Specialist plastic products for global markets.

PLASTICS Capital plc

Plastics Capital plc
Annual Report & Accounts 2011

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What we do

Plastics Capital plc is a UK based consolidator of plastics products manufacturers focused on proprietary products for niche markets.

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Our Highlights

Operational

- Strong revenue growth driven by new business and global recovery;
- 26 new key accounts won during the financial year;
- New sales subsidiaries operational in China and India;
- International sales volumes increased by 26%;
- Good profit growth delivered by all Group subsidiaries;
- Strong cash conversion – 80% of EBITDA converted to operating cash flow; and
- Net bank debt reduced by £4.4 million to £11.7 million.

Financial

Turnover increased to £33.509m

+25.6%

Gross profit increased to £12.809m

+24.5%

EBITDA increased to £5.579m

+26.7%

Profit before tax increased to £3.597m

+100.7%

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Our Operations

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The Group has four factories in the UK, one in Thailand and sales offices in the USA, Japan, India and China. Approximately 62 per cent of sales are exported to over 70 countries worldwide. Production is concentrated in the UK where significant engineering know-how and automation underpins the Group's competitiveness.

Power Transmission	Print & Packaging	Export Sales	UK Sales
48%	52%	62%	38%
Market Share	Market Share	Market Share	Market Share

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Our Progress

Market Share

UK Market

38%

Asia Market

24%

European Market

20%

USA Market

13%

5% Rest of the World

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Chairman's Statement

"This has been a year of strong growth, most importantly due to new business gains"

Faisal Rahmatallah
Executive Chairman

Financial Review
Compared to the same period last year, the Group has:
- increased revenue by 26% to £33.5million;
- increased underlying* profit before tax by 30% to £3.9million;
- reduced net bank debt by £4.4million to £11.7million and
- increased adjusted* earnings per share by 28% to 10.2p

* Excluding, as appropriate, amortisation, exceptional costs, unrealised foreign exchange & derivative gains/losses (see page 12).

The strong increase in revenue results from four factors. First, and most importantly, from new business which has accounted for 40% of the year-on-year increase in revenue. Second, the global recovery led to restocking during the year and to the resumption of some end-market investment activity, so creating additional demand for some of our products. Third, we have achieved an improvement in the mix of products sold - towards higher value-added products and assemblies. Finally, we have had to pass through to our customers raw material price increases, which accounts for 17% of revenue growth during the year.

Profit growth has been driven mainly by the revenue growth outlined above and by lower interest costs due to the reduction in our bank debt. Profit growth would have been significantly stronger if exchange rates had been more favourable – our average exchange rate against the dollar was $1.64 against $1.48 in the prior year. In addition profit growth has been held back somewhat as we have invested during the year in new initiatives that will help to generate growth in years to come – these costs include setting up sales offices in China and India, and the appointment of additional management and sales resources. Capital expenditure has been approximately £0.2million higher than our baseline spend as production capacity has been added to support the higher levels of revenue, both for this year and anticipated for subsequent years.

In the year under review, the Group has incurred significant unrealised foreign exchange and interest rate derivative gains and not suffered the prior year's exceptional costs. Consequently, last year's statutory profit before tax of £1.8 million has doubled to £3.6 million. Tax will be payable on this year's profits at the rate of 14%, as prior years' losses have now been utilised.

It is also pleasing to report that our net bank debt has reduced by £4.4 million during the year. In addition to the profit performance discussed above, key factors in achieving this reduction in debt have been the reduction in working capital as a percentage of sales during the year from 18.1% to 15.8%, together with the £1.3million disposal proceeds received from the sale and leaseback of the Palagan factory in Dunstable.

New Business
New business successes have been broad based with each of our subsidiaries performing well. The underlying drivers of new business success for our businesses are their niche product advantages combined with effective sales "pressure". Each business has some special products and capabilities, but these do have to be actively sold into the market; consequently, the increases and improvements made to our sales resources made during and after the recession has been very important in driving the success we have seen this year. We have had a specific initiative to convert target accounts with sales potential that are in excess of £100,000 ("key accounts") and it is very pleasing to report that 26 key accounts have been won during the year. Across the Group, we currently have 63 accounts for whom sales are in excess of £100,000, in total accounting for 57% of Group sales.

For most of our product areas the sales cycle is lengthy - once an account is won sales momentum gradually builds over the next 12-18 months. This means that we have reasonable visibility over this part of our business – for example, we know that the new business won this year will lead to good growth next year assuming all else remains equal. I can also report that the pipeline of sales opportunities involving products that are under detailed design or undergoing customer testing is currently strong.

Volume Recovery
Year-on-year volume increase has been 20% - however, as can be seen from the chart below, this masks the underlying trend during the year which saw a significant increase in Q1 followed by a more modest growth thereafter. In retrospect, it was clear that Q1 and Q2 saw significant restocking by customers as well as new business wins, subsequently restocking demand dissipated whilst new business sales continued to come through.

The chart below also shows how quarterly volumes are now just above to the level they were at the beginning of FY2009 before the financial crisis occurred.

Raw Materials
Raw material prices have increased over the year – much more so for commodity grades than engineering grades, where the key issue has been availability and quality. We have been able to pass-on these increases in the main, partly because the phenomenon has been so well publicised and widespread. The latest indication is that prices are stabilising, possibly temporarily, as demand from south-east Asia slackens – however, we have seen some false dawns on this matter in the recent past and so will remain vigilant and responsive to market developments.

Currency
Sterling has remained relatively weak throughout the year. Because of our export focus, Sterling's weakness is helpful to the Group's trading in the long run. Our key trading exposure is to the US Dollar and our key balance sheet exposure is to the Euro, as approximately 50% of our debt has been denominated in Euros.

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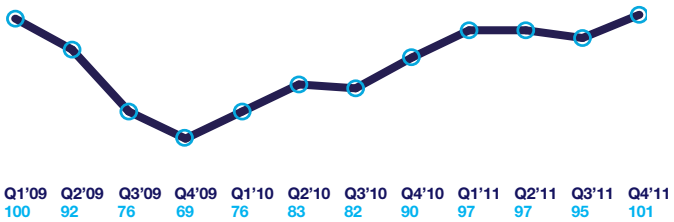
Weighted volume index



For the financial year under review we achieved an average rate of $1.64 on the US Dollar and this detracted significantly from our profit improvement compared to FY2009, when the average rate achieved was $1.48 – the negative impact being £0.7million. As for the Euro the year-start and year-end rates were €1.12 and €1.13 respectively leading to a £0.1 million unrealised gain on our Euro denominated debt. Our hedging policy remains as previously stated - we seek to ensure that realised gains/losses made in the businesses during the year from foreign exchange movements are broadly negated by the realised gains/losses on forward contracts and foreign currency loans repaid during the year. This hedging policy enables us to achieve a higher level of predictability of earnings and cash flow, despite currency volatility, at least over a 12-18 month window.

We have hedged forward for FY2012 at a more attractive rate than we managed for FY2011; this will assist earnings somewhat in the current year. We have already started to hedge for FY2013 and, so far, at similar rates to those achieved for FY2012.

Banking
Our net bank debt has decreased to £11.7million during the period. Cash conversion in our businesses has been good and working capital management of the business has been a key operational focus. Management have again done an excellent job to squeeze working capital further over the last twelve months after having done the same in the prior year. Interest cover at the end of the year was 5.5x and net leverage (based on statutory bank debt) was 2.0x. At this level, our debt has become acceptable to most banks in the post-crisis environment, in which leverage multiples have reduced significantly.

After the end of the financial year we reached agreement with Barclays Corporate to refinance our debt, extending the term by 2¼ years to June 2015 and providing significantly more flexibility through a £8m revolving credit facility and £6m amortising term loan. The current cost of these facilities after all hedging arrangements is likely to be about 450bps. These new facilities will provide the headroom and flexibility that is appropriate for the business, for example enabling it to make further capital expenditures to support growth and also to consider making dividend payments.

Current trading and future prospects
Overall trading is stable at present – we expect Q1 FY2012 to be similar to the average for FY2011. Order books are satisfactory. Our assessment of the situation is that, for the moment, global demand growth has paused and growth in our businesses will hinge on new business development. We have a good list of target accounts and will be introducing some new products and capabilities in the current year which we believe will also boost sales.

FY2012 will be year of investment in sales activities, product introduction and development, and in new machinery. These factors will have a negative impact on profitability and cash flow in the short term, but significantly benefit growth and profits in the longer run.

Our current strategic focus is on organic growth, driven by five key themes:

- **Key account conversion** – our object will be to add another 20 key accounts over the financial year and to develop our existing key accounts further. At present the list of target key accounts amounts to roughly 100, so there no shortage of opportunity
- **Geographic expansion** – having invested in Chinese and Indian sales offices, we will be looking to expand and exploit these further. In addition we will look at sales capabilities in other important territories such as Korea, Brazil and core markets such as the USA.
- **New products** – we have a number of new products that will be introduced during the current year; these include thinner and narrower film packaging products than we have hitherto been able to produce, a new pressboard matrix product designed to increase share in this market segment where we have not been very active in to date, and various new plastic ball bearing solutions for applications in targeted markets. Innovation for product introductions in the medium term continues, particularly for new hose mandrels and hose films, and for products like shafts, bushes and gears that are frequently used in assemblies alongside our bearings.
- **Resource addition** – to expand we need to continue to add resources in the sales function, and we also need to add resources in activities that support sales such as engineering design and tool-making and in research and development activity.
- **Capital investment** – this will support new product development as new products generally require new process developments, and provide for additional production capacity to support growing revenues.

In all likelihood, acquisition activity will resume during FY2012. We have seen a number of opportunities over the last six months and some are being followed up. Acquisitive growth is a key plank of our strategy and we will explore any opportunity that meets our criteria.

The Board wishes to extend its sincere thanks to the entire Group's employees; after a difficult period through the crisis we have seen good trading conditions with busy factories. Our staff responded to the demand surge very positively so that we have maintained good output and service levels in challenging circumstances. The business can only achieve what it has done through the efforts and goodwill of all employees, who collectively deserve special commendation for what has been accomplished this year.

Our businesses are highly profitable with strong operating cash flows and very good market and competitive positions. We have excellent opportunities for organic growth, and also the potential for acquisitive growth. We look forward to another year of progress.

Faisal Rahmatallah
Executive Chairman

Power Transmission.
Leaders in specialised niche industrial markets.

