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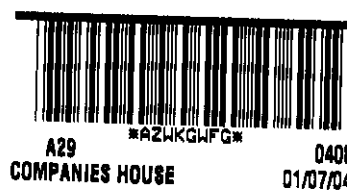
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F.L.I. International Limited

Financial Statements

Year Ended 31 December 2002



CONTENTS

	Pages
DIRECTORS AND OTHER INFORMATION	2
DIRECTORS' REPORT	3 - 4
INDEPENDENT AUDITORS' REPORT	5 - 6
ACCOUNTING POLICIES	7
PROFIT AND LOSS ACCOUNT	8
STATEMENT OF MOVEMENT IN PROFITS RETAINED	8
BALANCE SHEET	9
CASH FLOW STATEMENT	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 18

DIRECTORS AND OTHER INFORMATION

Board of Directors at 25 April 2003

M J Flynn
A Flynn
D McGrath
C Long

Solicitors

O'Riordan & Company
Suite 2
Slane House
25 Lower Mount Street
Dublin 2

Secretary and Registered Office

M J Flynn
Six Cross Roads Business Park
Waterford

Bankers

AIB Bank
Strand Street
Tramore
Co Waterford

AIB Bank
St James's House
Charlotte Street
Manchester
M1 4DZ
United Kingdom

Barclays Bank
0153 CI Jose Ortega & Gos
28001
Madrid
Spain

BCH Bank
Madrid
Spain

Banque Populaire Val De France
62 Blvd Blossal
86100
Chatellerault
France

Auditors

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Ballycar House
Newtown
Waterford

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2002. In preparing these financial statements the directors have exercised the options available to a medium sized private company under the Companies (Amendment) Act, 1986.

Statement of directors' responsibilities for financial statements

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 Irish Companies Acts 1963 to 2001. 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.

Proper books of account

The measures taken by the directors to secure compliance with the company's obligations to keep proper books of account are the use of appropriate systems and procedures, and employment of competent persons. The books of account are kept at the registered office.

Principal activities

The company is engaged in the supply and installation of geosynthetic lining systems for environmental containment projects for the water, waste, chemical, industrial and mining industries.

Review of business and future developments

This year was a consolidation period. Significant investment was made in terms of additional management and supervisory staff which were necessary in order to manage our developing business in France, Spain and the UK. The company also invested in staff to carry out research and development work on new product and service skills which will enable the company to take advantage of new opportunities which are developing in Industrial applications due to the ever increasing onus of responsibility being enforced by European legislation on all types of industrial and manufacturing facilities in order to improve environment protection. The directors are conscious of the importance of increasing the company portfolio of products and services in terms of the opportunities which exist in the environment sector in the company's current geographical areas of operation, and in the emerging markets of the 10 new member states of the EU from 2004.

Results

The profit for the year and the appropriation thereof are set out in the profit and loss account on page 8.

Dividends

The directors approve the payment of a dividend in respect of the year ended 31 December 2000 as set out in note 6.

DIRECTORS' REPORT - continued

Directors

The directors of the company at 31 December 2002 were:-

MJ Flynn
A Flynn
C Long
D McGrath

In August 2002 C Long and D McGrath were appointed as directors of the company.

Directors' and secretary's interest

The interests of the directors and secretary in the share capital of the company are set out in note 14 to these financial statements. On 14 June 2002 GSE Lining Technology Inc (successor in interest to Serrot International Inc) transferred its holdings of 56,000 ordinary shares of €1.269738 each in the company, to GSE. On the same date GSE sold the entire interest to MJ Flynn.

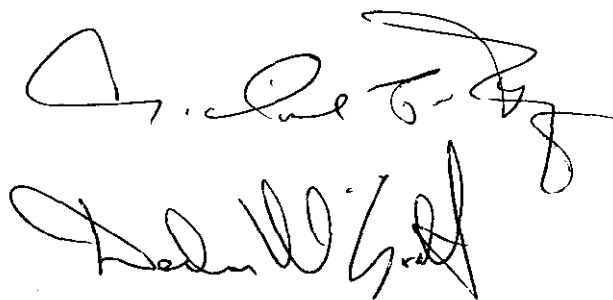
Safety, health and welfare

The directors have prepared the necessary statement required by Section 12 of the Safety, Health and Welfare at Work Act, 1989.

Auditors

The auditors, PricewaterhouseCoopers, will continue in office in accordance with the provision of Section 160 of the Companies Act, 1963.

