Silvertown UK Limited

Directors' report and financial statements

Registered number 03456907

30 September 2007

Contents

Company information

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

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2007

Principal activity

The principal activity of the company is that of the manufacture and distribution of rubber products, trading under the brand name Silentbloc There have not been any significant changes in the principal activities in the year under review The directors are not, at the date of this report, aware of any likely major changes in the activities in the next year

Business review

The results for the year are set out in the attached financial statements The directors consider the results to be satisfactory

The year under review has seen a significant improvement in the financial performance of the company and a more focused approach to markets served The development of the organisation, culturally, structurally and financially has positioned the company to capitalise fully on the many approvals it holds and leverage the target markets

- Rail / Mass Transit – vehicles and infrastructure
- Construction – vehicles and infrastructure

As shown in the profit and loss account on page 7, turnover on continuing activities has increased by 2 7% The company returned to profitability with an increase in operating profit of £216,000

A major factor resulting in the increase in operating profit was the successful integration of the Silvertown businesses within the new manufacturing facility at Burton upon Trent The manufacturing efficiencies achieved by this are reflected in the increased gross profit A major overhead review commenced in July 2006 and was completed during the year The company is now operating with an overhead base aligned to the continuing future business, with the exception of its central operating costs

Customer metrics were dramatically improved over the year enabling customer and supplier value enhancing relationships to be executed

Continuous improvement activity is ongoing and a supplier development programme has been initiated, targeted to deliver more effective sourcing of materials and services which will benefit future financial performance and cash flow

The balance sheet on page 8 of the financial statements shows the company's financial position at the year end

There have been no significant events since the balance sheet date which should be considered for a proper understanding of these financial statements

The basic KPI's ('Key Performance Indicators') upon which the company bases financial evaluations are gross profit and operating profit

The company recognises the value of a trained workforce, to that end the company now has 94% of its employees at NVQ level I or II Additionally, the company has included significant numbers of employees in continuous improvement activities on a project by project basis This is an ongoing programme to enhance the value of the business The company remains confident that growth in turnover and operating profit will be achieved in the forthcoming year and the company will continue to build on its reputation as a premium manufacturer of rubber products

Principal risks and uncertainties

The demand for the company's products is moving from its traditional centres and our major customers are now organised on a global basis To service our customer base the sales team was restructured during the year, enabling it to compete worldwide The company strives to provide added-value products and services to its customers, development of joint cost reduction initiatives, and prompt response times in the supply of products and services through strong relationships at multiple levels of the organisation

Directors' report *(continued)*

Principal risks and uncertainties *(continued)*

The company has a global reach, relating to its customer and supplier bases and therefore operates in several currencies The company manages any exposure from currency movements with forward foreign exchange contracts

The company's businesses may be affected by fluctuations in the price and supply of key raw materials, although purchasing policies and practices seek to mitigate, where practicable, such risks

Environment

The company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities Initiatives aimed at minimising the company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

Employees

Details of the number of employees and related costs can be found in note 4 to the financial statements

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicants concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with those of other employees

The company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters

Research and development

During the year 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 *(2006 £nil)*

Directors and directors' interests

The directors who held office during the period were as follows

R H Gogerty
S R Finn

None of the directors above held any shares in Silvertown UK Limited at 30 September 2007 R H Gogerty and S R Finn are directors of Icon Polymer Group Limited, the ultimate parent company at 30 September 2007, 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

Directors' report *(continued)*

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

S R Finn
Secretary

Dated 11 January 2008

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 2007 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 5

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 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

KPMG LLP

Dated 11 January 2008

Chartered Accountants
Registered Auditor

Profit and loss account
for the year ended 30 September 2007

	Note	**2007 £000**	2006 £000
Turnover	*2*	**4,204**	4,092
Cost of sales		**(2,318)**	(1,166)
Gross profit		**1,886**	2,926
Distribution costs		**(29)**	(59)
Administrative expenses		**(1,812)**	(3,038)
Operating profit/(loss)	*3*	**45**	(171)
Cost of fundamental reorganisation of operations	*5*	**-**	(437)
Profit/(loss) on ordinary activities before taxation		**45**	(608)
Tax on profit/(loss) on ordinary activities	*6*	**44**	95
Profit/(loss) on ordinary activities after taxation and accumulated loss for the period	*13*	**89**	(513)

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 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed assets					
Tangible fixed assets	*7*		**1,380**		1,565
Current assets					
Stocks	*8*	**297**		423	
Debtors	*9*	**1,566**		1,134	
		1,863		1,557	
Creditors: amounts falling due within one year	*10*	**(1,998)**		(1,966)	
Net current liabilities			**(135)**		(409)
Net assets			**1,245**		1,156
Capital and reserves					
Called up share capital	*12*		**1**		1
Share premium	*13*		**549**		549
Profit and loss account	*13*		**695**		606
Shareholders' funds	*14*		**1,245**		1,156

These financial statements were approved by the board of directors on 11 January 2008 and were signed on its behalf by

R H 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%

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 Operating profit/(loss)

