

Registered no: 4507961

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Filon Products Limited

Annual report for the year ended 31 December 2003

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Filon Products Limited

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Directors and advisers

Executive directors

A N Gillespie
R Allen

Secretary and registered office

H J A Cox
Aldridge Road
Streetly
Sutton Coldfield
West Midlands
B74 2DZ

Registered Auditors

BSN Associates Limited
2 Hagley Court South
Waterfront East
Level Street
Brierley Hill
West Midlands
DY5 1XE

Solicitors

Higgs & Sons
134 High Street
Brierley Hill
West Midlands
DY5 3BG

Bankers

HSBC plc
Market Place
Willenhall
West Midlands
WV13 2AF

**Directors' report
for the year ended 31 December 2003**

The directors present their report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company is the manufacture of reinforced plastic sheeting.

Review of business

The company has traded successfully in the period under review and the financial position at the period end was satisfactory. The directors are confident and expect continued growth in the foreseeable future.

Dividends and transfers to reserves

The retained profit for the year of £441,000 (2002: £134,000) is transferred to reserves.

The directors have declared or now recommend the following dividends in respect of the year ended 31 December 2003:

	£000
Ordinary dividends:	
Final proposed	16

Directors

The directors of the company at 31 December 2003, all of whom have been directors for the whole of the period ended on that date, are listed below, together with their beneficial interests in the issued share capital at the balance sheet date:

	Ordinary shares of £1 each	
	2003	2002
A N Gillespie	59,500	59,500
R Allen	70,000	70,000

Other than shown in the table above no director had any interest in the shares or debentures of the company at 31 December 2003.

Changes in fixed assets

The movements in fixed assets during the period are set out in note 10 to the financial statements.

Taxation status

The company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial period.

Directors' responsibility statement

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

Auditors

A resolution to re-appoint the auditors, BSN Associates Limited, will be proposed at the Annual General Meeting.

By order of the board



H J A Cox
Secretary

9 February 2004

Independent auditors' report to the members of Filon Products Limited

We have audited the financial statements of Filon Products Limited for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you 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 and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit 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 affairs of the company and of the group as at 31 December 2003 and of the group's profit and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BSN Associates Limited

BSN Associates Limited

Chartered Accountants and Registered Auditors
2 Hagley Court South
Waterfront East
Brierley Hill
West Midlands DY5 1XE



9 February 2004

**Consolidated profit and loss account
for the year ended 31 December 2003**

	Notes	2003 £000	2002 £000
Turnover	2	7,017	2,394
Net operating costs	3	6,353	2,130
Operating profit		664	264
Interest payable and similar charges	6	46	27
Profit on ordinary activities before taxation		618	237
Tax on profit on ordinary activities	7	161	93
Profit for the financial year		457	144
Equity dividends	8	16	10
Retained profit for the year	20	441	134
Profit and loss account brought forward		134	-
Profit and loss account carried forward		575	134


All operations in the year are continuing. There is no difference between profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

There are no gains and losses other than those shown above.

**Consolidated balance sheet
at 31 December 2003**

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	926	922
Negative goodwill	11	(39)	(44)
		887	878
Current assets			
Stocks	13	672	676
Debtors	14	1,012	1,190
Cash at bank and in hand		3	13
		1,687	1,879
Creditors: amounts falling due within one year	15	1,782	1,725
Net current (liabilities)/assets		(95)	154
Total assets less current liabilities		792	1,032
Creditors: amounts falling due in more than one year	16	-	684
Provisions for liabilities and charges	17	17	14
Net assets		775	334
Capital and reserves			
Called up share capital	19	200	200
Profit and loss account	20	575	134
Shareholders' funds	20	775	334

The financial statements on pages 5 to 21 were approved by the directors on 9 February 2004 and were signed on its behalf by:



R Allen
Director

**Company balance sheet
at 31 December 2003**

	Notes	2003 £000	2002 £000
Fixed assets			
Tangible assets	10	926	922
Investments	12	2,741	2,741
		3,667	3,663
Current assets			
Stocks	13	672	676
Debtors	14	1,012	1,190
Cash at bank and in hand		3	13
		1,687	1,879
Creditors: amounts falling due within one year	15	1,782	1,725
Net current (liabilities)/assets		(95)	154
Total assets less current liabilities		3,572	3,817
Creditors: amounts falling due in more than one year	16	2,790	3,474
Provisions for liabilities and charges	17	17	14
Net assets		765	329
Capital and reserves			
Called up share capital	19	200	200
Profit and loss account	20	565	129
Shareholders' funds	20	765	329

The financial statements on pages 5 to 21 were approved by the directors on 9 February 2004 and were signed on its behalf by:



R Allen
Director

**Consolidated cash flow statement
for the year ended 31 December 2003**

	Notes	2003 £	2002 £
Net cash inflow from operating activities (page 9)		1,205	404
Returns on investments and servicing of finance	1	(56)	(54)
Taxation paid		(131)	(49)
Capital expenditure	1	(64)	-
Acquisitions	1	-	(2,741)
		954	(2,440)
Financing	1	(797)	997
Increase/(decrease) in cash		157	(1,443)

Reconciliation of operating profit to net cash inflow from operating activities

	2003 £	2002 £
Operating profit	664	264
Amortisation of negative goodwill	(5)	(5)
Depreciation on tangible fixed assets	62	30
(Profit)/loss on sale of tangible fixed assets	(2)	13
Decrease/(increase) in stocks	4	22
Decrease/(increase) in debtors	178	119
Increase/(decrease) in creditors	304	(39)
Net cash inflow from operating activities	<u>1,205</u>	<u>404</u>

Reconciliation of net cash flow to movement in net debt

	2003 £	2002 £
Increase/(decrease) in cash in year	157	(1,443)
Cash inflow from new debt taken out	-	(825)
Cash outflow from debt repayments	797	28
Cash acquired with subsidiary	-	960
Change in net debt resulting from cash flows	<u>954</u>	<u>(1,280)</u>
Net cash at 1 January 2003	(1,280)	-
Net debt at 31 December 2003	<u>(326)</u>	<u>(1,280)</u>

Notes to the cashflow statement

1 Gross cashflows

	2003 £	2002 £
Returns on investments and servicing of finance		
Dividends paid	(10)	(27)
Interest paid	(46)	(27)
	<u>(56)</u>	<u>(54)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(79)	-
Receipts from sales of tangible fixed assets	15	-
	<u>(64)</u>	<u>-</u>
Financing		
Equity shares issued	-	200
Loans advanced	-	825
Repayment of loans	(797)	(28)
	<u>(797)</u>	<u>997</u>
Acquisitions		
Purchase of subsidiary undertaking	-	2,741
	<u>-</u>	<u>-</u>

2 Analysis of changes in net debt

	At 1 January 2003 £	Cash flows £	Non cash changes £	At 31 December 2003 £
Cash	13	(10)	-	3
Overdrafts	(496)	167	-	(329)
		<u>157</u>		
Debt due after 1 year	(684)	684	-	-
Debt due within 1 year	(113)	113	-	-
Net cash	<u>(1,280)</u>	<u>954</u>	<u>-</u>	<u>(326)</u>

3 Purchase of subsidiary undertaking

	2003 £	2002 £
Net assets acquired		
Tangible fixed assets	-	965
Stocks	-	698
Debtors	-	1,309
Cash at bank	-	960
Creditors	-	(1,007)
Dividends payable	-	(27)
Taxation	-	(90)
Deferred taxation	-	(18)
	<hr/>	<hr/>
	-	2,790
Capital reserve	-	(49)
	<hr/>	<hr/>
	-	2,741
Satisfied by:	<hr/>	<hr/>
Cash		2,741
	<hr/>	<hr/>

**Notes to the financial statements
for the year ended 31 December 2003****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

These financial statements have been prepared in accordance with the historical cost convention.

Basis of consolidation

The group accounts consolidate the accounts of Filon Products Limited and its subsidiary undertakings drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the period from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written-off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment. Negative goodwill is amortised over the period expected to benefit from the purchase of the related assets, which is ten years.

Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services provided.

Deferred taxation

Full provision is made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition for tax purposes.

Pension scheme arrangements

The group operates a defined contribution pension scheme, and the pension charge represents the amounts payable by the group to the fund in respect of the year.