BNL (UK) Limited ("BNL"), which manufactures plastic bearings and other rotating parts, experienced significant improvement in trading as FY2011 progressed. The growth in volumes was accompanied by growth in average price per part sold. This was not related to raw material price pass-through, as BNL's specialist raw materials did not experience much inflation during the year, but was due to an improving product mix towards higher value-added specialist parts and integrated assemblies – a key strategic driver for this business.

Intensified business development activity produced some excellent results in the year. Tool orders for new business that will ultimately be worth £2.5 million of additional annual sales were secured in the year – it may take 2-3 years before these products are at full run rate.

These included:

- our first Chinese customer, SSK, who manufacture poultry processing machinery,
- new products for existing customers in our core applications of steering columns, photocopiers, CCTVs and ATMs, and
- initial sales to nine new key accounts.

Operational performance has been excellent – for example, we have increased volumes produced by 8% and value produced by 17%, whilst reducing hours worked by 1%. Service levels and quality performance have also improved from already satisfactory levels, meanwhile stock has come down. Our Thai factory is performing well, primarily serving customers in South East Asia and now the west coast of the USA, and the decision to open this factory has proved to be a very sound one.

We believe that BNL has very good potential for long term growth – within its four core applications; there are approximately 100 target key accounts globally. We have projects under discussion with 20 of these targets. Some are early stage, but some are into prototype testing. There are also lots of further opportunities to increase sales within our existing customers as we have done this year. Finally there is also some development work being undertaken on exciting potential new application areas like textile machinery, automotive interiors, cameras and wind turbines.

Bell Plastics ("Bell"), which manufactures hydraulic hose mandrels and films, started the financial year with a step change in sales due to both new business and demand growth, and sustained this throughout the year, nearly doubling sales relative to FY2010. Sales volumes are now 10-20% above the level they were before the economic crisis. In order to have sufficient capacity for further growth, investment was made during the year into superior downstream processing machinery and into a new production line. All this engineering work is bespoke and has been carried out in house. In addition, the management team has been strengthened with the addition of a new production director and creation of a new role, that of technical manager, responsible for product innovation, testing and technical support.

New business has continued to proceed well for Bell with 8 new accounts coming on stream during the year, for which the full run-rate of sales will only be achieved in FY2012. The sales pipeline is also strong with mandrels being tested at a number of customer sites in Europe, the USA and Japan. As our sales footprint widens, it becomes clear that our technical knowledge and support needs to strengthen – customers want to improve their technical understanding of mandrels to make hose production more efficient and stable. This gives us further scope to add value and get "close to the customer". Hence the creation of the role of technical manager and the ongoing investment in test equipment and facilities – in due course this is very likely to lead to further product innovation.

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Plastic bearings

37%

Group Sales

Design and manufacture of rotating devices primarily plastic ball bearings but also plastic gears, shafts and bushes – used to replace traditional heavy and expensive metal products.

Hose mandrels

11%

Group Sales

Hose mandrels are long, high-specification rods used by the manufacturers of hydraulic and other industrial hoses in their own manufacturing processes. The mandrel determines the critical internal diameter of the hose.

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Creasing matrix

19%

Group Sales

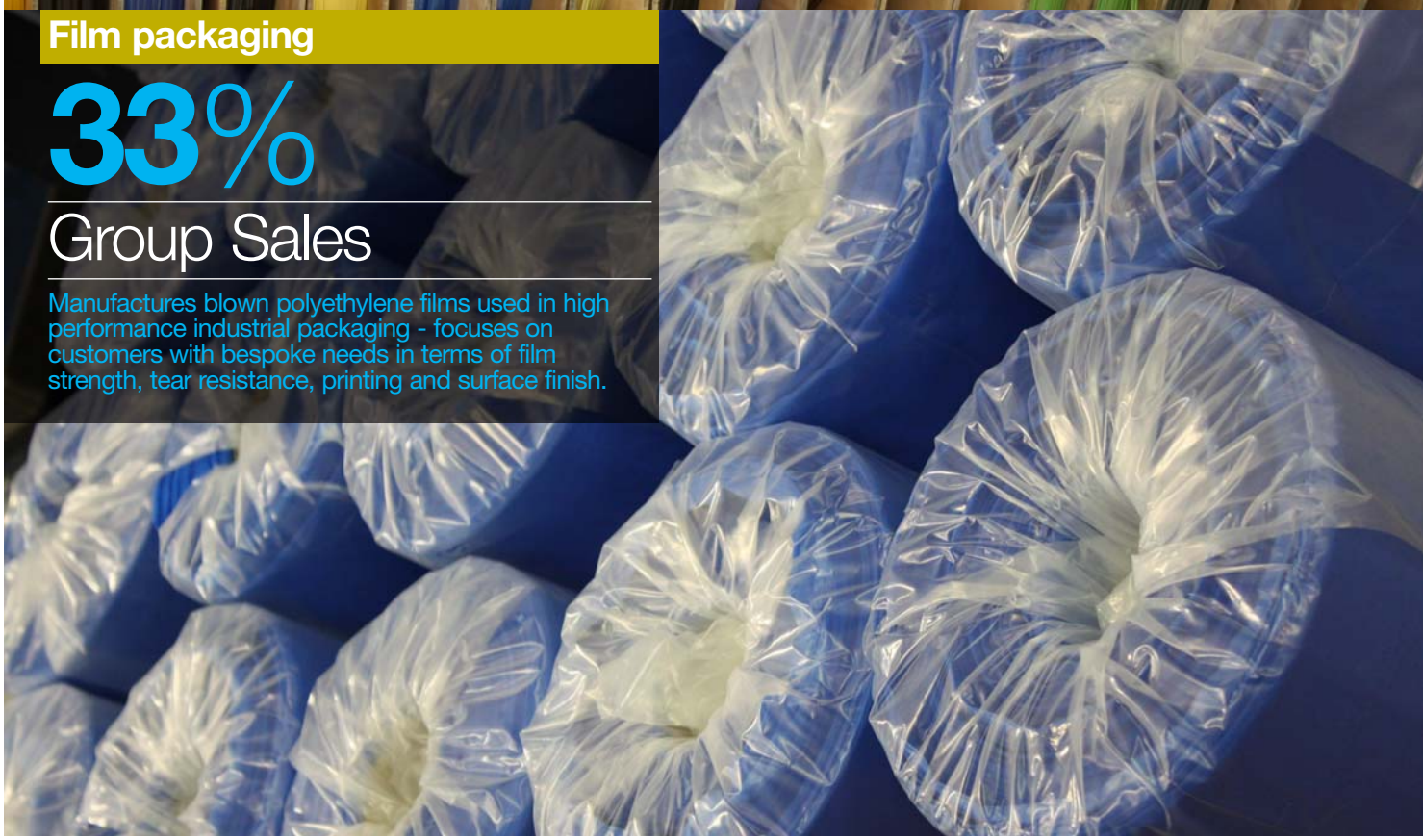
A creasing matrix is a consumable product used in the manufacture of cardboard boxes to facilitate accurate high quality creasing prior to folding.

Film packaging

33%

Group Sales

Manufactures blown polyethylene films used in high performance industrial packaging - focuses on customers with bespoke needs in terms of film strength, tear resistance, printing and surface finish.



Printing & Packaging. Leaders in specialised niche industrial markets.

C&T Matrix ("C&T"), which manufactures creasing matrix, a consumable used by packaging manufacturers to crease cardboard, had a year of two halves. The first half was very strong as customers restocked following the recession and two major new distributors came on stream, in the second half sales fell back as distributors' stocks had reached satisfactory levels to fulfil end-market demand. During the first half of the year, it was necessary to schedule significant overtime and shift work to meet the demand and maintain delivery response times to satisfactory levels. This had a negative impact on margins, which would otherwise have shown a significant improvement for the year due to the process engineering improvements made over the last two years.

C&T had a good year for new business development with the new distributors mentioned above, as well as positive developments in China, Russia and India. In India, a market in which C&T have been unsuccessful to date, we established a wholly owned national sales office to manage the territory. Local management have been recruited, a distribution warehouse has been set-up and regional sub-distributors have been appointed. Sales in India are now building and we believe that we are now on the right path in this key country for the long-run.

The year has seen some raw material price inflation and these have been built into list price increases that have had to be implemented during and after the year end. Quality of raw materials supplied has been a bigger issue during the year and led to some product recalls. Whilst these recall costs were recovered, there was inevitably some disruption in the downstream supply chain and some loss of goodwill with certain customers, which the C&T management team have worked hard to keep to a minimum.

A new CEO for C&T, Simon Shenton, was appointed towards the end of the financial year and took over from Andrew Robinson, who will continue as a non-executive director for the company. Andrew had been CEO for many years before Plastics Capital acquired the business and for three years after, and has fully supported the transition process, in particular working with Simon to visit and reassure all our major distributors during the last three months – the handover has gone well.

Prospects for C&T are encouraging as emerging market demand should continue to provide growth. In addition, after two years of development and testing, a new product range, TraxPlus, is being launched in Q1 FY2012. This product range is manufactured from a pressboard material rather than PVC and is a product technology that C&T has not focussed on in the past. However, pressboard matrix is preferred in some countries and market segments to plastic and the sales opportunity is substantial. Initial sales are encouraging and we anticipate good growth from this initiative in the next few years.

Palagan Limited ("Palagan"), our specialist film packaging business, has had a good year in difficult circumstances. The recruitment of two salesmen in the prior year brought dividends as market share was gained from competitors and volume increased by 14% over the prior year. This business which is substantially serving the UK market is now operating consistently at volume levels that are 10% above levels achieved before the financial crisis. Meanwhile, raw material price inflation has continued apace through the year (average raw material cost per tonne increased by 23% year-on-year) necessitating continuous price increases to maintain margins. This proved difficult in the early part of the year but strong management action enabled Palagan to pull the margin per tonne back to acceptable levels in the second half of the year.

The operational performance of Palagan has been very good. Labour cost per tonne was down 3% year-on-year, despite the need for additional overtime and shift work. The scrap rate (a critical efficiency measure in this business) was down year-on-year by 8%. The management team has been strengthened with the appointment of a new finance director, a new extrusion manager and a sales manager who was promoted internally. Simon Barton, who was promoted to CEO from sales director two years ago, has now built a strong team around him and we feel the business is very well positioned for further investment to take the business to the next level.

Prospects for Palagan are good. Volumes at the start of the year remain strong and there are signs that raw material price inflation has dissipated; if this proves to be the case then margin pressure will become less intense. We are planning some significant investments in this business during the current year – two new lines will be commissioned replacing existing. These investments will expand capacity and improve efficiency through line rebalancing – most importantly they will enable Palagan to broaden its product capabilities to produce thinner films and narrower sacks than it can do at present. New product segments will be targeted with the same strategy that has produced success to date. The potential for further growth from this is significant.

