

INDUPLAS SPA
FINANCIAL STATEMENTS
31st December, 2010

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INCOME STATEMENT
31st December, 2010
(Expressed in '000, Euro)

	Notes	<u>31/12/10</u>	<u>31/12/09</u>
Revenue	4	2.624	7.069
Cost of sales	5	-2.894	-6.320
Gross profit		<u>-270</u>	<u>749</u>
Other operating income		-3	5
Administrative expenses	5	-413	-443
Distribution costs	5	-664	-687
Other operating expenses	5	-141	-188
Restructuring costs		0	0
Profit from operations		<u>-1.491</u>	<u>-563</u>
Finance costs		-69	-166
Finance income		27	29
Loss on disposal of discontinued operations		-147	856
Exchange (loss)/gain		35	88
Profit before tax		<u>-1.645</u>	<u>245</u>
Income tax expense		-65	-162
Loss after tax - continuing operations		<u>-1.710</u>	<u>83</u>
Minority interest		0	0
Net Profit/(Loss) for the period		<u>-1.710</u>	<u>83</u>

Notes forming an integral part of the financial statements on pages 5 to 22.

BALANCE SHEET
31st December, 2010
(Expressed in '000, Euro)

ASSETS	Notes	<u>31/12/10</u>	<u>31/12/09</u>
Non Current Assets			
Property, plant and equipment	6	276	328
Intangible assets	7	8	16
Goodwill	8	0	0
Interests in associates and joint ventures		0	0
Current Assets		285	344
Inventories	9	419	707
Trade and other receivables	10	3.404	4.846
Investments held for trading		0	0
Deferred tax assets		0	0
Cash and cash equivalents	11	0	1
Prepayments/accrued income	20 a.	141	52
		3.964	5.606
Non current assets classified		0	0
Total assets		4.249	5.950
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	198	517
Capital reserves	13	0	2
Revaluation reserves	14	0	0
Hedging reserve		0	0
Translation reserve	13	117	117
Other reserves post closing adjustment	13	0	3
Accumulated profit/loss		-1.879	-495
		-1.564	145
Minority interest		0	0
Total equity		-1.564	145
Non current liabilities			
Bank loans and overdrafts-due after one year	15	131	136
Retirement benefit obligation	16	454	463
Deferred tax liabilities	21	15	40
Obligations under finance leases-due after one year	17	0	0
		600	638
Current liabilities			
Trade and other payables	18	4.700	4.023
Bank loans and overdrafts-due within one year	15	30	853
Tax liabilities		161	93
Obligations under finance leases - due within one year	17	0	0
Provisions for restructuring		200	0
Provisions	19	92	89
Accrued expenses/Deferred income	20 b.	30	109
		5.212	5.167
Liabilities directly associated with non-current assets classified as held for sale		0	0
Total equity and liabilities		4.249	5.950

Notes forming an integral part of the financial statements on pages 5 to 22.

STATEMENT OF CHANGES IN EQUITY
31st December, 2010
(Amounts Expressed in 000, Euro)

	Share capital	Capital reserves	Revaluation reserves	Accumulated Losses carried forward	Hedging reserves	Translation reserves	Total Equity
Equity 31.12.09							
Balance 01.01.2009	517	2	0	-574		117	62
Revaluation Reserve							0
Profit for the year				83			83
Currency translation differences							0
Net loss on hedges							0
Other reserves							0
	<u>517</u>	<u>2</u>	<u>0</u>	<u>-491</u>	<u>0</u>	<u>117</u>	<u>145</u>
Equity 31.12.10							
Balance 01.01.2010	517	2	0	-491	0	117	145
Revaluation Reserve							0
Profit for the year	-319	-2		-1388			-1709
Currency translation differences							0
Net loss on hedges							0
Other reserves							0
Equity as at 31.12.10	<u>198</u>	<u>0</u>	<u>0</u>	<u>-1879</u>	<u>0</u>	<u>117</u>	<u>-1564</u>

