

Registered Number 512225

A Schulman Inc Limited  
Annual report and financial statements  
for the year ended 31 August 2003



# **A Schulman Inc Limited**

## **Annual report and financial statements for the year ended 31 August 2003**

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# **A Schulman Inc Limited**

## **Directors and advisers for the year ended 31 August 2003**

### **Directors**

R A Stefanko (Chairman)

T L Haines

R Rombouts (resigned 28.02.2003)

J B Taylor

W Belderbos (appointed 01.03.2003)

D R Beynon (appointed 01.03.2003)

### **Secretary**

D R Beynon

### **Registered Office**

Croespenmaen Industrial Estate

Crumlin

Newport

NP1 4AG

### **Auditors**

PricewaterhouseCoopers LLP

One Kingsway

Cardiff

CF10 3PW

### **Solicitors**

Granville-West, Chivers and Morgan

### **Bankers**

HSBC Bank Plc

# **A Schulman Inc Limited**

## **Directors' report for the year ended 31 August 2003**

The directors present their report and the audited financial statements of the company for the year ended 31 August 2003.

### **Principal activities**

The company's principal activity during the year was the manufacture and sale of proprietary plastic compounds.

### **Review of business and future developments**

The UK manufacturing economy continues to show little sign of improvement. Despite this, the results for the year ended 31<sup>st</sup> August 2003, are satisfactory. The policy of improving existing equipment rather than investing in new equipment will continue throughout 2004.

### **Dividends**

The company's profit on ordinary activities after taxation for the year is £1,841,849 (2002: £1,723,006). The directors do not recommend payment of a final dividend (2002: £7,000,000).

### **Directors**

The present membership of the board is set out on page 1. Except as indicated, all directors served throughout the year.

The directors held no beneficial interest in the shares of the company at any time during the year.

### **Employees**

Applications for employment by disabled persons are always considered, bearing in mind the respective aptitudes and abilities of the applicant 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 a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through internal newsletters, briefing groups and electronic communications.

### **Donations**

The company made no political or charitable donations during the year (2002: £Nil).

# **A Schulman Inc Limited**

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to 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 suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 August 2003, that applicable accounting standards have been followed.

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 the financial statements 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, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the annual general meeting.

**By order of the Board**



**D R Beynon**  
**Director and Secretary**

30 June 2004

# **A Schulman Inc Limited**

## **Independent auditors' report to the members of A Schulman Inc Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 statement

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 August 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*  
**PricewaterhouseCoopers LLP**

Chartered Accountants and Registered Auditors

Cardiff

30 June 2004

## A Schulman Inc Limited

### Profit and loss account for the year ended 31 August 2003

	Note	2003 £	2002 £
Turnover	2	40,877,438	38,142,658
Cost of sales		(35,646,678)	(33,159,930)
Gross profit		5,230,760	4,982,728
Distribution costs		(1,739,740)	(1,882,230)
Administrative expenses		(669,559)	(640,807)
Other operating charges		(7,972)	(9,879)
<b>Operating profit</b>	4	2,813,489	2,449,812
Interest payable and similar charges	6	(174,264)	(74,222)
Interest receivable and similar income	6	24,177	45,359
<b>Profit on ordinary activities before taxation</b>		2,663,402	2,420,949
Tax on profit on ordinary activities	5	(821,553)	(697,943)
<b>Profit on ordinary activities after taxation</b>		1,841,849	1,723,006
Dividends		-	(7,000,000)
<b>Retained (loss)/profit for the financial year</b>		1,841,849	(5,276,994)
Profit and loss account brought forward		7,966,821	13,243,815
<b>Profit and loss account carried forward</b>		9,808,670	7,966,821

All items dealt with and activity at operating profit relate to continuing operations.

There are no recognised gains or losses for the current and prior years other than as stated in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

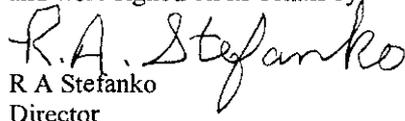
There is no difference between the profit on ordinary activities before taxation and retained profit for the year stated above, and their historical cost equivalent.

