

**A.V. Pound
& Co
Limited**

Annual Report and Accounts

31 December 2005



Company Registration Number
438249 (England and Wales)

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The following pages do not form
part of the statutory accounts:

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Directors' report 31 December 2005

The directors present their report with the accounts of the company for the year ended 31 December 2005.

Principal activity

The principal activity of the company in the year under review was global trading in rosin and terpene products, including the importation and distribution of synthetic resin, rosin and terpene chemicals and their derivatives in the UK.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached accounts.

The directors have not recommended a dividend.

The directors and their interests in shares of the company

The directors who served the company during the year together with their interests in the shares of the company were as follows:

	Class of share	31 December 2005	1 January 2005
F V Pound	Ordinary	38,769	38,679
	Preference	500	500
G D V Pound	Ordinary	22,500	22,500
	Preference	—	—
S A Pound	Ordinary	689	689
	Preference	—	—

The above amounts for F V Pound include 12,713 ordinary shares as a trustee.

Donations

During the year the company made no political contributions and various charitable donations of £746.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare accounts for each financial year which 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 those accounts, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- ◆ prepare the accounts 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 company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

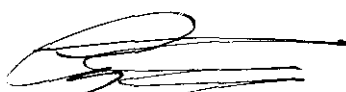
Auditors

The auditors, Buzzacott, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

The directors confirm that so far as they are aware, there is no relevant audit information of which the company's auditors are unaware. They have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The above report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed by order of the board of directors:



Secretary

Approved by the board on 15.08.06

Independent auditors' report to the shareholders of A.V. Pound & Co. Limited

We have audited the accounts on pages 6 to 14. These accounts have been prepared in accordance with the accounting policies set out there in and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 independent auditors

As described in the Statement of Directors' Responsibilities on page 3, the company's directors are responsible for the preparation of accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 with the company is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises of only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

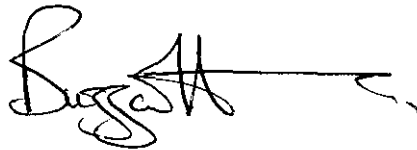
Independent auditors' report 31 December 2005

Basis of opinion (continued)

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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Buzzacott
Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

16 August 2006

Profit and loss account Year to 31 December 2005

	Notes	2005 £	2004 £
Turnover	1	7,617,484	5,619,518
Cost of sales		(7,039,175)	(4,999,626)
Gross profit		578,309	619,892
Administrative expenses		(519,346)	(501,934)
Operating profit	2	58,963	117,958
Interest receivable		1,410	110
Interest payable and similar charges		(25,905)	(33,708)
Profit on ordinary activities before taxation		34,468	84,360
Taxation	4	—	—
Retained profit for the financial year	18	34,468	84,360

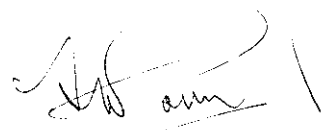
The company has no recognised gains or losses other than the results for the year as set out above.
All of the activities of the company are classed as continuing.

Balance sheet 31 December 2005

	Notes	2005 £	2005 £	2004 £	2004 £
Fixed assets					
Tangible assets	5		169,704		176,989
			169,704		176,989
Current assets					
Stocks	6	245,441		204,587	
Debtors	7	1,226,043		1,039,973	
Cash at bank and in hand		56		101	
		1,471,540		1,244,661	
Creditors: amounts falling due within one year	8	1,403,842		1,174,725	
Net current assets			67,698		69,936
Total assets less current liabilities			237,402		246,925
Creditors: amounts falling due after more than one year	9		154,383		198,374
Capital and reserves					
Called up share capital	16	76,072		76,072	
Other reserves	17	24,928		24,928	
Profit and loss account	18	(17,981)		(52,449)	
Shareholders' funds/(deficit)			83,019		48,551
			237,402		246,925

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Signed on behalf of the board of directors by:


Director

Approved by the board on 15.8.06

Principal accounting policies 31 December 2005

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

Cash flow

The accounts do not include a cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2005).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

◆ Leasehold property	2½% straight line
◆ Fixtures and fittings	10 - 20% straight line
◆ Motor vehicles	10 - 25% straight line

Stocks

Stocks are valued at the lower of cost and estimated net realisable value after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Principal accounting policies 31 December 2005

Deferred taxation

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 the accounts.

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.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Future commitments

At the period end the company had entered into material forward purchase and sales contracts, deliveries of which had not been fully completed. It is the company's policy not to take profit on these contracts until deliveries have been completed, but to provide for any losses.

Notes to the accounts 31 December 2005

1 Turnover

An analysis of turnover by geographical market has not been disclosed as, in the opinion of the directors, disclosure of this information would be seriously prejudicial to the interests of the company.

2 Operating profit

This is stated after charging (crediting):

	2005 £	2004 £
Depreciation	11,822	13,775
Profit on disposal of fixed assets	—	(4,800)
Auditors' remuneration	15,000	14,500
Operating lease costs:		
Plant and equipment	6,179	2,724
Land and buildings	14,250	14,250

3 Directors' remuneration

The directors' aggregate emoluments in respect of qualifying services were:

	2005 £	2004 £
Emoluments receivable	131,553	125,684
Value of company pension contributions to money purchase schemes	2,500	2,500
	134,053	128,184

The number of directors who are accruing benefits under company pension schemes was as follows:

	2005 No.	2004 No.
Defined contribution schemes	1	1

4 Taxation

No provision for corporation tax has been made due to the existence of tax losses.

