

EP PACKAGING LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005



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EP PACKAGING LIMITED

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EP PACKAGING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the company continued was that of a manufacturer of plastic packaging for the food, cosmetic and toy industries.

Results and dividends

The results for the year are set out on page 3.

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2005:

P Mondon

P J Underhill

T Simmons

(Appointed 1 March 2006)

N Mitchell

(Appointed 1 March 2006)

Directors' interests

There are no directors' interests requiring disclosure under the Companies Act 1985. The directors interests in the parent company are disclosed in that company's financial statements.

Auditors

CK Audit were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

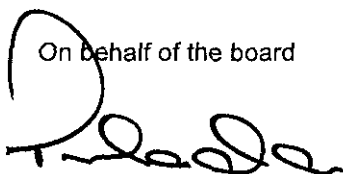
Directors' responsibilities

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 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 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.

On behalf of the board



P Mondon

Director

9 June 2006

EP PACKAGING LIMITED

INDEPENDENT AUDITORS' REPORT TO EP PACKAGING LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 3 to 15, together with the financial statements of the company for the year ended 31 December 2005 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company in accordance with Section 247B of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company those matters we are required to state to them in an auditor's report on abbreviated accounts 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, for our audit work, for this report, or for the opinions we have formed.

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 audit opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider 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.

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 on pages 3 to 15 are properly prepared in accordance with that provision.



CK Audit

9 June 2006

Chartered Accountants
Registered Auditor

Dartmouth House
Sandwell Road
West Bromwich
West Midlands
B70 8TH

EP PACKAGING LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Gross profit		1,299,131	1,424,831
Distribution costs		(1,012,814)	(994,718)
Administrative expenses		(310,046)	(410,779)
Operating (loss)/profit	2	(23,729)	19,334
Other interest receivable and similar income		9	116
Interest payable and similar charges	4	(51,097)	(64,660)
Loss on ordinary activities before taxation		(74,817)	(45,210)
Tax on loss on ordinary activities	5	21,919	(9,550)
Loss on ordinary activities after taxation	14	(52,898)	(54,760)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

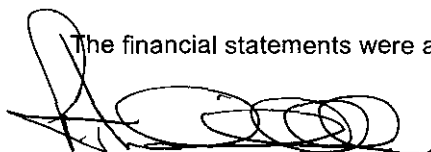
EP PACKAGING LIMITED

ABBREVIATED BALANCE SHEET AS AT 31 DECEMBER 2005

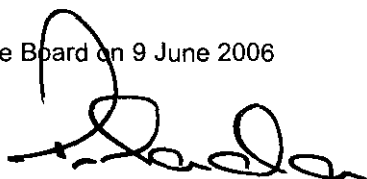
	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	6		1,151,918		1,411,963
Current assets					
Stocks	7	1,261,944		1,037,765	
Debtors	8	2,115,152		2,027,198	
Cash at bank and in hand		19,498		102,905	
		3,396,594		3,167,868	
Creditors: amounts falling due within one year	9	(3,896,113)		(3,659,943)	
Net current liabilities			(499,519)		(492,075)
Total assets less current liabilities			652,399		919,888
Creditors: amounts falling due after more than one year	10		(206,164)		(398,836)
Provisions for liabilities and charges	11		(70,596)		(92,515)
			375,639		428,537
Capital and reserves					
Called up share capital	13	500,000		500,000	
Profit and loss account	14	(124,361)		(71,463)	
Shareholders' funds - equity interests	15	375,639		428,537	

These 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 9 June 2006



P J Underhill
Director



P Mondon
Director

EP PACKAGING LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(19,976)		176,436
Returns on investments and servicing of finance				
Interest received	9		116	
Interest paid	(51,097)		(64,660)	
Net cash outflow for returns on investments and servicing of finance		(51,088)		(64,544)
Taxation		-		76,694
Capital expenditure				
Payments to acquire tangible assets	(104,124)		(60,274)	
Receipts from sales of tangible assets	104,699		172,149	
Net cash inflow for capital expenditure		575		111,875
Net cash (outflow)/inflow before management of liquid resources and financing		(70,489)		300,461
Financing				
Capital element of finance lease contracts	(196,836)		(229,730)	
Net cash outflow from financing		(196,836)		(229,730)
(Decrease)/increase in cash in the year		(267,325)		70,731

