PLASTICS Capital plc

Annual Report & Accounts 2008

Plastics Capital is a consolidator of plastic product businesses which are focused on specialist products for niche markets.

HIGHLIGHTS

£20.452m

TURNOVER 2008

£3.892m

EBITDA BEFORE EXCEPTIONALS 2008

£15.407m

TURNOVER 2007

£2.560m

EBITDA BEFORE EXCEPTIONALS 2007

Turnover increased 33% to £20.5m.

EBITDA (being earnings before interest, taxation, depreciation, amortisation) before exceptionals increased 52% to £3.9m.

Adjusted earnings per share* 19.4p (2007: 10.6p).

Plastics Capital listed on AIM on 3 December 2007.

Four acquisitions carried out during the year.

*Excluding amortisation, exceptionals, negative goodwill credit, profit on sale of land and buildings, foreign exchange losses and derivative gains/losses.

Nylon Hose Mandrels

> Manufactured on automated proprietary production lines for use by customers in the manufacture of industrial rubber hose.

CHAIRMAN'S STATEMENT

"I am pleased to report an outstanding year for Plastics Capital. The financial highlights demonstrate exceptional growth and profitability achieved by the Group compared to the 2006/07 financial year. This growth builds on what has been achieved in the prior year: sales and earnings before interest, tax, depreciation, amortisation and exceptionals (EBITDA) have grown approximately threefold in the last two years."

Underpinning the growth and profitability is our focus on niche plastic products and our complementary strategies of:

- Organic development – through penetration of new markets and development of new products; and
- Acquisition of new businesses, some as stand-alone and some as bolt-on entities to our existing operations.

Globally, speciality plastics products is a growing sector and is highly fragmented, offering numerous opportunities for acquisition, frequently from retiring owner-managers.

AIM listing

The most significant development this year has been the admission of Plastics Captial plc ("Plastics Capital", "the Company", "the Group") to trading on AIM in early December 2007. In difficult markets, we raised £16.2 million from an excellent group of institutional and private client investors, primarily using these funds to pay down debt to facilitate the Group's ongoing acquisition programme and for organic development. The statutory accounts recognise exceptional finance costs relating to the redemption of debt at IPO, which are unrepresentative of the underlying costs of the Group.

On admission to AIM, management retained approximately 33% of the share capital, so aligning interests with those of other shareholders.

Acquisitions

Four acquisitions have been completed during the year. The full financial benefit of all these acquisitions will only be seen in the 2008/09 financial year.

In April and May 2007 we completed two bolt-on acquisitions of Cobb Slater Limited ("Cobb Slater") and Sabre Plastics Limited ("Sabre"). In both cases we kept only part of the business that fitted with our overall niche market strategy. Cobb Slater was consolidated into our plastic bearings business, BNL (UK) Limited ("BNL"). Sabre was eventually consolidated into our factory in Kent making flooring products and specialist extrusions. Both acquisitions strengthened our market positions and once rationalised and integrated provided attractive incremental profits.

In August 2007 we completed the acquisition of Channel Matrix Limited ("Channel"), the No.2 player in creasing matrix production, and have since then consolidated it with Trimplex Limited ("Trimplex"), the No.3 player that we already owned. The combined business, now called C&T Matrix Limited ("C&T") based in Wellingborough, has achieved some significant synergies and has developed into a core business of the Group.

The acquisitions led to a significant amount of factory rationalisation activity with three factories being closed during the year and a fourth being substantially moved. This has resulted in significant one-off costs for redundancies and similar charges for the year reported as exceptional costs in the results.

In March 2008 we completed the acquisition of Palagan Limited ("Palagan"), which manufactures customised high performance film packaging. This is a standalone business where we see the opportunity for organic growth and further related acquisitions.

Our acquisition pipeline remains good with a healthy focus on bolt-on opportunities, which generally provide excellent earnings enhancement.

Organic development

Projects associated with new products and process developments are a critical aspect of the Group's strategy going forward. During the financial year under review, conversion of these projects, which are generally carried out "in partnership" with major customers, generated recurring annual sales of approximately £2 million. In addition, we have a significant pipeline of these new product projects which provide opportunities for further sales growth in the current and coming years.

We have committed to the opening of our own moulding and assembly factory in Thailand during the course of this financial year and we anticipate production to commence before the end of 2008. This initiative will enable us to lower production costs and to shorten delivery times to the growing markets in South East Asia as well as to exploit new sales opportunities in the region.

Banking

Despite the turmoil in the banking industry, I am pleased to say that we have continued to enjoy excellent support from the Royal Bank of Scotland.

We have conducted three re-financings with the Royal Bank of Scotland over the reporting period: the first helped to complete the Channel acquisition, the second at the time of IPO, and the final one to fully fund the acquisition of Palagan. It is a measure of the strength of our business and its underlying cash flow that, despite the credit crisis, we have been able to secure this funding in order to continue acquisition activity. Whilst terms have become somewhat tighter, they are not at a level that materially prejudices our strategy.

Exports and exchange rates

It is testament to the technical sophistication of our businesses that we export a high proportion of what we produce; approximately 70% of sales during the financial year went overseas, much of it in Euros, some in US Dollars and a little in Japanese Yen.

During the current financial year exchange rate movements have been volatile. This volatility emphasises the importance of the Group's commercial hedging strategy – specifically, to fully hedge operational exposures through borrowings with matching maturities, and through futures and options. This strategy means a significant proportion of the Group's borrowings are in Euros and US Dollars.

This hedging strategy has resulted in a paper loss primarily associated with our Euro borrowings – the Euro having strengthened considerably towards the end of our financial year. If these paper losses do indeed materialise in due course from continued Euro strength, they will be compensated through our hedging strategy by higher operating profits resulting from our Euro exports when translated back into Sterling.

People

These excellent results have been attained through the application, energy and creativity of the management team and indeed all the employees that form part of Plastics Capital. The Group now employs over 280 people and many with specialist technical skills, whose effort day to day is vital in underpinning the performance of the Group.

During the year, we have appointed Andrew Walker, formerly chief executive of McKechnie, to our Board as Non-Executive Director and also Nicholas Ball, who is our Group Financial Director. Both appointees are excellent additions. Chris Allner, who prior to listing represented Octopus Investments has stood down from our Board. We are very grateful for the contribution and support that Chris and the wider team at Octopus have made to our development.

Outlook

For the next 12 months, significant sales and profitability growth is expected as the full effect of the acquisitions made in the last financial year is recognised, and as new business converted in the last financial year turns into production orders. Over and above this, the outlook for the business hinges on the external economic environment and on the potential for acquisitions being completed in the current financial year.

The external environment is difficult at the present time; economic conditions in the UK are at their worst for some time, inflationary pressures are a factor globally due to high oil and food prices and the availability of credit is very tight. Notwithstanding this, to date demand for the Group's products in aggregate appears to have been only slightly affected. The diversity of what we make and where it goes both by geography and application gives Plastics Capital a degree of resilience which is very helpful in difficult times. Furthermore where raw material prices have increased we have taken steps to pass the additional costs on or to re-engineer to avoid incurring cost increases.

In terms of acquisitions, a number of opportunities are actively being pursued. Our target has been to carry out two to three transactions per year of similar size to those carried out to date and we see no reason now to revise this target based on current levels of activity. It is always difficult to predict when and if acquisitions will complete but based on current activity we still believe that new acquisitions will contribute significantly to our growth in the next 12-24 months.

Overall, the Board is confident of another year of significant progress.

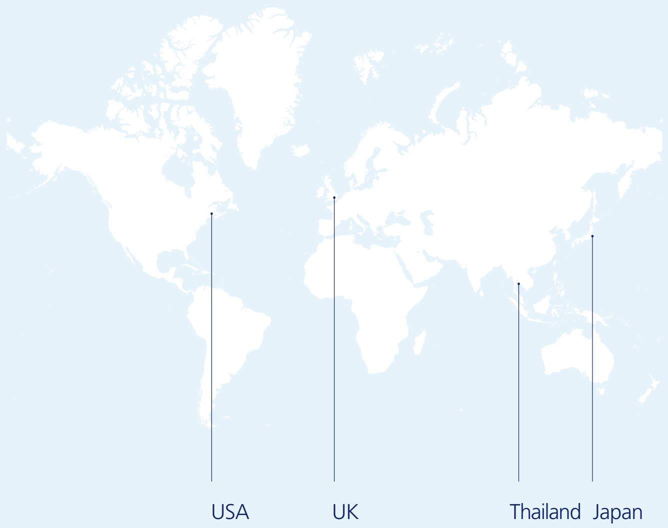
Faisal Rahmatallah
Executive Chairman
30 June 2008

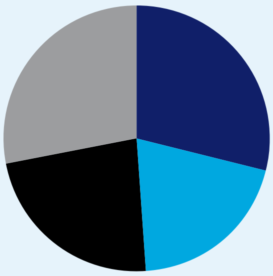
THE GROUP'S GROWTH IS BEING DRIVEN BY PENETRATION OF NEW MARKETS, PRODUCT DEVELOPMENT AND ACQUISITIONS.

Creasing Matrix
> A range of creasing matrix products

OPERATIONS REVIEW

Geographical overview





- UK market **29%**
- Asia and the rest of the world **28%**
- European market **23%**
- USA market **20%**

71% EXPORT SALES

29% UK SALES

289 EMPLOYEES

Plastic bearings

BNL (UK) Limited, our manufacturer of plastics bearings and other rotating parts, has had a record year in terms of both sales and profits. However, the year has not been without its challenges.

Sales growth, particularly in volume terms, has been strong. Part of this growth has been due to the rationalisation and integration of the Cobb Slater facility, acquired during the year. To meet the additional demand, capacity has been added at the current site in Knaresborough. Whilst this capacity was being added, there was a temporary dip in margins as additional freight and outsourcing costs were incurred. The Knaresborough site is now operating at full capacity and whilst it could be expanded further to cope with continued growth, the decision has been taken to open our own facility in Thailand. This facility is being fitted out to cope with anticipated growth over the next 2–3 years, but will have space for significant further capacity to be added at a later stage.

Considerable work has gone into organisational development at BNL over the last 12 months to enable the business to drive and manage its growth. New appointments have been made in the positions of managing director, supply chain director, finance director and new product development director. Two have been appointed from internal promotions. In addition, Neil Partlett, the managing director for the last six years has moved into the role of Chairman, enabling him to devote his time to the strategic development of the group: specifically international operations in Thailand, USA and Japan and very importantly to potential acquisitions of related businesses, most of which are outside the UK.

Creasing matrix

2007/08 was a transformational year for our creasing matrix activities. We started the year being a distant No.3 with 10% market share in the global market and concluded the year with 40% market share and being a close No.2 to the global market leader. We did this by acquiring Channel during the year and then merging the creasing matrix activities of Trimplex into Channel soon thereafter.

The merged business has been renamed C&T Matrix Limited. The Channel and Trimplex brands and distribution relationships continue in the marketplace and are both being fully supported. The brands are differentiated and enable us to cover a wider spectrum of the creasing matrix market.

The enlarged business is operating from the former Channel site in Wellingborough where it has been necessary to recruit only a few additional staff. The former Trimplex site in Dartford, Kent, no longer has creasing matrix operations, all machinery and stock having been moved to Wellingborough. It is pleasing to note that this substantial factory move and rationalisation has been executed without any major hitches.

There remains the opportunity to make a number of further operational improvements that inevitably have arisen from bringing these two businesses together and this will be a prime focus for us during 2008/09.

Hose mandrel and films

2007/08 has been a mixed year for our business focused on the rubber hose market, Bell Plastics Limited. Whilst sales to our larger customers have been affected by slack demand, sales to new customers have been strong. On balance we finish the year in a strategically better position than we started with a wider range of customers and products and with less dependency on the largest customers. The financial performance in the reporting period was however below expectations.

We have had good success during the year in penetrating new accounts. Six major new accounts have been won, three for mandrel

1. Manufacturing process for the production of high performance customised film packaging.
2. Demonstration of the high performance nature of the film.

Creasing Matrix

> Manufactured through three-in line automated extrusion steps – used as a consumable product in the printing and packaging industries.

products and three for film products. We anticipate sales from these new customers will grow as they convert more of their production to our products in time.

During the year, our technical team has developed a broader range of mandrel products using polymers that confer different properties from our standard grades of nylon. Some of these are under trial with our customers and we hope will lead to sales growth in the future.

Customised film packaging

We acquired Palagan Limited just before the end of the reporting period. As announced at the time, Palagan is a long established producer of high performance film packaging solutions. Palagan customises its products to between 4,000 and 5,000 different specifications. The ability to tailor products to customers' requirements and turn design solutions into in-line automated production is a key success factor.

We have already started to make some very positive changes to develop the organisation for long-term growth. It is also pleasing and reassuring that four members of the management team have committed to investing approximately £30,000 in an LTIP scheme linked to the performance of Palagan over the next five years.

Other

Beyond the core products described above, about 5% of the Group's sales in the reporting period arise from a wide variety of smaller products, some focused on specific markets like flooring and some which are more generalist extrusions made to customers' designs/specifications. At the start of the period these activities constituted a greater proportion of total Group sales, but soon after the Channel/Trimplex merger was executed, we took the decision to close the main factory involved in this non-strategic part of the Group, at Narborough, near Leicester.

A small proportion of the sales from this factory were transferred to the Trimplex site in Dartford, Kent, where they were combined with the "rump" of activities left at this site once the creasing matrix operations had been moved out. The business based at Dartford has been renamed Mulberry Plastics Limited and will develop into a manufacturer of flooring products and specialist extrusions.

By the year end all operations at Narborough ceased, with all machinery and stock either being transferred within the Group or sold. The Narborough business appears as a discontinued operation in this reporting period.

