Company Registration No. 3139509

International Process Technologies Limited
and subsidiary companies

Report and Financial Statements

31 December 2006

MONDAY
AFIACT1N
A23 17/09/2007 32
COMPANIES HOUSE

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M Stoke (Chairman)
P R Benson
K J Bilham
C F Dunnett

SECRETARY

K J Bilham

REGISTERED OFFICE

Trading Estate
Farnham
Surrey
GU9 9NY

BANKERS

Bank of Scotland
PO Box 208
21 Prince Street
Bristol
BS99 7JG

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

SOLICITORS

Burges Salmon
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

DIRECTORS' REPORT
Year ended 31 December 2006

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding and management service company to the IPT Group of companies The principal trading activity of the group is that of plastic engineering operations, covering the manufacture of plastic materials, plastic moulding, compounding and grinding and plastic coating

The company continues to invest in research and development which has resulted in a number of new products being introduced to the market in the year The directors regard this investment as key to the continued success in the medium to long term future of the business

As shown in the consolidated profit and loss account on page 6, the company's sales have increased by 5 1% over the prior year (2005 3 1%) The sales growth can be attributed to the improved performance in the US market, contributing 52% growth in the year and Europe up 20%, which mitigated a 10 % fall in United Kingdom turnover, the majority of which was as a direct result of the closure of the Plastic Coatings Guildford factory in 2005 where the group decided to exit from certain markets

In 2005 the group and company had to adopt the requirements of FRS25 which required that the preference shares had to be classed as loans for balance sheet reporting purposes During 2006 the directors altered the terms of the preference shares which has resulted in them being reclassified as equity in accordance with the FRS25 accounting standard This change has therefore significantly improved the presentation of the net assets of the business (see balance sheet page 7)

The company's cash levels improved by £0 1m from £4 9m total borrowings at the end of 2005 to £4 8m total borrowings at the end of the current financial year During 2006 the group restructured its financing by reducing the level of long term loans and reverting to a working capital based finance structure at an operational level, as a consequence the bank loans fell from £5 7m at the end of 2005 to £3 4m at the end of the year This action significantly reduced the interest rates payable by the group

PRINCIPAL RISKS AND UNCERTAINTIES

The company's sales to customers in the United States, Middle East and the Far East are in US Dollars and therefore the company is exposed to movement in the US Dollar to pound exchange rates, however there is limited hedging as there are purchases that the company makes in US Dollars from time to time The company also sells and purchases products in Europe but minimises this risk by operating currency accounts for these transactions

The group is also financed by long term loan and operational finance agreements which have a fixed premium related to the bank base rates and therefore there is exposure to changes in these base rates

With many manufacturers in the United Kingdom reviewing where they make their products there is a risk that metal fabrication could move offshore to possibly China or Eastern Europe In 2006 a major customer took this decision and as a consequence the company suffered lost business but as a result of our focus on supply chain management we have been able to replace this business from new and existing customers

RESULTS AND DIVIDENDS

The profit for the year after taxation was £0 1m (2005 £1 4m) The directors do not recommend payment of a dividend (2005 £nil) and propose that the profit for the year is transferred to reserves The Gross Profit at £5,318 represents 24 3% of sales and maintained the 2005 performance (24 6%) in spite of difficult trading conditions where exposure to foreign currencies resulted in currency realisation losses within administration expenses These, together with one off income benefits in 2005 contributed to the increase in this cost category The business carried out some restructuring of operations at Plascoat towards the end of the year and the resultant benefits are expected to impact the 2007 results

FUTURE PROSPECTS

The directors intend to take advantage of the market opportunities in Europe and the United States that have opened up to the company in 2006 and are in negotiations with new customers in these regions It is the directors aim to improve where possible operating efficiencies to ensure that group operating profit is maintained This will be achieved through focussed improvement initiatives and targeted capital investment

DIRECTORS' REPORT (continued)
Year ended 31 December 2006

DIVIDENDS

The directors are not recommending payment of a dividend on either the "A" ordinary or the ordinary shares (2005 £nil) No dividend is due to the preference shareholders as they have previously agreed to waive their entitlement to past unpaid dividends together with future dividends in respect of the 7% cumulative redeemable preference shares

