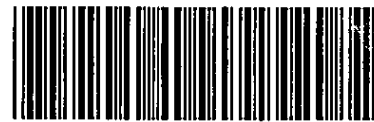

EUROFILMS EXTRUSION LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2010

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EUROFILMS EXTRUSION LIMITED

COMPANY INFORMATION

DIRECTORS	N Smith G Humphreys M Palmer D Thomas W J Humphreys
COMPANY SECRETARY	M Palmer
COMPANY NUMBER	03038727
REGISTERED OFFICE	6 Ridge House Ridgehouse Drive Staffordshire ST1 5TL TF1 4GX
AUDITORS	Moore Stephens (Statutory Auditor) 6 Ridge House Ridgehouse Drive Festival Park Stoke on Trent Staffordshire ST1 5TL
BANKERS	Barclays Bank PLC West Midlands Corporate Team PO Box 777 Wolverhampton West Midlands

EUROFILMS EXTRUSION LIMITED

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EUROFILMS EXTRUSION LIMITED

DIRECTORS' REPORT for the year ended 31 December 2010

The directors present their report and the financial statements for the year ended 31 December 2010

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

PRINCIPAL ACTIVITIES

The principal activity of the company is the manufacture and sale of industrial stretchfilm and collation shrinkfilm.

BUSINESS REVIEW

The turnover for the year has increased by £1,974k an increase of 11.1% over the previous year.

The operating profit for the year is reported at £390k or 2.0% of turnover, compared to 3.6% in 2009. This shows a decrease of 1.6%.

The overall net assets of the business have decreased by £70k compared to the previous year.

Polymer prices increased throughout the first 7 months of the financial year with only a relatively small drop in prices for the final 5 months. This meant that gross margins were under pressure for a large proportion of the year.

Eurofilms has continued its investment in its operations during the year in order to improve infrastructure, develop new products and develop its production equipment to meet the demands in the market place.

We continue to follow and adhere to the principles of best practice and continuous improvement promoted by our association with Investors in Excellence (IIE). The management team have embarked on a number of projects directed at improving the customer's experience. This initiative covers all aspects of the business and all departments in order to provide measurable improvements for our loyal and growing customer base.

We are keen to recognise the importance of our employees in the performance of the business. We believe in clear communications and the need to support and encourage individuals to utilise their skills and knowledge. Our retention rate during 2010 has been reported at 95%.

EUROFILMS EXTRUSION LIMITED

DIRECTORS' REPORT for the year ended 31 December 2010

Company Strategy

The Directors are now in the third year of the 5 year financial plan. The fundamental principles within the plan are continually questioned to ensure our medium term plans are robust and reflect changes in the market place. The plan is supported by a detailed budget for 2011 which will be used to closely monitor performance. We have developed a number of key partnerships to support our current and future growth plans.

Research and Development

Eurofilms has received European funding to lead a project over the next three years with identified European partners. This project has a funding value of £1.5m euros which has been awarded based on the innovative and commercial nature of its objectives and expected results. The project utilises the various skill sets of the partners within the project team.

Principle Risks and Uncertainties

The global supply of polymer from its worldwide sources continues to be an unpredictable aspect of the business arena we are in. The price fluctuations have short and medium term impacts on profitability due to the nature of the "cycles" in the market place. This issue affects the market place in general and has a similar impact on our competitors.

We manage credit levels very closely despite having credit insurance cover for most of our customers. This strategy has proved to be correct with no bad debts being incurred during the financial year.

Key Performance Indicators

Increase in sales – 11.1% (2009 decrease of 4.8%) - year on year sales growth expressed as a percentage. The variance is due to a slight increase in sales volumes and the inflationary impact of the increase in raw material prices.

The Company reported a reduced operating profit margin – 2.0% (2009 -3.6%) – operating profit for the year divided by the sales for the year. Lower operating profit margin in the current year is due to the increases in polymer prices during the first half of the year.

Employee retention - 95% (2009 - 90%) - the number of employees who have remained with the company throughout the year expressed as a percentage.

RESULTS

The profit for the year, after taxation, amounted to £213,198 (2009 - £536,893).

DIRECTORS

The directors who served during the year were

N Smith
G Humphreys
M Palmer
D Thomas
W J Humphreys (appointed 27 January 2010)

EUROFILMS EXTRUSION LIMITED

DIRECTORS' REPORT for the year ended 31 December 2010

FUTURE DEVELOPMENTS

We are committed to develop our product range to meet the needs of our market place and specific customer requirements. This will need constant capital investment to adapt current plant and machinery as well as buying new machinery to supplement current capacities.