Group

Aside from guiding and monitoring the subsidiaries, the small team at the centre manage a number of key activities, including:

- Maintaining financial reporting standards and controls across the Group;
- Treasury and banking, including hedging activity;
- Acquisitions – finding, negotiating, executing and integrating transactions;
- Maintaining operational standards across the Group – health and safety, productivity, quality, service; and
- Recruitment and retention of senior management.

I am pleased to report that we have strengthened our team during the year by appointing Brian Worth as Group Operations Director and Charlotte Kemp into the finance team. The team at Group level is now well resourced to drive and manage the ongoing growth of Plastics Capital over the coming 12 months.

FINANCIAL REVIEW

Financial Highlights

CONTINUING OPERATIONS	2008 £000	2007 £000	CHANGE %
REVENUE	20,452	15,407	32.7%
GROSS PROFIT	8,701	6,637	31.1%
OPERATING PROFIT	1,465	3,144	–53.4%
Add back: Depreciation	425	444	
Add back: Amortisation and impairment	1,162	576	
Add back: Negative goodwill credit	(323)	–	
Add back: Profit on sale of land & buildings	–	(1,604)	
Add back: Exceptional costs	1,163	–	
EBITDA BEFORE EXCEPTIONALS, NEGATIVE GOODWILL CREDIT AND PROFIT ON SALE OF LAND AND BUILDINGS	3,892	2,560	52.0%
(LOSS)/PROFIT BEFORE TAX	(2,869)	1,237	–331.9%
Add back: Amortisation and impairment	1,162	576	
Add back: Negative goodwill credit	(323)	–	
Add back: Profit on sale of land & buildings	-	(1,604)	
Add back: Exceptional costs	1,163	–	
Add back: Exceptional interest costs	1,726	846	
Add back: Foreign exchange losses/gains	1,397	(133)	
Add back: Derivative losses	311	105	
PROFIT BEFORE TAX*	2,567	1,027	149.9%
TAXATION	552	100	
PROFIT AFTER TAX*	3,119	1,127	176.8%
BASIC EPS*	19.4p	10.6p	83.0%
BASIC EPS FROM CONTINUING OPERATIONS	(14.4)p	12.5p	–215.2%
CAPITAL EXPENDITURE	1,047	367	185.3%
ACQUISITION SPEND	15,768	–	NA
NET DEBT	16,282	8,216	98.2%

*Excluding amortisation, exceptionals, negative goodwill credit, profit on sale of land and buildings, foreign exchange losses and derivative gains/losses.

Revenue
Revenue for the year was £20.5 million which included £4.3 million from acquisitions made during the year. This is an increase of 33% from £15.4 million in 2007. On a like-for-like basis (i.e. adjusting for exchange rates and acquisition timings) organic revenue growth was 6%.

Gross profit
Gross profit was £8.7 million (margin: 42.5%) in 2008 against £6.6 million (margin: 43.1%) in 2007. Excluding the exceptional costs in 2008, the gross profit was £9.4 million (margin: 46.1%). The increase in gross profit margin has been caused by changes in business mix due to acquisitions carried out during the year and cost savings from factory rationalisations.

Exceptional costs
Exceptional costs incurred relate to the restructuring of businesses in the year. These were as follows:

- the closure, transfer and integration of the Cobb Slater business. The cost incurred amounted to £0.80 million; and
- the transfer of the Trimplex matrix business to C&T Matrix. The cost incurred amounted to £0.36 million.

Exceptional interest costs incurred in the year of £1.7 million relate to premiums payable on the redemption of loan notes and vendor loan debt at IPO.

Discontinued operations
During the year the operations of Sabreplas Limited, a manufacturer of general extrusions were discontinued. This resulted in a discontinued charge of £0.8 million relating to the closure and redundancy costs of two factories and the net loss of this business made during the year.

Profitability
EBITDA before exceptionals, negative goodwill credit and profit on sale of land and buildings has increased from £2.6 million in 2007 to £3.9 million, an increase of 52%. The breakdown of this increase is as follows:

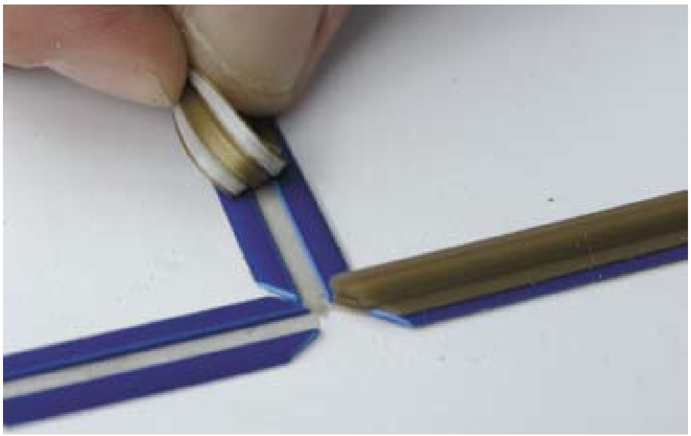
- Acquired: £1.1 million
- Due to growth and cost savings of subsidiaries: £0.5 million
- Foreign exchange impact: £(0.1) million
- Central cost changes: £(0.1) million

Profit after taxation excluding amortisation, exceptionals, negative goodwill credit, profit on sale of land and buildings, foreign exchange losses and derivative gains/losses of £3.1 million compares with the prior year equivalent of £1.1 million, an increase of 177%.

Taxation
The Group's tax credit for the year is £0.5 million which has arisen on the movements in deferred taxation during the year. There is no material current tax charge for the year.

Earnings per share
Basic adjusted earnings per share are 19.4p compared to 10.6p in 2007. This is based on a weighted average 16.1 million shares in 2008 compared to 10.7 million shares in 2007. The shares held pre-float have been converted in to the equivalent number of shares held post-float based on the share for share exchange valuation.

Capital expenditure
Capital expenditure was £2.9 million in 2008, an increase of £2.5 million over 2007, owing to the property acquired at the time of the Palagan acquisition (£1.6 million), three additional moulding machines to meet capacity demand at BNL (£0.5 million) and increased tooling spend in the year (£0.4 million).



1. High pressure hydraulic hose – manufactured using nylon mandrel.
2. Laying out of creasing matrix on a base plate ready for box production.

King controls plastic bearing

Acquisitions
Four acquisitions were completed during the year:
- Cobb Slater Limited, a manufacturer of plastics bearings was acquired in April 2007;
- the assets and business of Sabre Plastics Limited were acquired in May 2007;
- Channel Matrix Limited, a manufacturer of specialist products for the print and packaging industries was acquired in August 2007; and
- GKT Partnership Limited and its subsidiary, Palagan Limited, a manufacturer of high performance film products were acquired in March 2008.

In addition, the remaining minority interest stakes in BNL (UK) Limited and Mulberry Plastics Limited were acquired in December 2007. The total cost of these acquisitions was £17.2 million with a cash cost of £15.7 million at 31 March 2008.

Flotation
The Company's shares were admitted to trading on AIM on 3 December 2007. This was undertaken through a share for share exchange with the Company acquiring Plastics Capital Trading Limited. This has been accounted for as a reverse acquisition.

Cash flow
The Group continues to be strongly cash generative. In the year cash generated from operations pre-exceptionals costs amounted to £1.6 million (2007 £2.1 million).

Net cash proceeds from the IPO were £14.5 million.

Balance sheet
There has been a significant increase in property, plant and equipment to £5.1 million (2007: £1.7 million) driven by acquisitions (£1.3 million) and capital expenditure (£2.9 million).

Inventories and receivables have grown in line with the business to £3.5 million and £7.1 million respectively. Trade and other receivables, whilst high, present little risk and we continue to have a low balance due for old debts from customers.

Net debt
Net debt at the year end of £16.3 million (2007: £8.2 million) increased during the year by £8.1 million. The principal movements in the year were increases in bank loans to fund the acquisitions and refinancings (£25.0 million) and proceeds of the IPO (£16.2 million), offset by repayment of debt from the refinancings (£19.5 million).

Foreign exchange debt denominated in Euros, US Dollars and Japanese Yen when translated at the year end rate accounted for a loss of £1.4 million.

KPIs
The Group uses the key financial performance indicator of earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptionals, negative goodwill credit and profit on sale of land and buildings. During 2008, the EBTIDA measure increased from 16.6% to 19.0% reflecting the acquisition of high margin businesses in the year and the cost rationalisation detailed above.

International Financial Reporting Standards (IFRS)
Following admission to AIM, the Group has prepared its first financial statements under Adopted IFRS ("IFRS"). Details of the accounting policies under IFRS and the effect of transition have been included within the Notes to the Accounts.

Whilst the Group accounts have been prepared under IFRS, the Board has elected to continue to prepare the accounts of the Company and subsidiary companies under UK GAAP.

BOARD OF DIRECTORS

Faisal John Rahmatallah, (age 52)
Executive Chairman

Faisal is a founder shareholder of Plastics Capital and Director of the Company. He has worked for and with manufacturing companies for 16 of the last 25 years. He has spent seven years working in private equity with Capricorn Ventures International and prior to that was a partner at Deloitte & Touche, and was a managing director of a specialist consulting subsidiary of Deloitte & Touche. He is a graduate of Oxford University and has an MBA from Harvard Business School. Faisal was also chairman of Broker Network Holdings plc, an AIM listed company.

Nicholas Martin Ball, (age 37)
Finance Director

Nicholas, who is the Group Finance Director, joined Plastics Capital in October 2005. Previously he spent 10 years working at Deloitte & Touche, initially in audit and then in corporate finance, where he worked principally on financial due diligence for manufacturing businesses and lead advisory work for the private equity industry. He also worked for eighteen months at ScotiaCapital in leveraged finance. He is a graduate of Bath University and is an ACA accountant.

Jeremy Alan John Clarke, (age 40)
Director

Jeremy, who is a founder shareholder of Plastics Capital and Director of the Company, has been managing director of Bell since 2003 and has over 13 years of experience in manufacturing. Prior to co-founding the Company, he spent eight years with ICI as an engineer and manager in their plastics and chemicals businesses, and later spent two years helping major industrial businesses as a management consultant with McKinsey & Company. He has a first-class degree in Engineering from Cambridge University and an MBA from Warwick Business School.

Arun Nagwaney, (age 37)
Development Director

Arun is a founder shareholder of Plastics Capital and Director of the Company. He has worked in or for major manufacturing companies for the last 11 years. Prior to co-founding Plastics Capital, he was a Principal with Capstone, the operational support organisation to KKR, and prior to that Associate Principal with McKinsey & Company. He is an engineering graduate of Cambridge University and has a PhD in Engineering from Imperial College London. Arun is also Deputy-Chairman of Beta Systems Software AG, a Prime Standard (German stock exchange) listed company.

Andrew John Walker, (age 56)
Non-Executive Director

Andrew recently joined the Company as a Non-Executive Director. Andrew has extensive experience of executive roles in a number of large multinational businesses. Andrew currently sits on the board of eight public companies. He was Group Chief Executive of McKechnie plc for four and a half years until 2001 and prior to that he was the Group Chief Executive of South Wales Electricity plc. From 2001 to date, Andrew has devoted his time to non executive roles at, amongst others, Ultra Electronic Holdings plc, Halma plc, Bioganix plc and Manganese Bronze Holdings plc. He has a degree in Engineering from Cambridge University.

Richard Charles Vessey, (age 59)
Non-Executive Director

Richard is a founder shareholder of Plastics Capital and a Non-Executive Director of the Company and has been involved with manufacturing and selling plastics related products for over 30 years. During that time he worked for Wavin and Birmid Qualcast, before establishing Bell. Since then he has successfully developed other ventures including Im-Pak, a plastics process innovator. He has a degree in Engineering from Imperial College London and has an MBA from Harvard Business School.

DIRECTORS' REPORT

The Directors present their annual report and the financial statements for the year ended 31 March 2008.

Principal activities and review of business

The principal activity of the Company is that of a holding company. The Group is principally engaged in the manufacture of plastic products focused on proprietary products for niche markets.

The Company was incorporated on 2 October 2007 as a public company with the name Plastics Capital Trading Plc and with the registered number 06387173. On the 21 November 2007, the Company changed its name to Plastics Capital plc. On 23 November 2007, the Company obtained a trading certificate pursuant to section 117 of the Companies Act.

The Company was admitted to AIM on 3 December 2007. The Company was used as a vehicle to float on AIM and to acquire in a share for share exchange on 6 December 2007, Plastics Capital Trading Limited and its subsidiary undertakings in the UK, Japan and the United States of America.

Results and dividends

The results of trading of the Group for the year are set out in the consolidated income statement on page 16. The Directors do not recommend the payment of a dividend (2007 and 2006: £nil).

Business review

The Chairman's statement on pages 2 and 3, the Operational Review and Financial Review on pages 4 to 7, and the notes to the accounts provide detailed information relating to the Group, the operations and development of the business and the results and financial position for the year ended 31 March 2008.

Assessment of risks

The principle risks that the Group faces are:

- *Adverse currency movements impacting profitability* – the Group invoices customers in a number of different currencies, including Japanese Yen, Euros and US Dollars. Similarly, the Group's costs are paid in a number of different currencies. As a result, the Group is subject to foreign currency exchange risk. The Directors believe, however, that these risks are mitigated by the fact that the majority of the Group's sales, costs and borrowings are matched in terms of currencies. The remaining risk of exchange rate fluctuation is mitigated in the near term through currency forwards and options.

- *Integration risk on acquisitions* – there is a risk that the integration of any business acquired will be unsuccessful or that key employees or clients may be lost. The Directors attempt to mitigate this risk by carrying out extensive due diligence, including communicating with the customers of potential acquisition target businesses. The Board also endeavours to ensure that levels of remuneration and benefits are appropriate to retain the key staff of target businesses.

- *Intellectual property rights* – the Group's success depends in part on its ability to protect its intellectual property. The Group therefore relies on a portfolio of intellectual property rights, including trade secrets, contractual provisions and licenses to protect its intellectual property. In addition, the Group will initiate claims or litigation against third parties for infringement of its proprietary rights or to establish the validity of its proprietary rights.

