

Symphony Plastics Limited

Financial statements

For the year ended 31 December 2005

Grant Thornton 



Company No. 2967867

Company information

Company registration number	2967867
Registered office	Elstree House Elstree Way Borehamwood Hertfordshire WD6 1LE
Directors	M N Laurier K L Frener I Bristow K Omprasadham A Blacher
Secretary	I Bristow
Bankers	Barclays Bank PLC St Albans
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Grant Thornton House 202 Silbury Boulevard Central Milton Keynes MK9 1LW

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2005.

Principal activities and business review

The company is principally engaged in the manufacturing and supply of refuse sacks, carrier bags, building film, tarpaulins, rubber gloves and other packaging products.

The results reflect the continued change of direction to degradable products sold by its subsidiary company. Symphony environmental.

There was a loss for the year after taxation amounting to £713,965 (2004 - loss £346,481).

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 financial statements.

The directors have not recommended a dividend.

Directors

The directors who served the company throughout the year were as follows:

M N Laurier
K L Frener
I Bristow
K Omprasadham
A Blacher

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

Mr K Omprasadham has a direct and indirect interest in 1,566,604 ordinary shares in Symphony Plastic Technologies plc.

The company has taken out insurance for its officers against liabilities in relation to the company under Section 310(3) of the Companies Act 1985.

Policy on the payment of creditors

It is the company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction to ensure that suppliers are aware of these terms and abide by them. Trade creditors at the year end amount to 38 days (2004 - 41) of average supplies for the year.

Report of the directors (continued)

Directors' responsibilities

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

Company law requires the directors to prepare the financial statements 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 these 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 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 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

Grant Thornton UK LLP offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

Authority to issue

The financial statements, of the company for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Report.

ON BEHALF OF THE BOARD



I Bristow
Director

26 April 2006

Report of the independent auditors to the members of Symphony Plastics

We have audited the financial statements of Symphony Plastics Limited for the year ended 31 December 2005 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 23. 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 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 auditors

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with United Kingdom law and 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).

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 other transactions is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We 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 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 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 statements.

Report of the independent auditors to the members of Symphony Plastics (continued)

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 31 December 2005 and of its loss for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Central Milton Keynes

26 April 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and on the going concern basis based on the continued support of the ultimate parent undertaking.

The principal accounting policies of the company are set out below and have remained unchanged from the previous year.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEC and in accordance with section 228 of the Companies Act 1985 is not required to produce, and has not published, consolidated accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

Turnover is the total amount receivable by the company for goods supplied and services rendered, excluding VAT and trade discounts.

Intangible fixed assets

Trademarks are included at cost.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Trademarks	- 10 years
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Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant and machinery	- 20% reducing balance
Fixtures and fittings	- 20% reducing balance
Motor vehicles	- 25% reducing balance
Computer equipment	- 25% straight line

Stocks

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

Principal accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

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

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.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception: deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be *suitable taxable profits from which the future reversal of the underlying timing differences can be deducted*.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

Profit and loss account

	Note	2005 £	2004 £
Turnover	1	2,472,125	2,477,682
Cost of sales		2,139,433	2,053,707
Gross profit		332,692	423,975
Other operating charges	2	1,020,657	744,192
Operating loss	3	(687,965)	(320,217)
Interest receivable	6	297	266
Interest payable and similar charges	7	(26,297)	(26,530)
Loss on ordinary activities before taxation		(713,965)	(346,481)
Tax on loss on ordinary activities	8	—	—
Loss for the financial year	21	(713,965)	(346,481)


All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Intangible assets	9	346	1,010
Tangible assets	10	132,549	185,260
Investments	11	15,529	15,529
		<u>148,424</u>	<u>201,799</u>
Current assets			
Stocks	12	206,540	253,865
Debtors due within one year	13	820,342	932,238
Debtors due after one year	13	6,520,656	6,301,476
Cash at bank and in hand		37,885	24,390
		<u>7,585,423</u>	<u>7,511,969</u>
Creditors: amounts falling due within one year	14	<u>955,367</u>	<u>1,579,548</u>
Net current assets		<u>6,630,056</u>	<u>5,932,421</u>
Total assets less current liabilities		<u>6,778,480</u>	<u>6,134,220</u>
Creditors: amounts falling due after more than one year	15	<u>9,124,778</u>	<u>7,766,553</u>
		<u>(2,346,298)</u>	<u>(1,632,333)</u>
Capital and reserves			
Called-up equity share capital	20	216,357	216,357
Share premium account	21	756,180	756,180
Profit and loss account	21	(3,318,835)	(2,604,870)
Deficiency	22	<u>(2,346,298)</u>	<u>(1,632,333)</u>

These financial statements were approved by the directors on 26 April 2006 and are signed on their behalf by:


I Bristow
Director

Notes to the financial statements

1 Turnover

An analysis of turnover by geographical market has not been given as in the opinion of the directors this would be seriously prejudicial to the company.