DIRECTORS AND THEIR INTERESTS

The current list of directors is shown on page 1 All directors served throughout the year and their interests in the ordinary shares of the company as at 31 December 2006 and 31 December 2005 were

	31 December 2006 No.	31 December 2005 No.
P R Benson	533,333	533,333
K J Bilham	151,050	151,050
C F Dunnett	2,847,000	2,847,000
J M Stoke	-	-

EMPLOYEES

The Group pursues a policy of employee communication through meetings, including briefings and team meetings, and through internal notification of the Group focus and movement

The Group employs disabled persons whenever circumstances permit, and full and fair consideration is given to applications for employment by disabled persons having regard to their particular aptitudes and disabilities

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware, and
- each of the directors has taken all steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined in the Companies Act 1985) and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed their willingness to continue as auditors and a resolution for the re-appointment of Deloitte & Touche LLP will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors and signed on behalf of the Board

K J Bilham
Director

31 July 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements The directors have chosen to prepare the financial statements for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and of the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985 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, and
- 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 Group and the company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL PROCESS TECHNOLOGIES LIMITED

We have audited the group and individual company financial statements (the "financial statements") of International Process Technologies Limited for the year ended 31 December 2006 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the reconciliation of movements in consolidated shareholders' deficit, the consolidated statement of total recognised gains and losses and the related notes 1 to 28 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' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985 We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed

We read the directors' report and the other information contained in the Annual Report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements

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 judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the individual company's affairs as at 31 December 2006 and of the group's 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

Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
Southampton, United Kingdom

8 August 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Turnover – continuing operations	2	21,841	20,774
Cost of sales		(16,523)	(15,667)
Gross profit		5,318	5,107
Distribution costs		(1,343)	(1,268)
Administrative expenses (including FRS 17 costs)		(3,699)	(2,251)
		(5,042)	(3,519)
Operating profit before FRS 17 costs		1,255	1,751
FRS 17 costs		(979)	(163)
Operating profit – continuing operations	4	276	1,588
Profit on sale of an operation	3	-	953
Interest receivable		16	23
Net return on pension scheme		468	64
Interest receivable and similar income	6	484	87
Interest payable and similar charges	6	(705)	(999)
Profit on ordinary activities before taxation		55	1,629
Tax credit/(charge) on profit on ordinary activities	7	41	(216)
Retained profit for the financial year	19	96	1,413

CONSOLIDATED BALANCE SHEET
31 December 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Intangible assets	9	36	38
Tangible assets	10	5,715	5,973
		5,751	6,011
CURRENT ASSETS			
Stocks	12	1,732	1,614
Debtors	13	3,749	3,953
Cash at bank and in hand		412	788
		5,893	6,355
CREDITORS amounts falling due within one year	14	(5,907)	(4,609)
NET CURRENT (LIABILITIES)/ASSETS		(14)	1,746
TOTAL ASSETS LESS CURRENT LIABILITIES		5,737	7,757
CREDITORS amounts falling due after more than one year	15	2,950	22,337
PROVISIONS FOR LIABILITIES AND CHARGES	17	511	554
PENSION ASSET	19, 21	(176)	(496)
CAPITAL AND RESERVES			
Called up share capital	18	3,296	280
Share premium account	19	12,334	-
Profit and loss account deficit	19	(13,178)	(14,918)
CAPITAL AND RESERVES		2,452	(14,638)
CAPITAL EMPLOYED		5,737	7,757

These financial statements were approved by the Board of Directors on 31 July 2007

Signed on behalf of the Board of Directors

C P Dunnett

Director

COMPANY BALANCE SHEET
31 December 2006

	Note	2006 £'000	2005 £'000
FIXED ASSETS			
Tangible assets	10	1	3
Investments	11	56,330	57,384
		56,331	57,387
CURRENT ASSETS			
Debtors	13	278	285
Cash at bank and in hand		205	1
		483	286
CREDITORS amounts falling due within one year	14	(8,926)	(7,027)
NET CURRENT LIABILITIES		(8,443)	(6,741)
TOTAL ASSETS LESS CURRENT LIABILITIES		47,888	50,646
CREDITORS amounts falling due after more than one year	15	48,925	68,237
CAPITAL AND RESERVES			
Called up share capital	18	3,296	280
Share premium account	19	12,334	-
Profit and loss account deficit	19	(16,667)	(17,871)
CAPITAL AND RESERVES		(1,037)	(17,591)
CAPITAL EMPLOYED		47,888	50,646