On behalf of the board



INDEPENDENT AUDITORS' REPORT: To the shareholders of F.L.I. International Limited

We have audited the financial statements on pages 7 to 18, which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Irish law and Accounting Standards generally accepted in Ireland are set out on page 3 in the statement of Directors responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Acts, 1963 to 2001. We state whether we have obtained all the information and explanations we consider necessary for the purpose of our audit and whether the company balance sheet is in agreement with the books of account. We also report to you our opinion as to:-

- whether the company has kept proper books of account;
- whether the directors' report is consistent with the financial statements; and
- whether at the balance sheet date there existed a financial situation which may require the company to hold an extraordinary general meeting; such a financial situation may exist if the net assets of the company, as stated in the company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, any information required by law regarding directors' remuneration or transactions is not disclosed.

Basis of opinion

We conducted our audit in accordance with 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 at 31 December, 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts 1963 to 2001.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion, the information given in the directors' report on pages 3 and 4 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 9, are more than half the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 December 2002 a financial situation which, under Section 40(1) of the Companies (Amendment) Act 1983, would require the convening of an extraordinary general meeting of the company.

PricewaterhouseCoopers

25 April 2003

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Waterford

ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2001. Accounting Standards generally accepted in Ireland in preparing financial statements giving a true and fair view of those published by the Institute of chartered Accountants in Ireland and issued by the accounting Standards Board.

Accounting convention

The financial statements are prepared under the historical cost convention. The currency used in these financial statements is the Euro denoted by the symbol €.

Turnover

Turnover represents the value of goods and services at invoice value, exclusive of value added tax and trade discounts.

Fixed assets

The cost of fixed assets is their purchase cost together with any incidental expenses of acquisition. Depreciation is provided at rates, which are estimated to reduce the assets to realisable values by the end of their expected useful lives.

The annual rates are:-

	Rate %
Leasehold improvements	20/10 Straight line
Office equipment	20 Straight line
General equipment	20 Straight line
Motor vehicles	20 Straight line

Finance and operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term. Leasing agreements, which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged against profit so as to give a constant periodic rate of charge of the remaining balance outstanding at each accounting period.

Inventory

Inventories 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 duty, transport and handling costs. Provision is made, where necessary, for obsolete, slow moving and defective inventory.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into € at rates of exchange ruling at the balance sheet date. Differences arising on translation are included in the results for the period.

Pension costs

Payments made to defined contribution pension schemes are charged to the profit and loss account in the period in which they are incurred. The pension fund is externally funded.

Revenue grants

Revenue grants are credited to the profit and loss account on a receivable basis.

PROFIT AND LOSS ACCOUNT
31 December 2002

	Notes	2002 €	2001 €
Gross profit		2,674,200	2,294,041
Net operating expenses	1	<u>2,112,254</u>	<u>1,758,574</u>
Operating profit	2	561,946	535,467
Interest payable and similar charges	4	<u>104,504</u>	<u>41,129</u>
Profit on activities before taxation		457,442	494,338
Tax on profit on ordinary activities	5	<u>142,750</u>	<u>102,035</u>
Profit after taxation		314,692	392,303
Dividends	6	<u>1,630</u>	<u>-</u>
		<u>313,062</u>	<u>392,303</u>

STATEMENT OF MOVEMENT IN PROFITS RETAINED
31 December 2002

	2002 €	2001 €
Retained at 1 January 2002	1,131,342	739,039
Profit for the year	<u>313,062</u>	<u>392,303</u>
Profit retained at 31 December 2002	<u>1,444,404</u>	<u>1,131,342</u>

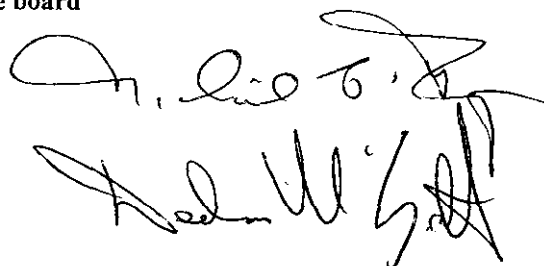
All amounts dealt with above relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
31 December 2002

