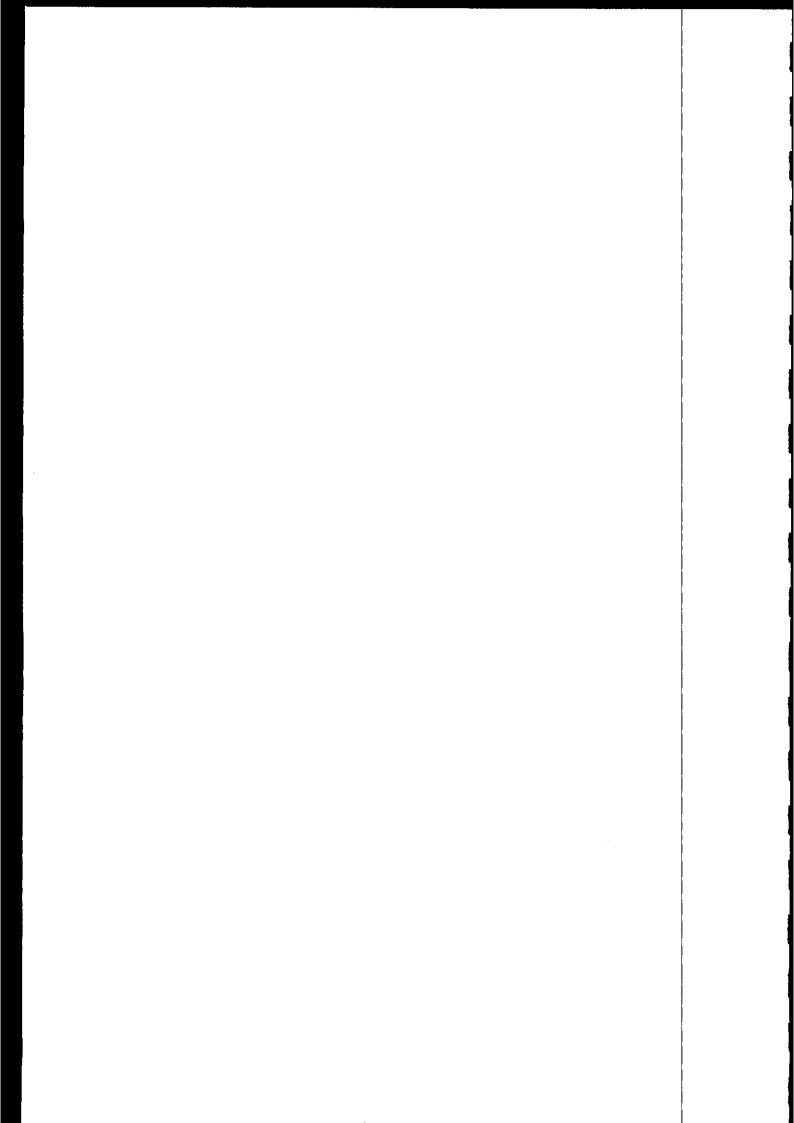
All of the trading subsidiaries are involved in the manufacture and supply of coatings and inks to the metal packaging industry.

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

12 STOCKS

Group

	2001	2000
	£'000	£'000
Raw materials and consumables	4,966	7,437
Work in progress	653	588
Finished goods	9,874	9,991
	15,493	18,016



NOTES TO THE ACCOUNTS

At 31 December 2001

12 STOCKS (CONTINUED)

The directors are of the opinion that the difference between purchase price or production cost of stocks and their replacement cost is not material.