The Board has strategies to manage these risks and remains confident of the continued success of the companies within the Group.

Future prospects

The Directors are confident about the future prospects for the Group, as its trading companies are well-established and have sustainable competitive positions in a variety of growing markets.

The performance of the companies remains strong and further acquisitions are anticipated which will grow and further strengthen the Group.

DIRECTORS' REPORT

(CONTINUED)

Substantial shareholdings

The Company has been notified that the following investors held interests in 3% or more of the Company's issued share capital as at 31 March 2008.

	No of shares	% of shares
Octopus Asset Management	3,403,558	12.68
ISIS Equity Partners PLC	2,700,000	10.06
F Rahmatallah	2,642,895	9.84
F&C Asset Management PLC	2,541,896	9.47
R Vessey	2,330,537	8.68
A Nagwaney	2,042,653	7.61
Rathbone Investment Management	1,500,000	5.59
Close Investment Ltd	1,400,000	5.21
J Clarke	1,127,079	4.20
Barclays Private Bank	1,100,000	4.10
Aberdeen Asset Management	1,000,000	3.72
Directors and related	162,977	0.61

Since 31 March 2008, the Directors have not been notified of any changes to the above shareholdings.

Payments to suppliers

The Company has no formal code or standard which deals specifically with the payment of suppliers. However, the Company's policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded.

Political and charitable donations

The Company made no political or charitable donations during the year (2007 and 2006: £nil).

Relations with shareholders

The Company holds meetings from time to time with institutional shareholders to discuss the Company's strategy and financial performance. The Annual General Meeting is used to communicate with private and institutional investors.

Financial instruments

Details of the use of financial instruments by the Group are contained in note 27 of the financial statements.

Directors

The names of the current Directors together with brief biographical details are shown on page 8. None of the Directors hold an interest in any material contract with the Company save for their Service Contracts or Letters of Appointment. F Rahmatallah, N Ball and A Nagwaney were appointed as Directors on 9 October 2007. J Clarke, R Vessey and A Walker were appointed as Directors on 23 November 2007.

Directors' interests

The Directors interests, including their connected parties were:

Directors	**Company Shares 2008**	Plastics Capital Trading Ltd Shares 2007
F Rahmatallah	**2,642,895**	230,368
N Ball	**112,977**	10,000
A Nagwaney	**2,042,653**	160,700
J Clarke	**1,127,079**	126,280
R Vessey	**2,330,537**	127,474
A Walker	**50,000**	–

The shares in 2007 were held in Plastics Capital Trading Limited and were prior to the formation of the Company. In December 2007, there was a share for share exchange for the shares in Plastics Capital Trading Limited for those of the Company.

The share price of the Company at Admission (6 December 2007) was 100p and the share price at 30 June 2008 was 94.5p.

(a) Directors' emoluments

The various elements of remuneration received by each Director were as follows:

	Salary/fees £000	Pension £000	Bonus £000	**2008 Total £000**	2007 Total £000	2006 Total £000
F Rahmatallah	66	–	42	**108**	77	87
N Ball	89	–	13	**102**	–	–
A Nagwaney	60	–	63	**123**	80	74
J Clarke	94	5	11	**110**	95	111
R Vessey	10	–	–	**10**	5	9
A Walker	12	–	–	**12**	–	–
Total	331	5	129	**465**	257	281

(b) Directors' share options

A Walker holds options over 50,000 (2006 and 2007: nil) ordinary shares of 1p in the Company with an exercise price of £1.00.

N Ball holds options over 10,000 (2006 and 2007: 10,000) ordinary shares of 1p in Plastics Capital Trading Limited with an exercise price of £1.00.

Disclosure of information to auditors

The Directors who held office at the date 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 steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

KPMG Audit Plc has expressed their willingness to continue in office as auditors, and a resolution to appoint them will be proposed at the Annual General Meeting.

By order of the Board

Nicholas Ball
Secretary

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 Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable laws and have elected to prepare the Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company.

In preparing each of the Group and Company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the Company financial statements, 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 Group and 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 Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CORPORATE GOVERNANCE STATEMENT

The Board intends to comply with the principles of good governance and the recommendations of best practice as set out in the Combined Code so far as is practicable and appropriate for an AIM company of its size and, in this connection, the Board shall take into account the guidance issued by the Quoted Companies Alliance. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 12.

Board of Directors

The Board meets regularly and is responsible for formulating, reviewing and approving strategy, budgets, acquisitions, capital expenditure and senior personnel appointments. The executive Directors and senior management meet regularly to consider operational matters. During the year the Board comprised of an Executive Chairman, three Executive Directors and two Non-Executive Directors. One of the Non-Executive Directors is independent of the executive management.

Board Committees

The principal committees established by the Directors are:

- **Audit Committee** – this committee comprises Faisal Rahmatallah, Richard Vessey and Andrew Walker. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on, and for meeting the auditors and reviewing their reports relating to accounts and internal controls.
- **Remuneration Committee** – this committee has been in place since November 2004 and comprises Faisal Rahmatallah, Andrew Walker and Richard Vessey. The committee meets at least once a year and reviews the performance of all directors save for the Non-Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. The remuneration committee also determine the payment of bonuses to all directors save for the Non-Executive Directors and make recommendations to the trustees of the LTIP regarding share awards to employees.
- **Nomination Committee** – will meet at least once a year and as required for the purpose of considering new or replacement appointments to the Board and comprises Faisal Rahmatallah, Andrew Walker and Richard Vessey.

In addition, the Company has adopted a dealing code for all directors and employees in terms no less exacting than the Model Code for Directors' Dealings as set out in the Listing Rules of the UK Listing Authority and will take all reasonable steps to ensure compliance by the Board and any relevant employees.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PLASTICS CAPITAL PLC

We have audited the Group and Company financial statements (the ''financial statements'') of Plastics Capital plc for the year ended 31 March 2008 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expense 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 Directors' Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the Company 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 12.

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 whether the financial statements have been 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. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

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 other information contained in the Director's 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. Our responsibilities do not extend to any other information.

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 Group's and 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 Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 March 2008 and of its loss for the year then ended;
- the Company 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 31 March 2008;
- 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 Audit Plc
Chartered Accountants
Registered Auditor
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

30 June 2008

CONSOLIDATED INCOME STATEMENT

FOR YEAR ENDED 31 MARCH 2008

	Note	**2008 £000**	**2008 £000**	2007 £000	2007 £000	2006 £000	2006 £000
Revenue		**20,452**		15,407		6,490	
Cost of sales pre-exceptionals		**(11,026)**		(8,770)		(3,480)	
Exceptionals	4	**(725)**		–		–	
Cost of sales		**(11,751)**		(8,770)			
Gross profit			**8,701**		6,637		3,010
Other operating income before profit on sale of land and buildings and negative goodwill credit	3	–		–		6	
Profit on sale of land and buildings	3	–		1,604		–	
Negative goodwill credit	3	**323**		–		2,675	
Total other operating income	3	**323**		1,604		2,681	
Distribution expenses		**(1,009)**		(1,963)		(798)	
Administrative expenses pre-exceptionals		**(6,112)**		(3,134)		(1,310)	
Exceptionals	4	**(438)**		–		–	
Administrative expenses		**(6,550)**		(3,134)		(1,310)	
Operating profit			**1,465**		3,144		3,583
Financial income	9	**16**		214		96	
Financial expenses pre-exceptionals	9	**(1,227)**		(1,275)		(897)	
Exceptionals	10	**(3,123)**		(846)		–	
Financial expenses		**(4,350)**		(2,121)		(897)	
Net financing costs			**(4,334)**		(1,907)		(801)
(Loss)/profit before tax			**(2,869)**		1,237		2,782
Taxation	12		**552**		92		5
(Loss)/profit for the year from continuing operations			**(2,317)**		1,329		2,787
Discontinued operations	11		**(821)**		(108)		(52)
(Loss)/profit for the year			**(3,138)**		1,221		2,735
Attributable to:							
Equity holders of the parent			**(3,144)**		1,147		2,729
Minority interest	25		**6**		74		6
(Loss)/profit for the year			**(3,138)**		1,221		2,735
Basic (loss)/earnings per share							
From continuing operations	26		**(14.4)p**		12.5p		33.8p
Total	26		**(19.6)p**		11.4p		33.2p
Diluted (loss)/earnings per share							
From continuing operations	26		**(14.4)p**		12.3p		33.6p
Total	26		**(19.6)p**		11.3p		32.9p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR YEAR ENDED 31 MARCH 2008

	Note	2008 £000	2007 £000	2006 £000
Foreign exchange translation differences		**124**	(181)	–
Net income and expense recognised directly in equity		**124**	(181)	–
(Loss)/profit for the year		**(3,138)**	1,221	2,735
Total recognised income and expense	25	**(3,014)**	1,040	2,735
Total recognised income and expense for the period is attributable to:				
Equity holders of the parent		**(3,020)**	966	2,729
Minority interest		**6**	74	6
		(3,014)	1,040	2,735

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

	Note	2008 £000	2007 £000	2006 £000
Non-current assets				
Property, plant and equipment	13	**5,095**	1,722	2,913
Investments	14	**33**	–	–
Intangible assets	15	**25,444**	10,344	10,797
		30,572	12,066	13,710
Current assets				
Inventories	17	**3,510**	1,545	1,700
Trade and other receivables	18	**7,561**	4,204	3,646
Other financial assets	19	**–**	–	93
Cash and cash equivalents	20	**1,708**	995	433
		12,779	6,744	5,872
Total assets		**43,351**	18,810	19,582
Current liabilities				
Interest-bearing loans and borrowings	21	**2,123**	791	2,079
Trade and other payables	22	**5,616**	2,040	1,904
Corporation tax liability		**45**	401	103
		7,784	3,232	4,086
Non-current liabilities				
Interest-bearing loans and borrowings	21	**15,867**	8,420	9,324
Other financial liabilities	23	**323**	12	–
Deferred tax liabilities	16	**2,165**	1,205	1,342
		18,355	9,637	10,666
Total liabilities		**26,139**	12,869	14,752
Net assets		**17,212**	5,941	4,830
Equity attributable to equity holders of the parent				
Share capital	25	**269**	269	269
Share premium	25	**13,868**	13,868	13,868
Translation reserve	25	**(57)**	(181)	–
Reverse acquisition reserve	25	**2,640**	(12,718)	(12,718)
Retained earnings	25	**492**	3,650	2,495
		17,212	4,888	3,914
Minority interest	25	**–**	1,053	916
Total equity		**17,212**	5,941	4,830

These financial statements were approved by the Board of Directors on 30 June 2008 were signed on its behalf by:

Faisal Rahmatallah
Executive Chairman

CONSOLIDATED CASH FLOW STATEMENT

FOR YEAR ENDED 31 MARCH 2008

	Note	**2008 £000**	2007 £000	2006 £000
Cash flows from operating activities before tax				
(Loss)/profit for the year	34	**(3,690)**	1,129	2,730
Adjustments for:				
Depreciation and amortisation		**1,335**	1,043	(2,292)
Financial income	5	**(16)**	(214)	(96)
Financial expense	9 & 10	**4,350**	2,141	897
Gain on disposal of plant, property and equipment	5	**21**	(1,592)	–
Equity settled share based payment expenses		**7**	8	3
		2,007	2,515	1,242
Operating profit before changes in working capital and provisions				
(Increase)/decrease in trade and other receivables		**(29)**	(539)	557
(Increase)/decrease in inventories		**(223)**	155	(50)
(Decrease)/increase in trade and other payables		**(1,288)**	(20)	420
Cash generated from operations		**467**	2,111	2,169
Interest paid		**(1,229)**	(507)	(324)
Income tax paid		**(151)**	(217)	(409)
Net cash (outflow)/inflow from operating activities		**(913)**	1,387	1,436
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	2	**(15,710)**	–	(3,497)
Refund of consideration in respect of acquisitions		**–**	49	–
Acquisition of property, plant and equipment		**(2,695)**	(379)	(196)
Interest received		**16**	17	6
Acquisition of intangible assets		**–**	(53)	–
Proceeds from disposal of PPE		**122**	2,669	–
Net cash (outflow)/inflow from investing activities		**(18,267)**	2,303	(3,687)
Cash flows from financing activities				
Net proceeds from the issue of share capital	25	**14,485**	70	662
Purchase of own shares		**(30)**	–	–
Net proceeds from new loans		**24,950**	4,438	5,857
(Drawdown)/repayment on invoice discounting facility		**–**	(900)	223
Repayment of borrowings		**(19,512)**	(6,736)	(4,560)
Net cash inflow/(outflow) from financing activities		**19,893**	(3,128)	2,182
Increase/(decrease) in cash and cash equivalents		**713**	562	(69)
Cash and cash equivalents at 1 April		**995**	433	502
Cash and cash equivalents at 31 March		**1,708**	995	433

1 Accounting policies

Plastics Capital plc (formerly Plastics Capital Trading plc) (the "Company") is a public company incorporated in England and Wales, with subsidiary undertakings in the UK, Japan and the United States of America.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account for the Group's interest in associates. The Company financial statements present information about the Company as a separate entity and not about its Group.

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 55 to 57.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements and in preparing an opening IFRS balance sheet at 1 April 2005 for the purposes of the transition to Adopted IFRSs.

Reverse acquisition accounting

Plastics Capital plc was incorporated as a vehicle for flotation on AIM in order to acquire, in a share for share exchange, Plastics Capital Trading Limited. These are the first Group financial statements of Plastics Capital plc and consolidate the results and financial position of Plastics Capital Trading Limited and its subsidiaries for the 12 month period ending 31 March 2008, through reverse acquisition accounting as required by IFRS 3 "Business Combinations". This means that the Group financial statements account for the share for share exchange as if Plastics Capital Trading Limited was the acquirer and Plastics Capital plc the acquired entity. As a result of this, the comparative financial information and the financial information up to the date of acquisition relates to the consolidated financial information of Plastics Capital Trading Limited. However, the equity structure at the 31 March 2008 in the consolidated accounts represents that of Plastics Capital plc as the legal parent.