These financial statements were approved by the Board of Directors on 31 July 2007

Signed on behalf of the Board of Directors

C F Dunnett

Director

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Net cash inflow from operating activities	23	1,341	2,379
Returns on investments and servicing of finance	24	(689)	(720)
Net taxation paid		(154)	(85)
Capital expenditure and financial investment	24	(379)	(593)
Acquisitions and disposals	24	-	2,395
Net cash inflow before financing		119	3,376
Financing	24	(2,335)	(1,800)
(Decrease)/increase in cash in the year	25	(2,216)	1,576

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS/(DEFICIT)
Year ended 31 December 2006

	2006 £'000	2005 £'000
Profit for the financial year	96	1,413
Actuarial gain relating to pension scheme	30	3,530
UK deferred tax attributable to actuarial gain	(9)	(1,059)
Currency translation differences on net assets of overseas subsidiaries	(59)	(63)
Net increase in shareholders' funds	58	3,821
Opening shareholders' deficit	(14,638)	(1,683)
Redeemable preference shares reclassified as debt	-	(16,776)
Preference and deferred shares reclassified as equity	17,032	-
Closing shareholders' funds/(deficit)	2,452	(14,638)

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 2006

	2006 £'000	2005 £'000
Group		
Profit for the financial year	96	1,413
Actuarial gain relating to pension scheme	30	3,530
UK deferred tax attributable to actuarial gain	(9)	(1,059)
Currency translation differences on net assets of overseas subsidiaries	(59)	(63)
Total recognised gains and losses relating to the year	58	3,821

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1 ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries for the year ended 31 December 2006

Goodwill

On acquisition of a business, fair values are attributed to the Group's share of net tangible assets acquired Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and, prior to the adoption of FRS 10, was written off directly to reserves in the year of acquisition Following the adoption of FRS 10, goodwill arising on acquisitions is capitalised and amortised over its useful economic life, which is generally considered to be twenty years The directors regard twenty years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period

The profit or loss on the disposal of previously acquired businesses includes the attributable amount of any purchased goodwill previously written off to reserves relating to that business

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for any impairment Depreciation is not provided on freehold land or assets in the course of construction On other assets it is provided on cost in equal annual instalments over the estimated useful lives of the assets The rates of depreciation used are as follows

Freehold and long leasehold buildings	-	over 50 years
Short leasehold buildings	-	over the period of the lease
Plant and machinery	-	over 5 - 13 years
Fixtures, fittings, tools and equipment	-	over 3 - 10 years

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value

Stocks

Stocks and work in progress are valued on a first in, first out basis at the lower of cost and net realisable value Cost includes materials, direct labour and an appropriate proportion of overhead expenses Provision is made for obsolete, slow moving and defective items

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities

Redeemable preference shares are included in the balance sheet as liabilities, on adoption of FRS 25

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1. ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

Turnover

Turnover represents amounts invoiced to customers, less sales returns, exclusive of Value Added Tax Income is recognised on delivery of goods and services

Pension costs

The company has fully adopted Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17") in these financial statements The Group defined benefit pension scheme has an FRS 17 surplus of £176,000 at 31 December 2006 (2005 surplus of £496,000)

For the defined benefit scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments They are included as part of staff costs The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

The Group operates a multi-employer defined benefit pension scheme, the assets and liabilities of which are held independently from each company in separate trustee administered funds Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately on the face of the balance sheet

As it is not possible to identify the company's share of the underlying assets and liabilities of the scheme, it has been treated as a defined contribution scheme in the company accounts for the purposes of FRS 17 In the group accounts, full FRS 17 disclosures have been adopted

The group also has an insurance backed scheme in respect of the Dutch subsidiary, Plastic Coatings Europe BV This scheme is treated as a defined contribution scheme in the group financial statements For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year

From 1 February 2006, all active members transferred out of the defined benefit pension plan From this date, the company pays contributions to stakeholder pension plan on behalf of participating employees The company's contributions are charged to the profit and loss account Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

1 ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date These translation differences are dealt with in the profit and loss account, except for those relating to capital funding which are taken directly to reserves

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate is taken directly to reserves