Expansion.
Targeting growth in fast growing regions.

China

The new office and warehouse based in Shanghai is key to supporting existing customers through the local presence of staff and facilities, as well as providing an excellent opportunity to further broaden the customer bases of both businesses. Our local manager, Yang Hanqing, is a Chinese national fluent in English, and who has been working with BNL over the last two years, spending time in both UK and China.

BNL already has a number customers based in China, all of which have come from sales efforts outside China to OEMs in Europe, Japan and the USA. Meanwhile, C&T Matrix has three distributors active in China.

BNL won its first local customer through its Chinese sales activity in February 2011. Its first order was from SSK, the leading poultry processing equipment manufacturer in China. SSK has a reputation for high quality machinery and BNL's established expertise in the application segment was important in their decision to choose BNL.

C&T Matrix will also be able to offer a better service to existing customers, as it will now be able to hold finished goods stock locally, so shortening lead times greatly. In addition, by having a local presence and employing Chinese staff this will enable us to gain a greater understanding of the local market requirements and trends in what is a fast evolving market.

The potential for further business wins is significant. The recent win for BNL confirms that there is growing demand for quality engineering solutions in China. There are further opportunities presenting themselves to us in China already and we are confident of further progress in this fast growing region, which should contribute significantly to the growth of the Group.

India

Plastics Capital India has been actively trading since the start of March 2011 through its new office and warehouse in Mumbai. A local sales manager with a background in the packaging industry, Manoj Singh, has been appointed to oversee and run this activity in India. As part of his induction Manoj spent a month at C&T Matrix's UK office and is responsible for sales and promoting the Channel and Trimplex brands in the sub-continent.

C&T Matrix will be able to hold finished goods stock locally so reducing delivery lead times greatly. In addition, we now have the opportunity to develop sales to large end users in India and to properly manage a network of regional distributors covering the whole country. This will provide greater coverage and contact with our end-customers.

BNL has also appointed a business development manager with the aim of penetrating customers in the Indian market. The local automotive manufacturing sector is particularly vibrant and work is already under way to convert potential projects in this and other sectors.

The opportunities that India presents to Plastics Capital are significant. Over the coming years, the establishment of our sales office here will enable us to exploit this developing region fully over the medium term.

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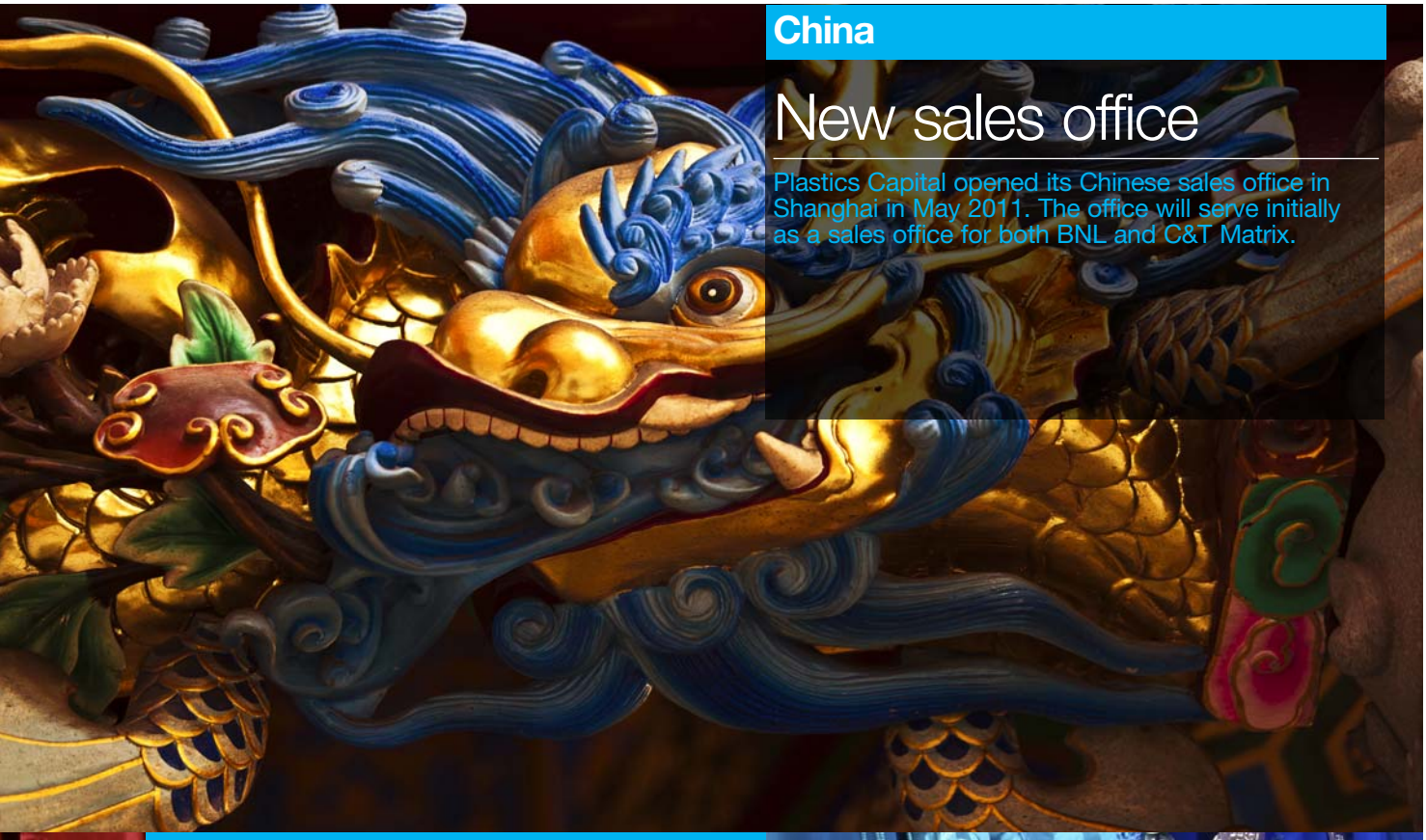

China

New sales office

Plastics Capital opened its Chinese sales office in Shanghai in May 2011. The office will serve initially as a sales office for both BNL and C&T Matrix.

India

New sales office

Plastics Capital opened its Indian sales office and warehouse in Mumbai in February 2011. The office will serve initially as a sales office for both C&T Matrix and BNL.

Operating Results.
Revenue for the year was £33.5 million which was an increase of 25.6%.

	2011 £000	2010 £000	Change %
Revenue	33,509	26,688	25.6%
Gross profit	12,809	10,291	24.5%
Operating profit	3,534	2,460	43.7%
Add back: Depreciation	856	826	
Add back: Amortisation	1,189	1,119	
Add back: Exceptional costs	178	657	
EBITDA before exceptional costs	5,757	5,062	13.7%
Profit before tax	3,597	1,792	
Add back: Amortisation	1,189	1,119	
Add back: Exceptional costs	178	657	
Add back: Unrealised foreign exchange gains	(79)	(236)	
Add back: Unrealised derivative gains	(1,019)	(348)	
Profit before tax*	3,866	2,984	29.6%
Taxation	(501)	142	
Profit after tax*	3,365	3,126	7.6%
Basic adjusted EPS* +	10.2p	8.0p	28.0%
Basic EPS	11.4p	7.2p	58.2%
Capital expenditure	1,044	791	32.0%
Net bank debt	11,717	16,140	-27.4%

* excluding amortisation, exceptional costs, unrealised foreign exchange translation and derivative gains.
\+ applying a standard tax charge of 28% and based on the average number of shares in issue in the year.

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Financial Review
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Revenue
Revenue for the year was £33.5 million which was an increase of 25.6% from £26.7 million in FY2010. On a like-for-like basis (i.e. adjusting for exchange rates), organic revenue increased by 25.3%.

Gross profit
Gross profit was £12.8 million (margin: 38.2%) in FY2011 against £10.3 million (margin: 39.5%) in FY2010. Excluding exceptional costs included within cost of sales, the gross profit in FY2011 was £12.9 million (margin: 38.5%) compared to a gross profit in 2010 of £10.8 million (margin: 40.6%). The reduction in gross profit margin was due to a combination of (i) fx impact - we were hedged during FY2011 at a weaker USD rate of $1.64 compared to FY2010 of $1.48; and (ii) increasing raw material prices within one of our businesses in the printing and packaging division which were largely passed on to end customers through increased sales prices but which have the effect of reducing percentage margin.

Exceptional costs
Exceptional costs incurred in the year relate to:
- charge associated with introduction of the LTIP;
- legal and professional fees associated with the sale and leaseback of Palagan's property;
- set-up costs relating to the news sales offices in India and China; and
- restructuring, integration and streamlining of past acquisitions.

These exceptional costs were offset by an exceptional gain in the year of £0.3 million which arose on the property sale and leaseback.

Profitability
EBITDA before exceptional costs was £5.8 million which is 13.7% higher than in FY2010.

Profit after taxation excluding amortisation, exceptional costs, unrealised foreign exchange translation and derivative gains of £3.4 million compares with the prior year equivalent of £3.1 million, an increase of 7.6%.

Taxation
The Group's tax charge for the year is £0.5 million which compares with FY2010 of a tax credit of £0.1 million (which arose on the movement of defered tax during FY2010).

Earnings per share
Basic earnings per share are 11.4p compared to 7.2p in FY2010. This is based on a weighted average 27.23 million shares (FY2010: 26.95 million shares).

Capital expenditure
Capital expenditure was £1.0 million in FY2011 which compares with £0.8 million in FY2010.

Cash flow
In the year, cash generated from operations amounted to £5.4 million (FY2010: £4.4 million). This improvement arose primarily from the increased volumes seen during the year while keeping a tight control on working capital. The cash balance at the year end was £1.6 million (FY2010: £0.6 million), which represents cash generated in the year of £1.0 million (FY2010: £0.2 million).

Net bank debt
Net bank debt at the year end of £11.7 million (FY2010: £16.1 million) decreased during the year by £4.4 million.

The principal movement in the year was caused by the strong cash generation of the business with a further reduction due to the sale and leaseback of Palagan's property in October 2010 (£1.3 million). There was a minor effect from the foreign exchange debt, denominated in Euros, US Dollars and Japanese Yen, which when translated at the year end rate accounted for an unrealised foreign exchange gain of £0.1 million.