Adoption of new and revised standards

In the current year, the Group has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1 "Presentation of Financial Instruments". The impact of adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the Group's financial instruments and management of capital. Four interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies"; IFRIC 8 "Scope of IFRS 2"; IFRIC 9 "Reassessment of Embedded Derivatives"; and IFRIC 10 "Interim Financial Reporting and Impairment". The adoption of these interpretations has not led to any changes in the Group's accounting policies.

Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group is provided in note 32.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 April 2005 have not been restated.
- Cumulative translation differences – Cumulative translation differences for all foreign operations have been set to zero at 1 April 2005.
- Share based payments – IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 1 April 2005.

The carrying amount of capitalised goodwill at 31 March 2005 that arose on business combinations accounted for using the acquisition method under UK GAAP was frozen at this amount and tested for impairment at 1 April 2005.

Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

1 Accounting policies (continued)

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra group transactions and balances are eliminated on consolidation.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised income and expense of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations, are taken directly to the translation reserve. They are released into the income statement upon disposal.

The Group has taken advantage of relief available in IFRS 1 to deem the cumulative translation differences for all foreign operations to be zero at the date of transition to Adopted IFRSs 1.

Financial assets

The Group classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired – fair value through profit and loss; loans and receivables; held-to-maturity investments; available-for-sale. The Group currently only has financial assets classified as loans and receivables, the accounting policy for which is as follows:

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade receivables), but also incorporate other types of contractual monetary asset. Loans and receivables are recognised initially at fair value plus any attributable transaction costs. They are carried at amortised cost using the effective interest method.

Financial liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the asset was acquired – fair value through profit or loss; other financial liabilities. The Group currently only has financial liabilities classified as "other financial liabilities", the accounting policy for which is as follows:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.
- Bank and other borrowings are initially measured at fair value being the amount advanced net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet. "Interest expense" in this context includes initial transaction costs and premiums payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

1 Accounting policies (continued)

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

The fair value of interest rate cap and collar arrangements is the estimated amount that the Group would receive or pay to terminate the arrangement at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

Classification of financial instruments issued by the Group

Financial instruments issued by the Group 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 (or Group as the case may be) 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 (or Group); 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.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The depreciation rates applied are as follows:

- buildings 3%
- plant and machinery 10–20%
- fixtures and fittings 10–50%
- motor vehicles 25%

1 Accounting policies (continued)

Intangible assets and goodwill

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries and trade and assets. In respect of business acquisitions that have occurred since 1 April 2005, goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

In respect of acquisitions prior to 1 April 2005, goodwill is included on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised.

Negative goodwill arising on an acquisition is recognised in the income statement in full in the year of acquisition.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Intangibles assets recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life	Valuation method
Trademarks	5–20 years	Relief from royalty
Intellectual property rights	7 years	Replacement cost
Distributor and customer relationships	10–15 years	Excess earnings
Technology	5–7 years	Relief from royalty

Inventories

Inventories are stated at the lower of cost and net realisable value.

In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Research and development

Research expenditure is charged to the income statement in the period in which it is incurred.

Internal development expenditure is charged to the income statement in the year in which it is incurred unless it meets the recognition criteria of IAS 38 "Intangible Assets". Where, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch.

Intangible assets relating to products in development (both internally generated and externally acquired) are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to the income statement.

1 Accounting policies (continued)

Impairment
The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill and intangible assets that are not yet available for use were tested for impairment as at 1 April 2005, the date of transition to Adopted IFRSs, even though no indication of impairment existed.

Calculation of recoverable amount
The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss in respect of goodwill is not reversed.

In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits

Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

Share-based payment transactions
The Group LTIP and share option programme allows certain senior management employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the income statement with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event if it can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

1 Accounting policies (continued)

Revenue

Revenue shown in the income statement represents amounts invoiced to external customers less value added tax or local taxes on sales during the period. Revenue is recognised when the risks and rewards of owning the goods has passed to the customer which is generally on delivery.

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Taxation

Tax for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax on the following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax balances are not discounted.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are recognised at the lower of carrying amount and fair value less costs to sell. No depreciation is provided on property, plant and equipment once they are classified as held for sale.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Directors must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement (including the comparative period) in a single line which comprises the post tax profit or loss of the discontinued operation and the post tax gain or loss recognised on the remeasurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

1 Accounting policies (continued)

Accounting standards issued but not adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 8 "Operating Segments"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will not have a material impact on the financial statements of the Group except for additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.

Exceptional items

Items which are significant by virtue of their size or nature and which are considered non-recurring are classified as exceptional operating items. Such items, which include for instance the costs of closing or opening factories, costs of significant restructurings and profits or losses made on the disposal of properties, are included within the appropriate consolidated income statement category but are highlighted separately in the notes to the financial statements. Exceptional operating items are excluded from the profit measures used by the Board to monitor and measure the underlying performance of the Group.

Transaction costs related to the issue of equity instruments

Transaction costs of equity transactions relating to the issue of the Company's shares are accounted for as a deduction from equity.

Acquisition of Minority Interests

The Group accounts for the goodwill arising on the purchase of minority interests on the basis of the difference between the cost of the additional investment and the carrying amount of the net assets at the date of exchange. No fair value adjustments are recognised and instead fair value changes of the net identifiable assets are subsumed into goodwill.

2 Acquisitions of subsidiaries

On 4 April 2007, BNL acquired 100% of the ordinary share capital of Cobb Slater Limited ("Cobb Slater") and its subsidiaries. Cobb Slater is engaged in the design, moulding and manufacture of plastic bearings.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Acquisition amounts £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	337	(165)	172
Customer relationships	–	292	292
Intangible assets	29	(29)	–
Inventories	563	(380)	183
Trade and other receivables	600	–	600
Cash and cash equivalents	(77)	–	(77)
Trade and other payables	(1,386)	(44)	(1,430)
Deferred tax liability	–	(88)	(88)
Net identifiable assets and liabilities	66	(414)	(348)
Consideration paid:			
Cash			454
Costs of acquisition			165
			619
Goodwill			967
Cash consideration paid including costs of acquisition of £165,000			619
Overdraft (acquired)			77
Net cash outflow			696

2 Acquisitions of subsidiaries (continued)

An assessment of the other assets and liabilities acquired resulted in a number of adjustments required across balance sheet categories. These adjustments include the recognition of additional fixed asset provisions, inventory provisions and the inclusion of intangible assets identified on acquisition.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Cobb Slater and subsidiaries. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

On 1 May 2007, Sabreplas Limited acquired the net assets and trade of Sabre Plastics Limited. Sabre Plastics Limited was engaged in the manufacture of general extrusion.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Acquisition amounts £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	315	(77)	238
Inventories	169	(54)	115
Trade and other payables	(32)	(101)	(133)
Net identifiable assets and liabilities	452	(232)	220
Consideration paid:			
Cash			342
Deferred consideration			100
Costs of acquisition			91
			533
Goodwill			313
Cash consideration paid including costs of acquisition of £91,000			433
Cash (acquired)			–
Net cash outflow			433

An assessment of the other assets and liabilities acquired resulted in a number of adjustments required across balance sheet categories. These adjustments include the recognition of additional fixed asset and inventory provisions for impairment.

The goodwill arising on the acquisition has been fully impaired in the year as the general extension business segment has been discontinued.

2 Acquisitions of subsidiaries (continued)

On 31 August 2007, Plastics Capital Trading Limited acquired 100% of the ordinary shares in Channel Matrix Limited ("Channel") and subsidiaries. The Channel Matrix Group is involved in the manufacture of specialist products for the print and packaging industries.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Provisional Acquisition amounts £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	292	(13)	279
Technology	–	911	911
Distributor and customer relationships	–	1,906	1,906
Trademarks	–	249	249
Investments	440	(407)	33
Inventories	817	(86)	731
Trade and other receivables	1,058	(24)	1,034
Cash and cash equivalents	230	–	230
Trade and other payables	(690)	(44)	(734)
Deferred tax liability	(20)	(920)	(940)
Net identifiable assets and liabilities	2,127	1,572	3,699
Consideration paid:			
Cash			10,015
Costs of acquisition			422
			10,437
Goodwill			6,738
Cash consideration paid including costs of acquisition of £422,000			10,437
Cash (acquired)			(230)
Net cash outflow			10,207

An assessment of the other assets and liabilities acquired resulted in a number of adjustments required across balance sheet categories. These adjustments include the recognition of additional liabilities, the inclusion of intangible assets identified on acquisition and impairment of an investment in SKOR srl.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire Channel Matrix Limited and subsidiaries. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Channel Matrix Limited and subsidiaries. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

As part of the acquisition of Channel, Plastics Capital Trading Limited agreed to pay a bonus consideration up to a maximum of £2.5 million if the average EBITDA for Years two and three for the business of Channel and its subsidiaries together with the creasing matrix business of Mulberry Plastics is equal to or greater than £3 million. The bonus is calculated as the average EBITDA for the two years less £2.5 million and would be payable in August 2010. As at 31 March 2008, no provision had been made for this possible amount.

2 Acquisitions of subsidiaries (continued)

On 6 December 2007, Plastics Capital Trading Limited acquired the remaining 20% of the ordinary shares in Mulberry Plastics Limited ("Mulberry") and subsidiaries. The Mulberry Group is involved in the manufacture of specialist products for the print and packaging industries.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Acquisition amounts £000
Acquiree's net assets at the acquisition date:		
Property, plant and equipment	322	322
Intangible assets	2,403	2,403
Investments	1	1
Inventories	396	396
Trade and other receivables	2,019	2,019
Cash and cash equivalents	174	174
Trade and other payables	(637)	(637)
Deferred tax liability	(57)	(57)
Net identifiable assets and liabilities	4,621	4,621
Minority interest acquired (20%)	924	924
Consideration paid:		
Cash		301
Shares in the Company		300
		601
Negative Goodwill		(323)
Cash consideration paid		301
Cash (acquired)		–
Net cash outflow		301

Negative goodwill has been credited to the income statement.

2 Acquisitions of subsidiaries (continued)

On 6 December 2007, Plastics Capital Trading Limited acquired the remaining 3.76% of the ordinary shares in BNL (UK) Limited ("BNL") and subsidiaries. The BNL Group is involved in the manufacture of plastic bearings.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Acquisition amounts £000
Acquiree's net assets at the acquisition date:		
Property, plant and equipment	1,635	1,635
Intangible assets	1,190	1,190
Inventories	1,131	1,131
Trade and other receivables	3,079	3,079
Cash and cash equivalents	288	288
Trade and other payables	(3,740)	(3,740)
Deferred tax liability	–	–
Net identifiable assets and liabilities	3,583	3,583
Minority interest acquired (3.76%)	135	135
Consideration paid:		
Cash		–
Shares in the Company		346
		346
Goodwill		211
Cash consideration paid		–
Cash (acquired)		–
Net cash outflow		–

Goodwill arose on the business combination. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of BNL (UK) Limited and subsidiaries. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

2 Acquisitions of subsidiaries (continued)

On 11 March 2008, Plastics Capital Trading Limited acquired 100% of the ordinary shares in GKT Partnership Limited and its subsidiary, Palagan Limited ("Palagan"). Palagan is involved in the manufacture of high performance film products.

Effect of acquisition

The acquisition had the following effect on the Group's assets and liabilities:

	Acquiree's book values £000	Fair value adjustments £000	Provisional Acquisition amounts £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	597	–	597
Technology	–	193	193
Distributor and customer relationships	–	1,059	1,059
Trademarks	–	236	236
Inventories	712	–	712
Trade and other receivables	1,817	–	1,817
Cash and cash equivalents	661	–	661
Trade and other payables	(2,700)	–	(2,700)
Deferred tax liability	(30)	(446)	(476)
Net identifiable assets and liabilities	1,057	1,042	2,099
Consideration paid:			
Cash			4,360
Deferred consideration			500
Costs of acquisition			434
			5,294
Goodwill			3,195
Cash consideration paid including cash costs of acquisition of £374,000			4,734
Cash (acquired)			(661)
Net cash outflow			4,073

An assessment of the other assets and liabilities acquired resulted in a number of adjustments required across balance sheet categories. These adjustments include the inclusion of intangible assets identified on acquisition and related deferred tax liabilities.

Goodwill arose in the business combination because the cost of the combination included a control premium paid to acquire GKT Partnership Limited and subsidiaries. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of GKT Partnership Limited and subsidiaries. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

If the four acquisitions above had occurred on 1 April 2007 Group revenue would have been an estimated £30 million and net loss would have been an estimated £(1.1) million.

3 Other operating income

	2008 £000	2007 £000	2006 £000
Other operating income	**–**	–	6
Profit on sale of land and buildings	**–**	1,604	–
Negative goodwill credit	**323**	–	2,675
	323	1,604	2,681

The negative goodwill credit arose on the acquisition of the minority interest in Mulberry Plastics Limited.

On 14 September 2006, the Group entered into a sale and operating leaseback agreement for the sale of land and buildings. The net proceeds received were £2.7 million.

4 Exceptional items – operating profit

Cost of Sales

	2008 £000	2007 £000	2006 £000
Redundancy payments	**276**	–	–
Restructuring/integration costs	**432**	–	–
Stock provisions and write-off	**17**	–	–
	725	–	–

Administrative expenses

	2008 £000	2007 £000	2006 £000
Redundancy payments	**69**	–	–
Restructuring/integration costs	**369**	–	–
	438	–	–

Exceptional costs incurred in the year relate to: (i) the closure and transfer of the Cobb Slater business to BNL (UK) Limited; and (ii) the transfer of the Mulberry Plastics matrix business to Channel Matrix Limited.

