

BRITTON GROUP LIMITED

Report and Financial Statements

31 December 2001

Deloitte & Touche
1 Woodborough Road
Nottingham
NG1 3FG



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A E Watson (non-executive)
R J Searle
N James

SECRETARY

N James

REGISTERED OFFICE

Castle Court
41 London Road
Reigate
Surrey
RH2 9RJ

BANKERS

National Westminster Bank plc
1 Princes Street
London
EC2R 8PB

SOLICITORS

Clifford Chance
200 Aldersgate Street
London
EC1A 4JJ

AUDITORS

Deloitte & Touche
1 Woodborough Road
Nottingham
NG1 3FG

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

ACTIVITIES

The principal activity of the company is that of an intermediary holding company.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The loss for the year is £7.6 million.

During the year the group completed a substantial financial restructuring reducing the level of debt in the company.

The company has, during the year, entered into an agreement whereby it acquired certain assets and liabilities of a subsidiary undertaking, the consideration for which was a reduction in the amount owed by the subsidiary undertaking based on the level of net assets acquired. As a result of this agreement, the company will receive certain group income in the future.

The company will continue as a holding company in the foreseeable future.

DIVIDENDS AND TRANSFERS TO RESERVES

The directors do not recommend payment of a dividend. The loss of £7.6 million (2000 - £63.4 million) has been transferred from reserves.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1 of the accounts.

The directors who served during the year were:

R J Searle
 N James (appointed 7 November 2001)
 R L Singer (non-executive) (resigned 14 January 2001)
 A E Watson (non-executive)
 H W Bishop (company secretary) (resigned 29 October 2001)

The share interests of those in office at the year end were:

	'A' Ordinary Shares in Britton Group (Holdings) Limited	
	31 December 2001	31 December 2000
R J Searle	16,500	-
N James	12,000	-
A E Watson (non-executive)	-	-

None of the directors have any interest in the issued share capital of the company.

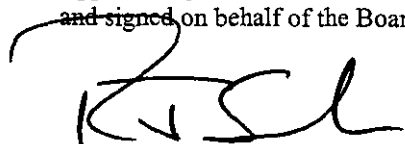
The interests of Mr R J Searle, Mr N James, and Mr A E Watson, all directors of the ultimate parent company, are disclosed in the accounts of that company.

DIRECTORS' REPORT

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

 9/7/2002

R J Searle

Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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;
- state whether applicable accounting standards have been followed; and
- 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 to 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.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITTON GROUP LIMITED

We have audited the financial statements of Britton Group Limited for the year ended 31 December 2001 which comprise the profit and loss account, the balance sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants
and Registered Auditors

11 July 2002

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2001

	Note	£'000	2001 £'000	£'000	2000 £'000
Administrative expenses					
Before exceptional items		(204)		(665)	
Exceptional items		(1,428)		(9,691)	
Total administrative expenses			(1,632)		(10,356)
Other operating expense			(102)		-
OPERATING LOSS	5		(1,734)		(10,356)
Interest receivable and similar income	2		453		507
Amounts written off investments			-		(43,801)
Interest payable and similar charges	3		(6,297)		(9,787)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(7,578)		(63,437)
Tax credit on loss on ordinary activities	6		-		7
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	14, 15		(7,578)		(63,430)

All results are derived from continuing operations.

There are no recognised gains and losses other than the loss for the financial year and for the preceding financial year. Accordingly, no statement of total recognised gains and losses is given.

BALANCE SHEET
31 December 2001

	Note	2001 £'000	2000 £'000
FIXED ASSETS			
Tangible assets	7	23	24
Investments	8	4,500	-
		<u>4,523</u>	<u>24</u>
CURRENT ASSETS			
Debtors	9	31,310	37,829
Cash at Bank		432	1,205
		<u>31,742</u>	<u>39,034</u>
CREDITORS: amounts falling due			
Within one year	10	<u>(6,256)</u>	<u>(10,953)</u>
NET CURRENT ASSETS		<u>25,486</u>	<u>28,081</u>
TOTAL ASSETS LESS CURRENT			
LIABILITIES		30,009	28,105
CREDITORS: amounts falling due			
after more than one year			
Bank loans and overdrafts	11	(28,066)	(65,552)
		<u>1,943</u>	<u>(37,447)</u>
CAPITAL AND RESERVES			
Called up share capital	13	82,157	37,114
Share premium account	14	1,925	-
Profit and loss account	14	(82,139)	(74,561)
EQUITY SHAREHOLDERS'			
FUNDS/(DEFICIT)	15	<u>1,943</u>	<u>(37,447)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