CASH FLOW STATEMENT
31st December, 2010
(Amounts expressed in 000 Euro)

<u>Cash flows from operating activities</u>	<u>31/12/10</u>	<u>31/12/09</u>
(Loss)/ Profit for the year	-1.491	-563
Adjustments for:		
Depreciation of tangible and intangible assets	78	226
Foreign Exchange differences	0	0
Profit from Discontinued operations	0	0
Provisions	0	1
Cash flows from operating activities	-1.413	-336
Decrease/(Increase) in inventories	288	569
(Increase) / Decrease in debtors	828	-1.154
Decrease/(Increase)in other receivable	1.442	653
(Increase)/ Decrease in suppliers	-677	70
(Decrease)/Increase in other payables	0	0
Cash flows from operating activities	1.881	139
Taxes paid	59	51
Total inflows (outflows) from operating activities	528	-146
<u>Cash flow from investing activities</u>		
Purchase of tangible / intangible assets	-15	-28
Decrease in other non current assets	0	0
Revaluation reserve	0	0
Net cash flow from investing activities	-15	-28
<u>Cash flow from financing activities</u>		
Repayment of bank loans	0	0
Repayments of obligation under finance leases	0	-62
Bank loans	0	0
Decrease of share capital	0	0
Cash flow from financing activities	0	-62
Net increase in cash and cash equivalents	513	-236
Cash and cash equivalents at beginning of year	-1.768	-1.532
Cash and cash equivalents at end of year	-1.255	-1.768

Notes forming an integral part of the financial statements on pages 5 to 22.

1. Corporate information

Induplas S.p.A. is an Italian company 100% participated by A. G. Petzetakis S.A.

2. Objective

Induplas' main objective is the manufacturing and selling items which are produced from pvc and poliuretan mainly.

3. Summary of significant accounting policies

3.1. Basis of presentation

The financial statement has been prepared under the historical costs and presented in Euro. All amounts are rounded in thousands.

3.2. Statement of compliance

The present financial statement of Induplas S.p.A. for the period 01/01/10-31/12/10 has been prepared in accordance with International Financial Reporting Standards (IFRS).

3.3. Foreign currency translation

Transactions in foreign currencies are reflected at the rate prevailing at the time the transactions are recorded. Realised and unrealised exchange gains and losses are transferred to profit and loss account.

3.4 Property, plant and equipment.

All tangible assets are stated at cost less accumulated depreciation. Induplas S.p.A. has no land or building. Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<u>Category of assets</u>	<u>% of amortisation</u>
Plant and machinery	12,50
Fixtures and equipment	12,00
Transportation means	20,00

Despite Induplas has no buildings the reporting package shows a value related to the reclassification in the application of IFRS.

3.5. Income tax / Taxation

Income tax are calculated and booked according the period analysed and the fiscal law. Deferred taxes are considered and calculated according the application of IFRS.

3.6. **Interest in associated and joint ventures.**

Induplas S.p.A. owns 31% of Petzetakis USA Inc. for an amount of 27,89 Euro. Petzetakis Usa Inc. has sold all its assets in August 2005 so the amount of the investment has been devaluated.

3.7. **Goodwill**

Not applicable. There is no goodwill recognised.

3.8. **Inventories**

Inventories are evaluated at the lower between cost and net realisable value. The evaluation is based on FIFO. Slow moving items in finish products and raw material are covered by a specific inventory provision.

3.9. **Trade financial and other receivable**

Receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Bad debts are written off when identified.

Despite we believe all the amounts due from companies of Petzetakis Group are difficult to recover we didn't perform any devaluation.

3.10. **Cash and cash equivalents**

Cash and cash equivalents in the balance sheet include cash in hand.

