

ICO (UK) Limited
Annual report and financial statements
for the year ended 30 September 2007

Registered number 3261137

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ICO (UK) Limited

Annual report and financial statements for the year ended 30 September 2007

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ICO (UK) Limited

Directors' report for the year ended 30 September 2007

Business review and principal activities

ICO (UK) Limited operates from a single site in the UK. The principal activities of the company are the provision of custom particle size reduction services for plastics and non-plastic material, and the manufacture and supply of polymer powder.

The results of the company show a pre-tax profit of £0.2 million (2006: loss £0.1 million) for the year and sales of £19.2 million (2006: £14.7 million).

Business environment

The market for particle size reduction in the UK & Europe is highly competitive and challenges exist both from UK based competitors and imports from other member states of the EC.

The market for ICO (UK) Limited's principal products is expanding due to the potential cost savings the end user gains by converting their products to polymer based products.

Strategy

The company's overriding objective is to achieve attractive and sustainable rates of growth, principally through organic growth.

There are four key elements to the company's strategy for growth:

1. Provide products that conform to ICO (UK) Limited's highest quality standards, whilst providing these benefits to our customers at the lowest possible cost.
2. Provide the highest level of service to both new and existing customers to enable them to maximise the added value inherent in the ICO (UK) Limited product range.
3. Continue to provide the necessary financial and manpower investment to ensure that we continue in the development of our current product range, ensuring that we meet the challenges of our customers in the future.
4. Strive to recruit and retain the best employees in our local market.

Research and Development

ICO (UK) Limited is committed to research and development and product development. The directors focus this commitment on the customer base, ensuring that their technical advantage is maximised in the market place.

Training and Development

ICO (UK) Limited is committed to training and development to ensure that employees have the necessary skill sets to move the business forward. The company continues to develop each employee in line with our Investors in People accreditation.

ICO (UK) Limited

Directors' report for the year ended 30 September 2007 (continued)

Future Outlook

ICO (UK) Limited strive to maximise competitive advantage within our own markets by ensuring we maintain our approach of maximising value for the benefit of our customers through the continued implementation of our strategic plan

Principle risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks

The key business risks affecting the company are set out below

Competition

The company operates in a very competitive market particularly around price and product availability. This results not only in downward pressure on product margins but also in the risk that we will not meet our customer's expectations. In order to mitigate this risk our sales team monitor market prices on an ongoing basis and feed this information back to a central team who set product pricing on a monthly basis and ensure product availability through the use of internal management information systems.

Supply Chain

The company is reliant on its continued supply of polymer raw materials to maintain its primary business interests. It is essential that we manage and expand our supply chain to ensure that restrictions of supply do not affect the throughput of the company's production facilities in the short to medium term. In order to mitigate this risk we continue to source raw material's from a large number of suppliers, backed up by the available worldwide resources of the ICO organisation.

Key Performance Indicators

Performance during the year, together with historical trend data is set out in the table below

	2007	2006	Definition, method of calculation and analysis
Growth in sales (%)	30.4	4.0	Year on year sales growth expressed as a percentage. Sales growth in the year was significant and was directly due to market share improvements.
Profit/Sales turnover (%)	+1.22	-0.53	Pre-tax profit as a percentage of total sales turnover. Profit margins before tax showed an improvement due to the additional volume and improvements in Gross margin.
Gross profit/Sales turnover (%)	10.1	10.5	Gross profit as a percentage of total sales turnover. Margins on sales have worsened due to higher sales volumes of lower margin products in the year.
Sales per employee (£'000)	270	220	Sales turnover per employee. The impact of the changes to the business provided a significant improvement in sales per employee.
Operating costs/Sales turnover (%)	7.8	9.9	Operating costs as a percentage of the total sales turnover. Volumes of sales have increased during the year without significant increases to operating costs.

