

Registered No 04256307

## **VIP-Polymers Limited**

### **Report and Financial Statements**

31 March 2007

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## **Directors' report**

### **Directors**

D L Grove  
L R Litwinowicz  
T Middleton  
P C Webb  
J S D Millar  
S T Casey  
S J Mahoney  
G McCullum

### **Secretary**

L R Litwinowicz

### **Auditors**

MacIntyre Hudson LLP  
8-12 Priestgate  
Peterborough  
PE1 1JA

### **Bankers**

Barclays Bank plc  
PO BOX 3333  
15 Colmore Row  
Birmingham  
B3 2WN

### **Registered office**

Unit 5, The Court Yard  
Timothy's Bridge Road  
Stratford Upon Avon  
Warwickshire  
CV37 9NP

## Directors' report

The directors present their report and financial statements for the year ending 31 March 2007

### Results and dividends

Profit for the year amounted to £253,481 (2005 loss of £55,005) The directors do not recommend the payment of any dividends

### Principal activities and review of the business

The principal activity of the company during the year was the manufacture and distribution of rubber products

Following the integration of our Ashford site in 2005, our manufacturing plant at Huntingdon benefited during 2006 from management focus and stability within its workforce. The result was an improved operative performance allowing the Company to report results ahead of management expectations

During the year prices continued to rise in the cost of materials and energy, although some relief has been apparent in the energy market of late. However, with support from our Customers and savings made within the business, our continuing product lines remain profitable

During the year, the Company entered into a joint venture agreement with a Far Eastern partner to start the manufacture of rubber products in China, initially for existing customers with plants in China. Our relationship with our partner goes back over 20 years and the plant, based in Wuxi, Jiangsu Province, will be operational from June 2007

The main risks arising from the company's activities are credit risk, interest rate risk, commodity price risk and foreign currency risk

The company has a well-established base of customers and the credit risk is low, with no bad debts recorded in the last three years

The company's overdraft facility attracts a variable rate above base and therefore has exposure to movements in the base rate, which has risen during the year

Commodity prices have varied throughout the year with the fluctuations in the oil price, in particular, having an impact on input costs

The company's predominant operating currency is sterling, but there are significant Euro revenues, and a number of forward contracts have been entered into during the year, the object of which was to hedge the company's foreign exposure to Euro denominated receivables

An extensive number of KPI's are used within the business including sales per employee, capacity and labour efficiency, stock turnover, customer complaints, supplier delivery, quality and health and safety monitors. Demanding targets are set at the beginning of each year and achievement to plan is measured continually

Debt has reduced and facilities with existing Banker's leave the Company with ample headroom to execute its current strategic objectives

In the opinion of the Directors, the Company's strategy to focus on its core business will enable it to continue to improve its service to its existing customers and provide an excellent partner to new and prospective customers

## Directors' report

### Directors and their interests

The directors at 31 March 2007 and their interests in the share capital of the company were as follows

		<i>At 31 March 2007</i>	<i>At 31 March 2006</i>
D L Grove	"G" Shares	35,200	35,200
	Ordinary Shares	28,800	28,800
L R Litwinowicz	Ordinary Shares	8,000	8,000
T Middleton	Ordinary Shares	8,000	8,000
P C Webb	Ordinary Shares	5,000	5,000
J S D Millar	Ordinary Shares	6,000	6,000
S T Casey	Ordinary Shares	3,000	3,000
S J Mahoney	Ordinary Shares	3,000	3,000
G McCullum	Ordinary Shares	3,000	3,000

### Charitable donations

During the year donations of £952 (2006 £343) were made to a range of charities

### Statement of directors' responsibilities in respect of the accounts

The directors are responsible for preparing this report and the accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare accounts 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 accounts, 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 accounts, and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## Directors' report

### Statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving this report are listed on page 1  
Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of his knowledge and belief, there is no information relevant to the preparation of this report of which the company's auditors are unaware, and
- he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

By order of the board



J S D Millar  
Director

20 June 2007

## **Independent auditors' report**

We have audited the company's financial statements for the year ended 31 March 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement 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**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