EP PACKAGING LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	2005	2004
		£	£
	Operating (loss)/profit	(23,729)	19,334
	Depreciation of tangible assets	298,841	318,893
	Profit on disposal of tangible assets	(39,372)	(120,995)
	Increase in stocks	(224,179)	(240,937)
	(Increase)/decrease in debtors	(87,954)	510,802
	Increase/(decrease) in creditors within one year	56,417	(310,661)
	Net cash (outflow)/inflow from operating activities	(19,976)	176,436

2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	102,905	(83,407)	-	19,498
	Bank overdrafts	-	(183,918)	-	(183,918)
		<u>102,905</u>	<u>(267,325)</u>	<u>-</u>	<u>(164,420)</u>
	Debt:				
	Finance leases	(596,707)	196,837	-	(399,870)
	Net debt	(493,802)	(70,488)	-	(564,290)

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	(Decrease)/increase in cash in the year	(267,325)	70,731
	Cash outflow from decrease in debt and lease financing	196,837	229,730
	Change in net debt resulting from cash flows	(70,488)	300,461
	New finance lease	-	(22,995)
	Movement in net debt in the year	(70,488)	277,466
	Opening net debt	(493,802)	(771,268)
	Closing net debt	(564,290)	(493,802)

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

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 less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold	10% Straight line
Plant and machinery	10 - 50% Straight line
Fixtures, fittings & equipment	10 - 50% Straight line
Motor vehicles	25% / 33.3% Straight line

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.6 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Tooling Costs

Costs incurred in preparing prototypes are shown in prepayments to the extent that they will be recovered against future sales. They are amortised over two years from the point they are used to produce goods.

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

2	Operating (loss)/profit	2005	2004
		£	£
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible assets	298,841	318,893
	Profit on disposal of tangible assets	(2,610)	-
	Loss on foreign exchange transactions	2,394	4,139
	Operating lease rentals	33,334	103,446
	Auditors' remuneration	8,400	10,911
	and after crediting:		
	Exceptional item - profit on sale of plant subsequently leased back	(36,762)	(120,995)
3	Investment income	2005	2004
		£	£
	Other interest	9	116
4	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	6,942	7,362
	Hire purchase interest	44,155	57,298
		51,097	64,660

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

5	Taxation	2005 £	2004 £
	Deferred tax		
	Deferred tax charge/credit current year	(21,919)	(13,457)
	Deferred tax adjust re previous year	-	23,007
		<u>(21,919)</u>	<u>9,550</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	<u>(74,817)</u>	<u>(45,210)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2004: 30.00%)	<u>(22,445)</u>	<u>(13,563)</u>
	Effects of:		
	Non deductible expenses	844	106
	Depreciation add back	89,653	95,668
	Capital allowances	(51,914)	(69,330)
	Profits on sale of assets	(11,812)	(36,299)
	Tax losses carried forward	(4,326)	23,418
		<u>22,445</u>	<u>13,563</u>
	Current tax charge	<u>-</u>	<u>-</u>

The company has estimated losses of £ 448,153 (2004: £ 462,576) available for carry forward against future trading profits.

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

6 Tangible fixed assets

	Land and buildings Leasehold £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 January 2005	3,790	3,109,374	326,339	22,995	3,462,498
Additions	-	71,346	32,778	-	104,124
Disposals	-	(195,696)	-	-	(195,696)
At 31 December 2005	3,790	2,985,024	359,117	22,995	3,370,926
Depreciation					
At 1 January 2005	1,042	1,775,650	273,364	479	2,050,535
On disposals	-	(130,369)	-	-	(130,369)
Charge for the year	379	268,553	24,161	5,749	298,842
At 31 December 2005	1,421	1,913,834	297,525	6,228	2,219,008
Net book value					
At 31 December 2005	2,369	1,071,190	61,592	16,767	1,151,918
At 31 December 2004	2,748	1,333,724	52,975	22,516	1,411,963

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £	Motor vehicles £	Total £
Net book values			
At 31 December 2005	716,295	16,767	733,062
At 31 December 2004	993,671	22,516	1,016,187
Depreciation charge for the year			
At 31 December 2005	115,857	5,749	121,606
At 31 December 2004	148,741	479	149,220

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

7	Stocks and work in progress	2005	2004
		£	£
	Raw materials and consumables	469,255	263,034
	Work in progress	47,790	36,823
	Finished goods and goods for resale	744,899	737,908
		<u>1,261,944</u>	<u>1,037,765</u>

8	Debtors	2005	2004
		£	£
	Trade debtors	1,780,713	1,832,517
	Other debtors	150	-
	Prepayments and accrued income	334,289	194,681
		<u>2,115,152</u>	<u>2,027,198</u>

Prepayments include £173,246 (2004: £61,228) tooling costs incurred which the directors believe will be recovered in full against future sales.

