



BRITTON PRECISION LIMITED

Report and Financial Statements

36 Weeks ended 31 December 1998

**Deloitte & Touche
St Johns House
East Street
Leicester
LE1 6NG**



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REPORT AND FINANCIAL STATEMENTS 1998

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Millican
N Beaumont
H W Bishop
R A Peters
P G Whittaker

SECRETARY

H W Bishop

REGISTERED OFFICE

42 Colebrooke Row
Islington
London
N1 8AF

BANKERS

National Westminster Bank plc
1 Princes Street
London
EC2R 8PB

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITORS

Deloitte & Touche
St John's House
East Street
Leicester
LE1 6NG

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period ended 31 December 1998.

CHANGE OF ACCOUNTING REFERENCE DATE

The company has changed its accounting reference date from 19 April to 31 December and, accordingly, these accounts are for the period from 20 April 1998 to 31 December 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company continues to be the manufacturing of polythene film.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the period are shown in the profit and loss account on page 6 and the Company's financial position is set out in the balance sheet on page 8.

The company continued to improve its performance with improved sales mix, productivity efficiencies and control of overheads contributing to increased returns.

On 20 April 1998, Bealaw (464) Limited acquired as part of a management buyout, a number of group companies, including this company, which comprise the Britton Group Plastics Division. On 9 September 1998, Bealaw (464) Limited changed its name to Britton Group (Holdings) Limited.

DIVIDENDS AND TRANSFERS TO RESERVES

The retained profit for the year of £173,000 was transferred to reserves (April 1998: Loss £2,254,000). The directors do not recommend the payment of a final dividend (April 1998: £2,319,000).

DIRECTORS AND THEIR INTERESTS

The following directors held office during the period:

| 'A Ordinary Shares in Britton Group (Holdings) Limited 31 December 1998 | |
|--|-------|
| N Beaumont | 1,960 |
| H W Bishop | 200 |
| R A Peters | 980 |
| P G Whittaker | 1,960 |
| K Millican (Appointed 31 July 1998) | - |
| C A Smith (Resigned 2 September 1998) | - |

None of the directors had any beneficial interests in the company at any time during the period.

Messrs C A Smith and K Millican were also directors of the ultimate parent company, Britton Group (Holdings) Limited, and their interest in the shares of group companies are disclosed in the directors' report of that company. The other directors' interests in the shares of group companies are given above.

None of the directors held any interest in the shares of any group companies as at 19 April 1998.

The directors also hold Loan notes in Britton Group Limited and details are disclosed in the accounts of that company.

**DIRECTORS' REPORT****YEAR 2000 COMPLIANCE**

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

A company-wide programme, designed to address the impact of the Year 2000 on our business, has been commissioned by the directors and is under way.

A significant risk analysis has been performed to determine the impact of the issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business activities. Priority is given to those systems which could cause a significant financial or legal impact on the company's business if they were to fail. The plan also includes a requirement for the testing of systems changes, involving the participation of users.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers (including computer bureaux) and customers. In appropriate cases we have initiated formal communication with those other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain, because at least some level of failure may still occur. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

AUDITORS

Ernst & Young have resigned as auditors of the company and Deloitte & Touche were appointed in their place. A resolution to reappoint Deloitte & Touche as auditors will be put to the members at the Annual General Meeting.

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

K Millican
Director

**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 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



AUDITORS' REPORT TO THE MEMBERS OF BRITTON PRECISION LIMITED

We have audited the financial statements on pages 6 to 15 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants
and Registered Auditors

7 June 1999


PROFIT AND LOSS ACCOUNT
Period ended 31 December 1998

| | Note | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|---|------|---|--|
| TURNOVER | 2 | 6,634 | 2,977 |
| Cost of sales (including exceptional costs of £155,000 – note 8) | | (5,758) | (2,632) |
| Gross profit | | 876 | 345 |
| Distribution costs | | (162) | (136) |
| Administrative expenses (including exceptional costs of £143,000 – note 8) | | (380) | (108) |
| OPERATING PROFIT | 3 | 334 | 101 |
| Interest receivable and similar income | | 6 | 7 |
| Interest payable and similar charges | 5 | (77) | (8) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 263 | 100 |
| Tax on profit on ordinary activities | 6 | (90) | (35) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | | 173 | 65 |
| Dividends | 7 | - | (2,319) |
| RETAINED PROFIT FOR THE FINANCIAL PERIOD TRANSFERRED TO RESERVES | 14 | 173 | (2,254) |

All activities derive from continuing operations.