FINANCIAL INSTRUMENTS

The main risks arising from the company's financial instruments are credit risk and liquidity risk.

Credit risk

Our customer base affords us no significant concentration of credit risk. The risk is managed through continually monitored procedures during the conduct of our business. We also retain the services of a credit insurance provider to provide additional support and advice on any areas of credit risk.

Liquidity risk

Our objective is to ensure significant funds are available to meet our future cash requirements. Cash flow reporting and investment appraisals are standard procedures in our business decision making. The risk is supported through asset backed credit facilities.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Moore Stephens (Statutory Auditor), will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 September 2011 and signed on its behalf


G Humphreys
Director

EUROFILMS EXTRUSION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUROFILMS EXTRUSION LIMITED

We have audited the financial statements of Eurofilms Extrusion Limited for the year ended 31 December 2010, set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

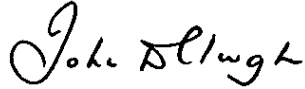
MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

EUROFILMS EXTRUSION LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF EUROFILMS EXTRUSION LIMITED



John D Clough (Senior statutory auditor)

for and on behalf of

Moore Stephens (Statutory Auditor)

Chartered Accountants & Registered Auditors

6 Ridge House

Ridgehouse Drive

Festival Park

Stoke on Trent

Staffordshire

ST1 5TL

26 September 2011

EUROFILMS EXTRUSION LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2010

	Note	2010 £	2009 £
TURNOVER	1,2	19,289,087	17,315,509
Cost of sales		(16,967,423)	(14,062,022)
GROSS PROFIT		2,321,664	3,253,487
Administrative expenses		(1,925,010)	(2,623,791)
Other operating charges		(6,375)	(2,796)
OPERATING PROFIT	3	390,279	626,900
Interest receivable and similar income	6	576	2,522
Interest payable and similar charges	7	(112,687)	(137,686)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		278,168	491,736
Tax on profit on ordinary activities	8	(64,970)	45,157
PROFIT FOR THE FINANCIAL YEAR	16	213,198	536,893

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss account

The notes on pages 9 to 20 form part of these financial statements

EUROFILMS EXTRUSION LIMITED
Registered number: 03038727

BALANCE SHEET
as at 31 December 2010

	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	9		1,661,033		1,662,211
CURRENT ASSETS					
Stocks	10	1,386,742		1,419,514	
Debtors	11	4,096,055		3,701,148	
Cash at bank		452,258		271,371	
		<u>5,935,055</u>		<u>5,392,033</u>	
CREDITORS: amounts falling due within one year	12	<u>(4,126,056)</u>		<u>(3,486,805)</u>	
NET CURRENT ASSETS			<u>1,808,999</u>		<u>1,905,228</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,470,032</u>		<u>3,567,439</u>
CREDITORS: amounts falling due after more than one year	13		<u>(222,482)</u>		<u>(267,862)</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	14		<u>(18,468)</u>		<u>-</u>
NET ASSETS			<u><u>3,229,082</u></u>		<u><u>3,299,577</u></u>
CAPITAL AND RESERVES					
Called up share capital	15		660,000		655,000
Capital redemption reserve	16		136,333		136,333
Share option reserve	16		-		43,430
Profit and loss account	16		<u>2,432,749</u>		<u>2,464,814</u>
SHAREHOLDERS' FUNDS	17		<u><u>3,229,082</u></u>		<u><u>3,299,577</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 23 September 2011



N Smith
Director

The notes on pages 9 to 20 form part of these financial statements

EUROFILMS EXTRUSION LIMITED

**CASH FLOW STATEMENT
for the year ended 31 December 2010**

	Note	2010 £	2009 £
Net cash flow from operating activities	19	607,696	1,606,973
Returns on investments and servicing of finance	20	(112,111)	(135,164)
Taxation		(2,541)	5,625
Capital expenditure and financial investment	20	(333,146)	(422,764)
Equity dividends paid		(288,693)	(192,366)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(128,795)	862,304
Financing	20	241,892	(303,468)
INCREASE IN CASH IN THE YEAR		113,097	558,836

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
for the year ended 31 December 2010**

