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EUROFILMS EXTRUSION LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2001



A01 *A4EYYDZ0* 0510
COMPANIES HOUSE 06/09/02

A21 *A4X9XDQC* 0370
COMPANIES HOUSE 28/08/02

EUROFILMS EXTRUSION LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2001

PKF

EUROFILMS EXTRUSION LIMITED

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EUROFILMS EXTRUSION LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2001

The directors submit their report and the financial statements for the year ended 31 December 2001.

Results and dividends

The profit for the year, after taxation, amounted to **£104,854** (2000 - £2,463,354 loss).

The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The principal activity of the company during the year was the manufacture and sale of industrial stretch film.

The company has returned favourable results on the back of very disappointing results from the previous period. This significant improvement reflects the continued drive to implement improved and more efficient systems and processes.

Future developments

The company is looking to continue with its programme of measures to improve profitability and is looking to benefit from a more stable trading position.

Events since the end of the year

The company has entered into an agreement with its creditors to secure the continued status of the company. These measures will assist in the control of the company's working capital requirements and ease the ongoing debt burden.

Directors

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

	Ordinary Shares of £1 each	
	2001	2000
G Humphreys	400,000	400,000
M Palmer	80,000	80,000
D Thomas	50,000	50,000
S McCool	53,333	53,333
R Wood (resigned 22 May 2001)		

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 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 year ended 31 December 2001 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.

Other information

On we reported as auditors to the members of the company on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 December 2001 and our report included the following paragraph:

Fundamental uncertainty - going concern

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on the going concern basis and the validity of this depends on the continued compliance, by the company, with the terms of the agreement with its creditors and also the continued support of the company's lease finance providers. The financial statements do not include any adjustments that would result from a failure to obtain such continued support. Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

17/07/02
Stoke, UK

PKF
Registered Auditors

EUROFILMS EXTRUSION LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2001

		Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
	Notes		
GROSS PROFIT		1,836,110	1,110,761
Administrative expenses		(1,591,538)	(3,316,924)
OPERATING PROFIT/(LOSS)	2	244,572	(2,206,163)
Interest receivable and similar income	5	15,236	44,758
Interest payable and similar charges	6	(153,136)	(301,949)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		106,672	(2,463,354)
TAXATION		(1,818)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		104,854	(2,463,354)

All amounts relate to continuing operations.

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

There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

EUROFILMS EXTRUSION LIMITED

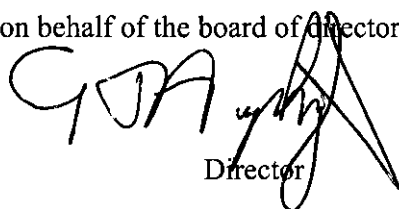
BALANCE SHEET 31 DECEMBER 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible	7	1,376,281	1,601,216
Investments	8	30,385	30,385
		<u>1,406,666</u>	<u>1,631,601</u>
CURRENT ASSETS			
Stocks	9	270,034	543,431
Debtors	10	1,738,414	2,212,846
Cash at bank and in hand		415,881	501,006
		<u>2,424,329</u>	<u>3,257,283</u>
CREDITORS: amounts falling due within one year	11	<u>(4,745,320)</u>	<u>(5,961,004)</u>
NET CURRENT LIABILITIES		<u>(2,320,991)</u>	<u>(2,703,721)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(914,325)</u>	<u>(1,072,120)</u>
CREDITORS: amounts falling due after more than one year	12	<u>(588,687)</u>	<u>(535,746)</u>
NET LIABILITIES		<u><u>(1,503,012)</u></u>	<u><u>(1,607,866)</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	791,333	791,333
Profit and loss account	15	(2,294,345)	(2,399,199)
SHAREHOLDERS' FUNDS	16	<u><u>(1,503,012)</u></u>	<u><u>(1,607,866)</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 11 July 2002 .