# A Schulman Inc Limited

## Balance sheet as at 31 August 2003

	Note	2003 £	2003 £	2002 £	2002 £
<b>Fixed assets</b>					
Tangible assets	7		3,484,484		4,036,213
<b>Current assets</b>					
Stock	8	4,398,160		3,890,419	
Debtors	9	9,025,487		8,819,158	
Cash at bank and in hand		897,121		1,997,980	
		14,320,768		14,707,557	
<b>Creditors - amounts falling due within one year</b>					
	10	(7,911,774)		(10,651,496)	
<b>Net current assets</b>			6,408,994		4,056,061
<b>Total assets less current liabilities</b>			9,893,478		8,092,274
<b>Provisions for liabilities and charges</b>	11		-		(40,645)
			9,893,478		8,051,629
<b>Capital and reserves</b>					
Called up share capital	12		30,000		30,000
Other reserves			54,808		54,808
Profit and loss account			9,808,670		7,966,821
<b>Total equity shareholders' funds</b>			9,893,478		8,051,629

The financial statements on pages 5 to 17 were approved by the board of directors on 30 June 2004 and were signed on its behalf by:-

  
R A Stefanko  
Director

# A Schulman Inc Limited

## 1 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

### (1) Basis of accounting

The accounts are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. The following principal accounting policies have been applied consistently, except as noted below, in dealing with items that are considered material in relation to the Company's accounts.

### (2) Fixed assets

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 value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Freehold buildings	-	4%
Extruders	-	12½% - 20%
Other plant and machinery	-	12½%
Office furniture	-	10%
Fixtures and fittings	-	20%
Laboratory equipment	-	20%
Motor vehicles	-	25%
Computer equipment	-	33%

Freehold land is not depreciated.

### (3) Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the rate ruling at the date of the transaction. All differences on exchange are taken to the profit and loss account.

### (4) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. In the case of manufactured products, costs includes all direct expenditure and an appropriate proportion of production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### (5) Pensions

The company operates a defined benefit pension scheme for the benefit of the majority of its employees, the assets of which are held separately from those of the company in independently administered funds. The fund is valued every three years by a professionally qualified actuary, the rates of contribution being determined by the actuary. The cost of providing pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The effect of variations from regular cost is spread over the expected average remaining service lives of the scheme members.

# **A Schulman Inc Limited**

## **1 Accounting policies (continued)**

### **(6) Post retirement benefits**

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

### **(7) Turnover**

Turnover represents the invoiced value of goods and services supplied, excluding value added tax and trade discounts.

### **(8) Deferred taxation**

FRS 19 requires full provision to be made for deferred tax arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations, where future payment or receipt is more likely than not to occur. The company has chosen not to discount deferred tax assets and liabilities.

# A Schulman Inc Limited

## Notes to the financial statements for the year ended 31 August 2003

### 2 Turnover

The company's turnover and operating profit relate entirely to its principal activity. The geographical analysis of turnover is:

	2003	2002
	£	£
United Kingdom	33,160,386	31,473,653
Rest of the world	7,717,052	6,669,005
	40,877,438	38,142,658

### 3 Employees and directors

	2003	2002
	£	£
<b>Directors emoluments</b>		
Other emoluments	273,991	146,941
<b>Number of directors who:</b>		
Are members of a defined benefit pension scheme	2	1
Highest paid director	238,258	113,881

	2003	2002
	£	£
Wages and salaries	3,657,643	3,364,632
Social security costs	284,737	250,208
Other pensions costs	238,907	255,438
	4,181,287	3,870,278

## A Schulman Inc Limited

The average number of persons employed by the company during the year was:

By activity	2003 No	2002 No
Production	116	109
Selling and distribution	22	23
Administration	7	7
	<b>145</b>	<b>139</b>

### 4 Operating profit

	2003 £	2002 £
<b>Operating profit is stated after charging</b>		
Depreciation – owned assets	910,475	1,111,755
Loss on disposal of tangible fixed assets	7,972	9,879
Auditors remuneration		
- Audit fees	18,500	18,500
- Other services	21,765	30,601

### 5 Tax on profit on ordinary activities

#### (a) Analysis of charge in the year

The charge for taxation is made up as follows:

	2003 £	2002 £
<b>Current tax:</b>		
United Kingdom corporation tax on profits of the year	885,000	890,000
Adjustments in respect of previous periods	(421)	(55,387)
<b>Total current tax (note 5(b))</b>	<b>884,579</b>	<b>834,613</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(63,026)	(136,670)
<b>Total deferred tax (note 11)</b>	<b>(63,026)</b>	<b>(136,670)</b>
<b>Total tax on profit on ordinary activities</b>	<b>821,553</b>	<b>697,943</b>

# A Schulman Inc Limited

## 5 Tax on profit on ordinary activities (continued)

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2003	2002
	£	£
Profit before tax	2,663,402	2,420,949
Profit multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	799,021	726,285
Effects of:		
Temporary differences between taxable and accounting profit		
Accelerated capital allowances	81,507	120,294
Other timing differences	(18,481)	20,513
Prior year credit	(421)	(55,387)
Permanent differences	22,953	22,908
<b>Current tax charge for year (note 5(a))</b>	<b>884,579</b>	<b>834,613</b>