KPIs
The Group uses the key financial performance indicator of earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptionals. In FY2011, the EBTIDA margin was 17.2% which is down on FY2010 at 19.0%. The reduction in EBITDA margin was due to the same reasons as detailed for the reduction in gross profit margin (i) fx impact - we were hedged during FY2011 at a weaker USD rate of $1.64 compared to FY2010 of $1.48; and (ii) increasing raw material prices within one of our businesses in the printing and packaging division which were largely passed on to end customers through increased sales prices but which have the effect of reducing percentage margin.

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Board of Directors

Faisal John Rahmatallah, (age 55)
Executive Chairman
Faisal is a founder shareholder of Plastics Capital and Director of the Company. He has worked for and with manufacturing companies for 17 of the last 27 years. He has spent 7 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 40)
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 at ScotiaCapital in leveraged finance. He is a graduate of Bath University and is an ACA accountant.

Arun Nagwaney, (age 40)
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 12 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.

Richard Charles Vessey, (age 62)
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 co-founded two other start-ups, and is currently a non-executive director of a VCT and some of its investee companies. He has a degree in Engineering from Imperial College London and has an MBA from Harvard Business School.

Andrew John Walker, (age 59)
Non Executive Director
Andrew joined the Company as a non executive Director in December 2007. Andrew has extensive experience of executive roles in a number of large multinational businesses and he 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.

Keith Oliver Butler-Wheelhouse, (age 65)
Non Executive Director
Keith joined the Company as a non executive Director in January 2011. Keith has extensive experience of executive roles in a number of large multinational businesses. He was Group Chief Executive of Smiths Group plc for twelve years until 2008 and prior to that he was the CEO of Saab Automobile (Sweden) for four years to 1996 and CEO of Delta Motor Corporation (South Africa) for six years to 1992. Since 1992, Keith has also has a number of non executive roles at, amongst others, General Motors Europe, Delta Motor Corporation, Atlas Copco AB and Sainbury's plc. He is currently the Non-Executive Chairman of Niu Solutions plc, an IT and telecommunication company.

Plastics Capital plc
Annual Report & Accounts 2011
Directors' Report

The Directors present their annual report and the financial statements for the year ended 31 March 2011.

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 Group has four factories in the UK, one in Thailand and sales offices in the USA, Japan, China and India.

Results and dividends
The results of trading of the Group for the year are set out in the consolidated income statement on page 21. The Directors do not recommend the payment of a dividend (2010: £nil).

Business Review
The Chairman's statement on pages 4 to 5, the Operational Review and Financial Review on pages 6 to 11, 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 2011.

Assessment of principal risks and uncertainties
The principal risks that the Group faces are:

- **Adverse currency movements impacting profitability** - the Group invoices customers in a number of different currencies, including Japanese Yen, Euro 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 some 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 foreign currency borrowings.
- **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.
- **Bad Debt Risk** – there is a risk that the Group is exposed to bad debts particularly as it sells to a number of different end markets covering approximately 70 countries. To mitigate the risk, management have made an assessment of each customer to determine what level of internal credit should be given based on previous trading history, the current financial information available and external credit reports. The level of bad debts experienced to date has been very low.
- **Raw Materials** – the Group is exposed to a combination of raw material price increases and availability. Raw material prices have primarily affected commodity grades of plastics over the last year and we have looked to mitigate this risk by re-engineering products, buying alternative plastic grades and where applicable passing on cost increases. Certain raw materials have had supply issues over the last year and where this risk has arisen we have again looked at alternative plastic grades plus we have also expanded our supplier base. Management will continue to remain vigilant and responsive to market developments.

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

Environmental matters
The Group is committed to identifying and assessing the risks of pollution and other forms of environmental impairment and is actively seeking to reduce the impact on the environment to the lowest practical level.

Minimisation of manufacturing waste and the maximisation of energy efficiency are both recognised as beneficial to the Group from an environmental as well as a commercial viewpoint.

Waste minimisation is driven and managed at the business unit level. All manufacturing operations monitor their waste and all business units comply with local environment legislation. General waste management programmes and initiatives are encouraged and the recycling of materials takes place where practical, either internally or through external programmes with suppliers or other third parties.

Future prospects
The Directors remain 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.

Sales concluded the year strongly, profit margins have remained satisfactory, cash flow generation has been strong and debt has continued to reduce in line with our expectations. The rate of improvement in trading has slowed in the second half of the year as the state of the global economy improved after the recession. However, new business activity has continued to progress well and the Group is confident that this will continue to drive growth over the medium term.

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 2011.

Shareholders	No of shares	% of shares
Octopus Asset Management	4,526,711	16.44
ISIS Equity Partners PLC	2,700,000	9.80
Faisal Rahmatallah	2,675,895	9.72
Richard Vessey	2,617,416	9.50
Arun Nagwaney	2,072,653	7.53
F&C Asset Management PLC	1,358,069	4.93
Jeremy Clarke	1,110,287	4.03
Downing Corporate Finance	1,082,000	3.93
Maven Capital Partners	985,750	3.58
Plastics Capital (Trustee) Limited	921,655	3.35

Since 24 June 2011, 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. Consolidated creditor days are 63 (2010: 74).

Political and charitable donations
The Company made no political or charitable donations during the year (2010: £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.

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Directors' Report
continued

Employee Involvement
The Group's policy is to consult and discuss with employees, through staff meetings, matters likely to affect employees' interests and matters of concern to employees.

The Group is an equal opportunities employer with a commitment to help people develop their potential. In relation to disabled people or minority groups, the Group has a policy of giving them full and fair consideration for all vacancies for which they are suitably qualified. Employees who become disabled during their working lives will be retained in employment wherever possible and will be given help with any necessary rehabilitation or training.

Financial Instruments
Details of the use of financial instruments by the Group are contained in note 25 of the financial statements.

Directors
The names of the current Directors together with brief biographical details are shown on page 14. None of the Directors hold an interest in any material contract with the Company save for their Service Contracts or Letters of Appointment.

Directors' interests
The Directors interests, including their connected parties were:

Directors	**Company Shares 2011**	Company Shares 2010
F Rahmatallah	**2,675,895**	2,675,895
N Ball	**201,801**	201,801
A Nagwaney	**2,072,653**	2,072,653
J Clarke (resigned 1 October 2009)	**1,110,287**	1,127,079
R Vessey	**2,617,416**	2,617,416
A Walker	**91,875**	91,875
K Butler-Wheelhouse (appointed 18 January 2011)	**100,000**	-

Information forming part of the financial statements
The information below forms part of the Financial Statements.

(a) Directors' emoluments
The various elements of remuneration received by each Director were as follows:

	Salary /fees £000	Bonus £000	Share based payments* £000	**2011 Total £000**	2010 Total £000
F Rahmatallah	132	32	60	224	117
N Ball	102	7	32	141	100
A Nagwaney	32	-	-	32	50
J Clarke (resigned 1 October 2009)	-	-	-	-	66
R Vessey	24	-	11	35	22
A Walker	24	-	11	35	22
K Butler-Wheelhouse	5	-	-	5	-
Total	319	39	114	472	377

* Share based payments have been shown the assumption that all criteria relating to the LTIP scheme are met to achieve full vesting in 2016.

(b) Directors' share options
The following Directors hold share options over the ordinary shares of the Company.

	Share option scheme	Number of share options	Exercise price	Grant date
A Walker	Share Option Scheme	50,000	£1.00	06.12.07
K Butler-Wheelhouse	Share Option Scheme	50,000	£0.725	19.01.11

The share option scheme has a contractual life of 10 years with 33% being exercisable on the first anniversary of the grant, 33% being exercisable on the second anniversary of the grant and the remaining 34% being exercisable on the third anniversary of the grant.

During the year the company implemented an Equity based Long Term Incentive Plan ("LTIP"). The Directors listed above are also entitled to ordinary shares of the Company through the LTIP. The LTIP share scheme has a contractual life of 10 years and vest over a period of 7 years from the grant date.

The following Directors have shares of the Company held by Plastics Capital (Trustee) Limited.

	Share scheme	Number of award shares held	Number of bonus shares held	Exercise price	Grant date
N Ball	LTIP Scheme	23,456	60,792	£0.39	01.04.10
F Rahmatallah	LTIP Scheme	71,008	85,108	£0.39	01.04.10
R Vessey	LTIP Scheme	13,109	15,709	£0.39	01.04.10
A Walker	LTIP Scheme	13,109	15,709	£0.39	01.04.10

The award shares and bonus shares will vest only on the meeting of certain criteria which include profit targets and will be payable (if due) in 2015 and 2016.

The mid-market price of the Company's shares at 31 March 2011 was 86p (2010: 30p).

The Directors were all covered by qualifying third party indemnity insurance during the financial year and at the date of this report.

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
27 June 2011

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent 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 law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent 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 parent 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 parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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.
We comply with the principles of good governance.

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 17.

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, two Executive Directors and three Non-Executive Directors. Two of the Non-Executive Directors are independent of the executive management.

Board Committees

The principal committees established by the Directors are:

- **Audit Committee** – this committee comprises Faisal Rahmatallah, Richard Vessey, Andrew Walker (chairman) and Keith Butler-Wheelhouse. 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, Richard Vessey and Keith Butler-Wheelhouse (chairman). 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, Richard Vessey and Keith Butler-Wheelhouse.

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.