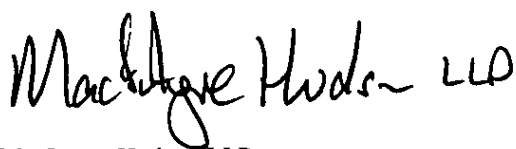
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Independent auditors' report

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



MacIntyre Hudson LLP  
Registered Auditor  
Peterborough

20 June 2007

## Profit and loss account

for the year ended 31 March 2007

		2007			2006		
	Notes	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
<b>Turnover</b>	2	12,677,915	-	12,677,915	12,175,882	240,598	12,416,480
Change in stocks of finished goods and work in progress		(17,197)	-	(17,197)	87,032	76,719	163,751
Raw materials and consumables		5,454,138	-	5,454,138	4,867,069	24,680	4,891,749
Staff costs	4	3,581,449	-	3,581,449	3,609,075	131,410	3,740,485
Depreciation and amortisation	3	195,535	-	195,535	157,201	-	157,201
Other operating charges		2,938,865	-	2,938,865	3,159,183	132,369	3,291,552
		<u>12,152,790</u>	<u>-</u>	<u>12,152,790</u>	<u>11,879,560</u>	<u>365,178</u>	<u>12,244,738</u>
<b>Operating profit/(loss)</b>	3	525,125	-	525,125	296,322	(124,580)	171,742
Interest payable & similar charges	5			(124,603)			(195,329)
Profit on disposal of fixed assets				2,950			6,606
<b>Profit/(loss) on ordinary activities before taxation</b>				<u>403,472</u>			<u>(16,981)</u>
Tax on profit on ordinary activities	6			(149,991)			71,986
<b>Profit retained for the financial year</b>	17			<u>253,481</u>			<u>55,005</u>

## Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £253,481 attributable to the shareholders for the year ended 31 March 2007 (2006 profit of £55,005)



**Balance sheet**

at 31 March 2007

	Notes	2007 £	2006 £
<b>Fixed asset investments</b>			
Investment in joint venture	7	25,054	-
<b>Fixed assets</b>			
Intangible assets	8	(208,003)	(276,576)
Tangible assets	9	1,016,376	1,166,820
		<u>808,373</u>	<u>890,244</u>
<b>Current assets</b>			
Stocks	10	1,020,602	1,070,050
Debtors	11	2,070,669	2,592,107
Cash at bank and in hand		522,236	192,466
		<u>3,613,507</u>	<u>3,854,623</u>
<b>Creditors</b> amounts falling due within one year	12	3,663,436	4,190,467
		<u>(49,929)</u>	<u>(335,844)</u>
<b>Net current liabilities</b>			
<b>Total assets less current liabilities</b>		<u>783,498</u>	<u>554,400</u>
<b>Creditors</b> amounts falling due after more than one year	13	210,365	245,427
<b>Provisions for liabilities and charges</b>	6	89,022	78,343
		<u>484,111</u>	<u>230,630</u>
<b>Capital and reserves</b>			
Called up share capital	17	100,000	100,000
Profit and loss account	18	384,111	130,630
<b>Shareholders' funds</b>	18	<u>484,111</u>	<u>230,630</u>



