

EUROFILMS EXTRUSION LIMITED

ABBREVIATED ACCOUNTS

SEVENTEEN MONTHS ENDED 31 DECEMBER 2000



PKF

EUROFILMS EXTRUSION LIMITED

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EUROFILMS EXTRUSION LIMITED
DIRECTORS' REPORT
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

The directors submit their report and the financial statements for the period ended 31 December 2000.

Results and dividends

The loss for the period, after taxation, amounted to £2,463,354 (1999 - £182,973 profit).

Principal activity and review of business

The principal activity of the company during the period was the manufacture and sale of industrial stretch film. The prevailing economic climate and increased competition have resulted in difficult trading conditions.

During the period the company also experienced severe operational difficulties with major plant and machinery, resulting in production down time and inefficiencies, leading to reduced margins.

Future developments

The directors are now resolving the operational problems with the plant and machinery and are reporting improved margins. The company has managed to stabilise the financial situation with its major creditors and is looking to restructure its finances in the near future. A reorganisation of the company's senior management structure has also taken place.


Directors

The directors who served during the period and their interests in the company's issued share capital at the balance sheet date and at the start of the period (or date of appointment, if later) were:

	A Ordinary £1 shares	
	2000	1999
G Humphreys	525,000	500,000
R Wood (resigned 22 May 2001)	83,000	50,000
M Palmer	80,000	50,000
D Thomas	50,000	50,000
S McCool (appointed 26 October 2000)	53,333	53,333

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board

M Palmer
Secretary

**INDEPENDENT AUDITORS' REPORT TO
EUROFILMS EXTRUSION LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts, which comprise the Abbreviated Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes, together with the financial statements of the company for the period ended 31 December 2000 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated accounts are properly prepared in accordance with that provision.

12/02/02

Stoke on Trent, UK



PKF

Registered Auditors

EUROFILMS EXTRUSION LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

	Notes	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
GROSS PROFIT		1,110,761	2,035,184
Administrative expenses		(3,316,924)	(1,723,183)
OPERATING (LOSS)/PROFIT	2	(2,206,163)	312,001
Interest receivable and similar items		44,758	24,487
Interest payable and similar items	5	(301,949)	(151,483)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,463,354)	185,005
TAXATION	6	-	(2,032)
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD		(2,463,354)	182,973

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

EUROFILMS EXTRUSION LIMITED

BALANCE SHEET

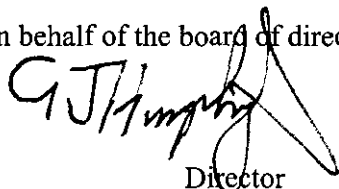
31 DECEMBER 2000

	Notes	31 December 2000 £	31 July 1999 £
FIXED ASSETS			
Tangible	7	1,601,216	575,984
Investments	8	30,385	63,305
		<u>1,631,601</u>	<u>639,289</u>
CURRENT ASSETS			
Stocks	9	543,431	759,224
Debtors	10	2,212,846	2,195,308
Cash at bank and in hand		501,006	562,185
		<u>3,257,283</u>	<u>3,516,717</u>
CREDITORS: amounts falling due within one year	11	(5,961,004)	(3,342,152)
NET CURRENT (LIABILITIES)/ASSETS		<u>(2,703,721)</u>	<u>174,565</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,072,120)</u>	<u>813,854</u>
CREDITORS: amounts falling due after more than one year	12	(535,746)	(96,366)
NET (LIABILITIES)/ASSETS		<u><u>(1,607,866)</u></u>	<u><u>717,488</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	791,333	653,333
Profit and loss account	16	(2,399,199)	64,155
SHAREHOLDERS' FUNDS	17	<u><u>(1,607,866)</u></u>	<u><u>717,488</u></u>

The abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the board on 12 February 2002 .