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Financial Statements

Plastics Capital plc
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Independent Auditor's Report
to the members of Plastics Capital plc

We have audited the financial statements of Plastics Capital plc for the year ended 31 March 2011 set out on pages 21 to 60. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 17, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Jeremy Gledhill (Senior Statutory Auditor)
for and on behalf of
KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Neville Street
Leeds LS1 4DW
27 June 2011

Plastics Capital plc
Annual Report & Accounts 2011
Consolidated Income Statement
for year ended 31 March 2011

	Note	Before foreign exchange & exceptional items 2011 £000	Foreign exchange impact on derivatives and loans 2011 £000	Exceptional items 2011 £000	Total 2011 £000	Restated Before foreign exchange & exceptional items 2010 £000	Restated Foreign exchange impact on derivatives and loans 2010 £000	Restated Exceptional items 2010 £000	Restated Total 2010 £000
Revenue		**33,509**	**-**	**-**	**33,509**	26,688	-	-	26,688
Cost of sales	3	**(20,303)**	**(294)**	**(103)**	**(20,700)**	(16,426)	564	(535)	(16,397)
Gross profit		**13,206**	**(294)**	**(103)**	**12,809**	10,262	564	(535)	10,291
Distribution expenses		**(1,934)**	**-**	**-**	**(1,934)**	(1,696)	-	-	(1,696)
Administration expenses	3	**(7,266)**	**-**	**(75)**	**(7,341)**	(6,013)	-	(122)	(6,135)
Operating profit		**4,006**	**(294)**	**(178)**	**3,534**	2,553	564	(657)	2,460
Financial income	8/9	**250**	**849**	**-**	**1,099**	297	324	-	621
Finance expense	8	**(1,036)**	**-**	**-**	**(1,036)**	(1,289)	-	-	(1,289)
Net financing (costs)/income		**(786)**	**849**	**-**	**63**	(992)	324	-	(668)
Profit before tax		**3,220**	**555**	**(178)**	**3,597**	1,561	888	(657)	1,792
Tax	10	**(501)**	**-**	**-**	**(501)**	142	-	-	142
Profit for the year attributable to equity shareholders of the Company		**2,719**	**555**	**(178)**	**3,096**	1,703	888	(657)	1,934
Basic earnings per share attributable to equity shareholders of the Company	24				**11.4p**				7.2p
Diluted earnings per share attributable to equity shareholders of the Company	24				**11.3p**				7.2p

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

Plastics Capital plc
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Consolidated Statement of Comprehensive Income
for year ended 31 March 2011

	Note	2011 £000	2010 £000
Profit for the year		**3,096**	1,934
Other comprehensive income			
Foreign currency translation differences for foreign currency operations	23	**(264)**	196
Total comprehensive income		**2,832**	2,130
Total recognised income and expense for the year is attributable to:			
Equity holders of the parent		**2,832**	2,130

Plastics Capital plc
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Consolidated Balance Sheet
at 31 March 2011

	Note	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	11	**4,362**	5,210
Investments	12	**38**	33
Intangible assets	13	**22,239**	23,386
		26,639	28,629
Current assets			
Inventories	15	**3,194**	2,617
Trade and other receivables	16	**7,381**	6,604
Other financial assets	17	**167**	-
Cash and cash equivalents	18	**1,647**	606
		12,389	9,827
Total assets		**39,028**	38,456
Current liabilities			
Interest-bearing loans and borrowings	19	**2,901**	2,855
Trade and other payables	20	**5,505**	4,404
Corporation tax liability		**540**	95
		8,946	7,354
Non-current liabilities			
Interest-bearing loans and borrowings	19	**11,088**	14,443
Other financial liabilities	21	**-**	851
Deferred tax liabilities	14	**1,196**	1,151
		12,284	16,445
Total liabilities		**21,230**	23,799
Net assets		**17,798**	14,657
Equity attributable to equity holders of the parent			
Share capital	23	**275**	270
Share premium	23	**14,098**	13,854
Translation reserve	23	**349**	613
Reverse acquisition reserve	23	**2,640**	2,640
Capital redemption reserve	23	**(214)**	15
Retained earnings	23	**650**	(2,735)
Total equity		**17,798**	14,657

These financial statements were approved by the Board of Directors on 27 June 2011 and were signed on its behalf by:

Faisal Rahmatallah
Executive Chairman
Registered Number 06387173

Plastics Capital plc
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Consolidated Cash Flow Statement
for year ended 31 March 2011

	2011 £000	2010 £000
Profit after tax for the year	**3,096**	1,934
Adjustments for:		
Income tax charge	**501**	(142)
Depreciation and amortisation	**2,045**	1,945
Financial income	**(1,099)**	(621)
Financial expense	**1,036**	1,289
Gain on disposal of plant, property and equipment	**(249)**	-
Equity settled share based payment expenses	**289**	5
Changes in working capital:		
Increase in trade and other receivables	**(777)**	(1,193)
(Increase)/decrease in inventories	**(577)**	227
Increase in trade and other payables	**1,110**	932
Cash generated from operations	**5,375**	4,376
Interest paid	**(884)**	(1,184)
Income tax (paid)/received	**(12)**	138
Net cash inflow from operating activities	**4,479**	3,330
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(1,044)**	(791)
Interest received	**2**	36
Acquisition of investments	**(5)**	-
Proceeds from disposal of property, plant and equipment	**1,300**	1
Net cash outflow from investing activities	**253**	(754)
Cash flows from financing activities		
Net proceeds from the issue of share capital	**36**	-
Repayment of borrowings and fees	**(3,727)**	(2,377)
Net cash outflow from financing activities	**(3,691)**	(2,377)
Increase in cash and cash equivalents	**1,041**	199
Cash and cash equivalents at 1 April 2010	**606**	407
Cash and cash equivalents at 31 March 2011	**1,647**	606

Plastics Capital plc
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Consolidated Statement of Changes in Shareholders' Equity
for year ended 31 March 2011

	Share capital £000	Share premium £000	Translation reserve £000	Reverse acquisition reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 31 March 2009	270	13,848	417	2,640	69	(4,664)	12,580
Total recognised income and expense for the year	-	-	196	-	-	1,934	2,130
Issue of new shares	-	6	-	-	-	-	6
Purchase of shares by EBT	-	-	-	-	(54)	-	(54)
Equity-settled share based payment transactions	-	-	-	-	-	(5)	(5)
Balance at 31 March 2010	**270**	**13,854**	**613**	**2,640**	**15**	**(2,735)**	**14,657**

	Share capital £000	Share premium £000	Translation reserve £000	Reverse acquisition reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 31 March 2010	270	13,854	613	2,640	15	(2,735)	14,657
Total recognised income and expense for the year	-	-	(264)	-	-	3,096	2,832
Issue of new shares	5	244	-	-	-	-	249
Purchase of shares by EBT	-	-	-	-	(229)	-	(229)
Equity-settled share based payment transactions	-	-	-	-	-	289	289
Balance at 31 March 2011	**275**	**14,098**	**349**	**2,640**	**(214)**	**650**	**17,798**

Plastics Capital plc
Annual Report & Accounts 2011
Notes
to the Consolidated the Financial Statements

1 Significant Accounting policies
Plastics Capital plc (the "Company") is a public company incorporated in England and Wales, with subsidiary undertakings in the UK, Japan, Thailand, India and the United States of America.

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). 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 Company financial statements in accordance with UK GAAP; these are presented on pages 58 to 60.

The accounts are presented in pounds sterling, which is the functional currency of the parent Company and the presentational currency of the Group, and in round thousands.

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

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. All subsidiaries have the same year end date as the parent Company.

Intra group transactions and balances are eliminated on consolidation.

Going concern
The Financial Reporting Council issued "Going Concern and Liquidity Risk: Guidance for Directors of UK Companies" in October 2009 and the Directors have considered this when preparing the financial statements. These have been prepared on a going concern basis and the Directors have taken steps to ensure that they believe the going concern basis of preparation remains appropriate. The key conclusions are as follows:

- On 21 June 2011 the Company entered into new facilities agreements with Barclays Corporate. The Company forecasts it can meet performance covenants attaching to the facilities over the period to 30 June 2012.
- A sensitised cash flow forecasting exercise performed for the period from the date of approval of these financial statements until 30 June 2012 showed that the Group had sufficient funds to meets its debts as they fall due over that period.
- The Directors have considered the position of the trading companies in the Group to ensure that these companies are in a position to meet their obligations as they fall due.

There are not believed to be any contingent liabilities which could result in a significant impact on the business if they were to crystallise.

Plastics Capital plc
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Determination and presentation of operating segments
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Executive Chairman to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Executive Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly intangible assets.

Foreign currency
The Company and its UK subsidiaries consider their functional currency and presentation currency to be Sterling, because it reflects the economic substance of the underlying events and circumstances relevant to the Group insofar as its main operations and transactions are established and liquidated in Sterling, BNL has subsidiaries in the USA, Japan and Thailand which consider their functional currency to be US Dollar, Japanese Yen and Thai Baht, respectively.

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.

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 less any impairments.

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1 Significant Accounting policies continued

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:

Other financial liabilities: Other financial liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are recognised at amortised cost.

Bank and other borrowings are 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.

Derivative financial instruments

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

The fair value of interest rate 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.

Depreciation is charged to the income statement on a straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. 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%

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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

Investments
Investments are stated at cost less provisions for diminution in value.

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 are carried in the balance sheet at cost. 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.

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1 Significant 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 through 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 programme allows certain senior management employees to acquire shares of the Company. The fair value of shares 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 shares. The fair value of the shares granted is measured using an option valuation model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

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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.

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.

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.

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 or impairments 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.

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.

Restatement of 2010 figures
The 2010 profit and loss account has been restated in order to reclassify some costs between cost of sales, distribution expenses and administration expenses. This has been done in order to ensure that there is consistency between the current and previous years profit and loss accounts.

As a result of the restatement of the 2010 profit and loss; the cost of sales figure has increased by £248,000, distribution expenses have increased by £383,000 and administration expenses have fallen by £631,000. There was no effect on the profit for 2010.

Total non-current assets by location (note 7) has been restated for 2010 to include the Thailand assets within Asia rather than within Rest of the World.

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2 New standards, amendments to standards or interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 April 2010:

- IFRS 3 (revised) 'Business Combinations' and consequential amendments to IAS 27, 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates', IAS 21 'The Effects of Changes in Foreign Exchange Rates', IAS 31 'Interests in Joint Ventures' and IAS 32 'Financial Instruments: Presentation'. The revision does not have a material impact on the Group or the Company's financial statements.
- IFRS 7 (revised) 'Financial Instruments: Disclosures', Exclusion of contingent consideration in a business combination has been removed. The revision does not have a material impact on the Group of the Company's financial statements.
- IAS 7 (revised) 'Statement of Cashflows', the revision does not have a material impact on the Group of the Company's financial statements.

The following new standards, amendments to standards or interpretations are also mandatory for the first time for the financial year beginning 1 April 2010 but are not currently relevant for the Group:

- IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', this is not applicable as the Group has neither Non-current Assets Held for Sale nor Discontinued Operations.
- IAS 34 'Interim Financial Reporting', this is not applicable as the Group is only listed on the Alternative Investment Market, which this standard does not apply to. Also these financial statements are not themselves interim statements.
- IFRIC 17 'Distributions of Non-cash Assets to Owners', this is not relevant to the Group, as no non-cash assets have been distributed to owners.
- IFRIC 18, 'Transfers of assets from customers', effective from 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- IFRIC 19, 'Extinguishing financial liabilities with equity investments'. This is not relevant to the Group as no equity instruments have been issued to extinguish any financial liabilities.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and have not been adopted early:

- IAS 24, 'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011. Management is assessing the impact on the Group, particularly with regards to the amended definitions of a related party.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2010 and are currently not relevant to the Group:

- IFRIC 14, 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. This is not relevant to the Group as Group does not operate any Defined Benefit Pension Schemes.

The Directors do not anticipate that the adoption of any of these standards and interpretations will have a material impact on these financial statements, other than those noted above.