There is no material difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis. Accordingly, a note of historical cost profits and losses for the period is not given.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
Period ended 31 December 1998

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|---|---------------------------------------|------------------------------------|
| Profit for the Financial Year | 173 | 65 |
| Loss on revaluation of properties | (90) | - |
| Total recognised gains and losses relating to the year | 83 | 65 |


BALANCE SHEET
31 December 1998

| | Note | 31 December 1998 £'000 | 19 April 1998 £'000 |
|---|------|------------------------------|---------------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 1,576 | 2,054 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 503 | 570 |
| Debtors | 10 | 1,571 | 1,543 |
| Cash at bank and in hand | | 368 | - |
| | | 2,442 | 2,113 |
| CREDITORS: amounts falling due Within one year | 11 | (3,612) | (3,754) |
| NET CURRENT LIABILITIES | | (1,170) | (1,641) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 406 | 413 |
| PROVISIONS FOR LIABILITIES AND CHARGES | 12 | (114) | (204) |
| | | 292 | 209 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 13 | 5 | 5 |
| Capital redemption reserve | | 2 | 2 |
| Revaluation reserve | 14 | - | 90 |
| Profit and loss account | 14 | 285 | 112 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | | 292 | 209 |

These financial statements were approved by the Board of Directors on

19 MAY 1999

Signed on behalf of the Board of Directors

K Millican

Director

**NOTES TO THE ACCOUNTS**
Period ended 31 December 1998**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.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of all assets, except freehold land. The rates of depreciation are as follows:

| | |
|---------------------|---------------|
| Freehold Buildings | 2% per annum |
| Plant and machinery | 10% per annum |

Stocks

Stocks and work-in-progress, other than on long-term contracts, are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company pays contributions on behalf of the directors and employees to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Company contributions are charged directly to the profit and loss account.

2. TURNOVER

Turnover represents the invoiced value, excluding value added tax, of goods sold to customers in the United Kingdom.


NOTES TO THE ACCOUNTS
Period ended 31 December 1998
3. OPERATING PROFIT

Operating profit is stated after charging:

| | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|--|---|--|
| Auditors' remuneration - audit | 8 | 8 |
| - other | 3 | 2 |
| Hire of plant and machinery | 8 | 4 |
| Depreciation of tangible fixed assets: | | |
| Owned assets | 180 | 73 |
| | <u>180</u> | <u>73</u> |

4. INFORMATION RELATING TO DIRECTORS AND EMPLOYEES

| | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|--|---|--|
| Directors' emoluments: | | |
| Emoluments (excluding pension contributions and awards under share option schemes and other long-term incentive schemes) | - | 2 |
| | <u>-</u> | <u>2</u> |

Number of directors who are members of a money purchase pension scheme

| | | |
|--|----------|----------|
| | - | 2 |
| | <u>-</u> | <u>2</u> |

| | 36 Weeks ended 31 December 1998 No | 16 Weeks ended 19 April 1998 No |
|---|--|---|
| Average number of persons employed | | |
| Production and sales staff | 71 | 76 |
| Management and administration | 10 | 9 |
| | <u>81</u> | <u>85</u> |

| | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|--|---|--|
| Staff costs during the year (including directors) | | |
| Wages and salaries | 800 | 336 |
| Social security costs | 74 | 32 |
| Pension costs | 13 | 14 |
| | <u>887</u> | <u>382</u> |



NOTES TO THE ACCOUNTS
Period ended 31 December 1998

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|--|--|---|
| Inter company loan repayable on demand | 74 | - |
| Bank loans and overdraft repayable within five years | 3 | 8 |
| | <u>77</u> | <u>8</u> |

6. TAXATION

| | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|---|--|---|
| Corporation tax on profit on ordinary activities at 31% (19 April 1998 : 31%) | - | 45 |
| Group relief | 180 | - |
| Deferred taxation | | |
| - current year | (100) | (10) |
| - prior year | 10 | - |
| | <u>90</u> | <u>35</u> |

The tax charge is disproportionately high due to the application of group relief.

7. DIVIDENDS

| | 36 Weeks ended 31 December 1998 £'000 | 16 Weeks ended 19 April 1998 £'000 |
|---|--|---|
| Interim paid - £Nil per ordinary share (April 1998 : £463.8 per ordinary share) | - | 2,319 |


NOTES TO THE ACCOUNTS
Period ended 31 December 1998
8. TANGIBLE FIXED ASSETS

| | Freehold land and buildings £'000 | Plant and machinery £'000 | Total £'000 |
|-------------------------------|--|--|------------------------|
| Cost | | | |
| At 20 April 1998 | 838 | 3,226 | 4,064 |
| Additions | - | 90 | 90 |
| Permanent diminution in value | (233) | (155) | (388) |
| At 31 December 1998 | 605 | 3,161 | 3,766 |
| Depreciation | | | |
| At 20 April 1998 | 30 | 1,980 | 2,010 |
| Charge for the year | 11 | 169 | 180 |
| At 31 December 1998 | 41 | 2,149 | 2,190 |
| Net book value | | | |
| At 31 December 1998 | 564 | 1,012 | 1,576 |
| At 19 April 1998 | 808 | 1,246 | 2,054 |

A review of freehold land and buildings as at 20 April 1998 was performed by Mssr Chuston Heard, Chartered Surveyors, resulting in a permanent diminution of £233,000. £90,000 of this related to items previously revalued and the balance on the revaluation reserve has been transferred to the profit and loss reserve. Included in land and buildings is land with a value of £65,000 which is not depreciated.