13 DEBTORS

Group

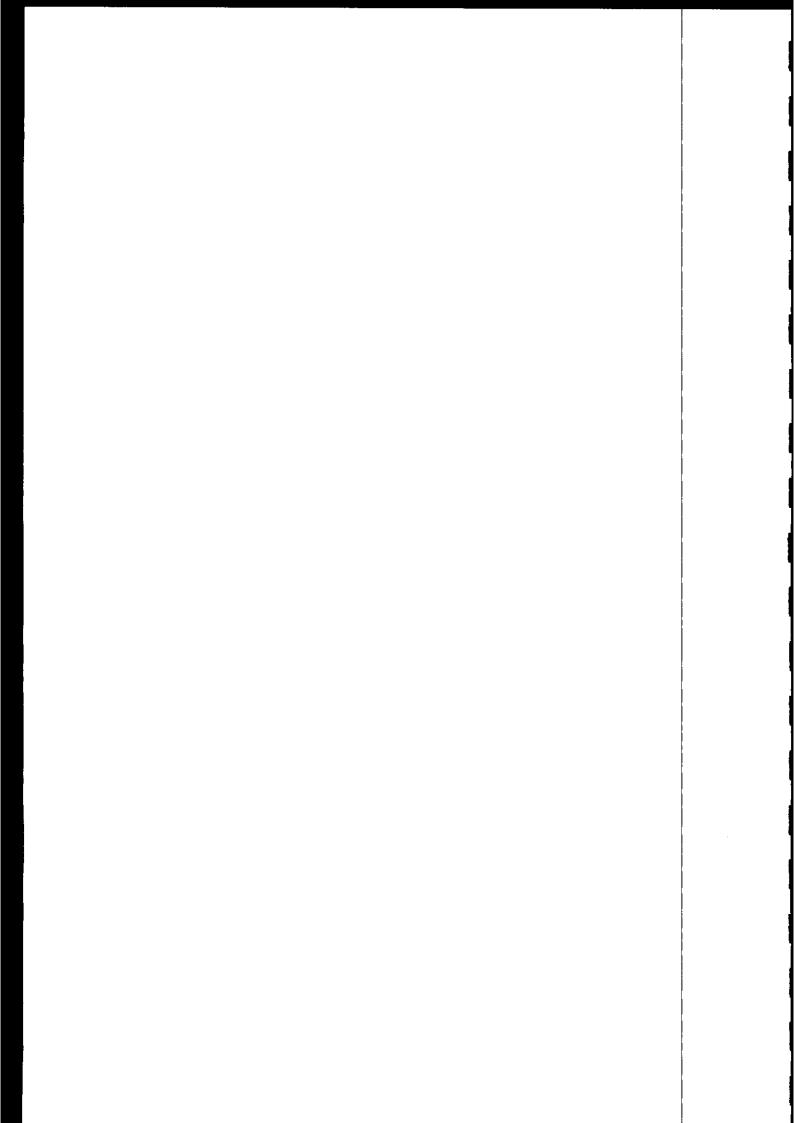
	At 31	At 3 I
	December	December
	2001	2000
	£'000	£'000
Trade debtors	29,074	29,128
Other debtors	3,095	2,643
Prepayments and accrued income	246	886
Pension prepayments	390	420
	32,805	33,077
Company		
	At 31	At 31
	December	December
	2001	2000
	£'000	£'000
Amounts due from subsidiary undertakings	6,173	4,504
Other debtors	223	159
	6,396	4,663

Amounts due after more than one year amounted to £Nil (2000: £Nil).

14 CREDITORS: amounts falling due within one year

Group

	At 31 December 2001 £'000	At 31 December 2000 £'000 Restated
Short-term bank loan		1,359
Bank overdraft	4,372	3,738
Trade creditors	13,448	16,268
Amounts due to other group undertakings	21,220	41,240
Amounts due to parent undertaking	20,301	71,210
Corporation tax	-	2,786
Other creditors	-	471
Other taxes and social security	886	47
Accruals and deferred revenue	10,241	4,432
	70,468	70,341
		=



NOTES TO THE ACCOUNTS

At 31 December 2001

14 CREDITORS: amounts falling due within one year (CONTINUED)

Included in amounts owed to group undertakings in an amount of £14,306,000 (2000: £13,142,000) relating to Notes Payable, including interest, all of which are redeemable within one year.

Amounts due to other group undertakings at 31 December 2000 have been restated from £19,479,000 to £41,240,000 to reflect a prior year adjustment (see note 20).

Company

	At 31	At 3 I
	December	December
	2001	2000
	£'000	£'000
Amounts owing to parent undertaking	140	140
Amounts owing to subsidiary undertakings	6,684	4,733
Other Creditors	487	_
	7,311	4,873
	 	