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3 Exceptional items – Operating profit

Cost of Sales

	2011 £000	2010 £000
Redundancy payments	-	436
Restructuring/integration costs	30	45
Costs associated with sale & leaseback	50	-
Stock provisions and write-off on integration of businesses	23	44
Factory set up costs	-	10
	103	535

Also included within Cost of Sales is £294,000 in relation to losses on foreign exchange contracts (2010: gains of £564,000).

Administrative expenses

	2011 £000	2010 £000
Redundancy payments	-	68
Restructuring/integration costs	-	54
Company set up costs	31	-
Recruitment costs	30	-
LTIP charge and EBT scheme cancellation charge	289	-
Gain on sale of property	(275)	-
	75	122

Exceptional costs incurred and included in cost of sale and administrative expenses in the year relate to:

(i) charge associated with introduction of the LTIP;
(ii) legal and professional fees associated with the sale and leaseback of Palagan's property;
(iii) set-up costs relating to the news sales offices in India and China; and
(iv) specific one off recruitment costs.

These exceptional costs were offset by an exceptional gain in the year of £275,000 which arose on the Palagan property sale and leaseback.

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4 Expenses and auditor's remuneration

Included in profit before tax are the following:

	2011 £000	2010 £000
Depreciation of assets-owned assets	**856**	826
Amortisation of intangible assets (recognised in administrative expenses)	**1,189**	1,119
Net gain on disposal of property, plant and equipment	**(275)**	-
Hire of plant and machinery	**24**	19
Other operating lease rentals	**606**	614
Equity settled share based payments	**289**	5

Auditor's remuneration:

	2011 £000	2010 £000
Audit of these financial statements	**25**	23
Amounts receivable by auditors and their associates in respect of:		
Audit of statutory financial statements of subsidiaries pursuant to legislation	**58**	52
Other services relating to taxation	**29**	50

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.

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5 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	
	2011	2010
Directors and management	**21**	21
Administrative	**24**	24
Sales and distribution	**24**	21
Production and engineering	**234**	214
	303	280

The aggregate payroll costs of these persons were as follows:

	2011	2010
	£000	£000
Wages and salaries	**6,784**	6,427
Share based payments	**289**	5
Social security costs	**756**	512
Other pension costs	**185**	165
	8,014	7,109

Other pension costs relate to defined contribution pension plans.

6 Directors' emoluments

	2011	2010
	£000	£000
Salaries and fees	**319**	350
Bonuses	**39**	-
Company contributions to money purchase pension plans	**-**	2
Compensation for loss of office	**-**	25
Share based payment charges	**114**	-
	472	377

The aggregate emoluments of the highest paid Director were £224,000 (2010: £117,000).

	Number of Directors	
	2011	2010
Retirement benefits are accruing to the following number of Directors under:		
Money purchase schemes	**-**	1

Key management remuneration is disclosed in note 27.

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7 Segment information

The Executive Chairman has been identified as the chief operating decision-maker. The Executive Chairman reviews the Group's internal reporting as the basis for assessing performance and allocating resources. Management has determined the operating segments based on these reports. The Group currently has four operating segments, which are based on the four operating businesses – namely BNL (UK) Limited which makes plastics bearings, Palagan Limited which makes specialist films, C&T Matrix Limited which makes creasing matrix and Bell Plastics Limited which makes hose mandrel.

Following the identification of the operating segments, the Group has then assessed the similarity of the economic characteristics of the various operating segments. Given the similarity of the general end markets, it has been concluded that Palagan Limited and C&T Matrix Limited have fundamentally the same economic characteristics and that BNL (UK) Limited and Bell Plastics Limited have fundamentally the same economic characteristics. Given this, the Group has considered the overriding core principles of IFRS 8 and has determined that it is appropriate to aggregate the operating segments into two reportable segments for the purposes of disclosure in the financial statements.

The Group has therefore two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Executive Chairman reviews internal management reports on a monthly basis.

Performance is assessed based on sales, gross profit, EBITDA and profit before tax. Segment assets include property, plant and equipment, inventories, cash and trade and other receivables. Segment liabilities include interest-bearing loans and borrowings, trade and other payables and other financial liabilities.

The following summary describes the operations in each of the Group's reportable segments:

- Printing & Packaging – includes creasing matrix and films
- Power Transmission – includes hose mandrel and plastic bearings

	Power transmission 2011 £000	Printing & packaging 2011 £000	Unallocated and reconciling items 2011 £000	Total 2011 £000
External sales*	16,066	17,443	-	33,509
Profit before tax**	1,899	1,493	375	3,767
Depreciation and amortisation	559	258	1,228	2,045
Segment assets***	10,308	10,912	17,808	39,028
Segment liabilities****	(3,664)	(3,935)	(13,631)	(21,230)

	Power transmission 2010 £000	Printing & packaging 2010 £000	Unallocated and reconciling items 2010 £000	Total 2010 £000
External sales*	12,363	14,325	-	26,688
Profit/(loss) before tax	(483)	1,095	1,950	2,562
Depreciation and amortisation	522	251	1,172	1,945
Segment assets	9,835	9,986	18,635	38,456
Segment liabilities	(3,542)	(4,248)	(16,009)	(23,799)

* All revenue is attributable to external customers, there are no transactions between operating segments

** Profit before tax for unallocated and reconciling items includes the following material items: management income of £2,950,000 (2010: £2,950,000), head office costs of £1,285,000 (2010: £840,000), rental income of £135,000 (2010: £150,000) and net interest of £957,000 (2010: £395,000).

*** Segment assets for unallocated and reconciling items includes the following material item: investments and goodwill of £17,742,000 (2010: 19,478,000).

**** Segment liabilities for unallocated and reconciling items includes the following material items: loans of £13,989,000 (2010: £14,443,000) and deferred tax of £1,196,000 (2010: £1,151,000).

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Reconciliation of reportable segment revenue

	2011 £000	2010 £000
Printing & packaging		
Creasing matrix	**6,502**	5,754
Specialist films	**10,941**	8,571
Power Transmission		
Plastics bearings	**12,409**	10,217
Hose mandrel	**3,657**	2,146
Turnover per consolidated income statement	**33,509**	26,688

Reconciliation of reportable segment profit

	2011 £000	2010 £000
Total profit for reportable segments	**3,767**	2,562
	3,767	2,562
Unallocated amounts:		
Amortisation	**(1,189)**	(1,119)
Unrealised gains on derivatives	**1,019**	349
Consolidated profit before income tax	**3,597**	1,792

Reconciliation of reportable segment assets

	2011 £000	2010 £000
Total assets for reportable segments	**39,028**	38,456
Total assets per consolidated balance sheet	**39,028**	38,456

Reconciliation of reportable segment liabilities

	2011 £000	2010 £000
Total liabilities for reportable segments	**(21,203)**	(23,799)
Total liabilities per consolidated income statement	**(21,203)**	(23,799)

The Group's external revenue and non-current assets are split between the following geographical regions. The Group does not rely on any major customers and no individual customer accounts for more than 10% of the Groups external revenue.

	External revenue by location of customers		Restated Total non current assets by location	
	2011 £000	2010 £000	2011 £000	2010 £000
United Kingdom	**12,774**	10,577	**25,317**	27,350
Europe	**6,825**	5,858	**32**	32
USA	**4,218**	3,186	**54**	88
Asia	**7,878**	6,146	**1,236**	1,159
Rest of the World	**1,814**	921	**-**	-
	33,509	26,688	**26,639**	28,629

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8 Finance income and expense

	2011 £000	2010 £000
Interest income	1	37
Realised gains on derivatives used to manage interest rate risk	249	260
Financial income	250	297
Bank interest	962	1,257
Deferred consideration interest	74	32
Financial expenses	1,036	1,289

9 Finance income included within foreign exchange costs

	2011 £000	2010 £000
Net foreign exchange gain	79	236
Unrealised gains on derivatives used to manage foreign exchange risk	770	88
	849	324

The net foreign exchange gains represent unrealised gains arising on the translation of foreign currency loans.

10 Taxation

	2011 £000	2010 £000
Current tax charge/(credit)		
Current year	444	-
Adjustments for prior years	-	(21)
Foreign tax charge	12	-
	(456)	(21)
Deferred tax credit (note 14)		
Current year	22	(153)
Adjustments for prior years	23	32
	45	(121)
Total tax charge/(credit) in income statement	501	(142)

Reconciliation of effective tax rate

	%	2011 £000	%	2010 £000
Profit/ (loss) before tax		3,597		1,792
Expected tax charge/(credit) based on the UK corporation tax rate	28%	1,007	28%	502
Non-deductible expenses	2.6%	91	(3.9%)	(69)
Impairment of property, plant & equipment	-	-	0.7%	13
Use of losses not provided	(13.3%)	(477)	(33.4%)	(599)
Tax adjustment in respect of prior year	-	-	(1.2%)	(21)
Deferred tax adjustment in respect of prior years	-	-	1.9%	32
R&D uplift – SME rates	(1.8%)	(63)	-	-
Effect of movements in tax rates	(1.9%)	(69)	-	-
Adjustment for overseas tax rates	0.3%	12	-	-
Total tax charge/(credit) in income statement	13.9%	501	(7.9%)	(142)

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11 Property, plant and equipment

	Land & buildings £000	Plant & machinery £000	Fixtures & fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 31 March 2009	1,651	5,585	279	29	7,544
Exchange movement	-	40	33	-	73
Additions	135	611	45	-	791
Disposals	-	(69)	-	-	(69)
Balance at 31 March 2010	**1,786**	**6,167**	**357**	**29**	**8,339**
Exchange movement	-	14	4	-	18
Additions	2	768	274	-	1,044
Disposals	(1,565)	(28)	-	(6)	(1,599)
Balance at 31 March 2011	**223**	**6,921**	**635**	**23**	**7,802**
Depreciation and impairment					
Balance at 31 March 2009	470	1,615	154	-	2,239
Depreciation charge for the year	57	691	61	17	826
Exchange movement	-	16	29	-	45
Provision for impairment	-	29	-	-	29
Disposals	-	(10)	-	-	(10)
Balance at 31 March 2010	**527**	**2,341**	**244**	**17**	**3,129**
Depreciation charge for the year	41	733	78	4	856
Exchange movement	-	1	2	-	3
Disposals	(540)	(3)	-	(5)	(548)
Balance at 31 March 2011	**28**	**3,072**	**324**	**16**	**3,440**
Net book value					
At 31 March 2011	**195**	**3,849**	**311**	**7**	**4,362**
At 31 March 2010	1,259	3,826	113	12	5,210
At 31 March 2009	1,181	3,970	125	29	5,305

12 Investments

	£000
Investments	
Balance as at 31 March 2010	33
Addition	5
Balance as at 31 March 2011	**38**

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

A 40% investment is held however no control is exercised by the UK management team as the business is run and managed by the management from San Marino.