## 6 Interest payable and receivable

	2003	2002
	£	£
Loan from group company	(174,264)	(74,222)
<b>Total interest payable and similar charges</b>	<b>(174,264)</b>	<b>(74,222)</b>
Interest receivable	24,177	45,359
<b>Net interest payable and similar items</b>	<b>(150,087)</b>	<b>(28,863)</b>

# A Schulman Inc Limited

## 7 Tangible assets

	Freehold Land and buildings	Plant and machinery	Fixtures and fittings	Total
<b>Cost or valuation</b>				
At 1 September 2002	2,714,508	12,938,981	155,246	15,808,735
Additions	29,358	386,411	2,999	418,768
Disposals	-	(301,579)	(4,535)	(306,114)
<b>At 31 August 2003</b>	<b>2,743,866</b>	<b>13,023,813</b>	<b>153,710</b>	<b>15,921,389</b>
<b>Accumulated depreciation</b>				
At 1 September 2002	1,121,704	10,503,117	147,701	11,772,522
Charge for the year	107,793	799,498	3,184	910,475
Disposals	-	(241,607)	(4,485)	(246,092)
<b>At 31 August 2003</b>	<b>1,229,497</b>	<b>11,061,008</b>	<b>146,400</b>	<b>12,436,905</b>
<b>Net book amount</b>				
<b>At 31 August 2003</b>	<b>1,514,369</b>	<b>1,962,805</b>	<b>7,310</b>	<b>3,484,484</b>
At 31 August 2002	1,592,804	2,435,864	7,545	4,036,213

## 8 Stocks

	2003 £	2002 £
Raw materials and consumables	1,562,647	1,503,173
Finished goods	2,706,741	2,279,217
Packaging and miscellaneous stocks	128,772	108,029
	<b>4,398,160</b>	<b>3,890,419</b>

# A Schulman Inc Limited

## 9 Debtors

	2003	2002
	£	£
Trade debtors	8,633,833	7,757,908
Amounts owed by group undertakings	227,851	915,393
Other debtors	1,485	1,485
Prepayments	139,937	144,372
Deferred Taxation (see note 11)	22,381	-
	<b>9,025,487</b>	<b>8,819,158</b>

## 10 Creditors – amounts falling due within one year

	2003	2002
	£	£
Trade creditors	3,890,742	3,861,632
Amounts due to group undertakings	489,758	604,903
Corporate tax creditor	465,258	396,100
Taxation and social security	539,639	210,421
Accruals and deferred income	482,377	443,863
Other creditors	44,000	134,577
Inter company loans	2,000,000	5,000,000
	<b>7,911,774</b>	<b>10,651,496</b>

Inter company loans at £2.0m are repayable 18 July 2004. The interest rate is the 12-month LIBOR at the start of each period plus 0.5%. The loan is unsecured.

# A Schulman Inc Limited

## 11 Provision for liabilities and charges

### Deferred taxation

The movement on the deferred tax (asset)/ liability is as follows:

	2003	2002
	£	£
At start of year	40,645	177,315
Profit and loss account	(63,026)	(136,670)
At end of year	(22,381)	40,645
The deferred tax provided is made up as follows:		
Accelerated capital allowances	72,867	154,374
Other timing differences	(95,248)	(113,729)
	(22,381)	40,645

## 12 Called up share capital

	2003	2002
	£	£
Authorised, allotted and fully paid		
30,000 ordinary shares of £1	30,000	30,000

## 13 Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit attributable to members of the company	1,841,849	1,723,006
Dividends paid	-	(7,000,000)
Increase/(decrease) in shareholders' funds	1,841,849	(5,276,994)
Opening shareholders' funds	8,051,629	13,328,623
Closing shareholders' funds	9,893,478	8,051,629

# A Schulman Inc Limited

## 14 Capital and other commitments

	2003	2002
	£	£
Authorised and contracted for	nil	nil

## 15 Pension Scheme

The company operates a defined benefit pension scheme for all qualified employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is subject to a triennial valuation by independent actuaries, the last completed valuation being carried out as at 5 April 2001 using the projected unit credit method. The following actuarial assumptions from that valuation were applied at the following dates:

	At 31 August 2003	At 31 August 2002
Investment return	7% per annum	9 % per annum
Salary growth	3% per annum	3% per annum
Pension increases	3% per annum	3% per annum
Discount rate	5.65% per annum	6% per annum
Inflation assumption	3% per annum	3% per annum

At the last actuarial valuation date, the market value of the assets of the scheme was £3,348,000 and this actuarial value was sufficient to cover 83% of the benefits which had accrued to members, after allowing for expected future increases in earnings. The employer's contribution rate over the average remaining service lives of the members of the scheme takes account of the deficit disclosed by the valuation.

