

Silvertown UK Limited

**Directors' report and financial
statements**

Registered number 03456907

30 September 2006

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Company information

Directors	R Gogerty SR Finn
Company secretary	SR Finn
Registered office	Thrumpton Lane Retford Nottinghamshire DN22 6HH
Company number	03456907
Auditors	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	Lloyds TSB Bank plc Colmore Row Birmingham West Midlands B3 3SQ

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006

Principal activities

The principal activity of the company is the manufacture and sale of metal to rubber bonded products, principal markets being the engineering and rail industries

Business review

The directors are satisfied with the performance of the company for the period

Research and development

During the period the company maintained its strong emphasis on research and development. Activities consisted of company personnel working with established and potential customers to improve products and develop new ones

Dividends

The directors do not recommend the payment of a dividend (2005 £nil)

Directors and directors' interests

The directors who held office during the period were as follows

R Gogerty	
MS Harris	Resigned 28 April 2006
SR Finn	Appointed 28 April 2006

None of the directors above held any shares in Silvertown UK Limited at 30 September 2006. R Gogerty and SR Finn are directors of Icon Polymer Group Limited, the ultimate parent company at 30 September 2006, and their interests in the shares of Icon Polymer Group Limited are disclosed in the report and financial statements of that company

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 to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board


SR Finn
Company Secretary

Dated 28 June 2007

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St Nicholas House
Park Row
Nottingham NG1 6FQ
United Kingdom

Report of the independent auditors to the members of Silvertown UK Limited

We have audited the financial statements of Silvertown UK Limited for the year ended 30 September 2006 which comprise 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.

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 auditor's 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

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

We report to you our opinion as to whether the financial statements give a true and fair view 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 UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss 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.

KPMG LLP

Dated 28 June 2007

*Chartered Accountants
Registered Auditor*

Profit and loss account
for the year ended 30 September 2006

	<i>Note</i>	Year to 30 September 2006 £000	9 months to 30 September 2005 £000
Turnover	2	4,092	3,832
Cost of sales		(1,166)	(1,139)
Gross profit		2,926	2,693
Distribution costs		(59)	(46)
Administrative expenses		(3,038)	(2,577)
Operating (loss)/profit	3	(171)	70
Cost of fundamental reorganisation of operations	5	(437)	-
(Loss)/profit on ordinary activities before taxation		(608)	70
Tax on (loss)/profit on ordinary activities	6	95	13
(Loss)/profit on ordinary activities after taxation and (accumulated loss)/retained profit for the period	14	(513)	83

In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations

There were no recognised gains or losses in either the current year or preceding period other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
as at 30 September 2006

	<i>Note</i>	2006	2005
		£000	£000
Fixed assets			
Tangible fixed assets	8	1,565	1,298
Current assets			
Stocks	9	423	411
Debtors	10	1,134	931
		<u>1,557</u>	<u>1,342</u>
Creditors' amounts falling due within one year	11	<u>(1,966)</u>	<u>(971)</u>
Net current (liabilities)/assets		<u>(409)</u>	<u>371</u>
Net assets		<u><u>1,156</u></u>	<u><u>1,669</u></u>
Capital and reserves			
Called up share capital	13	1	1
Share premium	14	549	549
Profit and loss account	14	606	1,119
Shareholders' funds	15	<u><u>1,156</u></u>	<u><u>1,669</u></u>

These financial statements were approved by the board of directors on 28 June 2007 and were signed on its behalf by



R Gogerty
Director

Notes

(forming part of the financial statements)

1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Turnover

Turnover is the amount derived from the sale of goods and services falling within the company's ordinary activities excluding trade discounts and sales taxes

Research and development

Research and development expenditure is expensed as incurred

Depreciation

Depreciation is provided to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the estimated useful economic lives at the following annual rates

Plant and equipment	5% to 33 3%
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Goodwill

Goodwill, representing the premium of the purchase price of a business over the fair value of the separable net assets acquired, is capitalised as an intangible asset

Goodwill is amortised to the profit and loss account on a straight line basis over its useful life

Stocks

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

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

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

Operating leases

Rentals payable under operating leases are charged to the profit and loss on a straight line basis over the lease term

Deferred taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by Financial Reporting Standard 19 'Deferred taxation'

Notes (continued)

1 Principal accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period and transactions are recorded at the rate of exchange relevant to the date of the transaction or a relevant forward contract rate. Exchange differences are taken to the profit and loss account in the period in which they arise.

Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Cash flow statement

The company has taken advantage of the exemption for wholly owned subsidiaries contained in Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement.

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

The directors have taken advantage of the exemption under section 55(2) of the Companies Act 1985 from disclosure of segmental reporting on the grounds that such disclosure would be prejudicial to the company's interests.

Notes (continued)

3 (Loss)/profit on ordinary activities before taxation

	Year to 30 Sep 06 £000	9 months to 30 Sep 05 £000
<i>(Loss)/profit on ordinary activities before taxation is stated after charging</i>		
Depreciation on tangible fixed assets - owned	254	165
Loss on disposal of fixed assets	-	60
Operating lease rentals	10	-
- plant and machinery	149	108
- land and buildings	5	4
Hire of plant and machinery	17	66
Research and development	169	-
Redundancy		
<i>Auditors' remuneration</i>		
- audit of these financial statements	19	-
	<hr/>	<hr/>

4 Employees numbers and staff costs

	Year to 30 Sep 06 Number	9 months to 30 Sep 05 Number
<i>The average monthly number of persons (including executive directors) employed by the company during the period was</i>		
Manufacturing	50	55
Administration	18	16
	<hr/>	<hr/>
	68	71
	<hr/>	<hr/>
	£000	£000
<i>Staff costs</i>		
Wages and salaries	1,506	802
Social security costs	157	81
Pension costs	44	17
	<hr/>	<hr/>
	1,707	900
	<hr/>	<hr/>

The directors received their remuneration from other group companies

5 Cost of fundamental reorganisation

	Year to 30 Sep 06 £000	9 months to 30 Sep 05 £000
Redundancy costs	207	-
Profit on sale of business	(533)	-
Factory relocation	763	-
	<hr/>	<hr/>
	437	-
	<hr/>	<hr/>

Notes (continued)

6 Taxation

Analysis of charge in period

	Year to 30 Sep 06 £000	9 months to 30 Sep 05 £000
<i>UK corporation tax</i>		
Current tax on result for the period	-	-
Overprovision in respect of prior period	-	(13)
	<hr/>	<hr/>
	-	(13)
<i>Deferred tax</i>		
In respect of the current year	(59)	-
In respect of prior period	(36)	-
	<hr/>	<hr/>
	(95)	(13)
	<hr/>	<hr/>

Factors affecting tax credit for the current period

The current tax credit for the period is higher (2005 lower) than the standard rate of corporation tax in the UK of 30% (2005 30%). The differences are explained below

	Year to 30 Sep 06 £000	9 months to 30 Sep 05 £000
(Loss)/profit on ordinary activities before tax	(608)	70
	<hr/>	<hr/>
Current tax at 30% (2005 30%)	(182)	21
<i>Effects of</i>		
Expenses not deductible for tax purposes	2	15
Accelerated capital allowances and other timing differences	(67)	-
Chargeable gain transferred from group company	122	-
Group relief claimed not paid	-	(24)
Tax losses carried forward/(brought forward)	125	(12)
Overprovision in respect of prior year	-	(13)
	<hr/>	<hr/>
Current tax credit for the period	-	(13)
	<hr/>	<hr/>

7 Intangible assets

	Goodwill £000
<i>Cost</i>	
At 1 October 2005 and 30 September 2006	109
	<hr/>
<i>Accumulated amortisation</i>	
At 1 October 2005 and 30 September 2006	109
	<hr/>
<i>Net book value</i>	
At 30 September 2006	-
	<hr/>
At 30 September 2005	-
	<hr/>