Research and development

Research costs are written off to the profit and loss account as incurred Costs of development are written off to the profit and loss account except in cases where they are related to projects in which the profitable outcome can be determined with reasonable certainty Where this is the case, they have been capitalised within intangible fixed assets and amortised in equal annual instalments over a period of five years

2 TURNOVER

The analysis by geographical area of the Group's turnover by destination is set out below

	2006 £'000	2005 £'000
United Kingdom	9,430	10,483
Other European countries	9,118	7,547
North America	1,385	927
Rest of the world	1,908	1,817
Total	21,841	20,774

The directors are of the opinion that the Group operates only one class of business

3 EXCEPTIONAL ITEMS

The analysis of the profit on sale of an operation is shown below

	2006 £'000	2005 £'000
Profit on sale of fixed assets	-	1,622
Redundancy costs	-	(192)
General closure costs	-	(390)
Legal costs	-	(87)
	-	953

In 2005, the Group sold its Guildford factory, incurring trading losses and other closure costs

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

4 OPERATING PROFIT

	2006 £'000	2005 £'000
Operating profit is stated after charging/(crediting)		
Depreciation - owned assets	653	694
- leased assets	65	98
Amortisation - development costs	2	3
Profit on the sale of fixed assets	(100)	-
Auditors' remuneration (see below)	70	92
Operating leases - land and buildings	24	22
- other operating leases	254	295
Foreign exchange losses	33	12

The analysis of auditors' remuneration is as follows

	2006 £	2005 £
Fees payable to the company's auditors for the audit of the company's annual accounts	15	27
Fees payable to the Company's auditors for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	32	30
Total audit fees	47	57
Other services pursuant to legislation		
- Tax services	23	35
Total non-audit fees	23	35

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2006 £'000	2005 £'000
Directors' remuneration		
Emoluments (excluding pension contributions)	464	407
Pension contributions	28	40
	492	447

	No.	No
Number of directors who are members of the company's defined benefit scheme	3	3

	2006 £'000	2005 £'000
Highest paid director's remuneration		
Aggregate of emoluments	173	145

5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

The amount of the accrued pension of the highest paid director at 31 December 2006 is £12,456 (2005 £40,857)

The aggregate consideration to third parties for services as a director is £15,505 (2005 £15,126) and was paid to Bridgepoint Capital Limited

	2006 No.	2005 No
Average number of persons employed (including directors).		
Management	12	9
Administration	19	23
Production and sales	213	226
	244	258

	2006 £'000	2005 £'000
Staff costs during the year (including directors) were·		
Wages and salaries	5,229	5,276
Social security costs	521	484
Pension costs	230	291
	5,980	6,051

6. NET INTEREST PAYABLE

	2006 £'000	2005 £'000
Interest receivable	16	23
Net return on pension scheme	468	64
	484	87
Interest payable and similar charges		
Finance lease interest	(16)	(26)
On bank loans and overdrafts	(689)	(705)
Amortisation of debt issue costs	-	(12)
Amortisation of preference share premium	-	(256)
	(705)	(999)
Net interest payable	(221)	(912)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £'000	2005 £'000
Analysis of tax (credit)/charge on ordinary activities		
Current tax		
United Kingdom corporation tax at 30% (2005 30%)	23	179
Adjustment in respect of prior years	(10)	-
Overseas taxation	137	27
Adjustment in respect of prior years	(3)	(4)
Total current tax charge	147	202
Deferred tax		
Deferred tax on pension	(146)	17
Decrease in tax rate	(16)	-
Timing differences, origination and reversal	(13)	(24)
Adjustment in respect of prior years	(13)	21
Tax (credit)/charge on profit on ordinary activities	(41)	216

Factors affecting the tax (credit)/charge for the current year:

The current tax assessed for the period is lower (2005 higher) than that resulting from applying the standard rate of corporation tax of 30% (2005 30%) The differences are explained below

	2006 £'000	2005 £'000
Profit on ordinary activities before tax	55	1,629
Tax at 30% (2005 30%) thereon	(17)	(489)
Factors affecting tax charge		
Expenses not deductible for tax purposes	2	(101)
Capital allowances in excess of depreciation	(13)	(175)
Utilisation of tax losses	-	6
Movement in short term timing differences	4	(9)
FRS 17 pension adjustment	(146)	17
Variable tax rates	-	10
Foreign tax adjustment	(2)	-
Marginal relief	5	-
Research and development relief	7	6
Adjustments in respect of prior years	13	5
Tax reliefs on capital gains	-	528
Current year tax charge	(147)	(202)