2 Other operating charges

	2005	2004
	£	£
Distribution costs	272,000	282,775
Administrative expenses	748,657	461,417
	<u>1,020,657</u>	<u>744,192</u>

3 Operating loss

Operating loss is stated after charging:

	2005	2004
	£	£
Amortisation	664	664
Research and development expenditure written off	45,719	42,743
Depreciation of owned fixed assets	19,748	35,853
Depreciation of assets held under finance leases and hire purchase agreements	13,668	7,877
Loss on disposal of fixed assets	4,502	6,458
Operating lease costs:		
Plant and equipment	11,432	4,444
Land and buildings	<u>74,800</u>	<u>74,800</u>

The auditors' remuneration has been paid by the ultimate parent company, Symphony Plastic Technologies plc and is part of the management charge.

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Warehousing	7	6
Selling and distribution	5	5
Administration	9	8
Management	4	4
	<u>25</u>	<u>23</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	1,030,628	802,365
Social security costs	112,617	91,963
Other pension costs	16,217	29,542
	<u>1,159,462</u>	<u>923,870</u>

5 Directors

Remuneration in respect of directors was as follows:

	2005	2004
	£	£
Emoluments receivable	485,416	344,278
Value of company pension contributions to money purchase schemes	43,258	29,542
	<u>528,674</u>	<u>373,820</u>

Emoluments of highest paid director:

	2005	2004
	£	£
Total emoluments (excluding pension contributions)	184,726	107,003
Value of company pension contributions to money purchase schemes	16,217	—
	<u>200,943</u>	<u>107,003</u>

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

	2005	2004
	No	No
Money purchase schemes	<u>1</u>	<u>1</u>

6 Interest receivable

	2005	2004
	£	£
Bank interest received	<u>297</u>	<u>266</u>

7 Interest payable and similar charges

	2005	2004
	£	£
Interest payable on bank borrowing	1,501	3,954
Interest payable on other loans	1,280	-
Finance charges in respect of hire purchase contracts	4,529	3,869
Other similar charges payable	<u>18,987</u>	<u>18,707</u>
	<u>26,297</u>	<u>26,530</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

No tax arises on the loss for the year.

The tax assessed for the period is different than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained as follows:

(b) Factors affecting current tax charge

	2005	2004
	£	£
Loss on ordinary activities before taxation	<u>(713,965)</u>	<u>(346,481)</u>
Loss on ordinary activities by rate of tax	(214,190)	(103,944)
Expenses not deductible for tax purposes	3,514	3,162
Capital allowances for the period in excess of depreciation	4,307	4,070
Tax losses not utilised	206,369	74,028
Group relief	-	22,684
Total current tax (note 8(a))	<u>-</u>	<u>-</u>

The company has tax losses of approximately £3,000,000 carried forward and available for offset against future taxable trading profits. There is a net deferred tax asset of £900,000, which has not been recognised as the timing of its recoverability cannot be assessed with any certainty. The tax would become recoverable once the company achieves taxable trading profits.

9 Intangible fixed assets

	Trademarks
	£
Cost	
At 1 January 2005 and 31 December 2005	<u>6,642</u>
Amortisation	
At 1 January 2005	5,632
Charge for the year	664
At 31 December 2005	<u>6,296</u>
Net book value	
At 31 December 2005	<u>346</u>
At 31 December 2004	<u>1,010</u>

10 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Motor vehicles	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2005	50,798	64,212	120,426	147,863	383,299
Additions	—	—	—	12,605	12,605
Disposals	—	—	(54,762)	—	(54,762)
At 31 December 2005	<u>50,798</u>	<u>64,212</u>	<u>65,664</u>	<u>160,468</u>	<u>341,142</u>
Depreciation					
At 1 January 2005	23,082	32,070	28,404	114,483	198,039
Charge for the year	3,511	3,950	14,271	11,684	33,416
On disposals	—	—	(22,862)	—	(22,862)
At 31 December 2005	<u>26,593</u>	<u>36,020</u>	<u>19,813</u>	<u>126,167</u>	<u>208,593</u>
Net book value					
At 31 December 2005	<u>24,205</u>	<u>28,192</u>	<u>45,851</u>	<u>34,301</u>	<u>132,549</u>
At 31 December 2004	<u>27,716</u>	<u>32,142</u>	<u>92,022</u>	<u>33,380</u>	<u>185,260</u>

Included within the net book value of £132,549 is £45,851 (2004 - £20,782) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £13,668 (2004 - £7,877).

