

EXTRUSION AND MOULDING COMPOUNDS LIMITED

(Company Number 905428)

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR TO 31 MAY 1999**



DIRECTORS' REPORT

The Directors present their Report and the Financial Statements of the Company for the Year to 31 May 1999.

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 1999 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	
	31.5.99	31.5.98
Michael HUGHES	nil	nil
Lyn BRIDGE	nil	nil
Meryl WILLIAMS (appointed : 24/11/98)	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%.

DIVIDENDS

No dividends were paid during the Year or are proposed now,

DIRECTORS' REPORT - Continued

CLOSE COMPANY PROVISIONS

The Directors consider that the Company is a "Close Company" according to the terms of the Income and Corporation Taxes Act 1988.

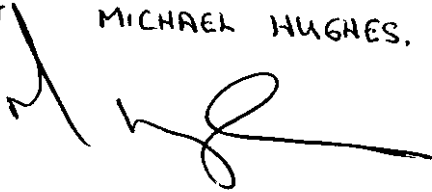
AUDITORS

The Auditors, Trenfield Williams, have expressed their willingness to continue in office and a resolution for their reappointment will be put to the forthcoming Annual General Meeting.

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

On behalf of the Board

Director **MICHAEL HUGHES.**

A handwritten signature in black ink, appearing to be 'M Hughes', written over the printed name 'MICHAEL HUGHES.'

TO THE MEMBERS OF EXTRUSION AND MOULDING COMPOUNDS LIMITED

We have audited the Financial Statements on pages 4 to 13 which have been prepared according to the historical cost convention and the accounting policies described on page 7.

Directors' and Auditors' Responsibilities

The directors' report describes the directors responsibility for the preparation of financial statements. Our responsibility as auditors is to form an independent opinion on these financial statements and report this opinion to you.

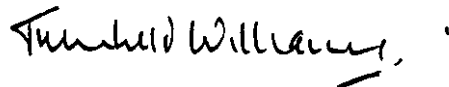
Basis of Opinion

We have carried out our audit in accordance with the 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 when they prepared the financial statements and an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been disclosed adequately and applied consistently.

We planned and performed our audit to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to gain reasonable assurance that the financial statements are free from material mis-statement whether caused by fraud or by other irregularity or error. To form our opinion we have also considered the overall adequacy of the way that information is presented in the financial statements.

Opinion

In our opinion these Financial Statements give, within the terms of the historical cost convention, a true and fair view of the Company's state of affairs on 31 May 1999 and of its profit for the Year which ended on that day and have been properly prepared in accordance with the provisions of the Companies Act 1985.




TRENFIELD WILLIAMS
CHARTERED ACCOUNTANTS
REGISTERED AUDITOR
13 TRIANGLE SOUTH
BRISTOL BS8 1BB
30 November 1999

BALANCE SHEET - 31 MAY 1999

	<i>31 May 1998</i>	
TANGIBLE FIXED ASSETS (Note 2)	740,807	667,297
CURRENT ASSETS		
Stock (Notes 1 and 3)	234,798	169,124
Debtors (Note 4)	371,425	454,289
Cash at bank and in hand	38	35
	<u>606,261</u>	<u>623,448</u>
CREDITORS		
Amounts falling due within one year (Note 5)	<u>548,106</u>	<u>444,055</u>
NET CURRENT ASSETS	58,155	179,393
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>798,962</u>	<u>846,690</u>
CREDITORS		
Amounts falling due after more than one year (Note 6)	(43,791)	(124,297)
PROVISIONS FOR LIABILITIES AND CHARGES (Note 8)	(85,754)	(86,657)
	<u>£ 669,417</u>	<u>£ 635,736</u>
CAPITAL AND RESERVES		
Called up Share Capital (Note 9)	3,600	3,600
Revaluation Reserve (Note 10)	341,598	336,520
Revenue Reserves (Note 10)	378,162	295,616
EQUITY SHAREHOLDERS' FUNDS	<u>£ 723,360</u>	<u>£ 635,736</u>
Diff on accounts	53,943	-

These Financial Statements take advantage of the special exemptions available to small companies. In the Directors' opinion the Company is entitled to these exemptions.

Signed on behalf of the Board


DIRECTOR

These Financial Statements were approved by the Board on 30 November 1999.