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets This tax will become payable if the replacement assets are sold and further rollover relief is not obtained The estimated amount of tax that would become payable in these circumstances is £128,354 (2005 £128,354)

Deferred tax has not been provided in respect of timing differences relating to revenue losses and provisions as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £149,385 (2005 £139,076) The asset would be recovered if sufficient taxable profits were made in the future

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

8. LOSS OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these accounts The parent company's loss for the financial year attributable to shareholders amounted to £466,000 (2005 £1,028,000)

9 INTANGIBLE FIXED ASSETS

Group	Development costs £'000
Cost	
As at 1 January 2006 and 31 December 2006	223
Amortisation	
At 1 January 2006	185
Charge for the year	2
At 31 December 2006	187
Net book value	
As at 31 December 2006	36
As at 31 December 2005	38

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

10 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings	Short leasehold land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 January 2006	1,506	1,965	9,673	1,320	14,464
Exchange rate adjustments	(5)	-	(61)	(6)	(72)
Additions	73	-	381	100	554
Disposals	(80)	-	(9)	(75)	(164)
As at 31 December 2006	1,494	1,965	9,984	1,339	14,782
Depreciation					
As at 1 January 2006	202	929	6,114	1,246	8,491
Exchange rate adjustments	(1)	-	(47)	(5)	(53)
Charge for the year	5	56	626	31	718
Disposals	(13)	-	(1)	(75)	(89)
As at 31 December 2006	193	985	6,692	1,197	9,067
Net book value					
As at 31 December 2006	1,301	980	3,292	142	5,715
As at 31 December 2005	1,304	1,036	3,559	74	5,973

Freehold land and buildings includes freehold land of £279,855 (2005 £298,988) Included within plant and machinery are assets held under finance leases with a net book value of £896,210 (2005 £918,168)

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

10 TANGIBLE FIXED ASSETS (continued)

Company	Fixtures, fittings, tools and equipment £'000
Cost	
As at 1 January 2006 and 31 December 2006	49
Depreciation	
As at 1 January 2006	46
Charge for the year	2
As at 31 December 2006	48
Net book value	
As at 31 December 2006	1
As at 31 December 2005	3

11. INVESTMENTS HELD AS FIXED ASSETS

Company	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Cost			
At 1 January 2006	68,280	2,104	70,384
Repayments	-	(1,054)	(1,054)
At 31 December 2006	68,280	1,050	69,330
Provision for impairment			
At 1 January and 31 December 2006	(13,000)	-	(13,000)
Net book value			
At 31 December 2006	55,280	1,050	56,330
At 31 December 2005	55,280	2,104	57,384

The above investments are not listed

11 INVESTMENTS HELD AS FIXED ASSETS (continued)

Additional information on subsidiaries

The principal subsidiaries involved in the consolidation of the Group are

Company	Country of incorporation and operation	Activity	Proportion of ordinary shares held %
Plascoat International Limited	Great Britain	Former holding company for Group subsidiaries (non-trading)	100
Plascoat Holdings Limited	Great Britain	Holding company for foreign investments	100
Plascoat Systems Limited	Great Britain	Plastic moulding, compounding, grinding and manufacture of plastic materials	100
Plastic Coatings Europe BV	Netherlands	Compounding, grinding and manufacture of plastic materials	100
Plastic Coatings Limited	Great Britain	Plastic coating of materials	100

12 STOCKS

Group	2006 £'000	2005 £'000
Raw materials and consumables	886	909
Work in progress	24	36
Finished goods	822	669
	1,732	1,614

13. DEBTORS

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade debtors	3,631	3,736	-	-
Amounts owed by group undertakings	-	-	38	37
Corporation tax	-	-	188	207
Advance corporation tax recoverable	10	24	-	-
Other debtors	38	59	52	39
Prepayments and accrued income	70	134	-	2
	3,749	3,953	278	285