In respect of the acquisition and integration of Cobb Slater Limited into BNL (UK) Limited, the exceptional costs were £0.80 million. The principal areas where costs were incurred were redundancy payments (£0.30 million) and integration costs (£0.50 million).

The integration of the Mulberry Plastics matrix business to Channel Matrix Limited resulted in exceptional costs of £0.36 million. The principal costs incurred were on integration (£0.22 million).

5 Expenses and auditors' remuneration

Included in operating profit are the following:

	2008 £000	2007 £000	2006 £000
Depreciation of assets – owned assets	**496**	468	188
Amortisation of intangible assets (recognised in administrative expenses)	**849**	576	191
Write off of goodwill	**313**	–	–
Negative goodwill credited to income statement	**(323)**	–	2,675
Net gain on disposal of property, plant and equipment	**(20)**	(1,592)	–
Hire of plant and machinery	**24**	55	6
Other operating lease rentals	**454**	286	77
Equity settled share based payments	**8**	8	3
Research and Development	**78**	75	64

Auditors' remuneration:

	2008 £000	2007 £000	2006 £000
Audit of these financial statements	**23**	10	12
Amounts receivable by auditors and their associates in respect of:			
Audit of statutory financial statements of subsidiaries pursuant to legislation	**36**	20	8
Other services pursuant to such legislation	**–**	2	–
Other services relating to taxation	**95**	1	–
All other services	**246**	4	–

In 2008, amounts paid to the Group's auditor for other services relating to tax and all other services relate to the Listing.

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is only required to be disclosed on a consolidated basis.

6 Staff numbers and costs

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

	Number of employees		
	2008	2007	2006
Directors and management	**19**	4	6
Administrative	**27**	21	18
Sales and distribution	**38**	24	29
Production and engineering	**205**	150	138
	289	199	191

The aggregate payroll costs of these persons were as follows:

	2008 £000	2007 £000	2006 £000
Wages and salaries	**5,880**	5,031	1,779
Share based payments	**8**	8	3
Social security costs	**786**	623	223
Other pension costs	**174**	151	58
	6,848	5,813	2,063

Other pension costs relate to defined contribution pension plans.

7 Directors' emoluments

	2008 £000	2007 £000	2006 £000
Salaries and fees	**331**	243	264
Bonuses	**129**	5	8
Benefits	**–**	4	–
Company contributions to money purchase pension plans	**5**	5	9

The aggregate emoluments of the highest paid director were £123,000 (2007: £94,000, 2006: £137,000).

Directors amounts include £106,000 (2007: £75,000, 2006: £200,000) of fees charged by Directors to the Company in respect of their services incurred in respect of ongoing acquisitions.

	Number of directors		
	2008	2007	2006
Retirement benefits are accruing to the following number of directors under:			
Money purchase schemes	**1**	1	1

Key management remuneration is disclosed in note 30.

8 Segment information

The Group's primary reporting format for reporting segment information is business segments; these are comprised as follows:

Continuing Operations

- **Injection Moulding** – The injection moulding operations relate to the design and manufacture of injection moulded plastic bearings.
- **Proprietary Extrusion** – The proprietary extrusion operations relate to the design and manufacture of hose mandrel, creasing matrix and high performance films.
- **Unallocated** – The unallocated segment contains the central services which principally comprise finance and management functions.

Discontinued Operations

- **General Extrusion** – The discontinued operations in the year relate to the business of Sabreplas Limited which was engaged in the manufacture of general trade extrusions.

Continuing Operations

	Injection moulding 2008 £000	**Proprietary extrusion 2008 £000**	**Unallocated 2008 £000**	**Elimination 2008 £000**	**Consolidation 2008 £000**
Revenue					
External sales	**12,514**	**7,938**	**–**	**–**	**20,452**
Group management charges	**–**	**–**	**1,514**	**(1,514)**	**–**
Total revenue	**12,514**	**7,938**	**1,514**	**(1,514)**	**20,452**
Operating profit	**536**	**1,125**	**643**	**(839)**	**1,465**
Segment assets	**10,335**	**33,265**	**28,897**	**(30,561)**	**41,936**
Segment liabilities	**4,860**	**7,837**	**16,455**	**(4,981)**	**24,171**
Net assets	**5,475**	**25,428**	**12,442**	**(25,580)**	**17,765**
Capital expenditure	**2,461**	**15,599**	**1,565**	**–**	**19,625**
Amortisation	**460**	**389**	**–**	**–**	**849**
Depreciation	**281**	**138**	**6**	**–**	**425**

	Injection moulding 2007 £000	Proprietary extrusion 2007 £000	Unallocated 2007 £000	Elimination 2007 £000	Consolidation 2007 £000
Revenue					
External sales	10,516	4,891	–	–	15,407
Group management charges	–	–	1,094	(1,094)	–
Total revenue	10,516	4,891	1,094	(1,094)	15,407
Operating profit	2,036	1,040	197	(129)	3,144
Segment assets	7,948	5,752	12,999	(8,574)	18,125
Segment liabilities	2,225	(916)	12,656	(758)	13,207
Net assets	5,723	6,668	343	(7,816)	4,918
Capital Expenditure	320	164	6	–	490
Amortisation	402	174	–	–	576
Depreciation	389	51	4	–	444

	Injection moulding 2006 £000	Proprietary extrusion 2006 £000	Unallocated 2006 £000	Elimination 2006 £000	Consolidation 2006 £000
Revenue					
External sales	3,153	3,337	–	–	6,490
Group management charges	–	–	974	(974)	–
Total revenue	3,153	3,338	974	(974)	6,490
Operating profit	2,419	875	426	(137)	3,583
Segment assets	9,303	5,201	12,714	(8,371)	18,847
Segment liabilities	5,034	(1,422)	11,491	(697)	14,406
Net assets	4,269	6,623	1,223	(7,674)	4,441
Capital Expenditure	942	3,029	6	–	3,977
Amortisation	135	56	–	–	191
Depreciation	147	38	1	–	186

8 Segment information (continued)

Discontinued Operations

	General Extrusion 2008 £000	General Extrusion 2007 £000	General Extrusion 2006 £000
Revenue			
External sales	**2,152**	1,253	385
Group management charges	**–**	–	–
Total revenue	**2,152**	1,253	385
Operating loss pre-exceptionals	**(182)**	(89)	(52)
Exceptionals	**(602)**	–	–
Operating loss	**(784)**	(89)	(52)
Segment assets	**1,415**	685	735
Segment liabilities	**1,967**	338	346
Net (liabilities)/assets	**(552)**	347	389
Capital expenditure	**649**	13	–
Impairment of goodwill	**313**	–	–
Depreciation	**71**	24	6

The Group's secondary reporting format for reporting segment information is geographic segments. This information is shown in total including both continuing operations and discontinued operations.

	External revenue by location of customers			Total assets by location of assets			Capital expenditure by location of assets		
	2008 £000	2007 £000	2006 £000	**2008 £000**	2007 £000	2006 £000	**2008 £000**	2007 £000	2006 £000
United Kingdom	**6,445**	4,170	1,438	**41,424**	17,088	18,062	**20,258**	500	3,973
Europe	**5,232**	3,837	1,759	**–**	–	99	**–**	–	4
USA	**4,503**	3,762	1,139	**887**	977	884	**–**	3	–
Asia	**3,158**	2,995	1,699	**1,040**	745	537	**16**	–	–
Rest of the World	**3,266**	1,896	840	**–**	–	–	**–**	–	–
	22,604	16,660	6,875	**43,351**	18,810	19,582	**20,274**	503	3,977

9 Finance income and expenses

	2008 £000	2007 £000	2006 £000
Financial income:			
Net foreign exchange gains	**–**	197	–
Interest income	**16**	17	3
Gains on derivatives used to manage interest rate and foreign exchange risk	**–**	–	93
Financial income	**16**	214	96
Financial expenses:			
Bank interest	**679**	760	409
Net foreign exchange loss	**–**	64	90
Loss on early repayment	**–**	–	196
Loan note interest	**225**	346	–
Losses on derivatives used to manage interest rate and foreign exchange risk	**323**	105	202
Financial expenses	**1,227**	1,275	897

10 Exceptional items – Financial expenses

	2008 £000	2007 £000	2006 £000
Net foreign exchange loss	**1,397**	–	–
Loss on early repayment	**–**	846	–
Premiums on redemption of loans	**1,726**	–	–
	3,123	846	–

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

FOR YEAR ENDED 31 MARCH 2008 (CONTINUED)

11 Discontinued operations

Income Statement	2008 £000	2007 £000	2006 £000
Revenue	**2,152**	1,252	385
Cost of sales pre-exceptionals	**(1,673)**	(925)	(315)
Exceptionals	**(256)**	–	–
Cost of sales	**(1,929)**	(925)	(315)
Gross profit	**223**	327	70
Distribution costs	**(95)**	(22)	(10)
Administrative expenses pre-exceptionals	**(566)**	(394)	(112)
Exceptionals	**(346)**	–	–
Administrative expenses	**(912)**	(394)	(112)
Operating loss	**(784)**	(89)	(52)
Financial expenses	**(37)**	(19)	–
Loss before taxation	**(821)**	(108)	(52)
Taxation	**–**	–	–
Loss on discontinued operations	**(821)**	(108)	(52)

Discontinued operations relate to the closure of the general extrusion segment in 2008.

Exceptional costs in Cost of sales and Administrative expenses relate to redundancy and integration costs.

Earnings per share (see note 26)	2008	2007	2006
Basic EPS	**(0.5)p**	(0.1)p	(0.1)p
Diluted EPS	**(0.5)p**	(0.1)p	(0.1)p

Cash Flow Statement	2008 £000	2007 £000	2006 £000
Loss for the year	**(821)**	(108)	(52)
Operating loss before changes in working capital and provisions	**(713)**	(63)	(47)
Cash generated from operations	**687**	47	(55)
Net cash inflow/(outflow) from operating activities	**650**	28	(55)
Net cash (outflow)/inflow from investing activities	**(622)**	(7)	4
Increase/(decrease) in cash and cash equivalents	**28**	21	(51)

12 Taxation

	2008 £000	2007 £000	2006 £000
Current tax expense			
Current year	**–**	69	104
Adjustments for prior years	**(9)**	(1)	–
	(9)	68	104
Deferred tax expense			
Origination and reversal of temporary differences	**(361)**	(155)	(109)
Rate change	**(153)**	–	–
Adjustments for prior years	**(29)**	(5)	–
	(543)	(160)	(109)
Total tax in income statement	**(552)**	(92)	(5)

12 Taxation (continued)

Reconciliation of effective tax rate

	2008 %	2008 £000	2007 %	2007 £000	2006 %	2006 £000
(Loss)/profit before tax		**(3,690)**		1,129		2,730
Expected tax charge based on the UK corporation tax rate	**(30%)**	**(1,107)**	**30%**	339	30%	819
Impact of rate change	**(4.1%)**	**(153)**	**–**	–	–	–
Losses not recognised	**18.3%**	**680**	**–**	–	–	–
Non-deductible expenses	**4.5%**	**168**	**14.3%**	162	2.6%	71
Overseas tax not at UK standard rate	**(0.1%)**	**(5)**	**0.3%**	3	(0.3%)	(8)
Non taxable income	**(2.6%)**	**(97)**	**(52.2%)**	(590)	(32.5%)	(887)
Current tax adjustment in respect of prior years	**(0.2%)**	**(9)**	**(0.1%)**	(1)	–	–
Deferred tax adjustment in respect of prior years	**(0.8%)**	**(29)**	**(0.4%)**	(5)	–	–
Total tax in income statement	**(15.0%)**	**(552)**	**(8.1%)**	(92)	(0.2%)	(5)

Factors affecting the tax charge for future periods

The UK Corporation tax rate changed from 30% to 28% on 1 April 2008. This means UK deferred tax liabilities are provided at 28%.

13 Property, plant and equipment

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April 2005	–	267	–	–	267
Additions through acquisitions	1,098	1,488	133	107	2,826
Additions	–	185	8	–	193
Balance at 31 March 2006	1,098	1,940	141	107	3,286
Additions	–	339	28	13	380
Disposals	(1,098)	–	–	(62)	(1,160)
Balance at 31 March 2007	–	2,279	169	58	2,506
Additions through acquisitions	–	1,183	40	63	1,286
Additions	1,648	1,020	59	–	2,727
Disposals	–	(125)	–	(39)	(164)
Balance at 31 March 2008	**1,648**	**4,357**	**268**	**82**	**6,355**
Depreciation and impairment					
Balance at 1 April 2005	–	181	–	–	181
Depreciation charge for the year	14	148	21	9	192
Balance at 31 March 2006	14	329	21	9	373
Depreciation charge for the year	1	371	55	41	468
Disposals	(15)	–	–	(42)	(57)
Balance at 31 March 2007	–	700	76	8	784
Depreciation charge for the year	5	416	62	13	496
Disposals	–	(7)	–	(13)	(20)
Balance at 31 March 2008	**5**	**1,109**	**138**	**8**	**1,260**
Net book value					
At 31 March 2006	1,084	1,611	120	98	2,913
At 31 March 2007	–	1,579	93	50	1,722
At 31 March 2008	**1,643**	**3,248**	**130**	**74**	**5,095**

Plant and machinery and motor vehicles with a carrying value of nil (2007: £nil; 2006: £112,000) were held under finance leases.

14 Investments

	2008 £000	2007 £000	2006 £000
Investments	**33**	–	–
	33	–	–

The investment is in respect of a 40% ownership of the ordinary shares and voting rights in SKOR srl. SKOR is incorporated in San Marino.

The associate was acquired as part of the acquisition of Channel Matrix Limited (see note 2). The Group's share of post acquisition total recognised profit in SKOR srl for the year ended 31 March 2008 was £nil.