15 CREDITORS: amounts falling due after more than one year

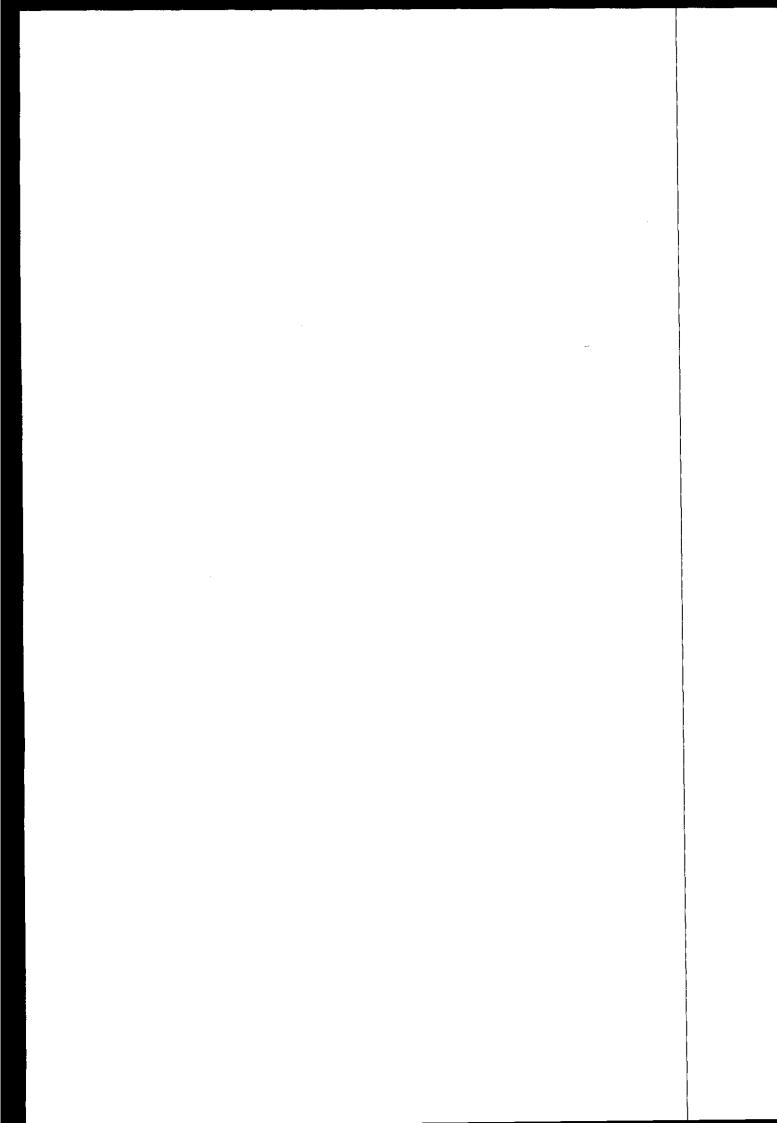
Group

At 31 December 2001 £'000	At 31 December 2000 £'000
Bank loans & overdrafts 17,063	17,230

The loan is payable to a third party and is payable in full in more than one year. The interest rate is 2.850% and interest is payable monthly.

Company

	At 31	At 31
	December	December
	2001	2000
	£'000	£'000
Amounts owing to subsidiary undertaking	310	310



NOTES TO THE ACCOUNTS

At 31 December 2001

16 PROVISIONS FOR LIABILITIES AND CHARGES

The movements in provisions during the year arise as follows: *Group*

•	Deferred taxation £'000
At 1 January 2001 Charge for the year	2,804 (47)
At 31 December 2001	2,757

There were no provisions for liabilities and charges in the company.

17 PENSION COMMITMENTS

The group operates a funded defined benefit scheme for employees in its UK subsidiary. The assets of the scheme are held in a fund managed by Fidelity. Pension costs and assets are assessed in accordance with the advice of a professionally qualified actuary. The group continues to account for pensions in accordance with SSAP 24 and the disclosures given in (a) below are those required by that standard. FRS 17 "Retirement Benefits" will not be mandatory for the group until the period ended 31 December 2005. Prior to this, phased transitional disclosures are required from 31 December 2001. These disclosures, to the extent not given in (a), are set out in (b) below.

(a) UK company pension scheme

The pension cost charged to the profit and loss account for the period was £416,000 (2000: £336,000).

