

BRITTON GROUP LIMITED

Report and Financial Statements

31 December 2002



**Deloitte & Touche LLP
Nottingham**

REPORT AND FINANCIAL STATEMENTS 2002

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BRITTON GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A E Watson (non-executive)
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 LLP
Nottingham

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company will continue to trade 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 £2,852,000 (2001 - £7,578,000) 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 (resigned 3 October 2003)

N James

A E Watson (non-executive)

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

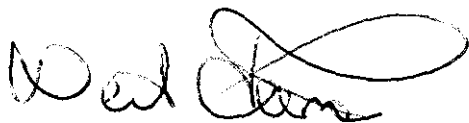
	'A' Ordinary Shares in Britton Group (Holdings) Limited	
	31 December 2002	31 December 2001
R J Searle	16,500	16,500
N James	12,000	12,000
A E Watson (non-executive)	-	-

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

AUDITORS

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

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



N James

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 2002 which comprise the profit and loss account, the balance sheet and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2002 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 LLP

Deloitte & Touche LLP

Chartered Accountants
and Registered Auditors

Nottingham

17 December 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Administrative expenses		(1,186)	(204)
Exceptional administrative items		-	(1,428)
		<hr/>	<hr/>
		(1,186)	(1,632)
Other operating income/(expense)		1,797	(102)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	5	611	(1,734)
Amounts written off investments		(1,592)	-
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST		(981)	(1,734)
Interest receivable and similar income	2	177	453
Interest payable and similar charges	3	(1,782)	(6,297)
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,586)	(7,578)
Tax charge on loss on ordinary activities	7	(266)	-
		<hr/>	<hr/>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	15, 16	<u>(2,852)</u>	<u>(7,578)</u>

All results are derived from continuing operations in the current and prior year.

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.

BRITTON GROUP LIMITED

BALANCE SHEET

31 December 2002

	Note	2002 £'000	2001 £'000
FIXED ASSETS			
Tangible assets	8	8	23
Investments	9	3,000	4,500
		<u>3,008</u>	<u>4,523</u>
CURRENT ASSETS			
Debtors	10	29,758	31,310
Cash at Bank		-	432
		<u>29,758</u>	<u>31,742</u>
CREDITORS: amounts falling due Within one year	11	<u>(7,185)</u>	<u>(6,256)</u>
NET CURRENT ASSETS		<u>22,573</u>	<u>25,486</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		25,581	30,009
CREDITORS: amounts falling due after more than one year			
Bank loans and overdrafts	12	<u>(26,490)</u>	<u>(28,066)</u>
		<u>(909)</u>	<u>1,943</u>
CAPITAL AND RESERVES			
Called up share capital	14	82,157	82,157
Share premium account	15	1,925	1,925
Profit and loss account	15	<u>(84,991)</u>	<u>(82,139)</u>
EQUITY SHAREHOLDERS' FUNDS	16	<u>(909)</u>	<u>1,943</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



N James

Director

20 October 2003

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

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% - 33% per annum
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Loan issue costs

Issue costs relating to loans agreed have been capitalised and are being amortised over the loan period.

Investments

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

Deferred taxation

The group has adopted FRS19 Deferred tax. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The group pays contributions on behalf of the directors and qualifying employees to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Company contributions are charged directly to the profit and loss account.

Cash flow

The accounts do not include a cash flow statement because the company, as a wholly owned subsidiary undertaking of Britton Group (Holdings) Limited, is exempt from the requirement to prepare such a statement under Financial Reporting Statement 1 "Cash flow statements".

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002 £'000	2001 £'000
Bank interest receivable	177	453

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Bank loans, overdraft and other loans	1,631	5,567
Amortisation of fees	151	730
	<u>1,782</u>	<u>6,297</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2002 £'000	2001 £'000
Directors' emoluments		
Emoluments	383	40
Contributions to a defined contribution pension scheme	76	5
	<u>459</u>	<u>45</u>

Contributions to a defined contribution scheme were made on behalf of 2 (2001: 2) directors.

	£'000	£'000
Highest paid director		
Emoluments	211	40
Contributions to a defined contribution pension scheme	60	5
	<u>271</u>	<u>45</u>

Average number of persons employed
Administration

	7	2
	<u>7</u>	<u>2</u>

	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	677	61
Social security costs	76	7
Pension costs	122	7
	<u>875</u>	<u>75</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

5. OPERATING PROFIT/(LOSS)

	2002 £'000	2001 £'000
Operating profit/(loss) is stated after charging		
Exceptional items:		
Provision against intercompany receivables	-	487
Restructuring costs	-	941
Depreciation	25	13
Rentals under operating leases	39	3
Auditors remuneration		
Audit fees	36	3
Other services	12	1

6. ACQUIRED ACTIVITIES

In an agreement dated 7 December 2001, the trade and assets of Britton Group Plastics Limited were transferred to Britton Group Limited. Accordingly the comparative trading for 2001 is displayed within the accounts of Britton Group Plastics Limited which are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The first full year of results from these operations are:

	Continuing activities		Total	Total
	2002	Acquisitions	2002	2001
	£'000	2002 £'000	£'000	£'000
Administrative expenses	(124)	(1,062)	(1,186)	(204)
Exceptional administrative items	(92)	-	(92)	(1,428)
	(216)	(1,062)	(1,278)	(1,632)
Other operating expense	-	-	-	(102)
Other operating income	-	1,797	1,797	-
OPERATING PROFIT/(LOSS)	(216)	735	519	(1,734)

7. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

a) Analysis of charge in the year	2002 £'000	2001 £'000
Current tax		
UK corporation tax at 30% (2001: 30%) based on the loss for the year	-	-
Adjustments in respect of prior years	353	-
Total current tax (note 6b)	353	-
Deferred tax		
Current year charge at 30% (2001: 30%)	102	-
Adjustments in respect of previous years	(189)	-
Total deferred tax (note 13)	(87)	-
Total tax charge in the year	266	-

NOTES TO THE ACCOUNTS

Year ended 31 December 2002

7. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES (Continued)

b) Factors affecting the tax credit for the year

The tax assessed for the current year differs to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £'000	2001 £'000
Loss on ordinary activities before tax	(1,086)	(7,578)
Loss on ordinary activities multiplied by the standard Rate of corporation tax in the UK	(326)	(2,273)
Effects of:		
Capital allowances in excess of depreciation	4	4
Expenses not deductible for tax purposes	32	324
Utilisation of tax losses	(75)	371
Movement in other short term timing differences	(19)	170
Group relief not paid for	384	1,515
Permanent differences	-	(111)
Adjustment in respect of prior years	353	-
Current tax charge for the year (note 7a)	353	-

8. TANGIBLE FIXED ASSETS

	Plant and Machinery £'000
Cost	
At 1 January 2002	85
Additions	10
At 31 December 2002	95
Accumulated depreciation	
At 1 January 2002	62
Charge for the year	25
At 31 December 2002	87
Net book value	
At 31 December 2002	8
At 31 December 2001	23

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiaries £'000
Cost	
At 1 January 2002	48,301
Additions	92
	<hr/> 48,393
Provision for impairment	
At 1 January 2002	43,801
Exceptional charge	1,592
	<hr/> 45,393
Net book value	
At 31 December 2002	<hr/> 3,000
At 31 December 2001	<hr/> 4,500

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	Dormant
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 Gelpas 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 2002

10. DEBTORS

	2002 £'000	2001 £'000
Amounts owed by subsidiary undertakings	28,796	29,223
Corporation tax	-	99
Deferred tax asset	87	-
Other debtors	875	1,988
	<u>29,758</u>	<u>31,310</u>

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £'000	2001 £'000
Bank loans and overdraft	3,774	1,696
Amounts owed to group undertakings	1,934	2,386
Corporation tax	-	173
Other taxes and social security	39	13
Accruals and deferred income	1,438	1,988
	<u>7,185</u>	<u>6,256</u>

12. BANK LOANS AND OVERDRAFT

	2002 £'000	2001 £'000
Secured bank loans	22,954	24,650
Secured bank loan interest	732	112
Secured bank loan note 2008	3,000	3,000
Secured institutional loan note 2008	2,000	2,000
Bank overdraft	1,578	-
	<u>30,264</u>	<u>29,762</u>
Less: Current instalments and amounts due on demand (Note 11)	(3,774)	(1,696)
Total borrowings falling due after more than one year	<u>26,490</u>	<u>28,066</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

12. BANK LOANS AND OVERDRAFT (Continued)

	2002 £'000	2001 £'000
Repayment schedule		
By instalments, due after:		
More than one year but less than two years	2,196	2,196
More than two years but less than five years	8,562	7,696
More than five years	-	3,062
Not by instalments due after:		
More than five years	15,732	15,112
	<u>26,490</u>	<u>28,066</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.

13. PROVISIONS FOR LIABILITIES AND CHARGES

	2002 £'000	2001 £'000
Deferred taxation		
At 1 January	-	-
Credit for the year	(87)	-
At 31 December (note 7a)	<u>(87)</u>	<u>-</u>

The amount of deferred taxation provided and not provided in the accounts are as follows:

	Provided 2002 £'000	Not provided 2002 £'000	Provided 2001 £'000	Not provided 2001 £'000
Accelerated capital allowances	-	(12)	-	(8)
Losses	-	(3,156)	-	(3,020)
Short term timing differences	(87)	-	-	(210)
	<u>(87)</u>	<u>(3,168)</u>	<u>-</u>	<u>(3,238)</u>

Deferred tax is not provided where there is uncertainty over the recovery of the asset. The company was loss making in 2002 and 2001. To be prudent therefore only deferred tax assets on short term timing differences have been provided. Unprovided deferred tax assets will be recovered when the company becomes profit making.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

14. CALLED UP SHARE CAPITAL

	2002 £'000	2001 £'000
Authorised		
82,242,517 ordinary shares of £1 each	82,243	82,243
Allotted, called up and fully paid		
82,156,579 ordinary shares of £1	82,157	82,157

15. MOVEMENT ON RESERVES

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2002	82,157	1,925	(82,139)	1,943
Loss for the year	-	-	(2,852)	(2,852)
At 31 December 2002	82,157	1,925	(84,991)	(909)

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Loss for the financial year	(2,852)	(7,578)
Issue of new shares	-	46,968
Opening shareholders' deficit	1,943	(37,447)
Closing shareholders' funds	(909)	1,943

17. 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.

18. IMMEDIATE AND ULTIMATE PARENT COMPANY

The immediate and 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.

19. 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002**20. FINANCIAL COMMITMENTS**

At 31 December 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	2002	2001
	Other	Other
	£'000	£'000
Operating leases which expire:		
Within one year	6	22
Within two to five years	74	64
	<hr/>	<hr/>

21. PENSIONS

Certain employees are members of the group defined contribution scheme. Contributions paid during the year were £122,000 (2001: £7,000).