All balances are due within one year

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank overdraft (see note 16)	1,840	-	-	2,516
Bank loans (see note 16)	590	580	590	580
Obligations under finance leases (see note 16)	118	108	-	-
Trade creditors	1,952	2,560	-	-
Amounts owed to subsidiary undertakings	-	-	8,114	3,587
Other creditors	273	250	51	140
Corporation tax due	103	188	-	-
Other taxation and social security	251	129	72	10
Accruals and deferred income	780	794	99	194
	5,907	4,609	8,926	7,027

15. CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Cumulative redeemable preference shares	-	17,032	-	17,032
Bank loans (see note 16)	2,820	5,100	2,820	5,100
Obligations under finance leases (see note 16)	130	205	-	-
Amounts owed to subsidiary undertakings	-	-	46,105	46,105
	2,950	22,337	48,925	68,237

During the year, the rights to guaranteed cash payments that were previously attached to the issued preference shares were removed As such, the shares have been reclassified within equity in accordance with FRS 25 'Financial Instruments' (see note 18)

16 BORROWINGS

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Cumulative redeemable preference shares	-	17,032	-	17,032
Bank overdraft	1,840	-	-	2,516
Bank loans	3,410	5,680	3,410	5,680
Obligations under finance leases	248	313	-	-
Amounts owed to subsidiary undertakings	-	-	54,219	49,692
	5,498	23,025	57,629	74,920
Due within one year or on demand	2,548	688	8,704	6,683
Due after more than one year	2,950	22,337	48,925	68,237
	5,498	23,025	57,629	74,920
Analysis of repayments:				
Within one year or on demand	2,548	688	8,704	6,683
Between one and two years	648	2,360	590	2,256
Between two and five years	2,302	9,709	2,230	9,608
After five years	-	10,268	46,105	56,373
	5,498	23,025	57,629	74,920

Amounts repayable by instalments, some of which fall due after five years

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank loans, finance leases, loans from subsidiary and redeemable preference shares				
Total amount	5,498	23,025	57,629	74,920
Instalments after five years	-	10,268	46,105	56,373

The bank loans and overdraft are secured by a fixed charge over the assets and undertakings of the Group Interest on the loans is currently charged at between 6 90% and 13 6% per annum Obligations under finance leases are secured on the assets to which they relate

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax £'000
Group analysis of movements in provisions.	
At 1 January 2006	554
Credited to the profit and loss account in the year	(43)
At 31 December 2006	511

	2006 £'000	2005 £'000
Deferred taxation provided in the financial statements is as follows·		
Tax effect of timing differences because of		
Capital allowances in excess of depreciation	518	551
Short term timing differences	(7)	3
	511	554

18 SHARE CAPITAL

Group and company

Authorised

Number		2006 £'000	2005 £'000
9,333,333	Ordinary shares of £0 01 each	93	93
18,666,667	'A' Ordinary shares of £0 01 each	187	187
2,034,664	Preference shares of £1 each	2,035	3,016
981,030	Deferred shares of £1 each	981	-
		3,296	3,296

18 CALLED UP SHARE CAPITAL (continued)

Called up, allotted and fully paid

Number		2006 £'000	2005 £'000
9,333,333	Ordinary shares of £0 01 each	93	93
18,666,667	'A' Ordinary shares of £0 01 each	187	187
2,034,664	Preference shares of £1 each	2,035	3,016
981,030	Deferred shares of £1 each	981	-
		3,296	3,296

During the year, the following changes were made to the authorised and issued share capital

- 981,030 £1 preference shares were redesignated as 981,030 £1 deferred shares, and
- the rights to dividend payments and guaranteed redemption payments that were previously attached to the preference shares have been removed

As a result of these changes, deferred and preference share capital and the associated share premium are presented within equity on the balance sheet as at 31 December 2006 As at the year ended 31 December 2005, the preference share capital and the associated share premium were presented as a financial liability (see note 15)

Dividends on the Ordinary and 'A' Ordinary shares are payable, subject to the terms of the loan agreement, following approval by 75% of the 'A' Ordinary shareholders No dividend shall be payable in respect of the preference and deferred shares Preference shareholders are not normally permitted voting rights Deferred shareholders are not permitted voting rights Holders of 'A' Ordinary and Ordinary shares are permitted one vote per share held

19 RESERVES

Group	Share premium account £'000	Profit and loss account £'000
As at 1 January 2006	-	(14,918)
Retained profit for the year	-	96
Exchange translation differences on net assets of overseas subsidiaries	-	(59)
Other recognised gains and losses relating to the year	-	21
Preference and deferred shares reclassified as equity	12,334	1,682
At 31 December 2006	12,334	(13,178)