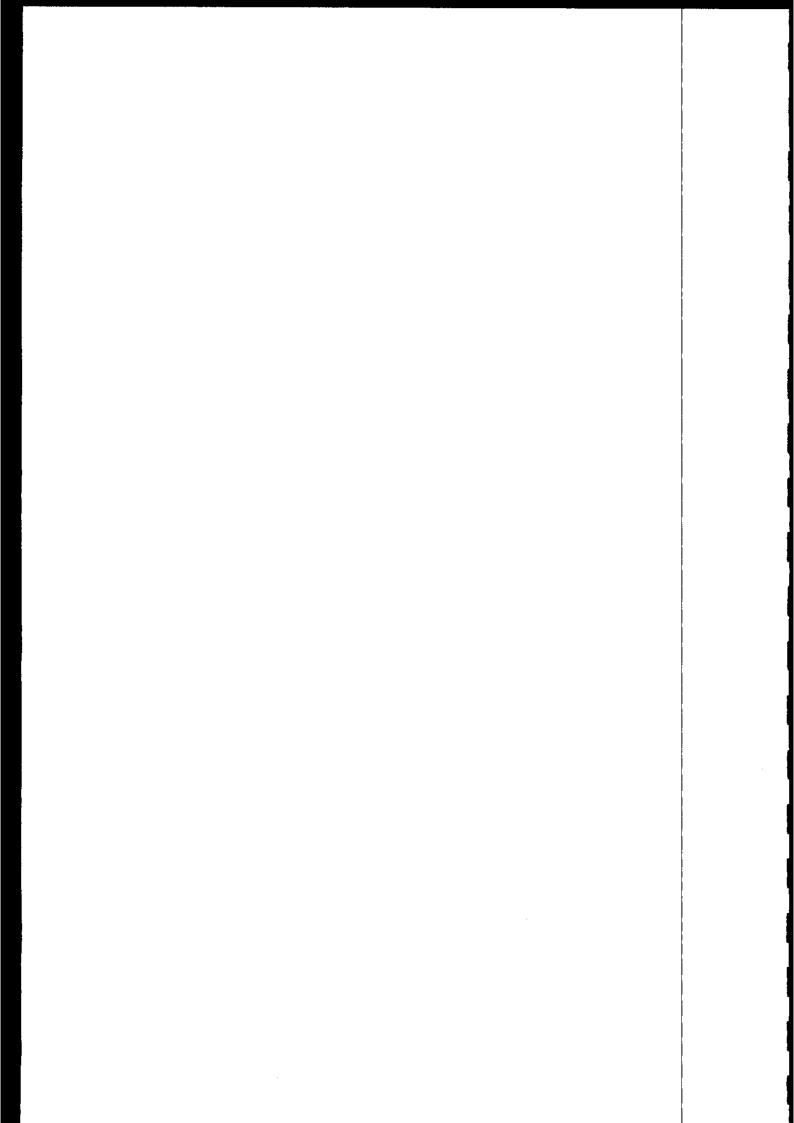
The most recent independent actuarial valuation as at 5 April 1999 showed that the market value of the scheme assets was £6.7m and that the actuarial value of those assets represented 93% of the benefits that had accrued to members after allowing for future increases in earnings. The scheme was valued in accordance with the projected unit method. The most significant assumptions affecting the valuation were as follows:

Annual nominal rate of	%
Valuation rate of interest	7.0
Salary increases	4.5
Pension increases on non GMP element (LPI level)	3.0
Dividend growth (for valuing the assets)	3.0

At 5 April 1999 there was a deficiency of £0.6m which has been eliminated by a one-off payment by the company of £0.65m in May 2000 and an increase in ongoing contributions from 11.5% to 12.6% of all pensionable salaries. The deficit is being recognised as variations from regular cost over 15 years, the average expected remaining service lives of the employees. An amount of £390,000 is included in pensions prepayments which relates with this one-off payment (2000: £420,000).

(b) FRS 17 disclosures

The most recent independent actuarial valuation, updated to 31 September 2001, concluded that the market value of the scheme assets was £8.3m, the present value of the scheme liabilities £9.7m with a net deficit, after deferred tax at 30% of £0.98m. The directors consider the valuation at 31 September 2001 materially consistent with the position of the fund as at 31 December 2001.