G McCullum  
Director

20 June 2007

**Cash Flow Statement**

for the period 1 April 2006 to 31 March 2007

	<i>Notes</i>	<i>2007</i> £	<i>2006</i> £
<b>Net cash inflow from operating activities</b>	19(a)	1,156,041	248,129
<b>Returns on investments and servicing of finance</b>	19(b)	(124,603)	(141,211)
<b>Taxation</b>	19(c)	80,362	(200,000)
<b>Capital expenditure and financial investment</b>	19(d)	(110,714)	628,564
<b>Financing</b>	19(e)	(454,752)	(1,090,516)
<b>Investment in VIP-Polymers Pte Limited</b>		(25,054)	-
<b>Increase/(decrease) in cash</b>		<u>521,280</u>	<u>(555,034)</u>
<b>Reconciliation of net cash flow to movement in net debt</b>			
		<i>2007</i> £	<i>2006</i> £
Increase/(decrease) in cash		521,280	(555,034)
Cash outflow from decrease in debt and lease financing		454,752	1,090,516
Change in net debt resulting from cash flows		976,032	535,482
Other non cash movements	19(f)	-	(54,118)
Change in net debt		976,032	481,364
Net debt at 1 April 2006	19(f)	(1,455,938)	(1,937,302)
Net debt at 31 March 2007	19(f)	<u>(479,906)</u>	<u>(1,455,938)</u>

## Notes to the financial statements

at 31 March 2007

### 1. Accounting policies

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom

#### **Consolidation**

In the opinion of the directors, the company and its joint venture comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

#### **Goodwill**

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Negative goodwill is capitalised on the balance sheet and released to the profit and loss account over the period during which the non-monetary assets acquired are recovered, which is deemed to be 10 years.

#### **Debt Issue Costs**

Issue costs are capitalised in the balance sheet and are written off to the profit and loss account over 4 years, the life of the debt.

#### **Fixed assets**

All fixed assets are initially recorded at cost.

#### **Depreciation**

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant & Machinery	-	over 3 to 10 years
Motor Vehicles	-	over 5 years
Moulds & Dies	-	over 5 years
Computers	-	over 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

## Notes to the financial statements

at 31 March 2007

### 1. Accounting policies (*continued*)

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception of deferred tax assets, that are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

#### **Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

#### **Finance lease agreements**

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a sum of the digits basis, and the capital element which reduces the outstanding obligation for future instalments

#### **Operating lease agreements**

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term

#### **Pension costs**

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

#### **Factoring**

The company factors the majority of its sales, under an invoice discounting scheme. The company deals with the collection of these debts, and retains the benefits and risks. Accordingly trade debtors are shown in full and advances from the factoring company appear in creditors

## Notes to the financial statements

at 31 March 2007

### 2. Turnover

Turnover represents the invoiced value of goods and services charged to customers excluding value added tax

An analysis of turnover by geographical market is given below

	2007			2006		
	<i>Continued</i>	<i>Discontinued</i>	<i>Total</i>	<i>Continued</i>	<i>Discontinued</i>	<i>Total</i>
	£	£	£	£	£	£
United Kingdom	8,527,211	-	8,527,211	8,847,685	67,903	8,915,588
Rest of Europe	3,647,898	-	3,647,898	3,034,905	172,695	3,207,600
United States of America	24,874	-	24,874	74,159	-	74,159
Rest of the world	477,932	-	477,932	219,133	-	219,133
	<u>12,677,915</u>	<u>-</u>	<u>12,677,915</u>	<u>12,175,882</u>	<u>240,598</u>	<u>12,416,480</u>

### 3. Operating profit/(loss)

This is stated after charging/(crediting)

	2007	2006
	£	£
Auditors' remuneration - audit services	<u>11,500</u>	<u>18,000</u>
Depreciation of owned fixed assets	134,540	102,827
Depreciation of assets held under finance leases	<u>129,568</u>	<u>121,950</u>
	264,108	224,777
Amortisation	<u>(68,573)</u>	<u>(67,576)</u>
	<u>195,535</u>	<u>157,201</u>
Net profit on foreign currency translation	<u>(19,199)</u>	<u>(28,136)</u>
Operating lease rentals - land and buildings	190,000	190,000
- plant and machinery	<u>82,334</u>	<u>78,735</u>

## Notes to the financial statements

at 31 March 2007

### 4. Staff costs

	2007 £	2006 £
Wages and salaries	3,136,515	3,263,422
Social security costs	311,040	335,128
Other pension costs	133,894	141,935
	<u>3,581,449</u>	<u>3,740,485</u>