15 Intangible assets

	Goodwill £000	Technology £000	Intellectual Property Rights £000	Distributor and customer relationships £000	Trademarks £000	Total £000
Cost						
Balance at 1 April 2005	4,529	–	–	–	–	4,529
Additions through business combinations	1,804	1,676	1,175	742	1,062	6,459
Balance at 31 March 2006	6,333	1,676	1,175	742	1,062	10,988
Acquisitions – externally purchased	–	–	–	76	–	76
Adjustment to fair values of acquired net assets	47	–	–	–	–	47
Balance at 31 March 2007	6,380	1,676	1,175	818	1,062	11,111
Acquisitions – externally purchased	11,417	1,103	–	3,257	484	16,261
Balance at 31 March 2008	**17,797**	**2,779**	**1,175**	**4,075**	**1,546**	**27,372**
Amortisation and impairment						
Amortisation for the year	–	88	56	25	22	191
Balance at 31 March 2006	–	88	56	25	22	191
Amortisation for the year	–	262	168	80	66	576
Balance at 31 March 2007	–	350	224	105	88	767
Amortisation for the year	–	369	168	213	98	848
Write off of goodwill	313	–	–	–	–	313
Balance at 31 March 2008	**313**	**719**	**392**	**318**	**186**	**1,928**
At 31 March 2006	6,333	1,588	1,119	717	1,040	10,797
At 31 March 2007	6,380	1,326	951	713	974	10,344
At 31 March 2008	**17,484**	**2,060**	**783**	**3,757**	**1,360**	**25,444**

	2008 £000	2007 £000	2006 £000
Goodwill is allocated to the following cash generating units ("CGU's"):			
Bell Plastics	**4,529**	4,529	4,529
Mulberry Plastics (formerly Trimplex)	**1,844**	1,851	1,804
BNL (UK)	**1,178**	–	–
C&T Matrix (formerly Channel Matrix)	**6,738**	–	–
Palagan	**3,195**	–	–
	17,484	6,380	6,333

Management have performed impairment reviews on the carrying value of goodwill at 31 March 2007 and 31 March 2008. The recoverable amounts of all the above CGUs have been determined from value in use calculations based on cash flow projections covering a five year period to 31 March 2012. Other major assumptions are as follows:
- Growth rate 3%
- Discount rate 12%

In assessing the expected future cash flows of the Group management have taken into consideration current market conditions and made reasonable assumptions on this basis. All of the Group's businesses have grown in excess of 3% per annum since acquisition and management have therefore concluded it reasonable to use a growth rate of 3% in the impairment reviews.

Management have concluded that no impairment of goodwill is required.

16 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities		
	2008 £000	2007 £000	2006 £000
Intangible assets	**2,142**	1,192	1,339
Accelerated capital allowances	**24**	17	18
Other temporary differences	**(1)**	(4)	(15)
Tax liabilities	**2,165**	1,205	1,342

Movement in deferred tax liabilities during the year

	1 April 2007 £000	Recognised in income £000	On acquisition of subsidiaries £000	**31 March 2008 £000**
Intangible assets	(1,192)	504	(1,454)	**(2,142)**
Accelerated capital allowances	(17)	42	(49)	**(24)**
Other temporary differences	4	(3)	–	**1**
	(1,205)	543	(1,503)	**(2,165)**

Movement in deferred tax liabilities during the prior years

	1 April 2006 £000	Recognised in income £000	On acquisition of subsidiaries £000	31 March 2007 £000
Intangible assets	(1,339)	170	(23)	(1,192)
Accelerated capital allowances	(18)	1	–	(17)
Other temporary differences	15	(11)		4
	(1,342)	160	(23)	(1,205)

	1 April 2005 £000	Recognised in income £000	On acquisition of subsidiaries £000	31 March 2006 £000
Intangible assets	–	100	(1,439)	(1,339)
Accelerated capital allowances	(12)	(6)	–	(18)
Other temporary differences	–	15	–	15
	(12)	109	(1,439)	(1,342)

Deferred tax assets and liabilities are only offset where there is a legally enforceable right of offset and there is an intention to settle the balances net.

There are unrecognised deferred tax assets in respect of losses carried forward at 31 March 2008 of £672,000 (2007 and 2006: £nil). These assets have not been recognised as the directors' consider that it is unlikely that the losses will be utilised in the forseeable future.

17 Inventories

	2008 £000	2007 £000	2006 £000
Raw materials and consumables	**1,498**	582	634
Work in progress	**438**	235	206
Finished goods	**1,574**	728	860
	3,510	1,545	1,700

The cost of inventory recognised within the income statement was £6,253,000 (2007: £5,964,000, 2006: £2,365,000).

Inventories are stated net of provisions amounting to £313,000 (2007: £99,000, 2006: £49,000).

18 Trade and other receivables

	2008 £000	2007 £000	2006 £000
Trade receivables (net of provisions)	**7,065**	3,672	3,202
Other receivables and prepayments	**496**	532	444
	7,561	4,204	3,646

The provision for bad and doubtful debts included within the net trade receivables balance above is £42,000 (2007: £23,000, 2006: £25,000). Impairment losses recognised in the year are nil (2007: £1,000, 2006: £25,000).

The trade receivables balance above includes amounts denominated in currencies other than Sterling as follows:

	2008 £000	2007 £000	2006 £000
Euros	**864**	948	826
US Dollars	**1,389**	1,075	647
Japanese Yen	**266**	162	310

19 Other financial assets

	2008 £000	2007 £000	2006 £000
Derivatives	**–**	–	93

20 Cash and cash equivalents

	2008 £000	2007 £000	2006 £000
Cash and cash equivalents per Balance Sheet and Cash Flow Statement	**1,708**	995	433

The cash balance above includes amounts denominated in currencies other than Sterling as follows:

	2008 £000	2007 £000	2006 £000
Euros	708	300	141
US Dollars	247	220	38
Japanese Yen	139	65	102

21 Interest-bearing loans and borrowings

See note 27 for more information about the contractual terms of the Group's interest-bearing loans and borrowings.

	2008 £000	2007 £000	2006 £000
Non-current liabilities			
Secured bank loans	**14,410**	3,451	4,124
Property loan	**957**	–	2,827
Vendor loan notes	**500**	3,004	534
Loan notes	**–**	1,965	1,839
	15,867	8,420	9,324
Current liabilities			
Current portion of secured bank loans	**1,980**	791	1,934
Current portion of property loan	**143**	–	35
Current portion of finance lease liabilities	**–**	–	110
	2,123	791	2,079

Loan repayment

The vendor loans and loan notes were repaid in December 2007 with the monies raised on flotation. On this repayment premiums of £1,726,000 were incurred (see note 10).

The vendor loan note of £500,000 as at 31 March 2008 is to the vendor of Palagan Limited and is payable in March 2010.

Deferred debt issue costs

Included within bank loans are £684,000 (2007: £265,000, 2006: £846,000) of costs capitalised as part of the acquisition loans.

21 Interest-bearing loans and borrowings (continued)

Security

Security can be analysed as follows:

	2008 £000	2007 £000	2006 £000
Tangible fixed assets	**5,095**	1,722	2,913
Inventories	**3,510**	1,545	1,700
Trade and other receivables	**7,561**	4,204	3,646
	16,166	7,471	8,259

The RBS loans are secured by fixed and floating charges over the property, plant and equipment, inventories and trade receivables of the Group.

22 Trade and other payables

	2008 £000	2007 £000	2006 £000
Trade payables	**3,618**	1,393	1,103
Non-trade payables and accrued expenses	**1,998**	647	801
	5,616	2,040	1,904

The trade payables balance above includes amounts denominated in currencies other than Sterling as follows:

	2008 £000	2007 £000	2006 £000
Euros	**258**	215	59
US Dollars	**141**	82	52

23 Other financial liabilities

	2008 £000	2007 £000	2006 £000
Derivatives	**323**	12	–

See note 27 for further information regarding financial instruments.

24 Share based payments

The Group operates a number of share-based payments schemes; (i) EMI scheme; (ii) Share option scheme; and (iii) LTIP scheme. In line with IFRS 2 Share-based payment, the Group has fair valued all grants of equity instruments which were unvested as of 1 April 2005.

EMI and share option schemes

Grant date/employees entitled/nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
Equity-settled award to Plastics Capital Trading Limited executive management team granted by Plastics Capital Trading Limited on 1 September 2005	10,000	Options vest over period of three years	1 September 2015
Equity-settled award to Plastics Capital Trading Limited executive management team granted by Plastics Capital Trading Limited on 15 December 2005	41,322	Options vest over period of three years	15 December 2015
Equity-settled award to BNL (UK) Limited executive management team granted by BNL (UK) Limited on 22 May 2006	61,645	Options vest over period of three years	22 May 2016
Equity-settled award to BNL (UK) Limited executive management team granted by BNL (UK) Limited on 7 January 2007	10,274	Options vest over period of three years	7 January 2017
Equity-settled award to Plastics Capital plc non-executive director by Plastics Capital plc on 6 December 2007	50,000	Options vest over period of three years	6 December 2017

24 Share based payments (continued)

The number and weighted average exercise prices of share options in are as follows:

	2008 Weighted average exercise price £	**2008 Number of options No.**	2007 Weighted average exercise price £	2007 Number of options No.	2006 Weighted average exercise price £	2006 Number of options No.
Outstanding at the beginning of the year	**2.07**	**134,101**	1.94	62,182	–	–
Exercised during the year	**(0.13)**	**(71,919)**	–	–	–	–
Lapsed during the year	**(0.42)**	**(10,860)**	–	–	–	–
Granted during the year	**0.44**	**50,000**	0.13	71,919	1.94	62,182
Outstanding at the end of the year	**1.96**	**101,322**	2.07	134,101	1.94	62,182
Exercisable at the end of the year	**0.14**	**5,653**	0.42	9,438	–	–

The options outstanding at the year end have an exercise price in the range of £1.00 to £2.42 and weighted average contractual life of 10 years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on The Black Scholes model. The main assumptions are as follows:

	Plastics Capital Trading Limited scheme			BNL (UK) Limited scheme		
	2008	2007	2006	**2008**	2007	2006
Weighted average share price	**100p**	–	100p/242p	**–**	12.63p	–
Exercise price	**100p**	–	100p/242p	**–**	12.63p	–
Expected volatility	**40%**	–	40%	**–**	40%	–
Option life	**5 years**	–	5 years	**–**	5 years	–
Expected dividends	**–**	–	–	**–**	–	–
Risk free interest rate	**4.8%**	–	4.8%	**–**	4.8%	–
Fair value per option	**21.1p**	–	24.7p	**–**	5p	–

	Plastics Capital plc scheme	
	2008	2007
Weighted average share price	**100p**	–
Exercise price	**100p**	–
Expected volatility	**40%**	–
Option life	**5 years**	–
Expected dividends	**–**	–
Risk free interest rate	**4.8%**	–
Fair value per option	**38p**	–

Equity based Long Term Incentive Plan ("LTIP")

The discretionary Long Term Incentive Plan is for the benefit of certain employees as approved by the Remuneration Committee. The awards are free share based awards, with non market vesting conditions attached, that accrue the value of dividends over the vesting period.

Awards vest three years after the original grant date providing the relevant performance criteria have been met. The fair value at the date of grant, which is being charged to the income statement over the three year vesting period, has been calculated based on the following assumptions:

	Plastics Capital plc scheme	
	2008	2007
Grant date	**14/01/2008**	–
Share price at date of grant	**96p**	–
Assumed leavers	**0%**	–
Performance criteria achieved	**100%**	–
Exercise price	**nil**	–
Fair value of options granted	**£20,160**	–

Shares granted in the year were 21,000.

25 Capital and reserves

Current year

	Share capital £000	Share premium £000	Translation reverse £000	Reverse Acquisition reserve £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 31 March 2007	269	13,868	(181)	(12,718)	3,650	4,888	1,053	5,941
Total recognised income and expense for the year	–	–	124	–	(3,144)	(3,020)	6	(3,014)
Equity-settled share based payment transactions	–	–	–	–	16	16	–	16
Purchase of own shares	–	–	–	–	(30)	(30)	–	(30)
Purchase of minority interests	–	–	–	–	–	–	(1,059)	(1,059)
Impact of issue of new shares (Plastics Capital Trading Limited)	–	–	–	1,328	–	1,328	–	1,328
Proceeds from listing	–	–	–	14,030	–	14,030	–	14,030
Balance at 31 March 2008	**269**	**13,868**	**(57)**	**2,640**	**492**	**17,212**	**–**	**17,212**

Reverse acquisition

On 6 December 2007, the Company acquired in a share for share exchange the whole of the ordinary share capital of Plastics Capital Trading Limited. The reverse acquisition reserve arises on the accounting for the share for share exchange. Reverse acquisition accounting requires that Plastics Capital Trading Limited is treated as the acquirer and the Company the acquiree. A reverse acquisition reserve arises which represents the difference between the issued equity instruments of Plastics Capital Trading Limited immediately before the share for share exchange and the equity instruments of the Company along with the shares issued to effect the share for share exchange.

The intention of reverse acquisition accounting is to present the Group as having always existed except that the capital reserves presented in the Group balance sheet are those of the Company in all years and not Plastics Capital Trading Limited. As a result the reverse acquisition reserve arises at the 1 April 2005 being the start of the earliest comparative period presented.

The movement in the reverse acquisition reserve in the current year in respect of the listing proceeds relates to the net consideration received on the issue of the shares.

Listing

On the listing of the Company on AIM 16.2 million ordinary shares were issued for a total consideration of £16,200,000. The premium arising on the issue of these shares was £16,038,000. Total issue costs incurred were £2,170,000. These costs have been written off against the share premium account.