Tangible fixed assets

The cost of tangible assets is their purchase cost together with any expenses of acquisition.

Depreciation has been calculated to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold buildings	2½
Plant and machinery	7½
Motor vehicles	25
Office equipment	20

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of finished stocks and work in progress, cost includes direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

2 Turnover

The whole of the turnover and profit before taxation is attributable to the principal activity of the company.

Turnover is analysed by geographical destination as follows:

	2003 £000	2002 £000
United Kingdom	6,811	2,350
Middle East and Africa	141	1
Mainland Europe	63	43
Americas	2	-
	<hr/> 7,017 <hr/>	<hr/> 2,394 <hr/>

3 Net operating costs

	2003	2002
	£000	£000
Change in gross stocks of finished goods and work in progress	(4)	(676)
Raw materials and consumables	3,534	1,848
Staff costs (note 5)	1,440	511
Depreciation of tangible fixed assets:		
Owned	62	30
Operating lease rentals:		
Plant and machinery	33	9
(Profit)/loss on disposal of tangible fixed assets	(2)	13
Auditors' remuneration:		
Annual audit	7	2
Other operating charges	1,288	398
Amortisation of negative goodwill	(5)	(5)
	6,353	2,130

4 Directors' emoluments

	2003	2002
	£	£
Aggregate emoluments	54,668	17,306
Contributions to money purchase pension schemes	4,992	1,379

Benefits are accruing to one director under a money purchase pension scheme.

In addition, £27,312 (2002: £9,283) was paid to an unincorporated business under the control of A N Gillespie in respect of the services of Mr Gillespie.

5 Employee information

The average weekly number of persons (including executive directors) employed by the company during the year was:

	2003	2002
	Number	Number
By activity		
Production	31	12
Other	31	10
	<hr/> 62	<hr/> 22
	<hr/>	<hr/>
	2003	2002
	£000	£000
Staff costs (for the above persons)		
Wages and salaries	1,215	436
Social security costs	125	39
Other pension costs	100	36
	<hr/> 1,440	<hr/> 511
	<hr/>	<hr/>

The cost of the defined contribution pension scheme for the year was £95,105 (2002: £32,184).

6 Interest payable and similar charges

	2003	2002
	£000	£000
Interest payable on bank loans and overdraft	46	27
	<hr/>	<hr/>

7 Tax on profit on ordinary activities

	2003	2002
	£000	£000
Current tax		
UK corporation tax on profits of the year	165	97
Adjustments in respect of previous periods	(7)	-
Total current tax	<hr/> 158	<hr/> 97
	<hr/>	<hr/>
Deferred tax		
Origination and reversal of timing difference	3	(4)
Prior periods adjustment	-	-
Total deferred tax	<hr/> 3	<hr/> (4)
	<hr/>	<hr/>
Tax on profit on ordinary activities	<hr/> 161	<hr/> 93
	<hr/>	<hr/>

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 30%. The differences are explained as follows:

	2003 £000	2002 £000
Profit on ordinary activities	618	237
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 30%	185	71
Effects of:		
Consolidation adjustments not taxable	2	30
Expenses not deductible for tax purposes	6	2
Capital allowances for period in excess of depreciation	-	1
Adjustment to tax charge in respect of previous periods	(7)	-
Marginal relief	(25)	(7)
Total current tax charge for period	161	97

8 Equity dividends

	2003 £000	2002 £000
Dividends on equity shares		
Ordinary – proposed 8p per share	16	10

9 The profit for the year dealt with in the accounts of the parent company Filon Products Limited was £452,000 (2002: £139,000). As permitted by Section 230 of the Companies Act 1985 no separate profit and loss account is presented in respect of the parent company.

10 Tangible Fixed Assets

Group and Company	Freehold land & buildings £000	Plant & machinery £000	Total £000
Cost			
At 1 January 2003	932	1,002	1,934
Additions	-	79	79
Disposals	-	(73)	(73)
At 31 December 2003	932	1,008	1,940
Depreciation			
At 1 January 2003	166	846	1,012
Charge for the period	13	49	62
On disposals	-	(60)	(60)
At 31 December 2003	179	835	1,014
Net Book Value			
At 31 December 2003	753	173	926
At 31 December 2002	766	156	922

The legal title of the freehold land and buildings was transferred to a third party during the year. There is no significant change in the company's rights or benefits to the property and the asset continues to be included in the accounts.