The monthly average number of employees during the year was as follows

	2007 No	2006 No
Production staff	95	100
Administrative staff	47	49
	<u>142</u>	<u>149</u>
Directors' emoluments	<u>297,321</u>	<u>80,143</u>
Value of company contributions to money purchase pension schemes	<u>22,416</u>	<u>6,594</u>
Directors who are members of money purchase pension scheme	<u>4</u>	<u>4</u>

The emoluments of directors' disclosed above include the following in respect of the highest paid director

	2007 £
Director's emoluments	97,453
Value of company contributions to money purchase pension schemes	7,254
	<u>104,707</u>

## Notes to the financial statements

at 31 March 2007

### 5. Interest payable

	2007 £	2006 £
Bank interest payable	75,924	20,945
Finance charges payable under finance leases	35,076	47,295
Interest on other loans	13,603	72,971
Amortisation of issue costs	-	54,118
	<u>124,603</u>	<u>195,329</u>

### 6. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows

	2007 £	2006 £
<i>Current tax</i>		
UK corporation tax	129,292	(19,561)
Adjustment in respect of prior periods	10,020	(71,541)
Total current tax (note 6(b))	<u>139,312</u>	<u>(91,102)</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	10,679	19,116
Tax on profit on ordinary activities	<u>149,991</u>	<u>(71,986)</u>

## Notes to the financial statements

at 31 March 2007

### 6 Tax (continued)

(b) Factors affecting current tax charge

The differences are reconciled below

	2007 £	2006 £
Profit/(Loss) on ordinary activities before taxation	403,472	(16,981)
Profit on ordinary activities at standard rate of 30%	121,041	(5,094)
Income not taxable for tax purposes	(21,457)	(17,890)
Expenditure not deductible for tax purposes	7,575	3,914
Other short term timing differences	-	(1,200)
Ineligible depreciation on fixed assets	-	16,633
Capital allowances in advance of depreciation	23,871	(15,924)
Adjustment in respect of prior periods	10,020	(71,541)
Adjustment for marginal relief	(1,738)	-
Total current tax (note 6(a))	139,312	(91,102)

(c) Deferred tax

	2007 £	2006 £
Capital allowances in advance of depreciation	(89,022)	(79,543)
Short term timing differences	-	1,200
Provision for deferred taxation	(89,022)	(78,343)

	£
At 1 April 2006	(78,343)
Profit and Loss Account movement arising during the period	(10,679)
At 31 March 2007	(89,022)

### 7 Investment in joint venture

	£
Cost	
At 1 April 2006	-
Additions	25,054
Net book value	
At 31 March 2007	25,054
At 1 April 2006	-

The company entered into a 50/50 joint venture agreement in a company called VIP-Polymers Pte Limited during the current financial year. The joint venture company is incorporated in the Republic of Singapore and will manufacture rubber products.



## Notes to the financial statements

At 31 March 2007

### 7. Investment in joint venture (continued)

The accounting period end for VIP-Polymers Pte Limited is 31 December. The company had not begun manufacturing at the balance sheet date, therefore turnover in this financial year is nil. The company's share of the loss to 31 March 2007 before and after tax is £872 and its share of fixed assets at the balance sheet date is £12,780.

At the year end the company had capital commitments in respect of VIP-Polymers Pte Limited amounting to £48,891 (2006: £nil).

### 8. Intangible fixed assets

	<i>Negative Goodwill</i> £
Cost	
At 1 April 2006	<u>(491,645)</u>
Amortisation	
At 1 April 2006	215,069
Charge for the year	<u>68,573</u>
At 31 March 2007	<u>283,642</u>
Net book value	
At 31 March 2007	<u>(208,003)</u>
At 1 April 2006	<u>(276,576)</u>

Negative goodwill is released to the profit and loss account over the period during which the non-monetary assets acquired are recovered, which is deemed to be 10 years.