Signed on behalf of the board of directors



Director

EUROFILMS EXTRUSION LIMITED
CASH FLOW STATEMENT
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Reconciliation of operating (loss)/profit to net cash inflow from operating activities		
Operating (loss)/profit	(2,206,163)	312,001
Depreciation of tangible fixed assets	344,933	97,041
Loss on sale of fixed assets investments	9,092	-
Increase in debtors	(201,597)	(273,250)
Decrease/(increase) in stocks	215,793	(172,613)
Increase in creditors	1,825,603	350,728
Increase in accruals	54,497	101,893
Decrease/(Increase) in prepayments	159,295	(90,881)
Increase/(Decrease) in tax and social security	122,080	(44,928)
Net cash inflow from operating activities	<u>323,533</u>	<u>279,991</u>
 CASH FLOW STATEMENT (note 18)		
Net cash inflow from operating activities	323,533	279,991
Returns on investments and servicing of finance	(215,108)	(106,405)
Taxation	(5,100)	-
Capital expenditure	(565,268)	(121,462)
Acquisitions and disposals	23,827	-
	<u>(438,116)</u>	<u>52,124</u>
Financing	(70,729)	(13,885)
(Decrease)/increase in cash	<u>(508,845)</u>	<u>38,239</u>
 Reconciliation of net cash flow to movement in net debt (note 19)		
(Decrease)/increase in cash in the period	(508,845)	38,239
New finance lease	(804,897)	(150,517)
Reduction/(increase) in debt & lease finance	137,543	(111,540)
Translation differences	(42,083)	-
Change in net debt	(1,218,282)	(223,818)
Net debt at 1 August 1999	(823,113)	(599,295)
Net debt at 31 December 2000	<u>(2,041,395)</u>	<u>(823,113)</u>

Details of major non-cash transactions are given in note 20.

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements - going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the company being able to meet its future cash requirements and on the continued support of the leasing companies, factoring company and major creditors. During the period the company incurred a loss of £2,463,354 and at the balance sheet date the company had net liabilities of £1,607,866.

The company meets its day to day working capital requirements through the facility provided by the factoring company which, in common with all such facilities, is repayable on demand.

The company is also dependant on the continued support and extended terms of the leasing companies. The leasing companies have agreed to a reduction in lease payments to ease demands on cash resources. This current arrangement is to be re-negotiated by the end of April 2002 and therefore the level of continued support is ultimately uncertain.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Although the directors are at present uncertain as to the outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

The financial statements have been prepared under the historical cost convention.

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) 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:

Improvements to leasehold property	4 % straight line
Plant and machinery	20 % reducing balance
Fixtures and fittings	25 % reducing balance

(d) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

(e) Investments

The investment is stated at cost less any amounts written off for permanent diminution in value.

(f) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Stocks are calculated at selling price and reduced by appropriate margins to the lower of cost and net realisable value. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(g) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the 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 differences are taken into account in arriving at the operating profit.

(h) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

(i) Pensions

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

2 OPERATING (LOSS)/PROFIT

The operating (loss)/profit is stated after charging:

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Depreciation of tangible fixed assets:		
- owned by the company	159,005	83,547
- held under finance lease or hire purchase contracts	185,928	13,494
Audit fees	6,500	6,500
Operating lease rentals:		
- plant & machinery	905,350	616,376
Pension cost	18,134	17,530
	<hr/> <hr/>	<hr/> <hr/>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

3 DIRECTORS' EMOLUMENTS AND BENEFITS

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Directors' emoluments	403,673	242,700

The numbers of directors who were members of company pension schemes were:

	No	No
Money purchase schemes	4	4

The highest paid director received emoluments and benefits as follows:

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Emoluments and benefits under long term incentive schemes	127,859	66,225
Contributions to money purchase pension schemes	-	2,500

4 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Wages and salaries	2,439,640	948,569
Social security costs	219,864	92,034
Other pension costs	18,134	17,530
	2,677,638	1,058,133

The average monthly number of employees, including executive directors, during the period was:

	No	No
	58	43

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

5 INTEREST PAYABLE AND SIMILAR ITEMS

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Bank loans and overdrafts	-	3,565
Other loans	211,261	103,946
Finance charges under finance lease and hire purchase contracts	48,605	2,281
Exchange differences	42,083	41,691
	<u>301,949</u>	<u>151,483</u>

6 TAXATION

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
UK corporation tax		
Current tax on income for the period	-	5,100
Deferred tax		
Current tax on income for the period	-	(3,068)
Tax on profit on ordinary activities	<u>-</u>	<u>2,032</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

7 TANGIBLE FIXED ASSETS

	Leasehold property improvements £	Plant & machinery fixtures & fittings £	Total £
Cost			
At 1 August 1999	61,826	785,317	847,143
Additions	99,473	1,270,692	1,370,165
	<hr/>	<hr/>	<hr/>
At 31 December 2000	161,299	2,056,009	2,217,308
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 August 1999	8,955	262,204	271,159
Charge for period	9,124	335,809	344,933
	<hr/>	<hr/>	<hr/>
At 31 December 2000	18,079	598,013	616,092
	<hr/>	<hr/>	<hr/>
Net book amount			
At 31 December 2000	143,220	1,457,996	1,601,216
	<hr/>	<hr/>	<hr/>
At 31 July 1999	52,871	523,113	575,984
	<hr/>	<hr/>	<hr/>

The net book amounts of plant & machinery above include £804,556 (1999 - £185,587) in respect of assets held under finance leases or hire purchase contracts.

8 FIXED ASSET INVESTMENTS

	Participating interests £
Cost	
At 1 August 1999	63,305
Disposals	(32,920)
	<hr/>
At 31 December 2000	30,385
	<hr/>

Investments include an investment in Eurofilms Polska Grupa Ergis Sp.z.o.o. a company incorporated in Poland. During the period the company sold 52% of its holding in the joint venture. This resulted in the company holding 24% of the issued ordinary share capital in Eurofilms Polska Grupa Ergis Sp.z.o.o. at the period end.

During its latest financial period Eurofilms Polska Grupa Ergis Sp.z.o.o. made a loss after tax of £382,503 (1999 - £NIL) and at the end of that period the aggregate of its capital and reserves was £(285,918) (1999 - £NIL).

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

9 STOCKS

	31 December 2000 £	31 July 1999 £
Raw materials	196,680	358,582
Finished goods	346,751	400,642
	<u>543,431</u>	<u>759,224</u>

10 DEBTORS

	31 December 2000 £	31 July 1999 £
Due within one year		
Trade debtors	2,086,214	1,909,624
Other debtors	291	48
Prepayments & accrued income	126,341	285,636
	<u>2,212,846</u>	<u>2,195,308</u>

11 CREDITORS

	31 December 2000 £	31 July 1999 £
Amounts falling due within one year		
Bank loans and overdrafts	1,728,265	1,238,516
Trade creditors	3,582,150	1,756,548
Corporation tax	-	5,100
Other tax and social security	170,536	48,456
Net obligations under finance lease and hire purchase contracts (note 13)	278,390	50,416
Other creditors	7,115	-
Accruals and deferred income	194,548	243,116
	<u>5,961,004</u>	<u>3,342,152</u>

Bank loans and overdrafts are secured by fixed and floating charges over all assets of the company. Life policies are also provided as guarantees over directors D Thomas and M Palmer, and former director R Wood, for the benefit of the company.