Notes (continued)

8 Tangible fixed assets

	Plant and equipment £000
<i>Cost</i>	
At 1 October 2005	3,354
Additions	342
Transfer between group companies	2,560
	<hr/>
At 30 September 2006	6,256
	<hr/>
<i>Accumulated depreciation</i>	
At 1 October 2005	2,056
Charge for the year	254
Transfer between group companies	2,381
	<hr/>
At 30 September 2006	4,691
	<hr/>
<i>Net book value</i>	
At 30 September 2006	1,565
	<hr/>
At 30 September 2005	1,298
	<hr/>
	<hr/>
	2006 2005
	£000 £000
<i>Future capital expenditure contracted for but not provided</i>	
Contracts placed for future expenditure - plant and machinery	4 218
	<hr/>

9 Stocks

	2006	2005
	£000	£000
Raw materials and consumables	88	44
Work in progress	301	331
Finished goods and goods for resale	34	36
	<hr/>	<hr/>
	423	411
	<hr/>	<hr/>

10 Debtors

	2006	2005
	£000	£000
Trade debtors	900	772
Other debtors	-	20
Prepayments and accrued income	89	89
Deferred taxation (note 12)	145	50
	<hr/>	<hr/>
	1,134	931
	<hr/>	<hr/>

Notes (continued)

11 Creditors, amounts falling due within one year

	2006 £000	2005 £000
Trade creditors	412	355
Amounts due to group undertakings	1,226	390
Taxation and social security	77	99
Other creditors	11	21
Accruals and deferred income	240	106
	<u>1,966</u>	<u>971</u>

12 Deferred taxation

	£000
At 1 October 2005	(50)
Transfer from profit and loss account	(95)
	<u> </u>
At 30 September 2006	<u>(145)</u>

The amounts of provided and unprovided deferred taxation are set out below

	Provided		Unprovided	
	2006 £000	2005 £000	2006 £000	2005 £000
Accelerated capital allowances	(18)	(50)	-	(192)
Other short term timing differences	(2)	-	-	-
Losses	(125)	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax asset (note 10)	(145)	(50)	-	(192)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13 Share capital

	2006 £000	2005 £000
<i>Authorised, allotted, called up and fully paid</i> 550 ordinary shares of £1 each	1	1
	<u> </u>	<u> </u>

14 Share premium and reserves

	Share premium £000	Profit and loss account £000
At 1 October 2005	549	1,119
Loss for the year	-	(513)
	<u> </u>	<u> </u>
At 30 September 2006	549	606
	<u> </u>	<u> </u>

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	2006 £000	2005 £000
(Loss)/profit for the financial period	(513)	83
Net (reduction in)/addition to shareholders' funds	(513)	83
Opening shareholders' funds	1,669	1,586
Closing shareholders' funds	1,156	1,669

16 Contingent liabilities

At 30 September 2006 the company has a cross guarantee in respect of loans and bank borrowing with fellow group undertakings, which amounted to £17,836,000 (2005 £19,345,000)

17 Pension commitments

The company made payments to a defined contribution pension scheme throughout the period. The company's liability to pension costs in respect of service is limited to the value of contributions made which are charged to the profit and loss account in the period in which they fall due.

The pension contributions to the scheme were £47,000 (2005 £17,162) of which £nil (2005 £1,301) was accrued at the year end.

18 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard 8 and has not disclosed transactions or balances with entities that are part of the group.

19 Ultimate parent undertaking

The immediate parent undertaking at 30 September 2006 was Silvertown Holdings Limited.

The ultimate parent undertaking at 30 September 2006 was Icon Polymer Group Limited, a company incorporated in England and Wales. Copies of the group financial statements are available from Victoria Works, Thrumpton Lane, Retford, Nottinghamshire.