PROFIT AND LOSS ACCOUNT FOR THE YEAR TO 31 MAY 1999

		<i>Year to 31.5.98</i>
TURNOVER (Note 11)	1,692,649	<i>1,949,574</i>
Other Operating Income	25,000	-
Change in Stocks of Finished Goods	(40,180)	<i>(5,059)</i>
Raw Materials and Consumables	(610,259)	<i>(941,332)</i>
Other External Charges	(369,361)	<i>(357,276)</i>
GROSS PROFIT	697,849	<i>645,907</i>
Staff Costs (Note 12)	(438,945)	<i>(432,537)</i>
Depreciation (Note 1)	(35,084)	<i>(31,492)</i>
Other Operating Charges	(99,324)	<i>(97,268)</i>
OPERATING PROFIT	124,496	<i>84,610</i>
Interest payable (Note 13)	(18,369)	<i>(21,226)</i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 14)	106,127	<i>63,384</i>
TAXATION (Note 15)	(23,581)	<i>(20,407)</i>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	82,546	<i>42,977</i>
DIVIDENDS	-	-
RETAINED PROFIT FOR THE YEAR	82,546	<i>42,977</i>
REVENUE RESERVES BROUGHT FORWARD	295,616	<i>252,639</i>
REVENUE RESERVES CARRIED FORWARD	<u>£ 378,162</u>	<u><i>£ 295,616</i></u>

The Company neither acquired nor discontinued activities during the Years covered by these Profit and Loss Accounts.

STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES FOR THE YEAR TO 31 MAY 1999

		<i>Year to 31.5.98</i>
Profit for the Year	82,546	42,977
Tax provided against asset revaluation surplus	5,078	2,882
Total Recognized Gains	<u>£ 87,624</u>	<u>£ 45,859</u>

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999

1. ACCOUNTING POLICIES

Basis of Accounting

The Financial Statements have been prepared according to the historical cost convention, 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.

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 has been revalued in order to be stated at this value. Since the valuation the property has been well maintained and the directors believe that its current value is at least that established by the February 1993 valuation. Under these circumstances the property has not been depreciated - a policy which does not accord with Statement of Standard Practice No. 12.

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. Freehold Property will not be depreciated while the directors believe that its market value remains equal to or greater than the February 1993 valuation already described.

Stocks

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

Hire Purchase and Leases

Assets acquired under Hire Purchase, Lease Purchase, and Finance Lease agreements are included in Fixed Assets at their cash equivalent purchase price and depreciated according to the Company's usual depreciation policies. Payments under operating leases are charged against revenue as the expenditure is incurred.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999 - Continued

1. ACCOUNTING POLICIES - Continued

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.

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				
1 June 1998	159,493	578,003	33,132	770,628
Additions	39,253	69,341	-	108,594
Disposals	-	-	-	-
31 May 1999	198,746	647,344	33,132	879,222
Depreciation				
1 June 1998	-	95,971	7,360	103,331
Eliminated on disposals	-	-	-	-
Charge for the Year	-	30,350	4,734	35,084
31 May 1999	-	126,321	12,094	138,415
Net Book Values				
31 May 1999	£ 198,746	£ 521,023	£ 21,038	£ 740,807
31 May 1998	£ 159,493	£ 482,032	£ 25,772	£ 667,297

The historical cost of the Freehold Property now valued at £120,000 is £73,544. Depreciation has never been provided against the value of this asset. Plant and Vehicles revalued to £475,000 originally cost £720,632 and £504,421 depreciation had been provided against this cost at the time of the revaluation.

On 31 May 1999 motor vehicles and equipment with a net book value of £30,009 (1998 - £43,534) were held under hire purchase contracts. The year's depreciation charge for these assets was £3,301 (1998 - £4,131).

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999 - Continued

3. STOCK	31.5.99	31.5.98
Raw Materials and Consumables	185,118	124,194
Finished Goods	49,680	44,930
	<u>£ 234,798</u>	<u>£ 169,124</u>
4. DEBTORS	31.5.99	31.5.98
Trade Debtors	137,189	266,079
Prepayments and Accrued Income	12,338	6,399
Loan to Holding Company	183,667	159,667
Other Debtors	38,231	22,144
	<u>£ 371,425</u>	<u>£ 454,289</u>
5. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR	31.5.99	31.5.98
Bank Overdraft	102,684	75,537
Bank Loans	60,597	37,080
Trade Creditors	234,111	237,544
Accrued Charges and Deferred Income	54,628	56,954
Taxation and Social Security	9,298	9,771
Hire Purchase and Finance Leases	8,990	11,341
Corporation Tax	19,155	11,128
Other Creditors	4,700	4,700
	<u>£ 494,163</u>	<u>£ 444,055</u>

The bank loan and overdraft are secured by a floating charge over the assets and undertakings of the Company. This charge incorporates a fixed charge over Freehold Property and Book debts.

