
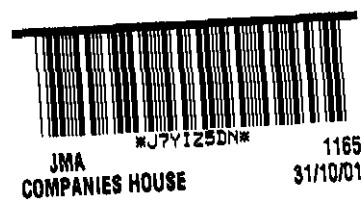


SHAKESPEARE MONOFILAMENT UK LIMITED

Report and Accounts

31 December 2000

 ERNST & YOUNG



Shakespeare Monofilament UK Limited

Registered No. 2452908

DIRECTORS

S E McConnell	(USA)	(resigned 3 November 2000)
B I Forester	(USA)	(resigned 29 April 2000)
R M Rodstein	(USA)	
J J Rangel	(USA)	
D Crawford	(USA)	(appointed 4 November 2000)

SECRETARY

D Crawford

AUDITORS

Ernst & Young LLP
100 Barbirolli Square
Manchester
M2 3EY

SOLICITORS

Banks Wilson
6-8 Chapel Street
Preston
PR1 8AN

BANKERS

Barclays Bank PLC
2/4 Birley Street
Blackpool
FY1 1DX

REGISTERED OFFICE

Enterprise Way
off Venture Road
Fleetwood
FY7 8RY

 **ERNST & YOUNG**

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit on ordinary activities, after taxation, amounted to £373,391 (1999: £192,622). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity during the year continued to be the manufacture of monofilaments. The company had a successful year and growth in turnover and profits is expected in the future.

FIXED ASSETS

The movements in fixed assets during the year are set out in the notes to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year were as follows:

S E McConnell	(USA)	(resigned 3 November 2000)
B I Forester	(USA)	(resigned 29 April 2000)
R M Rodstein	(USA)	
J J Rangel	(USA)	
D Crawford	(USA)	(appointed 4 November 2000)

None of the directors had any interest in the share capital of the company. All of the directors of the company reside in Los Angeles, USA.

AUDITORS

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under Section 386 of the Companies Act 1985.

By order of the Board



D Crawford
Secretary

18 October 2001

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts 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.

REPORT OF THE AUDITORS
to the members of Shakespeare Monofilament UK Limited

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

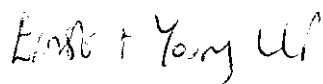
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

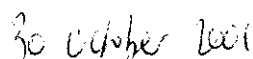
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Manchester



Shakespeare Monofilament UK Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Notes	2000 £	1999 £
TURNOVER	2	5,569,438	5,672,022
Cost of sales		4,406,698	4,597,778
GROSS PROFIT		1,162,740	1,074,244
Distribution costs		195,039	164,978
Administration expenses		319,668	522,619
Product development expenditure		29,507	38,621
		544,214	726,218
OPERATING PROFIT	3(a)	618,526	348,026
Interest receivable	5	4,424	3,084
Interest payable	6	(87,672)	(31,495)
		(83,248)	(28,411)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		535,278	319,615
Tax on profit on ordinary activities	7	161,887	126,993
RETAINED PROFIT FOR THE YEAR	15	373,391	192,622

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains or losses other than the profit for the year, or prior year.

Shakespeare Monofilament UK Limited

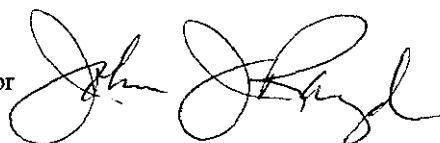
BALANCE SHEET at 31 December 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Tangible assets	8	2,651,505	2,817,352
CURRENT ASSETS			
Stocks	9	626,879	656,228
Debtors	10	2,158,161	1,310,936
Cash at bank and in hand	11	94,037	46,233
		2,879,077	2,013,397
CREDITORS: amounts falling due within one year	12	883,742	1,820,622
NET CURRENT ASSETS		1,995,335	192,775
TOTAL ASSETS		4,646,840	3,010,127
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	13	313,742	305,361
		4,333,098	2,704,766
CAPITAL AND RESERVES			
Called up share capital	14 and 15	1,254,943	2
Profit and loss account	15	3,078,155	2,704,764
Shareholders' funds		4,333,098	2,704,766

Approved by the board on 18 October 2001

J Rangel

Director



Shakespeare Monofilament UK Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2000

	Notes	2000 £	1999 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	321,231	564,111
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		4,424	3,084
Interest paid		(87,672)	(31,495)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(83,248)	(28,411)
TAXATION			
Corporation tax paid		(120,509)	(286,119)
TAX PAID		(120,509)	(286,119)
CAPITAL EXPENDITURE			
Payments to acquire tangible fixed assets		(69,668)	(187,786)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		(69,668)	(187,786)
INCREASE IN CASH	11	47,806	61,795

NOTES TO THE ACCOUNTS
at 31 December 2000

1. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared on a going concern basis as the directors have received assurances that the ultimate holding company will continue to provide financial support for the foreseeable future. The ultimate holding company has confirmed that it will not require repayment of its loans and advances to the company except to the extent that funds become available for such repayment.