NOTES TO THE ACCOUNTS

At 31 December 2001

17 PENSION COMMITMENTS (CONTINUED)

The assets in the scheme were:

Assets	Value at 30 September 2001 £'000
Total market value of the scheme Present value of scheme liabilities	8,317 (9,728)
Deficit in the scheme Related deferred tax at 30%	(1,411) 423
Net pensions liability	(988)

The main assumptions affecting the valuation were as follows:

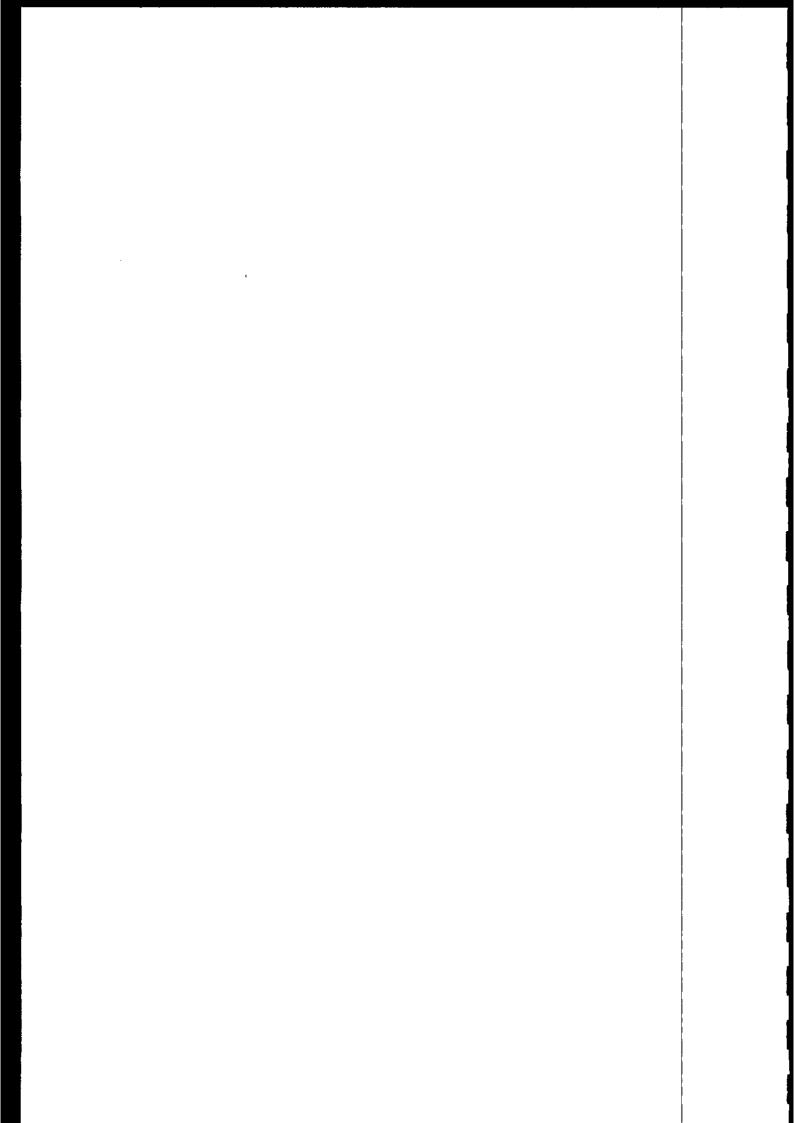
Annual nominal rate of	%
Inflation	2.5
Salary increases	3.75
Pensions in payment increase	2.5
Deferred pensioners increase	2.5
Discount rate	6.0

18 OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the group had annual commitments under non-cancellable operating leases as set out below:

	Land & buildings 2001 £'000	Other 2001 £'000	Land & buildings 2000 £'000	Other 2000 £'000
Operating leases which expire: Within one year Within two to five years	69 -	55 4	6 514	54 40
,	69	59	520	94

There were no such commitments in the company at 31 December 2001 (2000: None).



NOTES TO THE ACCOUNTS

At 31 December 2001

19 SHARE CAPITAL

	Group and company	
	2001	2000
	£'000	£'000
Authorised:		
1,000 ordinary shares of £1 each	1	1
Allotted, called-up and fully paid:	* 1 - 11 - 11 - 11 - 11	
1,000 ordinary shares of £1 each	1	1