6. CREDITORS : AMOUNTS FALLING DUE AFTER ONE YEAR	31.5.99	31.5.98
Bank Loan	35,483	109,258
Hire Purchase and Finance Leases	8,308	15,039
	<u>£ 43,791</u>	<u>£ 124,297</u>

All creditors are payable within five years

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999 - Continued

7. BANK LOANS

On 31 May 1999 the loan liability to the Company's bank was £96,080. Currently this liability is being repaid in monthly instalments of approximately £5,000. At current interest rates this means that the loans should be repaid by January 2001

8. 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	48,995	37,662	86,657
Transfer from Profit and Loss account	-	4,175	4,175
Transfer to Revaluation Reserve	(5,078)	-	(5,078)
Provision at the end of the Year	<u>£ 43,917</u>	<u>£ 41,837</u>	<u>£ 85,754</u>

9. CALLED UP SHARE CAPITAL

31.5.99 31.5.98

Authorised:

4,000 Ordinary shares of £1 each £ 4,000 £ 4,000

Allotted, issued and fully paid:

3,600 Ordinary shares of £1 each £ 3,600 £ 3,600

10. RESERVES

	Revenue Reserves	Revaluation Reserve	Total
31 May 1998	295,616	336,520	632,136
Transfer from Profit and Loss account	82,546	-	82,546
Deferred Tax provision	-	5,078	5,078
31 May 1999	<u>£ 378,162</u>	<u>£ 341,598</u>	<u>£ 719,760</u>

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999 - Continued

11. 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:

	1999	1998
United Kingdom	945,884	1,133,026
Exports to Europe	746,765	816,548
	<u>£ 1,692,649</u>	<u>£ 1,949,574</u>

12. STAFF COSTS

During the Year the average weekly number of employees (including directors) was 30 (1998 - 25). Payroll costs were:

	1999	1998
Wages, Salaries, and Expenses	398,302	393,044
Social security costs	40,643	39,493
Other pension costs	-	-
	<u>£ 438,945</u>	<u>£ 432,537</u>

13. INTEREST PAYABLE AND SIMILAR CHARGES

	1999	1998
On Bank overdrafts and loans repayable within five years	15,636	17,805
Hire Purchase and Finance Leases	2,733	3,421
	<u>£ 18,369</u>	<u>£ 21,226</u>

14. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999	1998
The Profit on ordinary activities before taxation is stated after charging:		
Directors' Emoluments		
- remuneration as executives	£ -	£ -
Auditors' remuneration	£ 4,500	£ 3,250
Hire of Equipment	£ 1,204	£ 604

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999 - Continued

15. TAX ON PROFIT ON ORDINARY ACTIVITIES	1999	1998
The provision is wholly for UK Corporation Tax:		
On the results of the Year	19,155	11,128
Deferred	4,175	9,111
Previous years	251	168
	<u>£ 23,581</u>	<u>£ 20,407</u>
 16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	 1999	 1998
Profit for the Financial Year	82,546	42,977
Dividends	-	-
	<u>82,546</u>	<u>42,977</u>
Other recognised gains and losses relating to the Year	5,078	2,882
	<u>87,624</u>	<u>45,859</u>
Net change in shareholders' funds	635,736	589,877
Opening shareholders' funds	<u>£ 723,360</u>	<u>£ 635,736</u>
Closing shareholders' funds		

All shareholders' funds are attributable to equity interests.

17. 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 1999 CVP had relevant bank facilities totalling £299,097 and PPR had relevant facilities of £130,000. 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.

NOTES TO THE ACCOUNTS FOR THE YEAR TO 31 MAY 1999 - Continued

18. TRANSACTIONS WITH DIRECTORS AND RELATED COMPANIES

The Company trades goods and services with Capital Valley Plastics Limited - a Company 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
Raw Materials	684,513	120,157
Maintenance	-	16,936
Electricity	12,188	-
Accommodation	25,000	-
	<u>£ 721,701</u>	<u>£ 137,093</u>

On 31 May 1999, £52,549 was owed to CVP.

19. CAPITAL COMMITMENTS

There were no Capital Commitments on 31 May 1999.

20. 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".