The company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

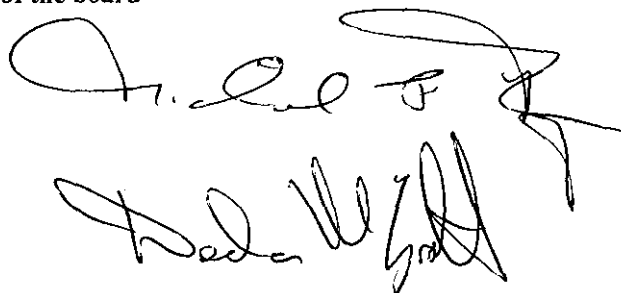
On behalf of the board



BALANCE SHEET
31 December 2002

	Notes	2002	2001
		€	€
Fixed assets			
Tangible assets	7	714,783	744,969
Current assets			
Inventory	9	737,139	795,642
Receivables	10	5,903,922	4,909,056
Cash at bank and on hand		<u>804,116</u>	<u>836,992</u>
		7,445,177	6,541,690
Current liabilities			
Amounts falling due within one year	11(a)	<u>(4,794,689)</u>	<u>(5,721,827)</u>
Net current assets		<u>2,650,488</u>	<u>819,863</u>
		3,365,271	1,564,832
Non current liabilities			
Amounts falling due after one year	11(b)	<u>(1,625,509)</u>	<u>(138,132)</u>
		<u>1,739,762</u>	<u>1,426,700</u>
Capital and reserves			
Equity share capital	12	87,500	88,882
Share premium	15	206,476	206,476
Capital redemption reserve fund	13	1,382	-
Profit and loss account		<u>1,444,404</u>	<u>1,131,342</u>
Equity shareholders' funds	16	<u>1,739,762</u>	<u>1,426,700</u>

On behalf of the board



CASH FLOW STATEMENT
31 December 2002

	Notes	2002 €	2001 €
Operating activities			
Net cash (outflow)/inflow from operating activities	20(a)	(2,106,245)	807,218
Return on investments and servicing of finance:			
Dividends paid		(1,630)	-
Interest received		17,488	1,745
Interest paid		<u>(104,504)</u>	<u>(41,129)</u>
Net cash (outflow) from returns on investments and servicing of finance		(88,646)	(39,384)
Taxation			
Corporation tax paid		(144,329)	(10,614)
Investing activities			
Payments to acquire tangible fixed assets		(264,427)	(417,341)
Receipts from sales of tangible fixed assets		<u>13,132</u>	<u>40,397</u>
Net cash (outflow) from investing activities		<u>(251,295)</u>	<u>(376,944)</u>
Net cash inflow/(outflow) before financing		<u>(2,590,515)</u>	<u>380,276</u>
Financing			
Loan received		3,187,145	-
Loan repayment		(634,802)	-
Receipts from finance leases		118,531	113,763
Finance lease repayments		<u>(122,941)</u>	<u>(77,829)</u>
(Decrease)/increase in cash and cash equivalents	20(b)	<u>(42,582)</u>	<u>416,210</u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2002

1 Net operating expenses

Net operating expenses are made up as follows:-

	2002 €	2001 €
Administration	2,128,192	1,503,226
Financial	(293,958)	(28,559)
Depreciation	<u>278,020</u>	<u>283,907</u>
	<u>2,112,254</u>	<u>1,758,574</u>

2 Operating profit

Operating profit is stated after charging or (crediting):-

	2002 €	2001 €
(a) Directors' remuneration for management services	174,948	91,835
Pension scheme contributions	<u>28,052</u>	<u>18,198</u>
	<u>203,000</u>	<u>110,033</u>
(b) Auditors' remuneration	<u>15,550</u>	<u>10,833</u>
(c) Depreciation of tangible fixed assets	<u>278,020</u>	<u>283,907</u>
(d) Exchange (gains) on foreign exchange	<u>(357,280)</u>	<u>(10,641)</u>
(e) Loss/(profit) on disposal of assets	<u>3,461</u>	<u>(3,477)</u>
(f) Interest received	<u>(17,488)</u>	<u>(1,745)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

3 Employees and remuneration

- (a) The average number of persons employed by the company, including executive directors, during the period is analysed into the following categories:-

	Number employed	
	2002	2001
Production	56	43
Administration	20	17
	<u>76</u>	<u>60</u>

- (b) The company's employment costs for all employees, including executive directors comprise:-

	2002	2001
	€	€
Wages	2,181,182	1,661,279
Social insurance	214,917	158,999
Pension cost	61,908	36,802
	<u>2,458,007</u>	<u>1,857,080</u>

4 Interest payable and similar charges

	2002	2001
	€	€
Loan interest	69,292	-
Bank interest and charges	14,583	18,077
Finance lease charges	20,629	23,052
	<u>104,504</u>	<u>41,129</u>

5 Taxation on ordinary activities

- (a) Corporation tax arises on the company's profits as follows:-

	2002	2001
	€	€
Under provision in prior year	27,750	456
Charge for year	115,000	101,579
	<u>142,750</u>	<u>102,035</u>

Corporation tax arises at the rate of 16% on trading income and at 25% on all other income.