Prior years

	Share capital £000	Share premium £000	Translation reverse £000	Reverse Acquisition reserve £000	Retained earnings £000	Total £000	Minority interest £000	Total equity £000
Balance at 1 April 2005	269	13,868	–	(13,380)	67	824	–	824
Total recognised income and expense	–	–	–	–	2,729	2,729	6	2,735
On acquisition of Mulberry Plastics Limited	–	–	–	–	–	–	910	910
Equity-settled share based payment transactions	–	–	–	–	2	2	–	2
Impact of issue of new shares (Plastics Capital Trading Limited)	–	–	–	662	(303)	359	–	359
Balance at 31 March 2006	269	13,868	–	(12,718)	2,495	3,914	916	4,830
Balance at 1 April 2006	269	13,868	–	(12,718)	2,495	3,914	916	4,830
Equity-settled share based payment transactions	–	–	–	–	8	8	–	8
Total recognised income and expense for the year	–	–	(181)	–	1,147	966	74	1,040
Shares issued by subsidiary	–	–	–	–	–	–	63	63
Balance at 31 March 2007	**269**	**13,868**	**(181)**	**(12,718)**	**3,650**	**4,888**	**1,053**	**5,941**

25 Capital and reserves (continued)
Share capital

In thousands of shares	Ordinary shares of 1p each 2008	2007	2006
On 1 April	**–**	–	–
Issued for cash	**162**	–	–
Share for share exchange	**107**	–	–
On issue at 31 March – fully paid	**269**	–	–

	2008 £000	2007 £000	2006 £000
Authorised			
40,000,000 ordinary shares of 1p each	**400**	–	–
Allotted, called up and fully paid			
26,850,000 ordinary shares of 1p each	**269**	–	–
	269	–	–

The Company was incorporated on 2 October 2007 as Plastics Capital Trading plc and had an authorised share capital of £250,000 comprising 15,000,000 ordinary shares and 10,000,000 A ordinary shares.

On 21 November 2007 the Company changed its name to Plastics Capital plc.

On 23 November 2007, the authorised share capital was increased to £400,000 by the creation of an additional 10,000,000 ordinary shares and 5,000,000 Redeemable Preference Shares. On 23 November 2007, 10,000,000 A ordinary shares were redesignated and reclassified as 10,000,000 ordinary shares. 4,999,998 Redeemable Preference Shares were allotted and issued to Faisal Rahmatallah and paid up so as to enable the Company to obtain a certificate under section 117 of the Act.

The Company then issued 16,200,000 ordinary shares by way of a placing (comprising 1,999,998 EIS qualifying shares, 9,034,000 VCT qualifying shares and 5,240,000 Non-VCT qualifying shares) and 1,349,745 shares sold by the selling shareholder. A share for share exchange then took place between the existing shareholders of Plastics Capital Trading Limited and the Company for 10,650,000 ordinary shares.

The placing shares were admitted in four stages: First Admission for the EIS placing (3 December 2007), Second Admission for the first VCT placing (4 December 2007), Third Admission for the second VCT placing (5 December 2007) and Fourth Admission for the ordinary placing (6 December 2007).

On 6 December 2007, the 5,000,000 Redeemable Preference Shares were redesignated and reclassified as 5,000,000 ordinary shares.

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Translation reserve	The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
Reverse acquisition reserve	Arises on the reverse acquisition accounting applied to the share for share exchange of Plastics Capital Trading Limited by the Company.

26 Earnings per share

	2008 £000	2007 £000	2006 £000
Numerator			
Earnings used in basic and diluted EPS			
(Loss)/profit for the year from continuing operations	**(2,317)**	1,329	2,787
(Loss)/profit for the year from discontinued operations	**(821)**	(108)	(52)
(Loss)/profit for the year	**(3,138)**	1,221	2,735
Denominator			
Weighted average number of shares used in basic EPS	**16,050,000**	10,664,132	8,249,411
Effects of employee share options	**142,441**	125,775	52,406
Weighted average number of shares used in diluted EPS	**16,192,441**	10,789,907	8,301,817

Certain employee options have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at the end of the year.

27 Financial instruments

The Group is exposed through its operations to one or more of the following financial risks:

- Fair value or cash flow interest rate risk;
- Foreign currency risk;
- Liquidity risk;
- Market price risk; and
- Credit risk.

Policy for managing these risks is set by the Board following recommendations from the Finance Director. Certain risks are managed centrally, while others are managed locally following guidelines communicated from the centre. The policy for each of the above risks is described in more detail below.

(i) Market risk

(a) Fair value and cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. There is no Group policy to maintain a certain amount of debt in fixed rate instruments.

Amortising interest rate cap and floor arrangements are in place at Group level. These are taken out to protect against interest rate movement on LIBOR, Euribor and US base rate for the foreign currency loans. The interest rate hedges are for the life of the loan and cover approximately 66% of the loans value.

The Group has taken out foreign currency loans as part of its strategy to hedge against foreign currency movement.

27 Financial instruments (continued)

During 2008, 2007 and 2006 the Group's borrowings were denominated in Euros, US Dollars, Japanese Yen and Sterling and subject to fixed and floating rate charges as follows:

	2008		
	Floating rate £000	**Fixed rate £000**	**Total £000**
Sterling	**7,216**	**–**	**7,216**
US Dollars	**1,490**	**–**	**1,490**
Euros	**8,713**	**–**	**8,713**
Other	**571**	**–**	**571**
	17,990	**–**	**17,990**

	2007		
	Floating rate £000	Fixed rate £000	Total £000
Sterling	2,481	2,222	4,703
US Dollars	1,127	–	1,127
Euros	3,005	–	3,005
Other	376	–	376
	6,989	2,222	9,211

	2006		
	Floating rate £000	Fixed rate £000	Total £000
Sterling	4,101	2,269	6,370
US Dollars	455	–	455
Euros	4,578	–	4,578
Other	–	–	–
	9,134	2,269	11,403

Sensitivity analysis

A 10% weakening of Sterling against the following currencies at 31 March 2008 would have increased/(decreased) net financial assets and liabilities and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis for 31 March 2007 and 31 March 2006.

	Net financial assets and liabilities £000	Profit or loss £000
At 31 March 2008		
US Dollars	–	187
Euros	(673)	100
Japanese Yen	(15)	51
At 31 March 2007		
US Dollars	8	183
Euros	(179)	92
Japanese Yen	(14)	49
At 31 March 2006		
US Dollars	16	61
Euros	(334)	94
Japanese Yen	37	16

27 Financial instruments (continued)

A 10% strengthening of Sterling against the following currencies at 31 March 2008 would have increased/(decreased) net financial assets and liabilities and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis for 31 March 2007 and 31 March 2006.

	Net financial assets and liabilities £000	Profit or loss £000
At 31 March 2008		
US Dollars	(1)	(228)
Euros	822	(122)
Japanese Yen	18	(62)
At 31 March 2007		
US Dollars	(9)	(223)
Euros	219	(112)
Japanese Yen	17	(59)
At 31 March 2006		
US Dollars	(20)	(74)
Euros	408	(115)
Japanese Yen	(46)	(20)

The profit or loss impacts are shown before currency hedges which have been take out in the years to mitigate the foreign exchange movements.

The borrowings of the Group has been taken out to hedge the operational exposure. Therefore an adverse movement on the loans would be matched by a corresponding increase in sales and profits over the life of the loans, therefore reducing the total exposure.

(b) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which may give rise to gains or losses on retranslation into Sterling.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Euro and Japanese Yen. Approximately 50% of the Group's sales are in foreign currencies however the Group's core operations are run from the UK. The Group has two operations located in the USA and Japan but these have minimal assets and liabilities.

The Group risks are mitigated by the fact that the majority of the Group's sales, costs and borrowings are matched in terms of currencies. The remaining risk of exchange rate fluctuation is mitigated in the near term through currency forwards and options.

The Group's policy is to hedge 100% of its anticipated net cash flows in each major foreign currency (Euro, US Dollar and Japanese Yen) for the subsequent 12 months.

Group treasury will enter into a matching forward contract and options with RBS to cover the foreign currency risk.

27 Financial instruments (continued)

(ii) Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Group treasury function.

All surplus cash is held centrally to maximise the returns on deposits through economies of scale. The type of cash instrument used and its maturity date will depend on the Group's forecast cash requirements.

The Group maintains a draw down facility with RBS to manage any unexpected short-term cash shortfalls.

2008

	Effective interest rate	Carrying amount £000	Contractual cash flows £000	Within one year £000	1–2 years £000	2–3 years £000	3–5 years £000	5–10 years £000	>10 years £000
Fixed rate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Floating rate	**7.78%**	**18,674**	**23,531**	**3,595**	**3,917**	**3,240**	**12,779**	**–**	**–**
Trade and other payables		**5,616**	**5,616**	**5,616**	**–**	**–**	**–**	**–**	**–**
Deferred debt issue costs		**(684)**	**–**	**(70)**	**(70)**	**(70)**	**(474)**	**–**	**–**
Total		**23,606**	**29,147**	**9,141**	**3,847**	**3,170**	**12,305**	**–**	**–**

2007

	Effective interest rate	Carrying amount £000	Contractual cash flows £000	Within one year £000	1–2 years £000	2–3 years £000	3–5 years £000	5–10 years £000	>10 years £000
Fixed rate	8.06%	2,222	2,806	–	–	–	2,806	–	–
Floating rate	8.36%	7,194	9,366	1,047	1,236	1,369	5,714	–	–
Trade and other payables		2,040	2,040	2,040	–	–	–	–	–
Deferred debt issue costs		(206)	(206)	(41)	(41)	(41)	(83)	–	–
Total		11,250	14,006	3,046	1,195	1,328	8,437	–	–

2006

	Effective interest rate	Carrying amount £000	Contractual cash flows £000	Within one year £000	1–2 years £000	2–3 years £000	3–5 years £000	5–10 years £000	>10 years £000
Fixed rate	7.77%	2,269	2,806	–	–	–	2,806	–	–
Floating rate	7.99%	9,829	13,306	2,611	1,530	1,443	7,405	317	–
Trade and other payables		1,904	1,904	1,904	–	–	–	–	–
Deferred debt issue costs		(689)	(689)	(138)	(138)	(138)	(138)	(137)	–
Total		13,313	17,327	4,377	1,392	1,305	10,073	180	–

(iii) Credit risk

The Group is mainly exposed to credit risk from credit sales. It is Group policy, implemented locally, to assess the credit risk of new customers before entering contracts. Such credit ratings, taking into account local business practices, are then factored into any contracts. Each local business practice also has credit insurance in place. The Group does not have any significant concentration of credit risk.

The Group does not enter into complex derivatives to manage credit risk.

Aged trade receivables

	Current £000	>30 days £000	>60 days £000	>90 days £000	>120 days £000	Total £000
2008	**4,299**	**1,603**	**716**	**196**	**251**	**7,065**
2007	2,566	736	185	95	90	3,672
2006	2,152	621	245	66	118	3,202

Owing to the high level of exports to countries all over the world some customer terms extend beyond the standard 60 days. However, the historical level of bad debt provision (see note 18) is low and in addition, the Group has credit insurance in place to mitigate any exposure.

27 Financial instruments (continued)

c) Maturity of debt

	Currency	Interest margin	Period of maturity	**31 Mar 08 £000 Face value**	**31 Mar 08 £000 Carrying amount**	31 Mar 07 £000 Face value	31 Mar 07 £000 Carrying amount	31 Mar 06 £000 Face value	31 Mar 06 £000 Carrying amount
Bank loan	Sterling	2.25%	5 years	**5,616**	**5,616**	–	–	1,170	1,170
	Euro	2.25%	5 years	**8,713**	**8,713**	2,739	2,739	4,578	4,578
	US Dollars	2.25%	5 years	**1,490**	**1,490**	1,127	1,127	455	455
	Japanese Yen	2.25%	5 years	**571**	**571**	376	376	–	–
Property loan	Sterling	2.25%	15 years	**1,100**	**1,100**	–	–	–	–
Loan notes	Sterling	2.00%	2 years	**500**	**500**	4,969	4,969	5,200	5,200
				17,990	**17,990**	9,211	9,211	11,403	11,403

The bank loan is provided by RBS and is split into a Sterling loan, Euro loan, US Dollar loan and Japanese Yen loan all of which are repayable in their respective currencies. Each tranche of the loan accrues interest at three month LIBOR (or foreign equivalent) +2.25%. The loans amortise over five years and are repayable in March 2013.

The property loan is provided by RBS with an interest of three month LIBOR (or foreign equivalent) +2.25%. The loan amortises over 15 years and is repayable in March 2023.

The loan note comprises a vendor loan note of £500,000 and accrues interest at LIBOR +2% until March 2010 when it becomes repayable.

In 2007, the loan notes comprised of the following:

- Vendor loan notes of £2,199,791 accrued interest at LIBOR +4% until October 2007. The interest rate margin was to increase by increments of 1% every October thereafter until the balance was due to be repaid in December 2010. The vendor loan was repaid early in December 2007.
- Investec loan notes of £481,030 accrued a fixed rate of interest at 5% for 2008. The fixed rate was to increase by increments of 1% every financial year thereafter until the balance was due to be repaid in December 2010. There was an interest free period from December 2005 to April 2007. The interest payable was to be spread over the whole term giving an effective interest rate of 15.25%. The loan note was repaid early in December 2007.
- Founding shareholders loan notes of £148,406 accrued a fixed rate of interest at 5% for FY 2008. The fixed rate was to increase by increments of 1% every financial year thereafter until the balance was due to be repaid in December 2010. There was an interest free period from December 2005 to April 2007. The interest payable was to be spread over the whole term giving an effective interest rate of 4.62%. The loan note was repaid early in December 2007.
- Octopus loan notes of £1,335,657 accrued a fixed rate of interest at 5% for FY 2008. The fixed rate was to increase by increments of 1% every financial year thereafter until the balance was due to be repaid in December 2010. There was an interest free period from December 2005 to April 2007. The interest payable was to be spread over the whole term giving an effective interest rate of 4.62%. The loan note was repaid early in December 2007.
- Trimplex vendor loan notes of £258,226 accrued interest at a fixed rate of 15% and were repayable by November 2010. The vendor loan note was repaid early in December 2007.
- Sarna (BNL) vendor loan notes of £545,670 accrued interest at the variable rate of LIBOR +2% and were repayable by November 2008. The vendor loan note was repaid early in December 2007.