12 CREDITORS

	31 December 2000 £	31 July 1999 £
Amounts falling due after more than one year		
Net obligations under finance lease and hire purchase contracts (note 13)	535,746	96,366
	<u>535,746</u>	<u>96,366</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

13 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	31 December 2000 £	31 July 1999 £
Within one year	278,390	50,416
Between one and five years	535,746	96,366
	<u>814,136</u>	<u>146,782</u>

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

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax is analysed as follows:

	31 December 2000 £	Provided 31 July 1999 £	31 December 2000 £	Not provided 31 July 1999 £
Capital allowances	-	-	-	21,108

15 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 August 1999			
Ordinary shares of £1 each	1,000,000	653,333	653,333
Movements in period:			
Ordinary shares of £1 each	-	138,000	138,000
At 31 December 2000			
Ordinary shares of £1 each	1,000,000	791,333	791,333

During the period 138,000 A Ordinary £1 shares with an aggregate nominal value of £138,000 were issued for cash at par.

16 RESERVES

Profit and loss account	£
At 1 August 1999	64,155
Loss for the period	(2,463,354)
At 31 December 2000	<u>(2,399,199)</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

17 SHAREHOLDERS' FUNDS

	31 December 2000 £	31 July 1999 £
Shareholders' funds at 1 August 1999	717,488	534,515
(Loss)/profit for the period	(2,463,354)	182,973
Other movements:		
New shares issued	138,000	-
Shareholders' funds at 31 December 2000	<u>(1,607,866)</u>	<u>717,488</u>

18 GROSS CASH FLOWS

	Seventeen months ended 31 December 2000 £	Year ended 31 July 1999 £
Returns on investments and servicing of finance		
Interest received	44,758	-
Interest paid	(211,261)	(104,124)
Interest element of finance lease rentals	(48,605)	(2,281)
	<u>(215,108)</u>	<u>(106,405)</u>
Taxation		
Corporation tax paid	(5,100)	-
	<u>(5,100)</u>	<u>-</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(565,268)	(121,462)
	<u>(565,268)</u>	<u>(121,462)</u>
Acquisitions and disposals		
Receipts from sale of fixed asset investments	23,827	-
	<u>23,827</u>	<u>-</u>
Financing		
Issue of share capital	138,000	-
Capital element of finance lease rentals	(208,729)	(13,885)
	<u>(70,729)</u>	<u>(13,885)</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

19 ANALYSIS OF CHANGES IN NET DEBT

	1 August 1999 £	Cash flows £	Other changes £	31 December 2000 £
Cash at bank and in hand	562,185	(19,096)	(42,083)	501,006
Overdrafts	(1,238,516)	(489,749)	-	(1,728,265)
		(508,845)		
Finance leases	(146,782)	137,543	(804,897)	(814,136)
Total	(823,113)	(371,302)	(846,980)	(2,041,395)

20 MAJOR NON-CASH TRANSACTIONS

During the period the company entered into finance lease and hire purchase arrangements in respect of plant and machinery with a combined capital value at the inception of the leases of £804,897 (1999: £150,517).

21 OTHER COMMITMENTS

At 31 December 2000 the company had annual commitments under operating leases as follows:

	Land and buildings 31 December 2000 £	31 July 1999 £	Other 31 December 2000 £	31 July 1999 £
Expiry date:				
Within one year	-	-	508,594	94,059
Between one and five years	-	-	84,820	595,965
In more than five years	139,246	139,246	-	-

Operating leases are secured on assets of the company.

22 TRANSACTIONS WITH RELATED PARTIES

Eurofilms Extrusion Limited owns 24% of the share capital of Eurofilms Polska Grupa Ergis Sp.z.o.o. The remaining 76% of the share capital is owned by Ergis Spolka Akcyjna (a Polish company who is also a customer of Eurofilms Extrusion Limited).

During the period the company made sales to Ergis Spolka Akcyjna totalling £166,963 (1999: £183,927) and made purchases totalling £74,462 (1999: £NIL). At the period end the company owed Ergis Spolka Akcyjna £37,613 (1999: the company was owed £124,162). During the period the company made sales of £19,231 (1999: £NIL) to Eurofilms Polska Grupa Ergis Sp.z.o.o.

23 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the period is shown in note 4.

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
SEVENTEEN MONTHS ENDED 31 DECEMBER 2000

24 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Mr G Humphreys.