- (b) The current tax charge reconciles with the tax charge at Irish statutory rates as follows:-

	2002
	€
Profit for financial statements	457,442
Expected tax at Irish statutory rates (16%/25%)	74,765
Charge per financial statements	115,000
Difference	40,235
Explained as follows:	
Effect on tax charge of permanent and timing differences	40,235

NOTES TO THE FINANCIAL STATEMENTS - continued

6 Dividends

The following dividends were paid during the year:

	2002 €	2001 €
Ordinary dividend in respect of the year ended 31 December 2000	<u>1,630</u>	<u>-</u>

7 Tangible fixed assets

	Leasehold improvements €	General equipment €	Office equipment €	Motor vehicles €	Total €
Cost					
At 31 December 2001	180,440	836,625	231,994	381,696	1,630,755
Additions	3,864	231,936	24,574	4,053	264,427
Disposals	-	-	-	(61,664)	(61,664)
At 31 December 2002	<u>184,304</u>	<u>1,068,561</u>	<u>256,568</u>	<u>324,085</u>	<u>1,833,518</u>
Depreciation					
At 31 December 2001	54,712	491,990	152,669	186,415	885,786
Charge for year	17,730	167,327	29,661	63,302	278,020
Disposals	-	-	-	(45,071)	(45,071)
At 31 December 2002	<u>72,442</u>	<u>659,317</u>	<u>182,330</u>	<u>204,646</u>	<u>1,118,735</u>
Net book amounts					
At 31 December 2002	<u>111,862</u>	<u>409,244</u>	<u>74,238</u>	<u>119,439</u>	<u>714,783</u>
At 31 December 2001	<u>125,728</u>	<u>344,635</u>	<u>79,325</u>	<u>195,281</u>	<u>744,969</u>

Note

- (a) No depreciation has been charged in arriving at the results of the year in respect of certain fixed assets which originally cost €114,620 and are still in service but fully depreciated.

8 Investment in leased assets

Included in the schedule of tangible fixed assets set out in note 6 are the following assets held under finance leases:-

	General equipment €	Office equipment €	Motor vehicles €	Total €
Gross amounts	122,551	16,092	191,036	329,679
Accumulated depreciation	<u>88,600</u>	<u>16,092</u>	<u>114,085</u>	<u>218,777</u>
	<u>33,951</u>	<u>-</u>	<u>76,951</u>	<u>110,902</u>
Depreciation for year	<u>24,510</u>	<u>-</u>	<u>38,207</u>	<u>62,717</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

9 Inventory

	2002 €	2001 €
Consist of:-		
Raw material	672,043	730,422
Workshop spare parts and small tools	65,096	65,220
	<u>737,139</u>	<u>795,642</u>

The replacement cost of inventory did not differ significantly from the total figure shown.

10 Receivables

	2002 €	2001 €
Trade receivables	5,806,122	4,884,968
Prepayments	97,800	24,088
	<u>5,903,922</u>	<u>4,909,056</u>

All amounts included above fall due within one year.

11 Payables

(a) Amounts falling due within one year

	2002 €	2001 €
Loan	1,069,975	-
Amount owed to related company	-	976,406
Bank loans and overdraft	21,111	11,405
Amount owed to parent company	-	3,571,852
Trade and other payables and accruals	2,473,847	678,754
Lease obligations	110,212	119,631
PAYE/PRSI and VAT	1,019,544	262,200
Corporation tax	100,000	101,579
	<u>4,794,689</u>	<u>5,721,827</u>

(b) Amounts falling due after one year

Loan	1,482,368	-
Lease obligations	143,141	138,132
	<u>1,625,509</u>	<u>138,132</u>

(c) Trade creditors include an amount owing to suppliers who purport to include reservation of title clauses in their conditions of sale. Due to the legal interpretation required it was not practical to quantify the amount involved.

(d) The bank overdraft is secured by a guarantee given by a director, together with the assignment of a life policy.

