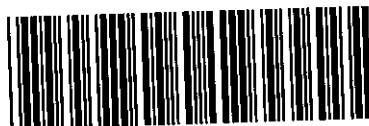


EXTRUSION AND MOULDING COMPOUNDS LIMITED

(Company Number 905428)

DIRECTORS' REPORT AND ACCOUNTS FOR THE YEAR TO 31 MAY 2006

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DIRECTORS' REPORT

The Directors present their Report and the Financial Statements of the Company for the Year to 31 May 2006.

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the Company's state of affairs and of its profit or loss for the year. When they prepare these statements the Directors are required to:

1. Select suitable accounting policies and apply them consistently.
2. Make judgements and estimates which are reasonable and prudent.
3. Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose, at any time and with reasonable accuracy, the Company's financial position and which enable them to ensure that the Financial Statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the Company's assets and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company's principal activity remains the processing, sale, and distribution of plastics and plastic materials. The Directors consider that both the Company's performance during the Year and its state of affairs on 31 May 2006 were satisfactory.

DIRECTORS

The Directors of the Company throughout the year and their interests, all of which are beneficial, in its issued ordinary shares were:

	ORDINARY SHARES HELD	
	31.5.06	31.5.05
Michael HUGHES	nil	nil
Lyn BRIDGE	nil	nil
Meryl WILLIAMS	nil	nil

None of the directors have any direct holding of shares in this Company. But they hold shares in Proudmedium Ltd, a Company registered in England and Wales, which owns this Company's entire issued share capital and is the ultimate holding company. M Hughes and L Bridge each own 47.5% of Proudmedium's issued share capital and M Williams owns the remaining 5%.

DIRECTORS' REPORT - Continued

DIVIDENDS

Interim dividends of £50,000 have been paid which is £25,000 for each issued Ordinary Share. A final dividend is not proposed

This report takes advantage of the special exemptions available to small companies.

On behalf of the Board



Director

BALANCE SHEET - 31 MAY 2006

	<i>31 May 2005</i>	
TANGIBLE FIXED ASSETS (Note 2)	869,001	917,482
CURRENT ASSETS		
Stock (Notes 1 and 3)	232,187	191,422
Debtors (Note 4)	469,148	443,034
Cash at bank and in hand	263	215
	<u>701,598</u>	<u>634,671</u>
CREDITORS		
Amounts falling due within one year (Note 5)	<u>(368,294)</u>	<u>(341,682)</u>
NET CURRENT ASSETS	333,304	292,989
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,202,305</u>	<u>1,210,471</u>
CREDITORS		
Amounts falling due after more than one year	-	-
PROVISIONS FOR LIABILITIES AND CHARGES (Note 6)	(66,492)	(67,538)
	<u>£ 1,135,813</u>	<u>£ 1,142,933</u>
CAPITAL AND RESERVES		
Called up Share Capital (Note 7)	3,600	3,600
Revaluation Reserve (Note 8)	594,810	592,723
Revenue Reserves (Note 8)	537,403	546,610
EQUITY SHAREHOLDERS' FUNDS	<u>£ 1,135,813</u>	<u>£ 1,142,933</u>

BALANCE SHEET - 31 MAY 2006 - Continued

For the year to 31 May 2006 this Company is entitled to take advantage of the audit exemption conferred by subsection 1 of S249A of the Companies Act 1985. No notice about the Accounts for the year has been deposited under subsection 2 of S249B of this Act.

The Directors acknowledge their responsibility to ensure that the Company keeps accounting records which comply with S221 of the Act and for preparing Accounts which give a true and fair view of the Company's state of affairs at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of S226 of the Act and which otherwise comply with the requirements of the Companies Act 1985 relating to Accounts so far as they apply to the Company.

These Financial Statements take advantage of the special provisions for small companies in Part VII of the Companies Act 1985 and are in accordance with the "Financial Reporting Standard for Smaller Entities (effective January 2005)"

Signed on behalf of the Board



DIRECTOR

These Financial Statements were approved by the Board on 21 December 2006.

PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MAY 2006

		<i>Year to 31.5.05</i>
TURNOVER (Note 9)	1,120,596	<i>1,217,012</i>
Other Operating Income	84,000	<i>84,000</i>
Raw Materials and Consumables	(357,797)	<i>(506,902)</i>
Other External Charges	(218,928)	<i>(211,688)</i>
GROSS PROFIT	627,871	<i>582,422</i>
Staff Costs (Note 10)	(435,462)	<i>(401,656)</i>
Depreciation (Note 1)	(48,991)	<i>(47,854)</i>
Other Operating Charges	(77,068)	<i>(79,125)</i>
OPERATING PROFIT	66,350	<i>53,787</i>
Interest payable (Note 11)	(6,186)	<i>(7,235)</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 12)	60,164	<i>46,552</i>
TAXATION (Note 13)	(19,371)	<i>(10,806)</i>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	40,793	<i>35,746</i>
DIVIDENDS	(50,000)	-
RETAINED PROFIT FOR THE YEAR	(9,207)	<i>35,746</i>
REVENUE RESERVES BROUGHT FORWARD	546,610	<i>510,864</i>
REVENUE RESERVES CARRIED FORWARD	<u>£ 537,403</u>	<u>£ 546,610</u>

STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES FOR THE YEAR TO 31 MAY 2006

		<i>Year to 31.5.05</i>
Profit for the Year	40,793	35,746
Tax provided against 1993 asset revaluation surplus	2,087	2,086
Total Recognized Gains	<u>£ 42,880</u>	<u>£ 37,832</u>

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006

1. ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared according to the historical cost convention modified by the revaluation of certain Fixed Assets, prevailing Accounting Standards, the terms of the Companies Act 1985 and the provisions of Part VII of the Act available to small companies, and the "Financial Reporting Standard for Smaller Entities (effective January 2005)"

Freehold Property

In February 1993 the Company's Freehold Property was valued at the instigation of the Company's bankers. A forced sale value was requisitioned and quoted and the property was revalued in order to be stated at this value. The Property's value was reviewed by the Directors in May 2004 and, in consequence, the Property has been revalued to the market value that the Directors believe, on enquiry, was available readily at that time. Henceforth, the Property value will be reviewed and, if appropriate, adjusted at least every five years.

Plant and Vehicles

These assets have been revalued in accordance with a professional valuation carried out in February 1994 by Henry Butcher & Co. (International Property and Plant Consultants). The valuation quoted is of the assets' open market value in situ and accords with the Statements of Asset Valuation Practice SAVP 16 and IP 16 issued by the Royal Institution of Chartered Surveyors and adopted by the Incorporated Society of Valuers and Auctioneers.

Depreciation

The provision for depreciation is calculated on the net cost or value of Tangible Fixed Assets in order to write off this cost or value over the estimated useful lives of these assets. From 1 June 1994, following the revaluation just described, the revalued amounts of Plant together with the cost of subsequent additions will be written off evenly over 20 years. Motor Vehicles are written off evenly over seven years. The valuation of Freehold Property will be depreciated at the rate of 2% a year from 31 May 2004.

Stocks

Stocks are valued at the lower of cost or net realisable value.

Deferred Tax

The Company's policy is to provide for deferred tax in full by the liability method at rates currently in force. Tax is deferred because of differences in the times that Financial Statements and Tax Legislation recognize some expenses and changes in value. Deferred tax will not be provided on the timing difference arising from the current or future revaluation of Freehold Property unless there is a commitment to sell the asset.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006 - Continued

1. ACCOUNTING POLICIES - Continued

Cash Flow Statement

The Company has not published a cash flow statement. It has chosen to take advantage of the exemption afforded by Financial Reporting Standard No. 1 on the grounds that it is a small company.

2. TANGIBLE FIXED ASSETS

	Freehold Property	Plant and Equipment	Motor Vehicles	Total
Cost or Valuation				
1 June 2005	500,000	791,492	4,200	1,295,692
Additions	-	-	-	-
Disposals	-	-	-	-
31 May 2006	500,000	791,492	4,200	1,295,692
Depreciation				
1 June 2005	5,000	373,028	182	378,210
Eliminated on disposals	-	-	-	-
Charge for the Year	5,000	42,881	600	48,481
31 May 2006	10,000	415,909	782	426,691
Net Book Values				
31 May 2006	£ 490,000	£ 375,583	£ 3,418	£ 869,001
31 May 2005	£ 495,000	£ 418,464	£ 4,018	£ 917,482

3. STOCK

	31.5.06	31.5.05
Raw Materials and Consumables	232,187	191,422
Finished Goods	-	-
	£ 232,187	£ 191,422

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006 - Continued

4. DEBTORS	31.5.06	31.5.05
Trade Debtors	169,177	152,071
Prepayments and Accrued Income	38,149	28,946
Loan to Holding Company	247,667	247,667
Other Debtors	14,155	14,350
	<u>£ 469,148</u>	<u>£ 443,034</u>

5. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	31.5.06	31.5.05
Bank Overdraft	137,250	99,268
Trade Creditors	135,319	174,304
Accrued Charges and Deferred Income	50,614	42,746
Taxation and Social Security	12,473	11,255
Corporation Tax	32,263	13,932
Other Creditors	375	177
	<u>£ 368,294</u>	<u>£ 341,682</u>

The bank overdraft is secured.