11 Negative goodwill

	2003 £000
Negative goodwill arising on acquisition of subsidiaries	49
At 31 December 2003	49
Amortisation	
At 1 January 2003	5
Credit for year	5
At 31 December 2003	10
Net book value	
At 31 December 2003	39
At 31 December 2002	44

12 Investments

Company	Subsidiaries £000
At 31 December 2003	2,741

The company owns 100% of the issued equity share capital of the following subsidiaries. All are dormant companies incorporated in England and Wales.

GRP Signs Limited

GRP Pultrusion Products Limited

The book values and fair values of acquired assets and liabilities were the same and are as disclosed in note 3 to the cashflow statement. The group's results for the years ended 31 December 2003 and 2002 consist entirely of the acquired subsidiaries results.

13 Stocks

Group and Company	2003 £000	2002 £000
Raw materials and consumables	299	307
Finished products	373	369
	<u>672</u>	<u>676</u>

14 Debtors

Group and Company	2003 £000	2002 £000
Trade debtors	903	1,143
Prepayments and accrued income	109	47
	<u>1,012</u>	<u>1,190</u>

15 Creditors: amounts falling due within one year

Group and Company	2003 £000	2002 £000
Overdrafts and other loans (secured – see note 18)	329	609
Trade creditors	540	714
Corporation tax	165	138
Other taxation and social security	124	175
Other creditors	587	58
Accruals and deferred income	21	21
Dividends	16	10
	<u>1,782</u>	<u>1,725</u>

16 Creditors: amounts falling due in more than one year

	Group 2003 £000	Company 2003 £000
Other loans (secured – see note 18)	-	-
Amounts due to subsidiary companies	-	2,790
	<hr/> -	<hr/> 2,790

17 Provisions for liabilities and charges

Group and Company

Deferred tax

	2003 £000	2002 £000
At 1 January 2003	14	-
Transferred from subsidiary	-	18
Credit for the period	-	(4)
Debit for the year	3	-
Balance at 31 December 2003	<hr/> 17	<hr/> 14

The provision for deferred tax is analysed as follows:

	2003 £000	2002 £000
Accelerated capital allowances	17	14

18 Borrowings

	2003 £000	2002 £000
Overdrafts and other loans	-	609
Other loans	-	684
	<hr/> -	<hr/> 1,293

Borrowings are secured by fixed and floating charges over the group's assets and personal guarantees by Messrs Gillespie and Allen. They bear interest at rates based on HSBC Bank PLC base rate. Borrowings are repayable over the following periods:

	2003 £000	2002 £000
Within one year	-	609
Within two to five years	-	337
Amounts repayable by instalments:		
Over five years	-	347
	<hr/>	<hr/>
	-	1,293
	<hr/>	<hr/>

19 Called up share capital

Group and Company	2003 £000	2002 £000
Authorised		
200,000 Ordinary shares of £1 each	200	200
	<hr/>	<hr/>
Called up and fully paid		
200,000 Ordinary shares of £1 each	200	200
	<hr/>	<hr/>

20 Reconciliation of movements in equity shareholders' funds

	Group 2003 £000	Company 2003 £000
At 1 January 2003	334	329
Profit for the financial period	457	452
Equity dividends	(16)	(16)
	<hr/>	<hr/>
At 31 December 2003	775	765
	<hr/>	<hr/>

21 Capital commitments

	2003 £000	2002 £000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	217	Nil
	<hr/>	<hr/>
Capital expenditure that has been authorised by the directors but has not yet been contracted for	20	Nil
	<hr/>	<hr/>

22 Financial commitments

At 31 December 2003 the group had annual commitments under non-cancellable operating leases for assets other than land and buildings as follows:

	2003	2002
	£000	£000
Expiring within:		
one year	-	1
second to fifth year	46	21
	<hr/> 46 <hr/>	<hr/> 22 <hr/>

23 Control

The directors consider that no single individual controls the company.