ICO (UK) Limited

Directors' report for the year ended 30 September 2007 (continued)

Directors

The directors who held office during the year unless where otherwise stated are as follows

J Biro
D Bristow
G Savage

Political and Charitable Contributions

Charitable donations amounting to £nil (2006 £nil) were made during the year. There were no political donations.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group 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 UK 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 confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and of the group 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 company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

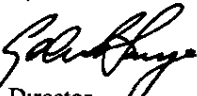
ICO (UK) Limited

Directors' report for the year ended 30 September 2007 (continued)

Auditors

A resolution proposing their re-appointment and authorising the directors to agree their remuneration will be proposed at the Annual General Meeting

By Order of the Board



Director
4 April 2008

Independent auditors' report to the members of ICO (UK) Limited

We have audited the financial statements of ICO (UK) Limited for the year ended 30 September 2007 which comprise the primary financial statements such as the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the 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 legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

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 30 September 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.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

East Midlands

9 April 2008

ICO (UK) Limited

Profit and loss account for the year ended 30 September 2007

	Note	2007 £'000	2006 £'000
Turnover	2	19,205	14,728
Cost of sales		(17,253)	(13,179)
Gross profit		1,952	1,549
Operating costs	6	(1,507)	(1,463)
Operating profit	3	445	86
Interest receivable – bank interest		10	5
Interest payable and similar charges	4	(221)	(169)
Profit/(loss) on ordinary activities before taxation		234	(78)
Taxation on profit/(loss) on ordinary activities	7	(102)	(1)
Profit/(loss) for the financial year	17	132	(79)

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account

All results derive from continuing operations, and the company made no acquisitions in the period and had no discontinued operations

There are no material differences between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents. The accompanying notes form an integral part of these financial statements

ICO (UK) Limited

Balance sheet as at 30 September 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Intangible assets	8	1,161	1,266
Tangible assets	9	2,397	2,849
Investments	10	4,062	4,062
		7,620	8,177
Current assets			
Stocks	11	2,925	2,346
Debtors	12	5,158	3,955
Cash at bank & in hand		-	-
		8,083	6,301
Creditors: amounts falling due within one year	13	(13,306)	(12,201)
Net current liabilities		(5,223)	(5,900)
Total assets less current liabilities		2,397	2,277
Creditors: amounts falling due after one year	14	(124)	(136)
Net assets		2,273	2,141
Capital and reserves			
Called-up share capital	16	1,194	1,194
Share premium account	17	2,896	2,896
Profit and loss account	17	(1,817)	(1,949)
Total shareholders' funds	18	2,273	2,141

Approved by the Board on 4 April 2008



G Savage
Director

The accompanying notes on pages 8 to 20 form an integral part of these financial statements

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards

The accounts have been prepared on a going concern basis as the directors have had assurances from the ultimate parent company that sufficient financial support will be provided to enable the company to meet its liabilities as they fall due

Exemption from preparing group financial statements

The financial statements contain information about ICO (UK) Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium sized group

Intangible assets

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets acquired. Goodwill is eliminated by amortisation through the profit and loss account over its estimated useful economic life of twenty years

Fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are

Freehold buildings	33.33%
Land improvements	5%
Plant and machinery	10%
Computer equipment	25%
Motor vehicles	33.33%
Fixtures and fittings	10%

Freehold land is not depreciated

Additional depreciation may be charged where the Directors consider there to have been an impairment in the underlying value of an asset

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Accounting policies (continued)

Hire purchase contracts and operating leases

Costs in respect of operating leases are charged 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 hire purchase agreements. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit and loss in proportion to the reducing capital element outstanding.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. For work in progress, cost includes attributable production overheads.

Foreign currencies

Monetary trading assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year and gains or losses on translation are included in the profit and loss account.

Deferred taxation

Provision is made for deferred tax, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes that have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Pension costs

The company makes contributions to personal pension plans. Contributions are charged to the profit and loss account in the period in which they are due.

The company provides no other post retirement benefits to its employees.

Related party transactions

The company has taken advantage of the exemption given in Financial Reporting Standard 8 to 90% owned subsidiaries in not disclosing transactions with fellow group companies.