## Notes to the financial statements

At 31 March 2007

### 9. Tangible fixed assets

	<i>Mould and Dies £</i>	<i>Plant &amp; Machinery £</i>	<i>Motor Vehicles £</i>	<i>Computers £</i>	<i>Total £</i>
Cost					
At 31 March 2006	68,737	1,679,933	9,839	47,701	1,806,210
Additions	-	89,989	-	23,675	113,664
Disposals	-	(38,950)	-	-	(38,950)
Transfer	-	-	-	-	-
At 31 March 2007	<u>68,737</u>	<u>1,730,972</u>	<u>9,839</u>	<u>71,376</u>	<u>1,880,924</u>
Depreciation					
At 31 March 2006	43,623	563,917	6,881	24,969	639,390
Provided during the year	20,333	232,267	1,968	9,540	264,108
Disposals	-	(38,950)	-	-	(38,950)
Transfer	-	-	-	-	-
At 31 March 2007	<u>63,956</u>	<u>757,234</u>	<u>8,849</u>	<u>34,509</u>	<u>864,548</u>
Net book value					
At 31 March 2007	<u>4,781</u>	<u>973,738</u>	<u>990</u>	<u>36,867</u>	<u>1,016,376</u>
At 31 March 2006	<u>25,114</u>	<u>1,116,016</u>	<u>2,958</u>	<u>22,732</u>	<u>1,166,820</u>

The net book value of assets above includes an amount of £718,582 (2006 - £747,362) in respect of assets held under finance leases

### 10 Stocks

	<i>2007 £</i>	<i>2006 £</i>
Raw materials	299,608	366,253
Work in progress	90,319	135,976
Finished goods	630,675	567,821
	<u>1,020,602</u>	<u>1,070,050</u>

The difference between the replacement cost and the purchase cost of stocks is not material

### 11. Debtors

	<i>2007 £</i>	<i>2006 £</i>
Trade debtors	1,958,821	2,370,710
Corporation tax	-	91,102
Other debtors	753	1,080
Prepayments and accrued income	111,095	129,215
	<u>2,070,669</u>	<u>2,592,107</u>

Trade debtors includes amounts of £1,747,707 which are subject to factoring arrangements

## Notes to the financial statements

At 31 March 2007

### 12. Creditors: amounts falling due within one year

	2007 £	2006 £
Overdraft	606,415	797,925
Obligations under finance leases (note 14)	185,362	258,051
Trade creditors	1,787,112	1,950,645
Loan	-	347,001
Other taxes including social security	298,905	192,432
Other creditors	390,620	419,709
Accruals and deferred income	265,730	224,704
Corporation Tax	129,292	-
	<u>3,663,436</u>	<u>4,190,467</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2007 £	2006 £
Overdraft	606,415	797,925
Finance lease agreements	185,362	258,051
	<u>893,227</u>	<u>1,055,976</u>

### 13. Creditors: amounts falling due after more than one year

	2007 £	2006 £
Loans and Obligations under finance leases (note 14)	<u>210,365</u>	<u>245,427</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2007 £	2006 £
Finance lease agreements	<u>210,365</u>	<u>245,427</u>

## Notes to the financial statements

At 31 March 2007

### 14. Loans and obligations under finance leases

The maturity of these amounts is as follows

	2007 £	2006 £
<i>Finance leases</i>		
Amounts payable		
- within one year	185,362	258,051
- in two to five years	210,365	245,427
	<u>395,727</u>	<u>503,478</u>
<i>Loans</i>		
Amounts payable		
- within one year	-	347,001
	<u>-</u>	<u>347,001</u>

### 15. Commitments under operating leases

At 31 March 2007 the company had annual commitments under non cancellable operating leases as set out below

	2007		2006	
	<i>Land &amp; Buildings</i> £	<i>Other</i> £	<i>Land &amp; Buildings</i> £	<i>Other</i> £
Operating lease which expire				
Within 1 year	-	5,076	-	16,822
In 2 – 5 years	190,000	56,010	190,000	43,539
	<u>190,000</u>	<u>61,086</u>	<u>190,000</u>	<u>60,361</u>

## Notes to the financial statements

At 31 March 2007

### 16. Related party transactions

The company was under the control of Mr D L Grove throughout the current and previous year