Accounting convention

The accounts are prepared under the historical cost convention in accordance with applicable accounting standards.

The company has taken advantage of the exemption under paragraph 3(c) of FRS 8 not to disclose certain related party transactions.

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, at rates calculated to write off the cost, less residual value of each asset, based on prices prevailing at the date of acquisition of the asset, over its expected useful life by equal annual instalments, as follows:

Land and buildings	-	50 years
Plant and machinery	-	5 to 20 years
Office equipment	-	3 years

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Product development

Product development expenditure is written off as it is incurred.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials	-	purchase cost on a first-in, first-out basis;
Finished goods	-	cost of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Shakespeare Monofilament UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Leasing commitments

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

Pension costs

The company makes contributions to employee personal pension plans. Employer's contributions are charged to the profit and loss account as they are incurred.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax.

An analysis of turnover by geographical area is as follows:

	2000 £	1999 £
United Kingdom	2,067,703	2,204,948
Other EEC Countries	3,091,692	3,219,042
Rest of Europe	72,227	37,771
Far East	299,411	210,261
Australasia	26,353	-
USA	12,052	-
	<u>5,569,438</u>	<u>5,672,022</u>

3. OPERATING PROFIT

(a) This is stated after charging/(crediting):

	2000 £	1999 £
Auditors' remuneration	10,000	15,100
Depreciation of tangible fixed assets - owned	235,515	284,215
Operating lease rentals - plant and machinery	11,043	5,859
Exchange (gains)/losses	(53,616)	159,156
Loss on sale of fixed assets	-	41,300
	<u></u>	<u></u>

Shakespeare Monofilament UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

3. OPERATING PROFIT (continued)

(b) Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	618,526	348,026
Loss on sale of fixed assets	-	41,300
Depreciation charges	235,515	284,215
(Increase)/decrease in stocks	29,349	331,490
(Increase)/decrease in debtors	95,100	227,128
Decrease in creditors	143,303	(150,500)
Decrease in amounts due to group companies	(800,562)	(517,548)
Net cash inflow from operating activities	321,231	564,111

4. STAFF COSTS

	2000 £	1999 £
Wages and salaries	727,862	807,779
Social security costs	77,427	82,517
Other pension costs	24,473	74,917
	829,762	965,213

The average weekly number of persons employed in the year (excluding directors) was as follows:

	2000 No.	1999 No.
Manufacturing	22	21
Office and management	7	7
	29	28

5. INTEREST RECEIVABLE

	2000 £	1999 £
Bank interest	1,407	3,084
Overpaid Corporation Tax	3,017	-
	4,424	3,084

Shakespeare Monofilament UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

6. INTEREST PAYABLE

	2000	1999
	£	£
Bank loans and overdrafts	142	90
Interest on loan from group company	87,530	31,405
	<u>87,672</u>	<u>31,495</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2000	1999
	£	£
Based on the profit for the year:		
Corporation tax at 31%	182,000	146,000
Deferred tax (note 13)	10,257	(11,171)
	<u>192,257</u>	<u>134,829</u>
Adjustments in respect of prior years:		
Corporation tax	(28,494)	(17,295)
Deferred tax (note 13)	(1,876)	9,459
	<u>161,887</u>	<u>126,993</u>

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Office equipment £	Total £
Cost:				
At 1 January 2000	1,016,038	3,140,970	50,250	4,207,258
Additions	1,132	67,353	1,183	69,668
Disposals	-	-	(37,558)	(37,558)
At 31 December 2000	<u>1,017,170</u>	<u>3,208,323</u>	<u>13,875</u>	<u>4,239,368</u>
Depreciation:				
At 1 January 2000	77,708	1,270,711	41,487	1,389,906
Provided during the year	17,291	214,053	4,171	235,515
On disposals	-	-	(37,558)	(37,558)
At 31 December 2000	<u>94,999</u>	<u>1,484,764</u>	<u>8,100</u>	<u>1,587,863</u>
Net book value:				
At 31 December 2000	<u>922,171</u>	<u>1,723,559</u>	<u>5,775</u>	<u>2,651,505</u>
At 31 December 1999	<u>938,330</u>	<u>1,870,259</u>	<u>8,763</u>	<u>2,817,352</u>