	2010 £	2009 £
Increase in cash in the year	113,097	558,836
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(236,892)	123,468
CHANGE IN NET DEBT RESULTING FROM CASH FLOWS	(123,795)	682,304
New finance leases	-	(30,620)
MOVEMENT IN NET DEBT IN THE YEAR	(123,795)	651,684
Net debt at 1 January 2010	(1,476,457)	(2,128,141)
NET DEBT AT 31 DECEMBER 2010	(1,600,252)	(1,476,457)

The notes on pages 9 to 20 form part of these financial statements

EUROFILMS EXTRUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

1.2 TURNOVER

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts

Revenue is recognised when substantially all of the risks and rewards of ownership have passed to the customer, that is, when goods have been dispatched

1.3 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold property improvements -	over the period of the lease
Plant & machinery -	20% reducing balance
Computer equipment -	over 4 years

1.4 LEASING AND HIRE PURCHASE

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 OPERATING LEASES

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.6 STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

EUROFILMS EXTRUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

1. ACCOUNTING POLICIES (continued)

1.7 DEFERRED TAXATION

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.9 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1.10 SHARE OPTIONS GRANTED TO EMPLOYEES

For share options which are vested at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss with a corresponding credit to reserves

2 TURNOVER

The whole of the turnover and profit before taxation is attributable to the one principal activity of the company

A geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	17,164,578	15,071,844
Rest of European Union	2,124,509	2,243,665
	<u>19,289,087</u>	<u>17,315,509</u>

EUROFILMS EXTRUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

3. OPERATING PROFIT

The operating profit is stated after charging

	2010	2009
	£	£
Depreciation of tangible fixed assets		
- owned by the company	251,189	202,570
- held under finance leases	83,135	166,011
Audit fee	12,000	11,000
Operating lease rentals		
- plant and machinery	46,352	49,612
- other operating leases	213,059	233,220
	<u>213,059</u>	<u>233,220</u>

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010	2009
	£	£
Wages and salaries	1,367,523	1,704,463
Social security costs	132,553	185,120
Other pension costs	24,530	74,183
	<u>1,524,606</u>	<u>1,963,766</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010	2009
	No.	No
Production	46	44
Selling	13	12
Administration	6	6
	<u>65</u>	<u>62</u>

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**

5. DIRECTORS' REMUNERATION

	2010 £	2009 £
Emoluments	<u>42,125</u>	<u>475,952</u>
Company pension contributions to defined contribution pension schemes	<u>12,000</u>	<u>61,400</u>

During the year retirement benefits were accruing to 2 directors (2009 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £14,602 (2009 - £257,338)

6. INTEREST RECEIVABLE

	2010 £	2009 £
Other interest receivable	<u>576</u>	<u>2,522</u>

7. INTEREST PAYABLE

	2010 £	2009 £
On bank loans and overdrafts	49,441	28,881
On finance leases and hire purchase contracts	63,246	108,805
	<u>112,687</u>	<u>137,686</u>

8. TAXATION

	2010 £	2009 £
ANALYSIS OF TAX CHARGE IN THE YEAR/PERIOD		
CURRENT TAX (see note below)		
UK corporation tax charge on profit for the year/period	121	530
DEFERRED TAX		
Origination and reversal of timing differences	16,608	18,648
Tax losses utilised	48,241	(64,335)
TOTAL DEFERRED TAX (see note 14)	<u>64,849</u>	<u>(45,687)</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>64,970</u>	<u>(45,157)</u>

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**

8. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR/PERIOD

The tax assessed for the year/period is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 21% (2009 - 21%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	<u>278,168</u>	<u>491,736</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2009 - 21%)	58,415	103,265
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	926	3,871
Capital allowances for year/period in excess of depreciation	(19,322)	(16,086)
Utilisation of tax losses	(39,898)	(87,958)
Other short term timing differences	-	(2,562)
CURRENT TAX CHARGE FOR THE YEAR/PERIOD (see note above)	<u>121</u>	<u>530</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There are significant trade losses carried forward which will be available to offset against taxable profits in the following year

9. TANGIBLE FIXED ASSETS

	Leasehold property improvement £	Plant & machinery £	Fixtures & fittings £	Total £
COST				
At 1 January 2010	209,732	4,636,578	121,088	4,967,398
Additions	-	333,146	-	333,146
At 31 December 2010	<u>209,732</u>	<u>4,969,724</u>	<u>121,088</u>	<u>5,300,544</u>
DEPRECIATION				
At 1 January 2010	152,629	3,054,435	98,123	3,305,187
Charge for the year	(16,580)	343,248	7,656	334,324
At 31 December 2010	<u>136,049</u>	<u>3,397,683</u>	<u>105,779</u>	<u>3,639,511</u>
NET BOOK VALUE				
At 31 December 2010	<u>73,683</u>	<u>1,572,041</u>	<u>15,309</u>	<u>1,661,033</u>
At 31 December 2009	<u>57,103</u>	<u>1,582,143</u>	<u>22,965</u>	<u>1,662,211</u>