Signed on behalf of the board of directors


Director

EUROFILMS EXTRUSION LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2001

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Reconciliation of operating profit/(loss) to net cash inflow from operating activities		
Operating profit/(loss)	244,572	(2,206,163)
Depreciation of tangible fixed assets	244,957	344,933
Loss on sale of fixed assets investments	-	9,092
Decrease/(increase) in debtors	427,016	(201,597)
Decrease in stocks	273,397	215,793
(Decrease)/increase in creditors	(571,525)	1,825,603
(Decrease)/increase in accruals	(26,141)	54,497
Decrease in prepayments	27,263	159,295
Increase in tax and social security	147,808	122,080
Net cash inflow from operating activities	767,347	323,533
CASH FLOW STATEMENT (note 17)		
Net cash inflow from operating activities	767,347	323,533
Returns on investments and servicing of finance	(139,499)	(215,108)
Taxation	-	(5,100)
Capital expenditure	(20,023)	(565,268)
Acquisitions and disposals	-	23,827
	607,825	(438,116)
Financing	(119,302)	(70,729)
Increase/(decrease) in cash	488,523	(508,845)
Reconciliation of net cash flow to movement in net debt (note 18)		
Increase/(decrease) in cash in the year	488,523	(508,845)
New finance lease	-	(804,897)
Reduction in debt & lease finance	119,302	137,543
Translation differences	1,599	(42,083)
Change in net debt	609,424	(1,218,282)
Net debt at 1 January 2001	(2,041,395)	(823,113)
Net debt at 31 December 2001	(1,431,971)	(2,041,395)

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared on the 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 comply with the terms of an agreement with its creditors. During the year the company made a profit before tax of £106,672 against a loss of £2,463,354 in the previous period and at the balance sheet date the company had net liabilities of £1,503,012.

The company is also dependent on the continued support and extended terms of the leasing companies. The company is currently re-negotiating the terms of these lease agreements.

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 longer term outcome of the matters mentioned above, they believe that it is appropriate for the financial statements to be prepared on the 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

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	10-20 % 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.

(e) Investments

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

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

1 ACCOUNTING POLICIES (continued)

(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 PROFIT/(LOSS)

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

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Depreciation of tangible fixed assets:		
- owned by the company	137,544	159,005
- held under finance lease or hire purchase contracts	107,413	185,928
Audit fees	6,500	6,500
Operating lease rentals:		
- plant & machinery	271,557	905,350
Pension cost	18,139	18,134
	<u> </u>	<u> </u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

3 DIRECTORS' EMOLUMENTS AND BENEFITS

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Directors' emoluments	247,873	403,673
Contributions to money purchase pension schemes	7,500	-

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	4	4

The highest paid director received emoluments and benefits as follows:

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Emoluments and benefits under long term incentive schemes	75,431	127,859

4 STAFF COSTS

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

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Wages and salaries	980,778	2,439,640
Social security costs	70,687	219,864
Other pension costs	18,139	18,134
	1,069,604	2,677,638

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

	No	No
Production	33	44
Selling	5	5
Administration	9	9
	47	58

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

5 INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Other interest receivable	13,637	44,758
Exchange differences	1,599	-
	<u>15,236</u>	<u>44,758</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Bank loans and overdrafts	129,776	211,261
Other loans	23,360	48,605
Exchange differences	-	42,083
	<u>153,136</u>	<u>301,949</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

7 TANGIBLE FIXED ASSETS

	Leasehold property improvements £	Plant & machinery fixtures & fittings £	Total £
Cost			
At 1 January 2001	161,299	2,056,009	2,217,308
Additions	-	20,022	20,022
At 31 December 2001	<u>161,299</u>	<u>2,076,031</u>	<u>2,237,330</u>
Depreciation			
At 1 January 2001	18,079	598,013	616,092
Charge for year	6,345	238,612	244,957
At 31 December 2001	<u>24,424</u>	<u>836,625</u>	<u>861,049</u>
Net book amount			
At 31 December 2001	<u>136,875</u>	<u>1,239,406</u>	<u>1,376,281</u>
At 31 December 2000	<u>143,220</u>	<u>1,457,996</u>	<u>1,601,216</u>

The net book amounts of plant & machinery above include **£697,143** (2000 - £804,556) in respect of assets held under finance leases or hire purchase contracts.

8 FIXED ASSET INVESTMENTS

	Participating interests £
Cost	
At 1 January 2001 and 31 December 2001	<u>30,385</u>

Investments include an investment in Eurofilms Polska Grupa Ergis Sp.z.o.o, a company incorporated in Poland, comprising a holding of 24% of its issued ordinary capital.