During the year the company received services from GIL Investments Limited for £65,722 (2006 £65,000), a company in which D L Grove, Director, is a majority shareholder and from Pool House Management Services Limited for £13,500 (2006 £9,000), a company which P C Webb is also a majority shareholder. The company also received services from Total Polyfilm Limited for £21,143, a company which L R Litwinowicz and P C Webb are directors and shareholders of its holding company

At 31 March 2007 £6,515, £1,057 and £7,077 remained as an outstanding current liability to GIL Investments Limited, Pool House Management Services Limited and Total Polyfilm Limited respectively. These balances are included within trade creditors

### 17. Share capital

	<i>Authorised</i>	
	2007 £	2006 £
Ordinary shares of £1 each	64,800	64,800
"G" Ordinary shares of £1 each	35,200	35,200
	<u>100,000</u>	<u>100,000</u>

	<i>Allotted and called up</i>	
	2007 £	2006 £
Ordinary shares of £1 each	64,800	64,800
"G" Ordinary shares of £1 each	35,200	35,200
	<u>100,000</u>	<u>100,000</u>

All shares rank substantially pari passu with other classes of shares

### 18. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i> £	<i>Profit and loss account</i> £	<i>Total share- holders' funds</i> £
At 31 March 2005	100,000	75,625	175,625
Retained profit for the year	–	55,005	55,005
At 31 March 2006	100,000	130,630	230,630
Retained profit for the year	–	253,481	253,481
At 31 March 2007	<u>100,000</u>	<u>384,111</u>	<u>484,111</u>

## Notes to the financial statements

At 31 March 2007

### 19. Notes to the statement of cash flows

#### (a) Reconciliation of operating profit to net cash inflow from operating activities

	2007 £	2006 £
Operating profit	525,125	171,742
Depreciation	264,108	224,777
Amortisation of goodwill	(68,573)	(67,576)
Decrease in stocks	49,448	170,414
Decrease in debtors	430,335	601,564
(Decrease) in creditors	(44,402)	(852,792)
Net cash inflow from operating activities	<u>1,156,041</u>	<u>248,129</u>

#### (b) Returns on investments and servicing of finance

	2007 £	2006 £
Interest paid	(89,527)	(93,916)
Interest element of finance leases rentals payments	(35,076)	(47,295)
	<u>(124,603)</u>	<u>(141,211)</u>

#### (c) Taxation

	2007 £	2006 £
Corporation tax received/(paid)	<u>80,362</u>	<u>(200,000)</u>

#### (d) Capital expenditure

	2007 £	2006 £
Payments to acquire tangible fixed assets	(113,664)	(174,251)
Receipts from sales of tangible fixed assets	2,950	15,619
Proceeds from sale of business	-	787,196
	<u>(110,714)</u>	<u>628,564</u>

## Notes to the financial statements

At 31 March 2007

### 19. Notes to the statement of cash flows (continued)

#### (e) Financing

	2007 £	2006 £
Net movement in long term financing	(347,001)	(757,000)
Repayment of capital element of finance leases	(107,751)	(333,516)
	<u>(454,752)</u>	<u>(1,090,516)</u>

#### (f) Analysis of changes in net debt

	At 1 April 2006 £	Cash flows £	Other £	At 31 March 2007 £
Net cash				
Cash at bank and in hand	192,466	329,770	–	522,236
Overdraft	(797,925)	191,510	–	(606,415)
	<u>(605,459)</u>	<u>521,280</u>	<u>–</u>	<u>(84,179)</u>
Debt				
Loans	(347,001)	347,001	–	–
Finance leases	(503,478)	107,751	–	(395,727)
	<u>(850,479)</u>	<u>454,752</u>	<u>–</u>	<u>(395,727)</u>
Net debt	<u>(1,455,938)</u>	<u>976,032</u>	<u>–</u>	<u>(479,906)</u>

### 20. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £38,515 (2006 £nil)

### 21. Pensions

During the year contributions of £133,893 (2006 £141,935) were made to money purchase pension schemes

There were outstanding contributions at the balance sheet date of £13,523 (2006 £13,699)