EUROFILMS EXTRUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010

9. TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	2010 £	2009 £
Plant and machinery	301,916	633,426
Computer equipment	15,310	22,965
	<u>317,226</u>	<u>656,391</u>

10 STOCKS

	2010 £	2009 £
Raw materials	942,347	1,168,362
Finished goods and goods for resale	444,395	251,152
	<u>1,386,742</u>	<u>1,419,514</u>

11. DEBTORS

	2010 £	2009 £
Trade debtors	3,737,888	3,434,392
Other debtors	38,353	40,744
Prepayments and accrued income	319,814	180,325
Deferred tax asset (see note 14)	-	45,687
	<u>4,096,055</u>	<u>3,701,148</u>

**12. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2010 £	2009 £
Bank loans and overdrafts	1,421,821	1,308,189
Net obligations under finance leases and hire purchase contracts	408,207	171,777
Trade creditors	1,805,082	1,407,314
Corporation tax	-	530
Social security and other taxes	181,415	160,968
Other creditors	3,066	2,156
Accruals and deferred income	306,465	435,871
	<u>4,126,056</u>	<u>3,486,805</u>

Bank loans and overdrafts are secured by a fixed and floating charge over all assets of the company

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**

**12. CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

Finance lease and hire purchase creditors are secured on the assets concerned

**13. CREDITORS:
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2010 £	2009 £
Bank loans	44,158	-
Net obligations under finance leases and hire purchase contracts	178,324	267,862
	<u>222,482</u>	<u>267,862</u>

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2010 £	2009 £
Between one and five years	178,324	267,862
	<u>178,324</u>	<u>267,862</u>

14. DEFERRED TAXATION

	2010 £	2009 £
At beginning of year/period	45,687	2,431
(Charge for)/released during year/period	(64,155)	43,256
	<u>(18,468)</u>	<u>45,687</u>

The deferred taxation balance is made up as follows

	2010 £	2009 £
Accelerated capital allowances	77,818	61,904
Tax losses carried forward	(59,350)	(107,591)
	<u>18,468</u>	<u>(45,687)</u>

15. SHARE CAPITAL

	2010 £	2009 £
ALLOTTED, CALLED UP AND FULLY PAID		
660,000 (2009 - 655,000) Ordinary shares of £1 each	660,000	655,000
	<u>660,000</u>	<u>655,000</u>

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**

15 SHARE CAPITAL (continued)

On 28 February 2010 the company issued 5000 £1 ordinary shares under its employee share option scheme

16. RESERVES

	Capital redempt'n reserve £	Share option reserve £	Profit and loss account £
At 1 January 2010	136,333	43,430	2,464,814
Profit for the year			213,198
Dividends Equity capital			(288,693)
Transfer from share option reserve			43,430
Transfer to profit and loss account		(43,430)	
At 31 December 2010	<u>136,333</u>	<u>-</u>	<u>2,432,749</u>

The directors have decided not to show a share option reserve separately from retained earnings as permitted by FRS20 Share-based Payment

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Opening shareholders' funds	3,299,577	3,135,050
Profit for the year/period	213,198	536,893
Dividends (Note 18)	(288,693)	(192,366)
Shares issued during the year/period	5,000	-
Shares redeemed/cancelled during the year/period	-	(180,000)
Closing shareholders' funds	<u>3,229,082</u>	<u>3,299,577</u>

18. DIVIDENDS

	2010 £	2009 £
Dividends paid on equity capital	<u>288,693</u>	<u>192,366</u>

The dividends were paid to directors as follows

Mr G Humphreys £113,655 (2009 - £122,137), Mr D Thomas £54,954 (2009 - £15,267), Mr M Palmer £65,084 (2009 - £24,427) and Mr N Smith £55,000 (2009 - £nil)

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2010**

19 NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	390,279	626,900
Depreciation of tangible fixed assets	334,324	368,581
Loss on disposal of tangible fixed assets	-	12,406
Decrease/(increase) in stocks	32,772	(235,733)
(Increase)/decrease in debtors	(439,398)	564,424
Increase in creditors	289,719	270,395
NET CASH INFLOW FROM OPERATING ACTIVITIES	607,696	1,606,973