R J Searle

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 2001**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Plant and machinery 25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for impairment.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £'000	2000 £'000
Bank interest receivable	453	507

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Bank loans, overdraft and other loans	5,567	6,235
Amortisation of fees	730	-
Other interest payable	-	3,552
	<u>6,297</u>	<u>9,787</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001 £'000	2000 £'000
Directors' emoluments		
Emoluments	40	-
Contributions to a defined contribution pension scheme	5	-
	<u>45</u>	<u>-</u>
	No	No
 Average number of persons employed		
Administration	-	-
	<u>£'000</u>	<u>£'000</u>
 Staff costs during the year (including directors)		
Wages and salaries	61	-
Social security costs	7	-
Pension costs	7	-
	<u>75</u>	<u>-</u>

5 OPERATING LOSS

	2001 £'000	2000 £'000
Operating loss is stated after charging		
Exceptional items:		
Provision against intercompany receivables	487	9,691
Restructuring Costs	941	-
Depreciation	13	12
Rentals under Operating Leases	3	-
Auditors remuneration		
Audit fees	3	5
Other services	1	-
	<u></u>	<u></u>

6 TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
Group relief receivable		
Current year	-	-
Prior years	-	7
	<u>-</u>	<u>7</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

7. TANGIBLE FIXED ASSETS

	Plant and machinery £'000
Cost	
At 1 January 2001	45
Transfers from Group Undertaking	40
	<hr/>
At 31 December 2001	85
	<hr/>
Accumulated depreciation	
At 1 January 2001	21
Transfers from Group Undertaking	28
Charge for the year	13
	<hr/>
At 31 December 2001	62
	<hr/>
Net book value	
At 31 December 2001	23
	<hr/>
At 31 December 2000	24
	<hr/>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

8. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £'000
Cost and net book value	
At 1 January 2001	43,801
Additions	4,500
	<hr/> 48,301 <hr/>
Provision for impairment	
At 1 January 2001	43,801
Charge for the year	-
	<hr/> 43,801 <hr/>
Net book value	
At 31 December 2001	4,500
	<hr/> 4,500 <hr/>
At 31 December 2000	-
	<hr/> - <hr/>

The company has the following wholly owned subsidiaries incorporated in Great Britain and registered in England and Wales:

<i>Undertaking</i>	<i>Principal activity</i>
Merlin Group Holdings Limited	Holding company
Britton Merlin Limited	Extrusion, printing and conversion of low, co-extruded and high density polythene films
Britton Group Plastics Limited	Holding company
Britton Taco Limited	Manufacture of extruded and embossed polyolefin film and polypropylene film
Taco Plastics Limited	Dormant
Tacolin Limited	Dormant
Britton Polymon Limited	Dormant
Britton Packbourne Limited	Polythene film converter
Britton Precision Limited	Manufacture of polythene film
Britton Security Packaging Limited	Manufacture and distribution of polythene security and distribution packaging
Britton Decoflex Limited	Manufacture and distribution of polythene security and distribution packaging
Britton Polyian Limited	Printing and conversion of polythene
Hubcharm Limited	Dormant
Finoplas Limited	Dormant
CK Addison and Company Limited	Dormant
Britton Gelplas Limited	Manufacture and marketing of polythene products

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its ultimate parent company, Britton Group (Holdings) Limited.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

9. DEBTORS

	2001 £'000	2000 £'000
Amounts owed by subsidiary undertakings	29,223	36,928
Corporation tax	99	-
Prepayments and accrued income	-	30
Other debtors	1,988	871
	<u>31,310</u>	<u>37,829</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £'000	2000 £'000
Bank loans and overdraft	1,696	7,178
Amounts owed to group undertakings	2,386	1,438
Corporation tax	173	-
Other taxes and social security	13	-
Accruals and deferred income	1,988	2,337
	<u>6,256</u>	<u>10,953</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