As a result of adopting FRS 10, the cumulative goodwill previously eliminated against a separate reserve has been deducted from the profit and loss account In the event of any future disposal of business segments, the goodwill attributable to that segment will be taken into account when calculating any profit or loss arising from the transaction The cumulative amount of goodwill eliminated directly against the profit and loss account as at 31 December 2006 was £11,845,000 (2005 £11,845,000)

19 RESERVES (continued)

Group pension asset	2006 £'000	2005 £'000
Profit and loss deficit excluding pension asset	(13,354)	(15,414)
Amount relating to determined pension scheme asset net of related deferred tax	176	496
Profit and loss deficit	(13,178)	(14,918)

Company	Share premium account £'000	Profit and loss account £'000
At 1 January 2006	-	(17,871)
Retained loss for the year	-	(478)
Preference and deferred shares reclassified as equity	12,334	1,682
At 31 December 2006	12,334	(16,667)

20 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2006, the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
Group	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Expiring within one year	-	-	81	39
Expiring between two and five years inclusive	-	-	145	82
Expiring after more than five years	24	24	-	-
	24	24	226	121

21 PENSION COSTS

Prior to 1 February 2006, the Group contributed to the Grosvenor Pension Fund in the UK providing benefits based on final pensionable pay From 1 February 2006, all active members transferred out of the scheme and the Group no longer makes contributions The assets of the scheme are held separately from those of the group in a trustee administered fund

For FRS 17 purposes, a valuation that starts by recognising the scheme assets and liabilities, and subsequently recognises movements in the period that they arise, has been prepared by qualified independent actuaries as at 31 December 2006

21 PENSION COSTS (continued)

The major assumptions used by the actuary were

	2006 %	2005 %	2004 %	2003 %
Discount rate	5 6	5 1	5 7	5 9
Rate of increases in salaries	n/a	3 5	3 5	3 5
Inflation assumption	3 0	2 5	2 5	2 5
Pension increases	3 0	3 0	3 0	3 0

The fair value of the assets of the scheme and the expected rate of return at the end of each financial year were

	Fair value at 31 Dec 2006 £'000	Expected rate of return at 31 Dec 2006 %	Fair value at 31 Dec 2005 £'000	Expected rate of return at 31 Dec 2005 %	Fair value at 31 Dec 2004 £'000	Expected rate of return at 31 Dec 2004 %	Fair value at 31 Dec 2003 £'000	Expected rate of return at 31 Dec 2003 %
Equities	14,796	7 0	25,196	7 0	21,301	7 0	20,440	7 0
Gilts	7,764	4 7	7,767	4 5	6,689	5 0	6,696	5 0
Corporate bonds	4,067	5 6	4,049	5 1	4,066	5 7	3,859	5 9
Cash	903	5 0	10	4 5	222	4 8	9	5 0
	27,503	6 1	37,022	6 3	32,277	6 4	31,004	6 4

	2006 £'000	2005 £'000
Analysis of the amount charged to operating profit:		
Current service cost of defined benefit schemes	15	163
Loss on settlements and curtailments	964	-
	979	163

	2006 £'000	2005 £'000
Analysis of the amount charged to net finance charges:		
Expected return on pension scheme assets	2,320	2,068
Interest on pension scheme liabilities	(1,852)	(2,004)
Net return	468	64

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

21 PENSION COSTS (continued)

Amount recognised in the statement of total recognised gains and losses (STRGL)	**2006 £'000**	**2005 £'000**	**2004 £'000**	**2003 £'000**	**2002 £'000**
Difference between actual return less expected return on pension scheme assets	(146)	4,267	612	1,935	(6,085)
% of scheme assets	(1%)	12%	2%	6%	(21%)
Experience (losses)/gains arising on the scheme liabilities	(1,048)	(98)	54	411	240
% of scheme liabilities	(4%)	(0%)	0%	1%	1%
Effects of changes in assumptions underlying the present value of the scheme liabilities	1,223	(639)	(1,350)	1,466	(1,443)
% of scheme liabilities	4%	(2%)	(4%)	4%	4%
Total actuarial gains/(losses) recognised in STRGL	29	3,530	(684)	3,812	(7,288)