3.11. **Retirement benefits**

In accordance with the labour legislation the companies employees and agents are entitled to a specific financial benefit when they arrive at retirement age. This financial benefit which is payable on the retirement day is calculated on the following basis :

- a. years of service in the company
- b. monthly salary
- c. other factors in accordance with the existing legislation

The estimated liability is recognised in the financial statements.

3.12. **Bank loans and overdraft.**

Bank loans and overdrafts are recorded at the nominal value.

3.13. **Trade payables**

The trade payables are stated at their nominal value.

3.14. **Revenue**

Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured.

4. Revenue

Analysis of company's revenue is as follows:

	<u>31/12/10</u>	<u>31/12/09</u>
Sales of goods	2.624	7.069
Sales of semi finished goods	0	0
Others (assets)	0	0
	<u>2.624</u>	<u>7.069</u>

The following table provides an analysis of the sales by geographical area :

	<u>31/12/10</u>	<u>31/12/09</u>
Domestic sales	1.312	3.764
Export sales	1.087	2.510
Intercompany sales	225	794
	<u>2.624</u>	<u>7.069</u>

	<u>31/12/10</u>	<u>31/12/09</u>
Details		
GREECE	30	55
REST OF EUROPE	2.479	6.710
SOUTH AFRICA	0	0
OTHER COUNTRIES	115	304
	<u>2.624</u>	<u>7.069</u>

The following table provides to split our business in the new categories

	<u>31/12/10</u>				
	PVC	PE	Hoses/SPVC	Other	Total
Revenue	1.613	3	0	1.008	2.624
Operating Profit	-917	-1	0	-573	-1.491
Profit before Tax	-1.012	-2	0	-632	-1.645
Net profit	-1.052	-2	0	-657	-1.710
Depreciation	57	0	0	35	92
Total assets	3.227	5	0	2.016	5.248
Total liabilities	3.574	6	0	2.233	5.813

Notes to the financial statements
31st December, 2010

5. Operating expenses

Cost of sales	<u>31/12/10</u>	<u>31/12/09</u>
Wages	706	1.090
Depreciation	59	186
General expenses	66	144
Rent Leasing	369	229
Utilities	97	218
Material costs and other direct	1.366	3.720
Sales variable costs	231	733
Marketing/promotion costs	0	0
	<u>2.894</u>	<u>6.320</u>

Administrative expenses	<u>31/12/10</u>	<u>31/12/09</u>
Wages	155	236
Utilities	0	0
Depreciation	20	24
General expenses	225	177
Rent Leasing	13	5
Marketing/promotion costs	0	0
	<u>413</u>	<u>443</u>

Distribution costs

Sales costs

	<u>31/12/10</u>	<u>31/12/09</u>
Wages	172	288
Utilities	0	0
Depreciation	0	0
General expenses	18	82
Rent Leasing	3	5
Marketing/promotion costs/provision bad debit	225	0
	<u>418</u>	<u>375</u>

Warehouse expenses

	<u>31/12/10</u>	<u>31/12/09</u>
Wages	115	157
Utilities	0	0
Depreciation	0	1
General expenses	0	0
Rent Leasing	131	156
Marketing/promotion costs	0	0
	<u>247</u>	<u>313</u>
Total	<u><u>664</u></u>	<u><u>687</u></u>

Other operating expenses

Integrated logistics expenses

	<u>31/12/10</u>	<u>31/12/09</u>
Wages	0	21
Utilities	0	0
Depreciation	13	16
General expenses	20	33
Rent Leasing	3	4
Marketing/promotion cost	0	0
	<hr/>	<hr/>
	35	73

Research and development expenses

	<u>31/12/10</u>	<u>31/12/09</u>
Wages	85	92
Utilities	0	0
Depreciation	0	0
General expenses	17	18
Rent Leasing	3	4
Marketing/promotion costs	0	0
	<hr/>	<hr/>
	106	114
	<hr/>	<hr/>
Total	<u>141</u>	<u>188</u>