6. PROVISIONS FOR LIABILITIES AND CHARGES

The provision is solely for deferred taxation:

	Fixed Asset Revaluation	Accelerated Capital Allowances	Total
Provision at the beginning of the Year	29,205	38,333	67,538
Transfer from Profit and Loss account	-	1,041	1,041
Transfer to Revaluation Reserve	(2,087)	-	(2,087)
Provision at the end of the Year	<u>£ 27,118</u>	<u>£ 39,374</u>	<u>£ 66,492</u>

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006 - Continued

7. CALLED UP SHARE CAPITAL	31.5.06	31.5.05
Authorised:		
4,000 Ordinary shares of £1 each	<u>£ 4,000</u>	<u>£ 4,000</u>
Allotted, issued and fully paid:		
3,600 Ordinary shares of £1 each	<u>£ 3,600</u>	<u>£ 3,600</u>

8. RESERVES	Revenue Reserves	Revaluation Reserve	Total
31 May 2005	546,610	592,723	1,139,333
Transfer to Profit and Loss account	(9,207)	-	(9,207)
Property Revaluation	-	-	-
Deferred Tax provision	-	2,087	2,087
31 May 2006	<u>£ 537,403</u>	<u>£ 594,810</u>	<u>£ 1,132,213</u>

9. TURNOVER

Turnover is the amount receivable for goods and services invoiced during the year. It excludes Value Added Tax and discounts given. Turnover was in geographically distinct markets as follows:

	2006	2005
United Kingdom	333,996	479,706
Exports to Europe	786,600	737,306
	<u>£ 1,120,596</u>	<u>£ 1,217,012</u>

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006 - Continued

10. STAFF COSTS

During the Year the average weekly number of employees (including directors) was 20 (2005 - 20). Payroll costs were:

	2006	2005
Wages, Salaries, and Expenses	398,485	368,179
Social security costs	36,977	33,477
Other pension costs	-	-
	<u>£ 435,462</u>	<u>£ 401,656</u>

11. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
On Bank overdrafts and loans repayable within five years	6,186	7,235
Hire Purchase and Finance Leases	-	-
	<u>£ 6,186</u>	<u>£ 7,235</u>

12. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
The (Profit)/Loss on ordinary activities before taxation is stated after charging:		
Exceptional payments	£ -	£ -
Directors' Emoluments		
- remuneration as officers	£ -	£ -
Hire of Equipment	£ 1,163	£ 1,166

13. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005
The provision is wholly for UK Corporation Tax:		
On the results of the Year	18,330	13,932
Deferred	1,041	(3,126)
	<u>£ 19,371</u>	<u>£ 10,806</u>

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006 - Continued

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2006	2005
Profit for the Financial Year	40,793	35,746
Dividends	(50,000)	-
	<u>(9,207)</u>	<u>35,746</u>
Other recognised gains and losses relating to the Year	2,087	2,086
	<u>(7,120)</u>	<u>37,832</u>
Opening shareholders' funds	1,142,933	1,105,101
	<u>1,142,933</u>	<u>1,105,101</u>
Closing shareholders' funds	<u>£ 1,135,813</u>	<u>£ 1,142,933</u>

All shareholders' funds are attributable to equity interests.

15. GUARANTEES

The Company has given an unlimited guarantee to secure the bank facilities granted to Capital Valley Plastics Ltd. (CVP) and Precision Polymers and Reclaim (Stroud) Ltd (PPR) which are Companies under common control. The guarantee is secured in the same way as this Company's own bank facilities. On 31 May 2006 CVP had relevant bank facilities totalling £200,925 and PPR had relevant facilities of £82,876. However, the directors believe that these liabilities are covered sufficiently by the other companies' own assets and so no provision is either made or called for in these financial statements.

16. TRANSACTIONS WITH DIRECTORS AND RELATED COMPANIES

The Company trades goods and services with Capital Valley Plastics Limited (CVP) and Precision Polymers and Reclaim (Stroud) Limited (PPR) - Companies in which the directors of this Company have a controlling interest. The following transactions have taken place during the Year:

	Sales to CVP	Purchases from CVP	Sales to PPR	Purchases from PPR
Raw Materials	187,724	55,299	4,295	34,583
Rent	84,000	-	-	-
	<u>£ 271,724</u>	<u>£ 55,299</u>	<u>£ 4,295</u>	<u>£ 34,583</u>

On 31 May 2006, £7,905 was owed by CVP and £62,234 was owed to PPR

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 2006 - Continued

17. CAPITAL COMMITMENTS

There were no Capital Commitments on 31 May 2006.

18. ULTIMATE PARENT COMPANY

This company is a subsidiary undertaking of Proudmedium Limited which is a company registered in England and Wales. These Accounts provide information about Extrusion and Moulding Compounds Ltd as an individual undertaking and not about its group. Group accounts are not prepared: the group is exempt from any requirement to produce them because it is a "small group".