9	Creditors: amounts falling due within one year	2005	2004
		£	£
	Bank loans and overdrafts	183,918	-
	Confidential invoice discounting	1,164,921	1,043,237
	Net obligations under hire purchase contracts	193,706	197,871
	Trade creditors	1,505,553	1,802,647
	Taxes and social security costs	269,350	231,026
	Other creditors	476,099	243,562
	Accruals and deferred income	102,566	141,600
		<u>3,896,113</u>	<u>3,659,943</u>

The bank loans and overdrafts are secured by a fixed and floating charge over all current and future assets of the company.

The confidential invoice discounting liability of £1,164,921 (2004: £1,043,237) is secured on the company's trade debtors.

Finance lease and hire purchase liabilities of £399,870 (2004: £596,707) are secured on the respective asset.

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

10 Creditors: amounts falling due after more than one year	2005 £	2004 £
Net obligations under hire purchase contracts	206,164	398,836
Net obligations under hire purchase contracts		
Repayable within one year	193,706	197,871
Repayable between one and five years	206,164	398,836
	399,870	596,707
Included in liabilities falling due within one year	(193,706)	(197,871)
	206,164	398,836

11 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 January 2005	92,515
Profit and loss account	(21,919)
Balance at 31 December 2005	70,596

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	206,087	231,288
Tax losses available	(135,491)	(138,773)
	70,596	92,515

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2005 £	2004 £
Contributions payable by the company for the year	12,334	9,776

13 Share capital

	2005 £	2004 £
Authorised		
2,000,000 Ordinary shares of 25p each	500,000	500,000
Allotted, called up and fully paid		
2,000,000 Ordinary shares of 25p each	500,000	500,000

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2005	(71,463)
Loss for the year	(52,898)
Balance at 31 December 2005	(124,361)

15 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Loss for the financial year	(52,898)	(54,760)
Opening shareholders' funds	428,537	483,297
Closing shareholders' funds	375,639	428,537

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

16 Financial commitments

At 31 December 2005 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2006:

	Land and buildings			Other
	2005	2004	2005	2004
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	2,553	-
Between two and five years	-	-	76,159	50,527
In over five years	100,000	100,000	-	-
	<u>100,000</u>	<u>100,000</u>	<u>78,712</u>	<u>50,527</u>

17 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	15,750	15,000
Sums paid to third parties for directors' services	-	15,000
	<u>15,750</u>	<u>30,000</u>

18 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005	2004
	Number	Number
Production staff	85	104
Administration staff	6	9
Sales staff	8	6
	<u>99</u>	<u>119</u>

Employment costs

	2005	2004
	£	£
Wages and salaries	1,549,257	1,796,275
Social security costs	135,339	152,377
Other pension costs	12,334	9,776
	<u>1,696,930</u>	<u>1,958,428</u>

EP PACKAGING LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

19 Ultimate parent company

Redbrick Estates Limited are the ultimate parent company, a company incorporated in England and Wales.

20 Related party transactions

The company paid rent of £33,334 to ICC(One) Limited, a company in which P J Underhill was both a director and shareholder. By agreement with ICC (One) Limited, a rent holiday for the period of 12 months has been granted.

P Mondon and P J Underhill are directors and shareholders of Harper Group PLC. Included in other creditors is £475,000 loaned from Harper Group plc. Interest is payable at 1.5% above Barclays Bank plc base rate. The company has entered into agreements with Harper Group plc to sell assets to that company for £260,000 and lease them back for a period of five years at a rent of £5,951 per month. By agreement with Harper Group plc, this arrangement was deferred for 12 months and will now commence with effect from 1 January 2006. Harper Group plc sold a machine for £14,250 to EP Packaging Limited and the amount was paid in the year. EP Packaging Limited sold a machine to Harper Group plc for £80,000. At the year end, trade debtors includes an amount of £94,000 due from Harper Group plc.