**Notes to the financial statements
31st December, 2010**

6. Property, plant and equipment

276 (A-B)

	Land and buildings	Fixtures and Equipment	Transportation Means	Assets under Construction	Total
Cost of valuation					
<i>At 1 January, 2010</i>	163	4.215	149	0	4.527
Translation difference					0
Additions	0	31	0		31
Disposals					0
Revaluation increase					0
					0
<i>At 31st December, 2010</i>	163	4.246	149	0	4.558 (A)
Accumulated depreciation and impairment					
<i>At 1 January, 2010</i>	163	3.890	146	0	4.199
Translation difference					0
	0	81	2		83
Disposals					0
					0
<i>At 31st December, 2010</i>	163	3971	148	0	4.282 (B)

Notes to the financial statements
31st December, 2010

7. Intangible assets

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	Patents, Trademarks	Other	Total
Cost			
<i>At 1 January, 2010</i>	207	496	703
Translation difference			0
Additions	0	0	0
<i>At the 31st December, 2010</i>	207	496	703
Accumulated amortisation			
<i>At 1 January, 2010</i>	202	485	687
Translation difference			0
Charge for the year	0	8	8
Impairment			0
<i>At 31st December, 2010</i>	202	493	695

8. Goodwill

There is no goodwill.

9. Inventories

	<u>31/12/10</u>	<u>31/12/09</u>
Raw materials	150	150
Work in progress	0	0
Finished and semifinished goods	253	528
Merchandise	0	0
Spare parts	0	0
Packaging	15	28
Advances to suppliers	0	0
	419	707

10. Trade and other receivables

	<u>31/12/10</u>	<u>31/12/09</u>
Trade receivables	3.038	4.047
Less: Provisions for doubtful debts	-149	-110
Receivables from group companies	393	763
Other receivables	123	144
	<u>3.404</u>	<u>4.846</u>

11. Cash and cash equivalents

	<u>31/12/10</u>	<u>31/12/09</u>
Cash in hand	0	1
Balances with bank	0	0
Deposits with banks	0	0
	<u>0</u>	<u>1</u>

12. Share capital

	<u>31/12/10</u>	<u>31/12/09</u>
Authorised, issued and fully paid: 51.700 ordinary shares of €10 each	<u>198</u>	<u>517</u>
	198	517

13 Capital reserves

	<u>31/12/10</u>	<u>31/12/09</u>
Statutory reserve	0	2
Special reserves	0	0
Tax free reserves,	0	0
Share premium	0	0
Translation reserves	117	117
Other reserves	0	3
Accumulated profit/loss	-1879	-495
	<u>-1762</u>	<u>-373</u>

The translation reserve is formed of all IFRS adjustments booked. In particular the increase of the 2007 is due of the profit result of the last year adjustments.

14. Revaluation reserve

There are no revaluation reserves

15. Bank loans and overdrafts

	<u>31/12/10</u>	<u>31/12/09</u>
Bank loans and overdrafts - due after one year	131	136
Bank loans and overdrafts - within one year	30	853
	<u>161</u>	<u>989</u>

16. Retirement benefit obligation (Staff leaving indemnities)

Allowance of the end of period (01/01/2003)	578
Allowance used	-127
Allowance made	147
Allowance at the beginning of year (01/01/2004)	598
Allowance paid	-145
Allowance made	129
Allowance of the beginning of year (01/01/05)	582
Allowance used	-105
Allowance made	113
Allowance at the end of year (31/12/05)	590
Allowance at the beginning of the year (01/01/06)	590
Allowance paid	-81
Allowance made	74
Allowance at the end of the period (31/12/06)	583
Allowance at the beginning of the year (01/01/07)	583
Allowance paid	-72
Allowance made (note 1)	11
Allowance at the end of the period (31/12/07)	522
Allowance of the beginning of year (01/01/08)	522
Allowance used	-83
Allowance made (note 1)	19
Allowance at the end of year (31/12/08)	458
Allowance at the beginning of the year (01/01/09)	458
Allowance paid	-18
Allowance made (note 1)	23
Allowance at the end of the period (31/12/09)	463
Allowance at the beginning of the year (01/01/10)	463
Allowance paid	-20
Allowance made (note 1)	11
Allowance at the end of the period (31/12/10)	454

(note 1)

A per Italian Law nr 252/05 and nr 296/06 comma 749 since 01/01/2007 all employees of have to convey their retirement benefit obligation on a Public Social Security fund.