(e) The loan was received from GSE, a former related company of the client. The repayment terms are agreed at a certain monthly principal level plus interest.

NOTES TO THE FINANCIAL STATEMENTS - continued

12 Equity share capital

	2002 €	2001 €
Authorised		
Ordinary shares of €1.25 each	<u>1,250,000</u>	<u>1,269,738</u>
Allotted and fully paid		
Ordinary shares of €1.25 each	<u>87,500</u>	<u>88,882</u>

On 8 July 2002 the ordinary shares were renominated from €1.269738 each to €1.25 each.

13 Capital redemption reserve fund

	2002 €	2001 €
Renominalisation of issued share capital	<u>1,382</u>	<u>-</u>

14 Directors' and secretary's interests

The interest of the directors and secretary in the share capital of the company at 31 December 2000 were as follows:-

	Number of shares	
	2002	2001
MJ Flynn (secretary)	70,000	14,000
A Flynn	-	-
C Long	-	-
D McGrath	-	-

15 Share premium account

	2002 €	2001 €
At 31 December 2001 and 31 December 2002	<u>206,476</u>	<u>206,476</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

16 Movement in equity shareholders' funds

	2002 €	2001 €
Profit retained for the financial year	313,062	392,303
Equity shareholders' funds at 31 December 2001	<u>1,426,700</u>	<u>1,034,397</u>
Equity shareholders' funds at 31 December 2002	<u>1,739,762</u>	<u>1,426,700</u>

17 Related party transactions

The company rents a premises from Flynn Properties Limited, a company controlled by one of its directors. In the year ended 31 December 2002 the rental charge arising was €64,966.

18 Pension costs

The company operates two defined contribution pension schemes, one of which is non-contributory and the other is contributory and are externally funded. Pension costs charged in the financial statements comprise current service contributions amounting to €61,908 (2001 - €36,802). Amounts due or prepaid to the funds at 31 December 2002 amounted to €Nil (2001 - €Nil).

19 Commitments

(a) Capital commitments

At 31 December 2002, the following capital expenditure had been authorised by the directors:-

	2002 €	2001 €
Contracted for	-	-
Not contracted for	-	-
	<u>-</u>	<u>-</u>

(b) Operating lease rental commitments

Commitments under operating leases, payable in 2002, expire as follows:-

	2002 €	2001 €
Within one year	3,742	15,478
Two to five years	49,563	95,863
After five years	<u>82,326</u>	<u>-</u>
	<u>135,631</u>	<u>111,341</u>

Included in the rentals payable under operating leases are rentals in respect of buildings which are subject to review at intervals specified in the lease.

NOTES TO THE FINANCIAL STATEMENTS - continued

19 Commitments - continued

(c) Contract lease rental commitments

Commitments under contract leases, payable in 2002, expire as follows:-

	2002 €	2001 €
Within one year	41,368	-
2 - 5 years	42,598	46,387
After 5 years	-	-
	<u>83,966</u>	<u>46,387</u>

20 Notes to cash flow statement

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

	2002 €	2001 €
Operating profit	561,946	535,468
Depreciation charges	278,020	283,907
Loss/(profit) on sale of tangible fixed assets	3,461	(3,477)
(Increase)/decrease in stocks	58,503	(445,848)
(Increase) in debtors	(994,866)	(1,548,584)
(Decrease)/increase in creditors	(1,995,821)	1,987,497
Interest received	(17,488)	(1,745)
Net cash (outflow)/inflow from operating activities	<u>(2,106,245)</u>	<u>807,218</u>

(b) Analysis of changes in cash and cash equivalents during the year

	2002 €	2001 €
Balance at 1 January 2002	825,587	409,377
Net cash (outflow)/inflow	<u>(42,582)</u>	<u>416,210</u>
Balance at 31 December 2002	<u>783,005</u>	<u>825,587</u>

Represented by:-

Cash at bank and in hand	804,116	836,992
Bank overdraft	<u>(21,111)</u>	<u>(11,405)</u>
	<u>783,005</u>	<u>825,587</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

21 Format of financial statements

Financial reporting standard 3 "Reporting Financial Performance", requires separate disclosure in the profit and loss account of the aggregate results of each of continuing operations, acquisitions, (as a component of continuing operations) and discontinued operations. As the company's results relate only to continuing operations, this separate disclosure is not required.

22 Approval of financial statements

The directors approved the financial statements on

25th April 2003