5 Tangible fixed assets

	Leasehold property £	Fixtures and fittings £	Total £
Cost			
At 1 January 2005	174,336	47,393	221,729
Additions	—	4,537	4,537
At 31 December 2005	174,336	51,930	226,266
Depreciation			
At 1 January 2005	13,074	31,666	44,740
Charge for year	4,358	7,464	11,822
At 31 December 2005	17,432	39,130	56,562
Net book values			
At 31 December 2005	156,904	12,800	169,704
At 31 December 2004	161,262	15,727	176,989

6 Stocks

	2005 £	2004 £
Finished goods	245,441	204,587

7 Debtors

	2005 £	2004 £
Trade debtors	1,096,157	1,025,114
Other debtors	300	300
Prepayments and accrued income	129,586	14,559
	1,226,043	1,039,973

8 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	228,183	98,233
Bank mortgage (note 9)	12,883	11,710
Trade creditors	913,725	945,978
PAYE and social security	12,739	12,408
VAT	60,455	45,398
Other creditors	28,701	33,838
Accruals and deferred income	147,156	27,160
	1,403,842	1,174,725

The bank borrowings are secured by a fixed and floating charge on the company's assets.

The bank has also provided guarantees totalling £20,000, in favour of third parties, where recourse is to the company.

9 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Bank mortgage	91,383	105,374
Other creditors	63,000	93,000
	154,383	198,374

On 31 December 1999, the company commenced repayment of the A V Pound & Co Executive Pension Scheme loan (included above in other creditors) by annual instalments of £20,000 over a ten year period with a final payment of £33,000. Interest of 8% is charged on the loan and is payable annually.

The company has a bank mortgage, secured on its leasehold property. This is repayable in monthly instalments of £1,815 over 10 years. The mortgage is a repayment mortgage with interest charged at 0.75% above the base rate.

10 Pensions

The company operates defined contribution pension schemes for all the directors and certain employees. The assets are administered by trustees and maintained independently of the company's finances. Contributions of £7,519 were made in 2005 (2004 - £7,082).

11 Commitments under operating leases

At 31 December 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	Land and buildings		Assets other than land and buildings	
	2005 £	2004 £	2005 £	2004 £
Operating leases which expire				
Within 1 year	—	—	963	15,274
Within 2 to five years	14,250	14,250	7,790	4,797
Over five years	—	—	—	—
	14,250	14,250	8,753	20,071

12 Transactions with the directors

Throughout the year, the A V Pound & Co Executive Pension Scheme provided a loan of which £20,000 was repaid during the year leaving £53,000 payable at 31 December 2005 (2004 - £73,000). Interest of £5,862 (2004 - £7,462) was charged and paid. The directors have an interest in the scheme.

F V Pound provides a loan to the company. The total amount payable at 31 December 2005 was £40,000 (2004 - £50,000) and has no fixed repayment date. However, repayment of the long term element (£30,000) will not be requested for a period of at least one year from the date of signing the accounts. Interest of £nil (2004 - £nil) was charged and paid.

13 Related party transactions

During the year, rent of £14,250 (2004 - £14,250) was paid to the A V Pound & Co Executive Pension Scheme for use of 5 East Lane.

The company holds a £1 investment in its dormant subsidiary A V Pound (Asia) Limited, registered in England and Wales.

14 Ultimate controlling party

Throughout the two years ended 31 December 2005 the company was controlled by Mr F V Pound.

15 Deferred taxation

The amounts provided and unprovided for deferred taxation, calculated at 19% (2004 - 19%), were as follows:

	2005 Amount provided £	2005 Amount unprovided £	2004 Amount provided £	2004 Amount unprovided £
Losses and other deductions (asset)	—	(32,231)	—	(42,124)
Accelerated capital allowances	—	(1,311)	—	(1,313)
Surplus ACT	—	(19,195)	—	(19,195)
	—	(52,737)	—	(62,632)

The deferred tax asset, disclosed above, has not been recognised in the financial statements as the asset will take a number of years to be realised and is relatively uncertain.

16 Share capital

	Authorised		Allotted, called up and fully paid	
	2005 £	2004 £	2005 £	2004 £
Ordinary shares	100,000	100,000	75,572	75,572
Preference shares	1,000	1,000	500	500
	101,000	101,000	76,072	76,072

The Preference shares carry a right to fixed cumulative preferential dividends at the rate of 5% p.a. This has not been provided for due to the losses incurred in previous years.

In addition they confer a right to priority in the return of capital upon a winding up. They have no further rights to participate in profits or assets.

Notes to the accounts 31 December 2005

17 Other reserves

	2005 £	2004 £
Capital redemption reserve	24,928	24,928

18 Profit and loss account

	2005 £	2004 £
Balance brought forward	(52,449)	(136,809)
Retained profit for the financial year	34,468	84,360
Balance carried forward	(17,981)	(52,449)