Shakespeare Monofilament UK Limited

NOTES TO THE ACCOUNTS at 31 December 2000

9. STOCKS

	2000 £	1999 £
Raw materials	348,620	305,047
Finished goods	278,259	351,181
	<u>626,879</u>	<u>656,228</u>

10. DEBTORS

	2000 £	1999 £
Trade debtors	1,182,490	1,290,659
Prepayments	32,870	19,816
Amounts owed by group companies	942,801	461
	<u>2,158,161</u>	<u>1,310,936</u>

11. MOVEMENT AND ANALYSIS OF NET DEBT

(a) Reconciliation of net cash flow to movement in net debt:

	2000 £	1999 £
Increase/(decrease) in cash in the year	47,804	61,795
Repayment of other loans	534,446	-
	<u>582,250</u>	<u>61,795</u>
Change in net debt		
NET DEBT AT 1 JANUARY	(488,213)	(550,008)
NET DEBT AT 31 DECEMBER	<u>94,037</u>	<u>(488,213)</u>

(b) Analysis of changes in net debt

	At 1 January 2000	Cash flow	Other changes	At 31 December 2000
Cash at bank and in hand	46,233	47,804	-	94,037
Bank overdraft	-	-	-	-
Other loan due less than one year	(534,446)	534,446	-	-
Total	<u>(488,213)</u>	<u>582,250</u>	<u>-</u>	<u>94,037</u>

Shakespeare Monofilament UK Limited

NOTES TO THE ACCOUNTS at 31 December 2000

12. CREDITORS: amounts falling due within one year

	2000 £	1999 £
Trade creditors	530,831	418,350
Amounts due to group companies	-	578,730
Interest bearing loan from group company	-	534,446
Other taxes and social security costs	45,462	62,219
Corporation tax	125,583	92,586
Accruals	181,866	134,291
	<u>883,742</u>	<u>1,820,622</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	2000 £	1999 £
At 1 January	305,361	307,073
Charge for the year	10,257	(11,171)
Adjustment for over provision in previous years	(1,876)	9,459
At 31 December	<u>313,742</u>	<u>305,361</u>

	Provided 2000 £	Provided 1999 £	Not provided 1999 £	Not provided 1999 £
Capital allowances in advance of depreciation	319,742	311,361	-	-
Other timing differences	(6,000)	(6,000)	-	-
	<u>313,742</u>	<u>305,361</u>	<u>-</u>	<u>-</u>

Shakespeare Monofilament UK Limited

NOTES TO THE ACCOUNTS at 31 December 2000

14. SHARE CAPITAL

	2000	Authorised 1999	Allotted, called up and fully paid 2000	1999
	No.	No.	£	£
Ordinary shares at £1 each	1,000	1,000	2	2
Redeemable preference shares at £1 each	1,254,941	-	1,254,941	-
	<u>1,255,941</u>	<u>1000</u>	<u>1,254,943</u>	<u>2</u>

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 31 December 1998	2	2,512,142	2,512,144
Profit for the year	-	192,622	192,622
At 31 December 1999	2	2,704,764	2,704,766
Profit for the year	-	373,391	373,391
Preference shares issued	1,254,941	-	1,254,941
At 31 December 2000	<u>1,254,943</u>	<u>3,078,155</u>	<u>4,333,098</u>

The preference shares, which were issued at par, are redeemable at any time after 1 January 2001, with not less than three months notice in writing. They carry a dividend of 0% per annum.

The preference shares shall not have or carry any rights to attend or vote at any general meeting or other meeting of shareholders.

16. PENSION COMMITMENTS

The company makes contributions to employee personal pension plans. Employer's contributions are fixed at 10% of each employee's salary. This cost is charged directly to the profit and loss account.

17. OTHER FINANCIAL COMMITMENTS

The company had annual commitments under non-cancellable operating leases as follows:

	2000 £	1999 £
Operating leases which expire: within two to five years	8,419	5,908
	<u>8,419</u>	<u>5,908</u>

NOTES TO THE ACCOUNTS
at 31 December 2000

18. ULTIMATE HOLDING COMPANY

The immediate holding company of Shakespeare Monofilament UK Limited is Shakespeare International Limited, a company incorporated in England and Wales. The ultimate holding company of Shakespeare Monofilament UK Limited is K2 Inc. a company incorporated in the USA, the accounts of which can be obtained from K2 Inc. 4500 South Eastern Avenue, Los Angeles, California, CA90040, USA.