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010 £	2009 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	576	2,522
Interest paid	(49,441)	(28,881)
Hire purchase interest	(63,246)	(108,805)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(112,111)	(135,164)

	2010 £	2009 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(333,146)	(428,450)
Sale of tangible fixed assets	-	5,686
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(333,146)	(422,764)

	2010 £	2009 £
FINANCING		
Issue of ordinary shares	5,000	-
Purchase of ordinary shares	-	(180,000)
New secured loans	90,000	-
New/(repayment of) finance leases	146,892	(123,468)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING	241,892	(303,468)

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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21. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £	Cash flow £	Other non-cash changes £	31 December 2010 £
Cash at bank and in hand	271,371	180,887	-	452,258
Invoice discounting	(1,308,189)	(67,790)	-	(1,375,979)
	<u>(1,036,818)</u>	<u>113,097</u>	<u>-</u>	<u>(923,721)</u>
Finance leases	(439,639)	(146,892)	-	(586,531)
Debts due within one year	-	(90,000)	44,158	(45,842)
Debts falling due after more than one year	-	-	(44,158)	(44,158)
	<u>-</u>	<u>-</u>	<u>(44,158)</u>	<u>(44,158)</u>
NET DEBT	<u><u>(1,476,457)</u></u>	<u><u>(123,795)</u></u>	<u><u>-</u></u>	<u><u>(1,600,252)</u></u>

22. MAJOR NON-CASH TRANSACTIONS

During the year the company entered into new finance lease agreements for plant and machinery at a value of £nil (2009 - £30,620)

23. OPERATING LEASE COMMITMENTS

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2010 £	Land and buildings 2009 £	2010 £	Other 2009 £
EXPIRY DATE:				
Within 1 year	-	-	7,034	5,983
Between 2 and 5 years	-	-	14,921	15,024
After more than 5 years	226,500	226,500	-	-
	<u><u>226,500</u></u>	<u><u>226,500</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

EUROFILMS EXTRUSION LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

24 SHARE BASED PAYMENTS

At the balance sheet date the company had options to purchase ordinary shares outstanding as follows

2010

Date of grant	Exercise price	Number of options	Call option value	Fair value of options
3 October 2008	£0.89	75,000	£0.38	£28,824
6 October 2008	£0.89	33,000	£0.38	£12,684
Total				£41,508

2009

Date of grant	Exercise price	Number of options	Call option value	Fair value of options
3 October 2008	£0.89	80,000	£0.38	£30,746
6 October 2008	£0.89	33,000	£0.38	£12,684
Total				£43,430

The options granted on 3 October 2008 are exercisable in whole or in part tranches of not less than 5,000 shares at any time during the period commencing on the date of grant and ending on the day immediately before the tenth anniversary of the date of grant

The options granted on 6 October 2008 are exercisable in whole or in part at any time during the period commencing on the date of grant and ending on the day immediately before the tenth anniversary of the date of grant on change in control, flotation, liquidation or demerger of the company

No monetary consideration was payable by the option holders for the grant of the options to them

On 28 February 2010 N Smith, a director, exercised options over 5000 £1 ordinary shares. A consideration of £0.89 per share was paid.

The fair value of the options granted are stated in the table above. The call option values have been determined using the Black Scholes valuation model. Inputs to the model were as follows:

	Options granted 03.10.08	Options granted 06.10.08
Stock price	£0.89	£0.89
Exercise price	£0.89	£0.89
Term	5 years	5 years
Volatility	42%	42%
Annual rate of quarterly dividends	0%	0%
Discount rate	4.4%	4.4%

The stock prices are those agreed with HMRC in relation to the options.

The exercise prices are those per the option agreements.

The term is management's expectation of the average period to option exercise.

The volatility is based on that of a similar quoted company.

The discount rate is the yield on a similarly dated government gilt.

EUROFILMS EXTRUSION LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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25. DIRECTORS' BENEFITS: ADVANCES, CREDIT AND GUARANTEES

The following loans to directors subsisted in the year ended 31 December 2010

	Outstanding at start of year £	Outstanding at end of year £	Maximum balance outstanding during year £
M Palmer	3,000	-	3,000
D Thomas	2,500	-	2,500
G Humphreys	19,790	20,599	20,599
N A Smith	-	4,450	4,450
Total	<u>25,290</u>	<u>25,049</u>	<u>30,549</u>

26. CONTROLLING PARTY

The company is controlled by Mr G Humphreys