17. Obligation under finance lease

The company has financial leases for plant and machinery. Future minimum lease payments under finance leases together with the present value of the minimum lease payment are as follows:

	Teleleasing	Sanpaolo Leasing
Payable within 2006		27
Payable 2007-2011	0	35
Payable 2012-2014		
Total	<u>0</u>	<u>62</u>
Present value of finance lease paid the 30/06/09	0	-62
Short term finance lease obligation one year from 31/12/09	0	0
Long term finance lease obligation after one year from 31/12/10	0	0

18. Trade and other payables

	<u>31/12/10</u>	<u>31/12/09</u>
Trade payables	3.159	2.964
Insurance and pension funds	0	0
Current tax liabilities	0	0
Liabilities to group companies	77	77
Advances from clients	0	0
Other payables	1.465	982
	<u>4.700</u>	<u>4.023</u>

19. Provisions for other liabilities and charges

	<u>31/12/10</u>	<u>31/12/09</u>
At 1 January	89	93
Additional provision during the year	20	0
Utilised during the year	-17	-4
	<u>92</u>	<u>89</u>

20. Accrued expenses/Deferred income

	<u>31/12/10</u>	<u>31/12/09</u>
20 a. Prepayments/accrued expenses	30	109
20 b. Deferred income	141	52

21. Deferred tax liabilities

Deferred tax liabilities relates to the following:

	<u>31/12/10</u>	<u>31/12/09</u>
Accelerated depreciation for account purposes	0	0
Accelerated wear and tear for tax purposes	-72	-92
Anticipated taxes on restructuring provision	0	0
Finance lease	0	0
Prepayments	0	0
Provision for doubtful debts	8	8
Salary related provision	0	64
Provision for settlement discount	0	0
Provision for credit notes	0	0
Tax loss	0	0
Revaluation of plant and machinery	0	0
Other	79	60
	<u>15</u>	<u>40</u>

22. Liabilities of the 31/12/10

	< 6 mos	6-12 mos	1-5 years	> 5 years	Total
Bank debt		30	131		161
Suppliers	3.159				3.159

23. Receivable of the 31/12/10

	< 6 mos	6-12 mos	1-5 years	> 5 years	Total
For the overdue amounts	3.038				3.038

24. **Commitments, contingencies and other risks**

All contingencies have been provided. Induplas S.p.A. has still overdue receivable trade and financial from Petzetakis Group Companies. The degree of recoverability of the above receivable is unknown.

25. **Related party disclosures**

For Intercompany transactions we address the attached ICOY file.

As per the Board of Director Meeting , it has been decided to renounce the due amount due for the year 2010 as follows:

Georgios Petzetakis	€	0,00
Panagiotis Petrolekas	€	0,00

26. **Financial risk management objective and policies**

Nothing to be mentioned.

Foreign currency risk

Induplas S.p.A. has no significant transactional currency exposures, except the total amount due from Eurohose Ltd in sterling.

Credit risk

The company trades only with recognised, creditworthy third parties. It is the company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

At the end of 2005 a financial receivable of 381.450,88, Induplas provided in the past to Petzetakis USA Inc., has been totally devaluated

At the some date Induplas booked an amount of 125.878,79 as anticipated tax assets related to IRES tax for the above devaluation.

At the end of the 2007 Induplas booked the closure of the anticipated tax assets of 125.878,79.