		2007	2006
		£000	£000
This is stated after charging			
Depreciation of tangible fixed assets	- owned	236	254
Operating lease rentals	- plant and machinery	-	10
	- land and buildings	149	149
Hire of plant and machinery		12	5
Auditors' remuneration			
- audit of these financial statements		18	19
- other services relating to taxation		6	6

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows

	2007	2006
	Number	Number
Production	42	50
Sales and distribution	4	5
Administration	7	13
	53	68

	2007	2006
	£000	£000
Staff costs		
Wages and salaries	1,238	1,506
Social security costs	115	157
Pension costs	41	44
	1,394	1,707

The directors received their remuneration from other group companies

5 Cost of fundamental reorganisation

	2007	2006
	£000	£000
Redundancy costs	-	207
Profit on sale of business	-	(533)
Factory relocation	-	763
	-	437

Notes *(continued)*

6 Taxation

Analysis of charge in period

	2007 £000	2006 £000
UK corporation tax		
Current tax on result for the period	-	-
Overprovision in respect of prior period	-	-
	-	-
Deferred tax		
In respect of the current year	56	(59)
In respect of prior period	(114)	(36)
Effect of changes in tax rates	14	-
	(44)	(95)

Factors affecting tax credit for the current period

The current tax credit for the period is higher *(2006 higher)* than the standard rate of corporation tax in the UK of 30% *(2006 30%)* The differences are explained below

	2007 £000	2006 £000
Profit/(loss) on ordinary activities before tax	45	(608)
Current tax at 30% *(2006 30%)*	14	(182)
Effects of		
Expenses not deductible for tax purposes	2	2
Accelerated capital allowances and other timing differences	(56)	(67)
Chargeable gain transferred from group company	-	122
Group relief surrendered	40	-
Tax losses carried forward	-	125
Current tax credit for the period	-	-

Notes *(continued)*

7 Tangible fixed assets

	Plant and equipment £000
Cost	
At 1 October 2006	6,256
Additions	51
At 30 September 2007	6,307
Accumulated depreciation	
At 1 October 2006	4,691
Charge for the year	236
At 30 September 2007	4,927
Net book value	
At 30 September 2007	**1,380**
At 30 September 2006	1,565

	2007 £000	2006 £000
Future capital expenditure contracted for but not provided for		
Contracts placed for future expenditure - plant and machinery	-	4

8 Stocks

	2007 £000	2006 £000
Raw materials and consumables	60	88
Work in progress	193	301
Finished goods and goods for resale	44	34
	297	423

9 Debtors

	2007 £000	2006 £000
Trade debtors	758	900
Amounts due from group undertakings	525	-
Prepayments and accrued income	94	89
Deferred taxation (note 11)	189	145
	1,566	1,134

Notes *(continued)*

10 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Trade creditors	384	412
Amounts due to group undertakings	1,333	1,226
Taxation and social security	62	77
Other creditors	-	11
Accruals and deferred income	219	240
	1,998	1,966

11 Deferred taxation

	£000
At 1 October 2006	(145)
Transfer from profit and loss account	(44)
At 30 September 2007	**(189)**

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

	Provided		Unprovided	
	2007 £000	2006 £000	2007 £000	2006 £000
Accelerated capital allowances	(77)	(18)	-	-
Other short term timing differences	(19)	(2)	-	-
Losses	(93)	(125)	-	-
Deferred tax asset (note 9)	(189)	(145)	-	-

12 Share capital

	2007 £000	2006 £000
Authorised, allotted, called up and fully paid		
550 ordinary shares of £1 each	1	1

13 Share premium and reserves

	Share Premium £000	Profit and loss account £000
At 1 October 2006	549	606
Profit for the year	-	89
At 30 September 2007	**549**	**695**

Notes *(continued)*

14 Reconciliation of movements in shareholders' funds

	2007 £000	2006 £000
Profit for the financial period	89	(513)
Net increase/(reduction) in shareholders' funds	89	(513)
Opening shareholders' funds	1,156	1,669
Closing shareholders' funds	1,245	1,156

15 Contingent liabilities

At 30 September 2007 the company has a cross guarantee in respect of loans and bank borrowing with fellow group undertakings, which amounted to £10,945,000 *(2006 £17,836,000)*

16 Operating lease commitments

The company has financial commitments in respect of non-cancellable operating leases The annual commitment under these leases in the next year is as follows

	Land and buildings		Plant and machinery	
	2007 £000	2006 £000	2007 £000	2006 £000
Expiring within one year	-	-	7	-
Expiring between two and five years inclusive	148	148	-	-
Expiring in over five years	-	-	-	-
	148	148	7	-

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 £41,323 *(2006 £47,000)* of which £nil *(2006 £nil)* was accrued at the year end

18 Related party disclosures

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

19 Ultimate controlling party

The company's ultimate parent undertaking and controlling party is Icon Polymer Group Limited, and copies of its financial statements can be obtained from Icon Polymer Limited, Retford, Nottinghamshire, England, DN22 6HH