Investments

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

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

1 Accounting policies (continued)

Cash flow statement

The company takes advantage of the exemption in FRS 1 (revised) not to prepare a cash flow statement on the grounds that the company is a wholly owned subsidiary whose ultimate parent prepares consolidated financial statements which are publicly available

Adoption of new accounting standards

The company has adopted FRS 21 'Events after the balance sheet date,' and FRS 25 'Financial instruments,' in these financial statements. This has had no impact on the reported profits, or net assets

2 Turnover

Turnover, which excludes value added tax and trade discounts, represents the amount of goods and services supplied. Turnover, operating profit and net assets are all in respect of the company's principal activity. Over 95% of sales are made within the UK

3 Operating profit

The operating profit is stated after charging/(crediting)

	2007	2006
	£'000	£'000
Depreciation of tangible fixed assets		
- owned (note 9)	430	501
Amortisation of intangibles (note 8)	105	104
Amortisation of government grants (note 15)	(12)	(12)
Gain on sale of fixed assets	(6)	(2)
Other operating lease rentals		
Land and buildings	22	26
Other	48	47
Exchange losses	16	37
Auditors' remuneration		
- in respect of audit services	34	65
- in respect of non-audit services – taxation services	6	11

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

4 Interest payable and similar charges

	2007	2006
	£'000	£'000
Interest payable		
- on bank loans and overdrafts	221	169
	221	169

5 Employee costs and directors' remuneration

Employee costs during the year comprise

	2007	2006
	£'000	£'000
Wages and salaries	1,830	1,666
Social security costs	188	176
Pension costs	122	119
	2,140	1,961

The average monthly number of persons employed by the group during the year, including directors, were

	2007	2006
	Number	Number
Production	45	45
Administration	26	22
	71	67

The emoluments of the directors during the year were £115,328 (2006 £147,000). J Biro, and D Bristow did not receive any emoluments for the company in respect of their services to the company. Their costs were paid by a parent undertaking and have not been recharged or apportioned to the company.

Total company contributions to a money purchase pension scheme in respect of directors was £nil (2006 £nil).

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

6 Operating costs

	2007	2006
	£'000	£'000
Distribution expenses	704	602
Administrative expenses	803	861
	1,507	1,463

7 Taxation on loss on ordinary activities

The tax charge for the year comprises

	2007	2006
	£'000	£'000
UK corporation tax at 28% (2006 30%)		
- Current	-	-
- Deferred tax	95	1
- Deferred tax adjustment in respect of prior period	7	-
	102	1

The potential deferred taxation liability/(asset) at 28% (2006 30%) is as follows

	2007		2006	
	Provided	Not provided	Provided	Not provided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	147	-	182	-
Short term timing differences	(4)	-	(4)	-
Losses	(68)	-	(205)	-
Deferred tax liability/(asset)	75	-	(27)	-

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

7 Taxation on loss on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007	2006
	£'000	£'000
Profit/(loss) on ordinary activities before tax	234	(78)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK (28%)	66	(23)
Effects of:		
Permanent differences	35	24
Timing differences	(101)	(1)
Current tax charge for the year	-	-
Deferred tax		
		£'000
Asset at 1 October 2006		27
Charged to the profit & loss account		(102)
Liability at 30 September 2007		(75)

A number of changes to the UK corporation tax system were announced in the March 2007 Budget Statement and have been enacted in the 2007 Finance Act The changes have been substantially enacted at the balance sheet date and therefore are included in these financial statements

The effect in the 2007 financial statements is to reduce the deferred tax liability recognised at 30 September 2007 by £5,000 This reduction results in a credit to the profit and loss account of £5,000 This decrease in deferred tax is due to the reduction in the corporation tax rate from 30% to 28% with effect from 1 April 2008

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

8 Intangible fixed assets

	Total
	£'000
Cost	
At 1 October 2006 and 30 September 2007	2,000
Amortisation	
At 1 October 2006	734
Charge for the year	105
At 30 September 2007	839
Net book value	
At 30 September 2007	1,161
At 30 September 2006	1,266

The goodwill in ICO (UK) Limited, the company arose on 1 October 1999 when the trade and assets of Wedco Technology UK Limited, ICO Polymers (UK) Limited and Rotec Chemicals Limited were transferred to ICO (UK) Limited at book value plus £2,000,000 of goodwill for the trade of Rotec Chemicals Limited

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures and fittings	Motor vehicles	Con- struction in progress	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 October 2006	2,548	4,830	502	79	16	7,975
Additions	6	28	7	-	-	41
Transfers	-	12	-	-	(12)	-
Disposals	-	(144)	(67)	(30)	-	(241)
At 30 September 2007	2,554	4,726	442	49	4	7,775
Depreciation						
At 1 October 2006	1,047	3,657	349	73	-	5,126
Charge for the year	79	297	52	2	-	430
Disposals	-	(88)	(64)	(26)	-	(178)
At 30 September 2007	1,126	3,866	337	49	-	5,378
Net book amount						
At 30 September 2007	1,428	860	105	0	4	2,397
At 30 September 2006	1,501	1,173	153	6	16	2,849