The scheme is closed to new members and so it is expected that the age profile will rise in the future and that the current service cost of the scheme will increase as the members of the scheme approach retirement.

The charge to the profit and loss account for 2003 was £238,907 (2002: £255,438) which at 11.7% of pensionable pay includes the 9.2% underlying contribution rate and 2.5% in respect of funding the deficit in accordance with SSAP 24. The creditor at 31 August 2003 amounted to £44,000 (2002: £44,000).

The following amounts at 31 August 2003 and 31 August 2002 were measured in accordance with the requirements of FRS 17.

The assets in the scheme and the expected rate of return were:

	31 August 2003		31 August 2002	
	Long term rate of expected return %	Fair value £	Long term rate of expected return %	Fair value £
Equities	7.5	2,783,400	10	2,627,041
Bonds	5.7	685,864	6	399,971
Other	4	198,423	4	122,210
<b>Total market value of assets</b>		<b>3,667,687</b>		<b>3,149,222</b>

# A Schulman Inc Limited

## 15 Pension scheme (continued)

The following amounts at 31 August 2003 and 31 August 2002 were measured in accordance with the requirements of FRS 17.

	31 August 2003 £'000	31 August 2002 £'000
Total market value of assets	3,668	3,149
Present value of scheme liabilities	(6,058)	(4,368)
Deficit in the scheme	(2,390)	(1,219)
Related deferred tax asset	717	366
Net pension liability	(1,673)	(853)

If the above amounts had been recognised in the financial statements, the company's net assets and profit and loss reserve would be as follows:

	31 August 2003 £'000	31 August 2002 £'000
Net assets excluding pension liability	9,893	8,051
Pension liability	(1,673)	(853)
Net assets including pension liability	8,220	7,198
Profit and loss reserve excluding pension liability	9,809	7,967
Pension reserve	(1,673)	(853)
Profit and loss reserve	8,136	7,114

The following amounts would have been recognised in the performance statements in the year to 31 August 2003 under the requirements of FRS 17.

### Analysis of the amounts included in the profit and loss account:

	2003 £	2002 £
Operating profit:		
Current service cost	193,453	158,680
Other finance income:	-	-
Expected return on assets	306,136	322,470
Interest cost	(270,164)	(230,299)
Net return	35,972	92,171

# A Schulman Inc Limited

## 15 Pension scheme (continued)

Analysis of the amounts recognised in the statement of total recognised gains and losses (STRGL):

	2003 £	2002 £
Actual return less expected return on assets	(101,846)	(843,686)
Experience gains and losses on pension liabilities	(539,678)	(200,417)
Changes in assumptions for the valuation of liabilities	(611,247)	-
Actuarial loss recognised in STRGL	(1,252,771)	(1,044,103)

### Movement in surplus during the year

	2003 £	2002 £
Deficit at the beginning of the year	(1,219,152)	(443,977)
Movement:		
Current service cost	(193,453)	(158,680)
Contributions	238,907	335,438
Expected return on scheme assets	306,136	322,470
Interest cost	(270,164)	(230,299)
Actuarial loss recognised in statement of total recognised gains and losses	(1,252,771)	(1,044,103)
<b>Deficit at the end of the year</b>	<b>(2,390,497)</b>	<b>(1,219,152)</b>

### Details of experience of gains and losses

	2003 £	2002 £
Difference between the expected and actual return on scheme assets:		
Assets gain:		
Amount	(101,846)	(843,686)
% of scheme assets	(3%)	(27%)
Experience gains and losses on scheme liabilities:		
Amount	(539,678)	(200,417)
% of the present value of scheme liabilities	(9%)	(5%)
Total amount recognised and statement of total recognised gains and losses:		
Amount	(1,252,771)	(1,044,103)
% of scheme assets	(21%)	(24%)

## **A Schulman Inc Limited**

### **16 Cash flow statement**

No cash flow statement has been prepared since the company is a wholly owned subsidiary undertaking and exempt from doing so by the provision of FRS 1.

### **17 Ultimate parent company**

A Schulman Europe GmbH is the parent company of A Schulman Inc Limited. The ultimate parent company is A Schulman Inc, a company incorporated in the United States of America. The consolidated financial statements of A Schulman Inc are available from 3550 West Market Street, Akron, OH 44333, USA.

### **18 Related party disclosures**

The company has taken advantage of the exemption allowed under FRS8 'Related Party Disclosures' not to disclose related party transactions with members of the group or associates as it is a wholly owned subsidiary of a company for which accounts are publicly available. The consolidated financial statements of A Schulman Inc are freely available to the public at the address in note 17.

During the year a company car was sold to a director, Mr J.B.Taylor at a price of £19,000, realising a £8,188 loss on net book value. The transaction was conducted at arms length with the price of the vehicle being determined by reference to an external source.