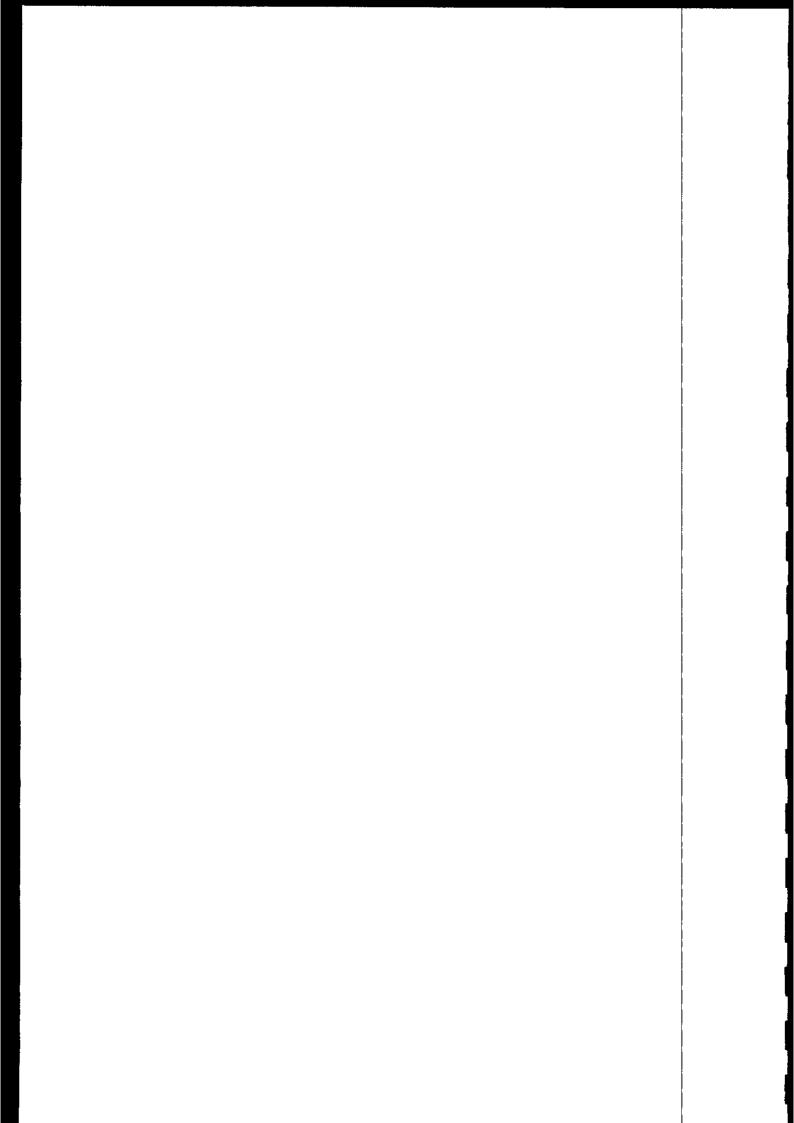
20 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES Group

	Shore capital £'000	с	Capital ontribution £'000	Profit & loss account £'000	Total £'000
At 1 January 2000		1	18,593	(1,571)	17,023
Prior year adjustment		-	-	(21,761)	(21,761)
Retained loss for the year		-	-	1,196	1,196
Exchange difference on retranslation of net assets of subsidiary undertakings		-	-	195	195
At 31 December 2001 (as restated)		1	18,593	(21,941)	(3,347)
Retained loss for the year Exchange difference on retranslation of net assets		-	-	(5,652)	(5,652)
of subsidiary undertakings		-	-	902	902
At 31 December 2001		l	18,593	(26,691)	(8,097)

The prior period adjustment relates to the write off of goodwill in 1998, originally charged to other group companies. These costs should have been taken to the profit and loss account. The effect of the adjustment is a reduction to retained earnings of £21,761,000.

Company

	Share	Capital Profit & Loss		
	Capital		account £'000	Total £'000
	£'000			
At I January	1	18,593	(499)	18,095
Retained profit for the year	-	-	193	193
At 31 December 2000	1	18,593	(306)	18,288
Retained profit for the year	-	-	15	15
At 31 December 2001		18,593	(291)	18,303
				



NOTES TO THE ACCOUNTS

At 31 December 2001

21 RELATED PARTIES

In the directors' opinion the company's immediate and ultimate parent company and controlling party is The Valspar Corporation Inc., which is incorporated in the USA. Copies of its group accounts, which include the company, are available from 1101 South Third Street, Minneapolis, Minnesota 55122.

The group has taken advantage of the exemption in paragraph 3 of FRS 8 from disclosing transactions with related parties that are part of the Valspar Inc. group or investees of the group.