The addition in the year relates to the costs associated with setting up a new Chinese company. This will be fully incorporated in 2011.

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13 Intangible assets

	Goodwill £000	Technology £000	Intellectual Property Rights £000	Distributor & Customer Relationships £000	Trademarks £000	Total £000
Cost						
Balance at 31 March 2009	17,932	2,779	1,175	4,075	1,546	27,507
Fair value adjustment	45	-	-	-	-	45
Balance at 31 March 2010	17,977	2,779	1,175	4,075	1,546	27,552
Fair value adjustment	42	-	-	-	-	42
Balance at 31 March 2011	**18,019**	**2,779**	**1,175**	**4,075**	**1,546**	**27,594**
Amortisation and impairment						
Balance at 31 March 2009	313	1,190	560	648	336	3,047
Amortisation for the year	-	471	168	330	150	1,119
Balance at 31 March 2010	313	1,661	728	978	486	4,166
Amortisation for the year	-	471	168	330	150	1,119
Impairment	-	-	-	70	-	70
Balance at 31 March 2011	**313**	**2,132**	**896**	**1,378**	**636**	**5,355**
At 31 March 2011	**17,706**	**647**	**279**	**2,697**	**910**	**22,239**
At 31 March 2010	17,664	1,118	447	3,097	1,060	23,386
At 31 March 2009	17,619	1,589	615	3,427	1,210	24,460

The fair value adjustment relates to Palagan Limited and an adjustment to its completion accounts.

During the year distributor and customer relationships have been impaired by £70,000. This impairment relates to customer relationships which had been originally acquired as part of a previous acquisition. These relationships are no longer being utilised and as such it was considered appropriate to impair these items.

Goodwill is allocated to the following cash generating units ("CGUs"):	Discount factor %	2011 £000	Discount factor %	2010 £000
Bell Plastics	**10.3**	**4,529**	10.3	4,529
BNL (UK)	**18.0**	**1,178**	18.0	1,178
C&T Matrix	**11.3**	**8,436**	11.3	8,436
Palagan	**11.6**	**3,563**	11.6	3,521
		17,706		17,664

Management have performed impairment reviews on the carrying value of goodwill as at 31 March 2010 and 31 March 2011. For the purpose of impairment testing goodwill is allocated to each CGU which represent the lowest level within the Group at which goodwill is monitored for internal management purposes. The aggregate carrying amounts of goodwill for each unit are as above.

Value in use was determined by discounting the future cash flows generated from the continuing use of the unit and was calculated in the same way in 2010. The calculation of the value in use was based on the following key assumptions:

- Cash flow projections covering a five year period to 31 March 2016 - the projections were based on an assumption of nil growth, amended for additional revenue from confirmed orders in the first months of the new financial year.
- These cash flow projections have then been extended in perpetuity.
- The above discount factors have been applied in determining the recoverable amount of units. The discount factors were calculated during 2009 to take account of a new debt structure and changing market factors. They have been retained during 2011 in order to provide a prudent impairment review.

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14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Liabilities	
	2011	2010
	£000	£000
Intangible assets	**1,276**	1,367
Accelerated capital allowances	**(80)**	(214)
Other temporary differences	**-**	(2)
Tax liabilities	**1,196**	1,151

Movement in deferred tax liabilities during the year

	1 April 2010	**Recognised in income**	**Transfer**	**31 March 2011**
	£000	**£000**	**£000**	**£000**
Intangible assets	**(1,367)**	**91**	**-**	**(1,276)**
Accelerated capital allowances	**214**	**(134)**	**-**	**80**
Other temporary differences	**2**	**(2)**	**-**	**-**
	(1,151)	**(45)**	**-**	**(1,196)**

Movement in deferred tax liabilities during the prior year

	1 April 2009	Recognised in income	Transfer	31 March 2010
	£000	£000	£000	£000
IIntangible assets	(1,583)	216	-	(1,367)
Accelerated capital allowances	309	(95)	-	214
Other temporary differences	2		-	2
	(1,272)	121	-	(1,151)

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.

At 31 March 2011 there was an unrecognised deferred tax asset in respect of losses carried forward of £nil (2010: £205,000).

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15 Inventories

	2011 £000	2010 £000
Raw materials and consumables	**1,541**	1,181
Work in progress	**360**	450
Finished goods	**1,293**	986
	3,194	2,617

The cost of inventory recognised within the income statement was £12,599,000 (2010: £9,874,000)
Inventories are stated net of provisions amounting to £457,000 (2010: £547,000).

16 Trade and other receivables

	2011 £000	2010 £000
Trade receivables (net of provisions)	**6,796**	5,916
Other receivables and prepayments	**585**	688
	7,381	6,604

The provision for bad and doubtful debts included within the net trade receivables balance above is £126,000 (2010: £35,000).
The trade receivables balance above includes amounts denominated in currencies other than Sterling as follows:

	2011 £000	2010 £000
Euro	**957**	730
US Dollar	**1,453**	790
Japanese Yen	**174**	830
Thai Baht	**22**	-
Indian Rupee	**5**	-

17 Other financial assets

	2011 £000	2010 £000
Derivatives	**167**	-

See note 25 for further information regarding financial instruments.

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18 Cash and cash equivalents

	2011 £000	2010 £000
Cash and cash equivalents per balance sheet and cash flow statement	**1,647**	606

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

	2011 £000	2010 £000
Euro	**294**	272
US Dollar	**290**	239
Japanese Yen	**(31)**	255
Thai Baht	**23**	10
Indian Rupee	**21**	-

19 Interest-bearing loans and borrowings

See note 25 for more information about the contractual terms of the Group's interest-bearing loans and borrowings.

	2011 £000	2010 £000
Non-current liabilities		
Secured bank loans	**11,088**	13,343
Property loan	**-**	1,100
	11,088	14,443
Current liabilities		
Current portion of secured bank loans	**2,276**	2,303
Deferred consideration	**625**	552
	2,901	2,855

Loan repayment

The property loan was repaid in October 2010 with the disposal proceeds from the sale and leaseback of the Palagan property.
The deferred consideration of £625,651 as at 31 March 2011 is to PLA4 Limited and is payable no later than 31 March 2013.

Deferred debt issue costs

Included within bank loans are £884,100 (2010: £846,387) of costs capitalised as part of the acquisition loans.

Security

Security can be analysed as follows:

	2011 £000	2010 £000
Property, plant and equipment	**4,362**	5,210
Inventories	**3,194**	2,617
Trade and other receivables	**7,381**	6,604
	14,937	14,431

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

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20 Trade and other payables

	2011 £000	2010 £000
Trade payables	**3,626**	3,451
Non-trade payables and accrued expenses	**1,879**	953
	5,505	4,404

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

	2011 £000	2010 £000
Euro	**416**	459
US Dollar	**25**	57
Thai Baht	**160**	67
Indian Rupee	**17**	-

21 Other financial liabilities

	2011 £000	2010 £000
Derivatives	**-**	851

See note 25 for further information regarding financial instruments.

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22 Share based payments

During 2011 the Group has the following share-based payment arrangements:

(i) Share option scheme (equity settled). On 6 December 2007 the Group established a share option scheme that entitles Non-Executive Directors to purchase shares in Plastics Capital plc. On 10 January 2011 a further grant on similar terms (except for exercise price) was offered to a Non-Executive Directors. Holders of vested options are entitled to purchase shares at the market price of shares at the grant date.

(ii) Employee Benefit Trust ("EBT") scheme (equity settled). The EBT scheme was introduced in order to allow certain employees the opportunity to purchase shares in Plastics Capital plc. During the year the EBT scheme was cancelled and replaced with the Long Term Incentive Plan as noted below.

(iii) Long Term Incentive Plan ("LTIP") (equity settled). On 1 April 2010 the Group offered 21 of its employees the opportunity to participate in an LTIP. The discretionary LTIP 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 seven years after the original grant date providing the relevant performance criteria have been met.

In line with IFRS 2 Share-based payment, the Group has fair valued all grants of equity instruments which were unvested as of 1 January 2005.

Terms and conditions of share option scheme

The terms and conditions related to the grants of the share option scheme are as follows; all options are to be settled by physical delivery of shares.

Grant date/Employees entitled/nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
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 (10 years)
Equity settled award to Plastics Capital plc non-executive director by Plastics Capital plc on 19 January 2011	50,000	Options vest over period of three years	19 January 2021 (10 years)
Total share options	100,000		

Disclosure of share option scheme

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

	2011 Weighted average exercise price £	2011 Number of options No.	2010 Weighted average exercise price £	2010 Number of options No.
Outstanding at the beginning of the year	**2.36**	**50,000**	1.06	58,479
Exercised during the year	**-**	**-**	(1.00)	(6,000)
Lapsed during the year	**-**	**-**	(2.42)	(2,479)
Granted during the year	**0.73**	**50,000**	-	-
Outstanding at the end of the year	**0.94**	**100,000**	2.36	50,000
Exercisable at the end of the year	**2.36**	**50,000**	1.42	33,333

The options outstanding at 31 March 2011 have an exercise price in the range of £0.73 to £1.00 (2010: £1.06 to £2.36) and a weighted average contractual life of 8.3 years. (2010: 7.8 years). There were no share options exercised during the year.

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22 Share based payments continued

Inputs for measurement of grant-date fair values

The grant date fair value of the rights granted through the share option scheme was measured based on The Black-Scholes model. Expected volatility was estimated by reference to historical share price movements in both the Group and comparable quoted companies. The inputs used in the measurement of the fair values at grant date of the share option scheme were as follows:

	Share Option Scheme	
	2011	2010
Weighted average share price	**72.5p/100p**	100p
Exercise price	**72.5p/100p**	100p
Expected volatility	**40%**	40%
Option life	**5 years**	5 years
Risk free interest rate	**4.8%**	4.8%
Fair value per option	**37.3p**	38p

Terms and conditions of LTIP

The terms and conditions related to the grants of the LTIP are as follows; all options are to be settled by physical delivery of shares.