.

d) Fair values

To the extent financial assets and liabilities are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 March 2006, 31 March 2007 and 31 March 2008.

The fair values of derivatives together with their carrying amounts shown in the balance sheet are as follows:

	Carrying amount liability/(asset) 2008 £000	**Fair value liability/(asset) 2008 £000**	Carrying amount liability/(asset) 2007 £000	Fair value liability/(asset) 2007 £000	Carrying amount liability/(asset) 2006 £000	Fair value liability/(asset) 2006 £000
Foreign exchange forward contracts	**84**	**84**	(2)	(2)	(85)	(85)
Interest rate swaps	**239**	**239**	14	14	(8)	(8)
	323	**323**	12	12	(93)	(93)

The fair values of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

28 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2008 £000	**Plant and machinery 2008 £000**	**Total 2008 £000**	Land and buildings 2007 £000	Plant and machinery 2007 £000	Total 2007 £000	Land and buildings 2006 £000	Plant and machinery 2006 £000	Total 2006 £000
Less than one year	**568**	**50**	**618**	517	62	579	259	39	298
Between one and five years	**1,416**	**70**	**1,486**	1,324	111	1,435	841	48	889
More than five years	**2,942**	**–**	**2,942**	1,710	–	1,710	–	2	2
	4,926	**120**	**5,046**	3,551	173	3,724	1,100	89	1,189

Details of the Group's significant operating lease arrangements are detailed below:

Property	Lease expiry	Break date	Rent review date
Manse Lane	Sept 2021	Sept 2016	See below
St Georges Avenue	Sept 2009	Six month's notice	20 Feb 2006
Darby Way	March 2009	Twelve month's notice	Annual rolling
Mulberry Way	November 2010	November 2010	27 November 2010
Sanders Road	August 2022	August 2022	August 2022

The rent review date for the Manse Lane premises is on completion of the extension work in September 2011 and every fifth anniversary of that date.

The Group does not sub-lease any properties or other assets held under operating lease agreements and is not exposed to any contingent rent payments.

29 Contingencies

There were no contingencies at 31 March 2008, 31 March 2007 and 31 March 2006.

30 Related parties

R C Vessey, a Director and shareholder of Plastics Capital plc had his subordinated vendor loan repaid to him on 7 December 2007. The founding shareholder loan was repaid to the Directors on 7 December 2007.

In addition to Directors emoluments disclosed in Note 7, key management remuneration during the year was £313,000 (2007: £246,000, 2006: £83,000) with company pension contributions of £32,000 (2007: £28,000, 2006: £3,000). Key management have been identified as other senior operational management.

Annual rent of £120,000 is payable to RB Asset Management Limited, a company owned by the directors, PN Robinson and AT Best who were minority shareholders in Mulberry Plastics Limited up until December 2007.

Annual rent of £85,000 is payable to D A Pensions Limited, a company that manages the pension scheme of PN Robinson and AT Best who were minority shareholders in Mulberry Plastics Limited up until December 2007.

The Group obtains its business and commercial insurance from Broker Network Holdings plc or its subsidiaries at a cost to the Company of £227,000 per annum. Up until December 2007, F Rahmatallah was both the chairman of Broker Network Holdings plc and chairman of the Company.

31 Accounting estimates and judgements

The Company makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Intangible assets

The Group recognises intangible assets (other than goodwill) on acquisition. Judgements are made in respect of useful lives and valuation methods affecting the carrying value and amortisation charges in respect of these assets. The valuation of intangible assets requires judgements to be made in respect of discount rates, growth rates and future cash flows and the cost of capital. Actual outcomes may vary.

Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary.

Inventory

The Company reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Factors that could impact estimated demand and selling prices include competitor actions, supplier prices and economic trends.

32 Explanation of transition to Adopted IFRSs – Group

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2008 and the comparative information presented in these financial statements for the year ended 31 March 2007 and 31 March 2006.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Reconciliation of equity

	UK GAAP £000	31 March 2007 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000	UK GAAP £000	31 March 2006 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Non-current assets						
Property, plant and equipment	1,722	–	1,722	2,913	–	2,913
Intangible assets (note a)	6,434	3,910	10,344	6,681	4,116	10,797
	8,156	3,910	12,066	9,594	4,116	13,710
Current assets						
Inventories	1,545	–	1,545	1,700	–	1,700
Trade and other receivables (note b)	4,204	–	4,204	3,646	93	3,739
Cash and cash equivalents	995	–	995	433	–	433
	6,744	–	6,744	5,779	93	5,872
Total assets	14,900	3,910	18,810	15,373	4,209	19,582
Current liabilities						
Other interest-bearing loans and borrowings	791	–	791	2,079	–	2,079
Trade and other payables (note c)	1,981	59	2,040	1,493	67	1,560
Current tax liabilities	–	–	–	344	–	344
Corporation tax liabilities	401	–	401	103	–	103
	3,173	59	3,232	4,019	67	4,086
Non-current liabilities						
Other interest-bearing loans and borrowings	8,420	–	8,420	9,324	–	9,324
Other financial liabilities	–	12	12	–	–	–
Deferred tax liabilities (note d)	13	1,192	1,205	3	1,339	1,342
	8,433	1,204	9,637	9,327	1,339	10,666
Total liabilities	11,606	1,263	12,869	13,346	1,406	14,752
Net assets	3,294	2,647	5,941	2,027	2,803	4,830
Equity attributable to equity holders of the parent						
Share capital	269	–	269	269	–	269
Share premium	13,868	–	13,868	13,868	–	13,868
Translation reserve	(181)	–	(181)	–	–	–
Reverse acquisition reserve	(12,718)	–	(12,718)	(12,718)	–	(12,718)
Retained earnings	1,003	2,647	3,650	(308)	2,803	2,495
	2,241	2,647	4,888	1,111	2,803	3,914
Minority interest	1,053	–	1,053	916	–	916
Total equity	3,294	2,647	5,941	2,027	2,803	4,830

32 Explanation of transition to Adopted IFRSs – Group (continued)

IFRS adjustments are explained below:

(a) The net debit to intangible assets comprises:

	2007 £000	2006 £000
Adjustments to fair values on business combination	1,558	1,439
Negative goodwill taken to income statement on acquisition	2,675	2,675
Amortisation charged on intangible assets	(767)	(191)
Amortisation of goodwill under previous GAAP written back	444	193
	3,910	4,116

(b) recognition of fair value of derivative financial instruments;
(c) recognition of holiday pay accruals;
(d) recognition of deferred tax balances on acquisition adjustments.

Reconciliation of equity

	UK GAAP £000	1 April 2005 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Non-current assets			
Property, plant and equipment	86	–	86
Intangible assets (note a)	4,529	–	4,529
	4,615	–	4,615
Current assets			
Inventories	182	–	182
Trade and other receivables (note b)	554	–	554
Cash and cash equivalents	502	–	502
	1,238	–	1,238
Total assets	5,853	–	5,853
Current liabilities			
Other interest-bearing loans and borrowings	427	–	427
Trade and other payables (note c)	190	2	192
Corporation tax liabilities	217	–	217
	834	2	836
Non-current liabilities			
Other interest-bearing loans and borrowings	4,181	–	4,181
Other financial liabilities	12	–	12
Deferred tax liabilities (note d)	–	–	–
	4,193	–	4,193
Total liabilities	5,027	2	5,029
Net assets	826	(2)	824

	UK GAAP £000	1 April 2005 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Equity attributable to equity holders of the parent			
Share capital	269	–	269
Share premium	13,868	–	13,868
Translation reserve	–	–	-
Reverse acquisition reserve	(13,380)	–	(13,380)
Retained earnings	69	(2)	67
	826	(2)	824
Minority interest	–	–	-
Total equity	826	(2)	824

32 Explanation of transition to Adopted IFRSs – Group (continued)

The consolidated income statement shown below includes the discontinued operations.

	UK GAAP £000	2007 Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	16,660	–	16,660
Cost of sales (note a)	(9,680)	(15)	(9,695)
Gross profit	6,980	(15)	6,965
Distribution expenses	(1,986)	–	(1,986)
Administrative expenses (notes a, c and e)	(3,315)	(212)	(3,527)
Other operating income	1,604	–	1,604
Operating profit before net financing costs	3,283	(227)	3,056
Financial income	214	–	214
Financial expenses (note d)	(2,036)	(105)	(2,141)
Net financing costs	(1,822)	(105)	(1,927)
(Loss)/profit before tax	1,461	(332)	1,129
Taxation (note b)	(78)	170	92
(Loss)/profit for the year	1,383	(162)	1,221
Attributable to:			
Equity holders of the parent	1,309	(162)	1,147
Minority interest	74	–	74
(Loss)/profit for the year	1,383	(162)	1,221

IFRS adjustments for the year ended 31 March 2007 represent:

(a) amortisation charged on intangible assets;
(b) the recognition of deferred tax on acquisition adjustments under IAS 12;
(c) the inclusion of holiday pay accruals, under IAS 19;
(d) the movement on fair value of derivatives taken out to hedge against foreign currency and interest rate risk under IAS 39; and
(e) fair value charge on share options, under IFRS 2.

The main adjustments to the Consolidated Cash Flow Statement under IFRS, compared to UK GAAP have been to reclassify certain items within different cash flow statement headings, principally in relation to acquisitions, which are included within investing activities under IFRS but which were included within acquisitions and disposals under UK GAAP. Income tax paid is disclosed within cash generated from operations under IFRS, whereas this was previously shown separately within the UK GAAP Cash Flow Statement.

33 Principal subsidiary undertakings

Details of principal subsidiary undertakings are given below:

	County of incorporation	Nature of business	Percentage of ordinary shares held
Plastics Capital Trading Limited	England and Wales	Holding company	100%
Bell Plastics Limited	England and Wales	Plastics Products	100%
Mulberry Plastics Limited	England and Wales	Plastics Products	100%
Trimplex Safety Tread Limited*	England and Wales	Plastics Products	100%
BNL (UK) Limited	England and Wales	Plastics Products	100%
BNL (Japan) Inc*	Japan	Plastics Products	100%
BNL (US) Inc*	USA	Plastics Products	100%
Cobb Slater Limited*	England and Wales	Plastics Products	100%
C&T Matrix Limited	England and Wales	Plastics Products	100%
Palagan Limited*	England and Wales	Plastics Products	100%
GKT Partnership Limited	England and Wales	Holding company	100%
Bell Holdings Limited	England and Wales	Holding company	100%

* Shareholdings owned indirectly

34 Note to the Cash Flow Statement

	2008	2007	2006
(Loss)/profit for the year before tax	**(2,869)**	1,237	2,782
Discontinued operations loss	**(821)**	(108)	(52)
Total (loss)/profit for the year before tax	**(3,690)**	1,129	2,730

COMPANY BALANCE SHEET

AT 31 MARCH 2008

	Notes	2008 £000
Fixed assets		
Investments	2	**10,708**
		10,708
Current assets		
Debtors (including £14.2 million due after more than one year)	3	**14,209**
Net assets		**24,917**
Capital and reserves		
Share capital	4	**269**
Share premium	4	**13,868**
Merger reserve	4	**10,544**
Retained earnings	4	**236**
Total shareholder funds		**24,917**

These financial statements were approved by the Board of Directors on 30 June 2008 were signed on its behalf by:

Faisal Rahmatallah
Executive Chairman

NOTES (FORMING PART OF THE FINANCIAL STATEMENTS)

FOR YEAR ENDED 31 MARCH 2008

1 Accounting policies

Plastics Capital plc (formerly Plastics Capital Trading plc) (the "Company") is a public company incorporated in England and Wales, with subsidiary undertakings in the UK, Japan and the United States of America.

The Company financial statements present information about the Company as a separate entity and not about its Group.

The Company has elected to prepare its Company financial statements in accordance with UK GAAP.

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.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the consolidated financial statements include the Company.

Taxation

The charge for taxation is based on the loss for the year and takes into account deferred taxation 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 FRS 19.

Share based payments

The Group's LTIP and share option programme allows certain employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Own shares held by ESOP trust

Transactions of the Company-sponsored ESOP trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less impairments.

2 Investments

	2008 £000
Investments	**10,708**
	10,708

On 6 December 2007 the Company acquired 100% of the ordinary share capital of Plastics Capital Trading Limited as part of a share for share exchange.

3 Debtors

	2008 £000
Prepayments and other debtors	36
Amounts owed by group undertakings	14,173
	14,209

Included in amounts owed by parent undertakings is £14,173,000 in respect of amounts due after more than one year. Interest is accrued on this balance at 1% over the base rate.

4 Capital and reserves

Statement of change in equity

	Share capital £000	Share premium £000	Merger reserve £000	Retained earnings £000	Total £000
On incorporation	–	–	–	–	–
Share for share exchange	107	–	10,544	–	10,651
Issue of new shares	162	16,038	–	–	16,200
Write off of issue costs	–	(2,170)	–	–	(2,170)
Profit for the financial year	–	–	–	259	259
Equity-settled share based payment transactions	–	–	–	7	7
Purchase of own shares	–	–	–	(30)	(30)
Balance at 31 March 2008	**269**	**13,868**	**10,544**	**236**	**24,917**

5 Reconciliation of movements in shareholders' funds

Statement of change in equity

	Total £000
Profit for the financial year	259
Charge in respect to share based payments	7
Consideration paid for the purchase of own shares by Employee Trust	(30)
New share capital subscribed (net of issue costs)	24,681
Net addition to shareholders' funds	24,917
Opening shareholders' funds	–
Closing shareholders' funds	**24,917**

NOTES

NOTES

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **020 7729 9090** **www.emperordesign.co.uk**

Plastics Capital plc
St. Mary's House,
42 Vicarage Cresent,
London, SW11 3LD
T: + 44 207 326 8423 / 8418 / 8416
F: + 44 207 326 8457
E: enquiries@plasticscapital.com

www.plasticscapital.com