11. BANK LOANS AND OVERDRAFT

	2001 £'000	2000 £'000
Secured bank loans	24,650	66,393
Secured bank loan interest	112	-
Secured bank loan note 2008	3,000	-
Secured institutional loan note 2008	2,000	-
6% Management loan notes due 2007	-	490
5.25% Unsecured loan notes due 2007	-	2,000
Unsecured loan note interest	-	297
Bank overdraft	-	3,550
	<u>29,762</u>	<u>72,730</u>
Less: Current instalments and amounts due on demand (Note 10)	(1,696)	(7,178)
Total borrowings falling due after more than one year	<u>28,066</u>	<u>65,552</u>
Repayment schedule		
By instalments, due after:		
More than one year but less than two years	2,196	4,907
More than two years but less than five years	7,696	25,621
More than five years	3,062	17,238
Not by instalments, due after:		
More than five years	15,112	17,786
	<u>28,066</u>	<u>65,552</u>

The bank loans and overdraft are secured by a guarantee and debenture dated 20 April 1998 between the company and certain of its subsidiaries and also by a fixed and floating charge over the company's assets.

The interest rates applicable to the bank loans are calculated on LIBOR plus a 2% margin plus a rate to compensate the lender for amounts it is required to place in non-interest bearing deposits with the Bank of England.

There is no interest charged on the Secured bank loan note 2008 and Secured institutional loan note 2008

12. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

The amounts provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Accelerated capital allowances	-	-	(8)	(1)
Short term timing differences	-	-	(3,230)	(2,468)
	<u>-</u>	<u>-</u>	<u>(3,238)</u>	<u>(2,469)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised		
82,242,517 (2000 - 37,200,100) ordinary shares of £1 each	82,242,517	37,200,100
Allotted, called up and fully paid		
82,156,579 (2000 - 37,114,162) ordinary shares of £1	82,156,579	37,114,162

During the financial year, 45,042,416 ordinary shares were issued at par value, and 1 ordinary share was issued at a premium of £1,924,999.

14. MOVEMENT ON RESERVES

	Share capital £'000	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	37,114	-	(74,561)
Issue of new shares	45,043	1,925	-
Loss for the year	-	-	(7,578)
At 31 December 2001	82,157	1,925	(82,139)

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS / (DEFICIT)

	2001 £'000	2000 £'000
Loss for the financial year	(7,578)	(63,430)
Issue of new shares	46,968	37,114
Opening shareholders' deficit	(37,447)	(11,131)
Closing shareholders' funds / (deficit)	1,943	(37,447)

16. RELATED PARTY TRANSACTIONS

The company is a wholly owned subsidiary and has taken advantage of the exemptions available under paragraph 3(c) of FRS 8.

On 7 December 2001, the company purchased certain assets and liabilities of Britton Group Plastics Limited, a subsidiary undertaking, at net book value of £6,948,273. Consideration for this was a reduction in the amount owed by the subsidiary undertaking, equivalent to the book value of the assets and liabilities acquired.

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

17. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party, for which consolidated accounts are prepared, is Britton Group (Holdings) Limited, a company incorporated in Great Britain. Group accounts are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

18. CONTINGENT LIABILITIES

The company has a joint VAT registration with Britton Taco Limited, Britton Group Plastics Limited and Britton Polymon Limited.

Guarantee

On 20 April 1998, financing for the acquisition of the company's subsidiaries was arranged by Credit Suisse First Boston and certain of the company's assets have been secured in respect of these borrowings. The company has also provided a guarantee to other group companies in respect of the financing.

19. FINANCIAL COMMITMENTS

At 31 December 2001, the company had annual commitments under non-cancellable operating leases as set out below:

	2001 Other £'000	2000 Other £'000
Operating leases which expire:		
Within one year	22	-
Within two to five years	64	-
	<hr/>	<hr/>