11 Investments

	Shares in group undertakings £	Other investments £	Total £
Cost			
At 1 January 2005 and 31 December 2005	<u>4</u>	<u>15,525</u>	<u>15,529</u>
Net book value			
At 31 December 2005	<u>4</u>	<u>15,525</u>	<u>15,529</u>
At 31 December 2004	<u>4</u>	<u>15,525</u>	<u>15,529</u>

At 31 December 2005 the company held 100% of the ordinary share capital of Symphony Packaging Limited and Symphony Environmental Limited. Both these companies are incorporated in England and Wales.

In addition, the company held 30% of the ordinary share capital of Symphony Bin Hilal Plastics LLC, a company incorporated in the United Arab Emirates. The directors are of the opinion that this is an investment as the directors do not have significant influence because they have no financial or management control.

12 Stocks

	2005 £	2004 £
Raw materials and consumable stores	5,000	5,000
Finished goods and goods for resale	201,540	248,865
	<u>206,540</u>	<u>253,865</u>

13 Debtors

	2005 £	2004 £
Trade debtors	457,403	666,787
Amounts owed by group undertakings	6,506,956	6,287,776
VAT recoverable	312,348	195,796
Other debtors	13,700	15,389
Prepayments and accrued income	50,591	67,966
	<u>7,340,998</u>	<u>7,233,714</u>

The debtors above include the following amounts falling due after more than one year:

	2005 £	2004 £
Amounts owed by group undertakings	6,506,956	6,287,776
Other debtors	13,700	13,700
	<u>6,520,656</u>	<u>6,301,476</u>

14 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdrafts	287,122	513,717
Trade creditors	502,169	941,101
Taxation and social security	100,830	87,429
Amounts due under finance leases and hire purchase agreements	8,135	19,901
Other creditors	6,037	—
Accruals and deferred income	51,074	17,400
	<u>955,367</u>	<u>1,579,548</u>

The bank overdrafts are secured by a fixed charge over the company's fixed assets, a fixed charge over the company's debtors and a floating charge over all other assets.

15 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group undertakings	9,098,644	7,726,722
Amounts due under finance leases and hire purchase agreements	26,134	39,831
	<u>9,124,778</u>	<u>7,766,553</u>

16 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2005 £	2004 £
Amounts payable within 1 year	8,135	19,902
Amounts payable between 1 and 2 years	9,315	13,697
Amounts payable between 3 and 5 years	16,819	26,133
	<u>34,269</u>	<u>59,732</u>

17 Leasing commitments

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

	2005		2004	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	10,000	1,200	—	1,041
Within 2 to 5 years	54,800	5,180	78,800	10,026
	<u>64,800</u>	<u>6,380</u>	<u>78,800</u>	<u>11,067</u>

18 **Contingent liabilities**

The company is a member of a VAT group with Symphony Environmental Limited and Symphony Plastic Technologies plc. At 31 December 2005, the net indebtedness of these companies amounted to £259,965 (2004 - £149,173).

The company has guaranteed all monies due to Davenham Trade Finance Limited by Symphony Environmental Limited and Symphony Plastic Technologies plc. At 31 December 2005 the net indebtedness of these companies amounted to £237,034 (2004 - £795,533).

There is a contingent liability arising on letters of credit which have been issued but not yet fulfilled. At 31 December 2005 this amounts to £20,000 (2004 - £424,067).

19 **Related party transactions**

As a wholly owned subsidiary of Symphony Plastic Technologies plc, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by Symphony Plastic Technologies plc.

In the year Michael Laurier, a director of the company, made an interest free loan of £14,000.

20 **Share capital**

Authorised share capital:

	2005 £	2004 £
50,000,000 Ordinary shares of £0.01 each	<u>500,000</u>	<u>500,000</u>

Allotted, called up and fully paid:

	2005 No	£	2004 No	£
Ordinary shares of £0.01 each	<u>21,635,700</u>	<u>216,357</u>	<u>21,635,700</u>	<u>216,357</u>

21 **Reserves**

	Share premium account £	Profit and loss account £
At 1 January 2005	756,180	(2,604,870)
Loss for the year	—	(713,965)
At 31 December 2005	<u>756,180</u>	<u>(3,318,835)</u>

22 **Reconciliation of movements in shareholders' funds**

	2005 £	2004 £
Loss for the financial year	(713,965)	(346,481)
Opening shareholders' equity deficit	<u>(1,632,333)</u>	<u>(1,285,852)</u>
Closing shareholders' equity deficit	<u>(2,346,298)</u>	<u>(1,632,333)</u>

23 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is its parent company Symphony Plastic Technologies plc incorporated in England and Wales.

Symphony Plastic Technologies plc is this company's controlling related party by virtue of its majority shareholding.

The largest group of undertakings for which group accounts have been drawn up is that headed by Symphony Plastic Technologies plc which is registered in England and Wales. Copies of the group accounts can be obtained from Elstree House, Elstree Way, Borehamwood, Hertfordshire, WD6 1LE.