During its latest financial year Eurofilms Polska Grupa Ergis Sp.z.o.o Limited made a profit after tax of **£181,127** (2000 - £382,503) and at the end of that year the aggregate of its capital and reserves was **£(126,024)** (2000 - £(285,918)).

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

9 STOCKS

	2001 £	2000 £
Raw materials	113,076	196,680
Finished goods	156,958	346,751
	<u>270,034</u>	<u>543,431</u>

10 DEBTORS

	2001 £	2000 £
Due within one year		
Trade debtors	1,638,981	2,086,214
Other debtors	355	291
Prepayments & accrued income	99,078	126,341
	<u>1,738,414</u>	<u>2,212,846</u>

11 CREDITORS

	2001 £	2000 £
Amounts falling due within one year		
Bank loans and overdrafts	1,153,018	1,728,265
Trade creditors	3,004,907	3,582,150
Corporation tax	1,818	-
Other tax and social security	318,344	170,536
Net obligations under finance lease and hire purchase contracts(note 13)	106,147	278,390
Other creditors	161,086	201,663
	<u>4,745,320</u>	<u>5,961,004</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

	2001 £	2000 £
Amounts falling due after more than one year		
Net obligations under finance lease and hire purchase contracts(note 13)	588,687	535,746

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

13 FINANCE LEASES

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

	2001	2000
	£	£
Within one year	106,147	278,390
Between one and five years	588,687	535,746
	<u>694,834</u>	<u>814,136</u>

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

14 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	£	No	£
At 1 January 2001 and 31 December 2001 Ordinary shares of £1 each	1,000,000	791,333	791,333
	<u>1,000,000</u>	<u>791,333</u>	<u>791,333</u>

15 RESERVES

	£
Profit and loss account	
At 1 January 2001	(2,399,199)
Profit for the year	104,854
At 31 December 2001	<u>(2,294,345)</u>

16 SHAREHOLDERS' FUNDS

	2001	2000
	£	£
Shareholders' funds at 1 January 2001	(1,607,866)	717,488
Profit/(loss) for the year	104,854	(2,463,354)
New shares issued	-	138,000
Shareholders' funds at 31 December 2001	<u>(1,503,012)</u>	<u>(1,607,866)</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

17 GROSS CASH FLOWS

	Year ended 31 December 2001 £	Seventeen months ended 31 December 2000 £
Returns on investments and servicing of finance		
Interest received	13,637	44,758
Interest paid	(129,776)	(211,261)
Interest element of finance lease rentals	(23,360)	(48,605)
	<u>(139,499)</u>	<u>(215,108)</u>
 Capital expenditure		
Payments to acquire tangible fixed assets	(20,023)	(565,268)
 Acquisitions and disposals		
Receipts from sale of fixed asset investments	-	23,827
 Financing		
Issue of share capital	-	138,000
Capital element of finance lease rentals	(119,302)	(208,729)
	<u>(119,302)</u>	<u>(70,729)</u>

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2001 £	Cash flows £	Other changes £	At 31 December 2001 £
Cash at bank and in hand	501,006	(86,724)	1,599	415,881
Overdrafts	(1,728,265)	575,247	-	(1,153,018)
		<u>488,523</u>		
Finance leases	(814,136)	119,302	-	(694,834)
Total	<u>(2,041,395)</u>	<u>607,825</u>	<u>1,599</u>	<u>(1,431,971)</u>

EUROFILMS EXTRUSION LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 31 DECEMBER 2001

19 OTHER COMMITMENTS

At 31 December 2001 the company had annual commitments under operating leases as follows:

	Land and buildings		Other	
	2001	2000	2001	2000
	£	£	£	£
Expiry date:				
Within one year	-	-	398,731	508,594
Between one and five years	-	-	26,819	84,820
After more than five years	139,246	139,246	-	-

20 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 year the company made sales to Ergis Spolka Akcyjna totalling £NIL (2000: £166,963) and made purchases totalling £NIL (2000: £74,462). Also during the year the company made sales of £NIL (2000: £19,231) to Eurofilms Polska Grupa Ergis Sp.z.o.o. At the year end the company owed Eurofilms Polska Grupa Ergis Sp.z.o.o. £37,613 (2000: £37,613).

21 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.