Company capital commitments at the year end totalled £9,575 (2006 £nil)

ICO (UK) Limited

**Notes to the financial statements
for the year ended 30 September 2007 (continued)**

10 Investments

The company's investments are stated at cost and consist of 100% of the share capital of the following companies

Name	Nature of business
Wedco Technology UK Limited	Dormant
Rotec Chemicals Limited	Dormant
ICO Polymers (UK) Limited	Dormant
ICO Worldwide (UK) Limited	Dormant

£'000

Net book value at 30 September 2006 & 30 September 2007	4,062
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Rotec Chemicals Limited also holds investments in three 100% owned dormant companies namely Tecron Industries Limited, Fabri-Moulds Limited and Swavesey Colours Limited

11 Stocks

	2007	2006
	£'000	£'000
Raw materials and consumables	1,532	1,081
Work in progress	-	47
Finished goods	1,393	1,218
	2,925	2,346

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

12 Debtors

	2007	2006
	£'000	£'000
Trade debtors	4,901	3,640
Amounts owed by group undertakings	80	71
Other debtors	-	27
Prepayments	177	217
	5,158	3,955

13 Creditors: amounts falling due within one year

	2007	2006
	£'000	£'000
Bank overdraft	304	249
Trade creditors	4,828	3,913
Amounts owed to group undertakings	5,881	5,827
Other taxation and social security	373	131
Accruals and deferred income	381	313
Deferred tax liability (note 7)	75	-
Loans (note 14)	1,464	1,768
	13,306	12,201

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

13 Creditors: amounts falling due within one year (continued)

Amounts owed to group undertaking are not interest bearing and will be required to be repaid only if the Company is able to do so without affecting its ability to continue as a going concern

Loans - maturity analysis

The loan balance in 2007, which is payable on demand comprises

£975,000 (2006 £1,105,000) repayable in equal monthly instalments to February 2015 incurring interest at a rate of 1.5% over UK base rate

£489,000 (2006 £663,000) repayable in monthly instalments to February 2010 incurring interest at a rate of 1.5% over UK base rate

The loans and the bank overdraft are secured by a fixed and floating charge over the assets of the company

14 Creditors: amounts falling due after more than one year

	2007	2006
	£'000	£'000
Government grants (note 15)	124	136

Operating lease commitments

The company has the following annual financial commitments in respect of non-cancellable operating leases

	2007	2006	2007	2006
	Land and buildings	Land and buildings	Plant and machinery	Plant and machinery
Date of lease termination	£'000	£'000	£'000	£'000
Within one year	-	-	57	63
In two to five years inclusive	-	-	72	128
	-	-	129	191

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

15 Government grants

	£'000
At 1 October 2006	136
Amortisation in year	(12)
At 30 September 2007	124

16 Share capital

	2007 £'000	2006 £'000
Authorised.		
10,000,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid:		
1,193,906 Ordinary shares of £1 each	1,194	1,194

17 Reserves

	Profit and loss account £'000	Share premium account £'000
At 1 October 2006	(1,949)	2,896
Profit for the year	132	-
At 30 September 2007	(1,817)	2,896

18 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Profit/(loss) for the financial year	132	(79)
Opening shareholders' funds	2,141	2,220
Closing shareholders' funds	2,273	2,141

ICO (UK) Limited

Notes to the financial statements for the year ended 30 September 2007 (continued)

19 Pensions

The company participates in a defined contribution personal pension scheme operated by Scottish Equitable for its employee and directors

The total pension cost for the company was £122,396 (2006 £119,000) An amount of £nil is included in accruals in respect of pension costs (2006 £4,000)

20 Ultimate parent company

The ultimate holding and controlling company is ICO Inc, a company registered and incorporated in the United States of America Copies of the ultimate parent company's consolidated financial statements may be obtained from -

The Company Secretary
ICO Inc
1811 Bering Dr Suite 200
Houston
Texas 77057