Plant and machinery has been written down by £155,000 to reflect their fair value at 20 April 1998 on acquisition by Britton Group (Holdings) Limited.

9. STOCKS

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|-------------------------------|---------------------------------------|------------------------------------|
| Raw materials and consumables | 358 | 356 |
| Finished goods | 145 | 214 |
| | 503 | 570 |


NOTES TO THE ACCOUNTS
Period ended 31 December 1998
10. DEBTORS: due within one year.

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|-------------------------------------|------------------------------|---------------------------|
| Trade debtors | 1,267 | 1,299 |
| Amounts owed by fellow subsidiaries | 265 | 196 |
| Prepayments | 39 | 48 |
| | <u>1,571</u> | <u>1,543</u> |

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|------------------------------------|------------------------------|---------------------------|
| Bank overdraft | - | 1,351 |
| Trade creditors | 1,402 | 1,544 |
| Amount owed to fellow subsidiaries | 1,538 | 239 |
| Corporation tax | 92 | 146 |
| Taxation and social security | 199 | 192 |
| Group relief payable | 180 | - |
| Accruals and deferred income | 201 | 282 |
| | <u>3,612</u> | <u>3,754</u> |

12. PROVISIONS FOR LIABILITIES AND CHARGES

| | £'000 |
|-----------------------------|------------|
| Deferred taxation | |
| Balance at 20 April 1998 | 204 |
| Current period credit | (100) |
| Prior year charge | 10 |
| | <u>114</u> |
| Balance at 31 December 1998 | |

As explained in note 1, provision is only made for deferred taxation where a liability is likely to arise as a result of the reversal of timing differences in the foreseeable future. The composition of the balance on the deferred tax account at 31% (19 April 1998 - 31%) are as follows:

| | Provided 31 December 1998 £'000 | 19 April 1998 £'000 |
|--|--|---------------------------|
| Capital allowances in excess of depreciation | 126 | 225 |
| Other short term timing differences | (12) | (21) |
| | <u>114</u> | <u>204</u> |


NOTES TO THE ACCOUNTS
Period ended 31 December 1998
13. CALLED UP SHARE CAPITAL

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|--|------------------------------|---------------------------|
| Authorised 7,000 Ordinary shares of £1 each | 7 | 7 |
| Allotted, called up and fully paid 4,500 Ordinary shares of £1 each | 5 | 5 |

14. RESERVES

| | Revaluation reserve £'000 | Profit and loss account £'000 |
|--|---------------------------------|--|
| Balance at 20 April 1998 | 90 | 112 |
| Profit for the period | - | 173 |
| Permanent diminution in value of property | (90) | - |
| Balance at 31 December 1998 | - | 285 |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|-------------------------------------|------------------------------|---------------------------|
| Profit for the financial period | 173 | 65 |
| Dividends | - | (2,319) |
| Net decrease in shareholders' funds | 173 | (2,254) |
| Other recognised losses | (90) | - |
| Opening shareholders' funds | 209 | 2,463 |
| Closing shareholders' funds | 292 | 209 |


NOTES TO THE ACCOUNTS
Period ended 31 December 1998
16. FINANCIAL COMMITMENTS

| | 31 December 1998 £'000 | 19 April 1998 £'000 |
|--|------------------------------|---------------------------|
|--|------------------------------|---------------------------|

Capital commitment

| | | |
|-------------------------------|----|-------|
| Authorised and contracted for | 19 | 1,117 |
|-------------------------------|----|-------|

Operating lease commitments

At 31 December 1998, the company was committed to making the following payments during the next year in respect of operating leases:

| | 31 December 1998 £'000 | Other 19 April 1998 £'000 |
|--------------------------|------------------------------|------------------------------------|
| Leases which expire: | | |
| Within one year | 5 | 4 |
| Within two to five years | - | 11 |
| | <u>5</u> | <u>15</u> |

17. PENSIONS

Certain employees are members of the group defined contribution scheme. Contributions paid during the period were £12,621 (period to 19 April 1998 £6,000).

18. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary and has taken advantage of the exemptions available under paragraph (3) of FRS 8.

19. ULTIMATE PARENT COMPANY

The ultimate parent company as at 19 April 1998 was ACX Technologies Inc., a company incorporated in the United States of America. From 20 April 1998, the company's ultimate parent company and controlling party, for which consolidated accounts are prepared, was Britton Group (Holdings) Limited (formerly Bealaw (464) Limited), a company incorporated in Great Britain. Group accounts are available from the Registrar of companies, Companies House, Maindy, Cardiff.