Reconciliation of scheme assets and liabilities to the balance sheet	**2006 £'000**	**2005 £'000**	**2004 £'000**	**2003 £'000**	**2002 £'000**
Total market value of assets	27,530	37,022	32,277	31,004	28,715
Present value of scheme liabilities	(27,279)	(36,314)	(35,157)	(33,110)	(34,431)
Surplus/(deficit) in scheme	251	708	(2,880)	(2,106)	(5,716)
Related deferred tax (liability)/asset	(75)	(212)	864	632	1,715
Net pension asset/(liability)	176	496	(2,016)	(1,474)	(4,001)

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

21 PENSION COSTS (continued)

	2006 £'000	2005 £'000
Movement in surplus/(deficit) during the year.		
Surplus/(deficit) in scheme at beginning of the year	708	(2,880)
Current service cost	(15)	(162)
Settlements and curtailments	(964)	-
Contributions	24	156
Other finance income	468	64
Actuarial gain in STRGL	30	3,530
Surplus in scheme at end of the year	251	708

	2006 £'000	2005 £'000
Movement in related deferred tax balances.		
Deferred tax at beginning of the year	(212)	864
Movement in year		
- Profit and loss account	146	(17)
- statement of total recognised gains and losses	(9)	(1,059)
	(75)	(212)

In respect of the Dutch subsidiary, Plastic Coatings Europe BV, contributions of £121,034 (2005 £135,458) have been made in the year There were no outstanding contributions at the balance sheet date

22. CAPITAL COMMITMENTS

Group	2006 £'000	2005 £'000
Capital expenditure, approved and contracted	596	50

A corporate cross guarantee exists between International Process Technologies Limited, Plascoat UK Limited, Plascoat International Limited, Plascoat Holdings Limited, Plastic Coatings Limited, Plascoat Systems Limited and United Moulders Limited

23 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2006 £'000	2005 £'000
Operating profit	276	1,588
Depreciation and amortisation	720	795
Profit on sale of tangible fixed assets	(100)	-
(Increase)/decrease in stocks	(118)	41
Decrease in debtors	190	81
Decrease in creditors	(549)	(79)
Exchange rate adjustment	(33)	(47)
Adjustment for pension funding	955	-
Net cash inflow from operating activities	1,341	2,379

24. ANALYSIS OF CASH FLOWS

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Returns on investments and servicing of finance				
Interest received	16		23	
Finance lease interest paid	(16)		(26)	
Interest paid	(689)		(717)	
		(689)		(720)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(554)		(593)	
Proceeds from sale of fixed assets	175		-	
		(379)		(593)
Acquisitions and disposals				
Proceeds from sale of operation	-		3,064	
Costs related with the sale of operation	-		(669)	
		-		2,395
Financing				
Finance leases	(65)		(170)	
Bank loans repayments	(2,270)		(1,630)	
		(2,335)		(1,800)

25. ANALYSIS OF NET DEBT

	At 1 January 2006 £'000	Cash flow £'000	Other non-cash movements £000	At 31 December 2006 £'000
Cash at bank	788	(376)	-	412
Overdraft	-	(1,840)	-	(1,840)
	788	(2,216)	-	(1,428)
Finance leases	(313)	65	-	(248)
Debt due within one year	(580)	(10)	-	(590)
Debt due after one year	(5,100)	2,280	-	(2,820)
Preference shares	(17,032)	-	17,032	-
	(23,025)	2,335	17,032	(3,658)
	(22,237)	119	17,032	(5,086)

NOTES TO THE ACCOUNTS
Year ended 31 December 2006

26 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Decrease in cash in the year	(2,216)
Cash movement from decrease in debt and lease financing	2,335
Change in net debt resulting from cash flows/movement in net debt in the year	119
Redeemable preference shares reclassified as debt	17,032
Movement in net debt in the year	17,151
Net debt at 1 January 2006	(22,237)
Net debt at 31 December 2006	(5,086)

27 ULTIMATE CONTROLLING PARTY

The directors consider Bridgepoint Capital Limited to be the ultimate controlling party by virtue of its interest in the 'A' ordinary share capital and preference share capital and the rights held under those shares

28 RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption available under paragraph 3(a) of FRS 8 not to disclose any transactions or balances between Group companies which have been eliminated upon consolidation