Grant date/Employees entitled/nature of scheme	Number of instruments	Vesting conditions	Contractual life of options
Equity settled award to directors and senior management by Plastics Capital plc on 30 September 2010	900,565	Shares vest over period of seven years	1 April 2010 (10 years)
Total share options	900,565		

Disclosure of LTIP

The number and weighted average exercise prices of shares are as follows:

	2011 Weighted average exercise price £	**2011 Number of shares No.**	2010 Weighted average exercise price £	2010 Number of shares No.
Outstanding at the beginning of the year	**-**	**-**	-	-
Granted during the year - Award	**0.39**	**349,792**	-	-
Granted during the year - Bonus	**0.39**	**550,864**	-	-
Outstanding at the end of the year	**0.39**	**900,565**	-	-
Exercisable at the end of the year	**-**	**-**	-	-

The shares outstanding at 31 March 2011 have an exercise price of £0.39 (2010: scheme didn't exist) and a weighted average contractual life of 9 years. (2010: scheme didn't exist). There were no shares exercised during the year.

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Inputs for measurement of grant-date fair values

The grant date fair value of the rights granted through the LTIP was measured based on The Black-Scholes model. Expected volatility was estimated by reference to historical share price movements in both the Group and comparable quoted companies. Awards vest five years after the original grant date providing the relevant performance criteria have been met. The inputs used in the measurement of the fair values at grant date of the share option scheme were as follows:

	Plastics Capital plc scheme	
	2011	2010
Grant date	**1 Apr**	-
Share price at date of grant	**38.5p**	-
Assumed leavers	**0%**	-
Performance criteria achieved	**100%**	-
Exercise price	**Nil**	-
Fair value of contingent share award granted	**£207,542**	-

Employee Expense

	Note	**2011**	2010
Share options granted in 2007		**-**	5
Expense arising from LTIP grant in 2010		**208**	-
Expense arising from cancellation of EBT		**81**	-
Total expense recognised as employee costs	5	**289**	5

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23 Capital and reserves

Current year

	Share capital £000	Share premium £000	Translation reserve £000	Reverse acquisition reserve £000	Capital redemption Reserve £000	Retained earnings £000	Total £000
Balance at 31 March 2010	270	13,854	613	2,640	15	(2,735)	14,657
Total recognised income and expense for the year	-	-	(264)	-	-	3,096	2,832
Issue of new shares	5	244	-	-	-	-	249
Purchase of shares by EBT	-	-	-	-	(229)	-	(229)
Equity-settled share based payment transactions	-	-	-	-	-	289	289
Balance at 31 March 2011	**275**	**14,098**	**349**	**2,640**	**(214)**	**650**	**17,798**

Prior year

	Share capital £000	Share premium £000	Translation reserve £000	Reverse acquisition reserve £000	Capital redemption Reserve £000	Retained earnings £000	Total £000
Balance at 31 March 2009	270	13,848	417	2,640	69	(4,664)	12,580
Total recognised income and expense for the year	-	-	196	-	-	1,934	2,130
Issue of new shares	-	6	-	-	-	-	6
Purchase of shares by EBT	-	-	-	-	(54)	-	(54)
Equity-settled share based payment transactions	-	-	-	-	-	(5)	(5)
Balance at 31 March 2010	**270**	**13,854**	**613**	**2,640**	**15**	**(2,735)**	**14,657**

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Share capital

In thousands of shares	Ordinary shares of 1p each 2011	2010
On issue at 1 April	**26,953**	26,953
Issued for cash	**589**	-
On issue at 31 March – fully paid	**27,542**	26,953

	2011 £000	2010 £000
Allotted, called up and fully paid		
27,542,532 ordinary shares of 1p each	**275**	270
	275	270

On the 29 September 2010 pursuant to a Long Term Incentive Plan operated by the company, 539,069 new 1p ordinary shares were issued to Plastics Capital (Trustees) Limited at a price of 38.5p per share.

On 17 January 2011 in conjunction with the appointment of K Butler-Wheelhouse as a Non-Executive Director of the company, 50,000 new 1p ordinary shares were issued to K Butler-Wheelhouse at a price of 72.5p per share

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
Capital redemption reserve	Arises on consolidation of Plastics Capital (Trustee) Limited through purchase of the parent company's shares. The number of Plastics Capital plc shares held by Plastics Capital (Trustee) Limited as at 31 March 2011 was 921,655

24 Earnings per share

	2011 £000	2010 £000
Numerator		
Earnings used in basic and diluted EPS		
Profit for the year from continuing operations	**3,096**	1,934
Profit for the year	**3,096**	1,934
Denominator		
Weighted average number of shares used in basic EPS	**27,233,414**	26,935,663
Weighted average number of shares used in diluted EPS	**27,308,414**	26,988,489

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25 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; 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.

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. The interest rate hedges are for the life of the loan and cover approximately 20% (2010: 66%) of the loans value.

The Group has taken out foreign currency loans as part of its strategy to commercially hedge against foreign currency movement. During 2011 and 2010, the Group's borrowings were denominated in Euro, US Dollar, Japanese Yen and Sterling and subject to floating rate charges as follows:

	2011 Floating rate £000
GBP	**5,178**
USD	**1,248**
EUR	**6,913**
Other	**650**
	13,989

	2010 Floating rate £000
GBP	5,924
USD	1,548
EUR	9,123
Other	703
	17,298

Any movement in the interest rates will have an impact on the Group's interest charge however the sensitivity shown below is only for interest rates increasing.

If interest rates were to increase to 4% (up from the current rate of 0.8%), the interest rate charge would increase by £282,000 (2010: £119,000).

If interest rates were to increase to 6% (up from the current rate of 0.8%), the interest rate charge would increase by £461,000 (2010: £319,000).

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(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 62% of the Group's sales are in foreign currencies however the Group's core operations are run from the UK. The Group has operations located in the USA, China, India, Thailand 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 exceptions are US Dollars and Euros where the remaining risk of exchange rate fluctuation is mitigated in the near term through currency forwards and borrowings in foreign currencies, respectively.

The Group's policy is to hedge 100% of its anticipated net cash flows in US Dollars for the subsequent 12 – 18 months.

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

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	31 March 2011					
	EUR	USD	GBP	JPY	THB	RUP
	£000	£000	£000	£000	£000	£000
Trade receivables	957	1,453	4,185	174	22	5
Secured bank loans	(6,913)	(1,248)	(5,178)	(650)	-	-
Trade payables	(416)	(25)	(3,009)	-	(160)	(16)
Gross exposure	(6,372)	180	(4,002)	(476)	(138)	(11)
Forward exchange contracts	-	-	319	-	-	-
Net exposure	(6,372)	180	(3,683)	(476)	(138)	(11)

	31 March 2010					
	EUR	USD	GBP	JPY	THB	RUP
	£000	£000	£000	£000	£000	£000
Trade receivables	730	790	3,566	830	-	-
Secured bank loans	(9,123)	(1,548)	(5,924)	(703)	-	-
Trade payables	(459)	(57)	(2,868)	-	(67)	-
Gross exposure	(8,407)	(604)	(5,881)	127	(67)	-
Forward exchange contracts	-	-	(451)	-	-	-
Net exposure	(8,852)	(815)	(5,677)	127	(67)	-

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
GBP	2011	2010	2011	2010
EUR	1.177	1.130	1.131	1.123
USD	1.557	1.596	1.605	1.519
JPY	133.2	148.1	132.8	141.8
THB	48.4	53.8	48.6	49.2
INR	70.8	-	71.5	-

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25 Financial instruments continued

Sensitivity analysis

A 10% weakening of Sterling against the following currencies at 31 March 2011 would have increased/(decreased) net financial assets and liabilities and profit or loss before tax 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 2010.

	Net financial assets and liabilities £000	Profit or loss £000
At 31 March 2011		
USD	**47**	**659**
EUR	**(696)**	**218**
JPY	**(51)**	**25**
THB	**(11)**	**(73)**
INR	**-**	**(2)**
At 31 March 2010		
USD	(49)	564
EUR	(856)	99
JPY	40	90

A 10% strengthening of Sterling against the following currencies at 31 March 2011 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 2010.

	Net financial assets and liabilities £000	Profit or loss £000
At 31 March 2011		
USD	**(43)**	**(599)**
EUR	**633**	**(198)**
JPY	**46**	**(23)**
THB	**10**	**66**
INR	**-**	**2**
At 31 March 2010		
USD	44	(512)
EUR	778	(90)
JPY	(36)	(82)

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 have 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.

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(c) 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 Group maintains an overdraft facility with RBS to manage any unexpected short-term cash shortfalls.

2011

	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
Floating rate	**5.70%**	**14,873**	**15,849**	**3,553**	**12,255**	**41**	**-**	**-**
Trade and other payables		**5,505**	**5,505**	**5,505**	**-**	**-**	**-**	**-**
Deferred debt issue costs		**(884)**	**-**	**(114)**	**(770)**	**-**	**-**	**-**
Total		**19,494**	**21,354**	**8,944**	**11,485**	**41**	**-**	**-**

2010

	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
Floating rate	6.33%	18,144	19,851	4,037	3,239	12,561	14	-
Trade and other payables		4,404	4,404	4,404	-	-	-	-
Deferred debt issue costs		(846)	-	(100)	(373)	(373)	-	-
Total		21,702	24,255	8,341	2,866	12,188	14	-

d) Credit risk

The Group is mainly exposed to credit risk from sales. It is Group policy, implemented locally, to assess the credit risk of new customers before agreeing terms. Such credit ratings, taking into account local business practices, are then factored into any terms which may be extended to customers.

The Group does not have any significant concentration of credit risk.

Aged trade receivables

	Current £000	>30 days £000	>60 days £000	>90 days £000	>120 days £000	Total £000
2011	**3,270**	**2,284**	**912**	**305**	**25**	**6,796**
2010	3,538	1,416	475	399	88	5,916

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 16) is low. As the Group does not carry a significant bad debt provision, the disclosed information represents the ageing of assets that are neither past due nor impaired.

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25 Financial instruments continued

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

		Carrying amount	
		2011	2010
	Note	**£000**	£000
Loans and receivables	16	**6,796**	5,916
Foreign exchange contracts used for hedging	17	**167**	-
Cash and cash equivalents	18	**1,647**	606
		8,610	6,522

The maximum exposure to credit risk for loans and receivables at the reporting date by geographic region was:

	2011	2010
	£000	£000
GBP	**4,185**	3,566
EUR	**957**	730
USD	**1,453**	790
JPY	**174**	830
THB	**22**	-
INR	**5**	-
	6,796	5,916

Impairment losses

The ageing of loans and receivables at the reporting date was:

	Gross	**Impairment**	Gross	Impairment
	2011	**2011**	2010	2010
	£000	**£000**	£000	£000
Not past due	**3,270**	**-**	3,538	-
Past due 0 – 30 days	**2,284**	**-**	1,416	-
Past due 31 – 60 days	**912**	**-**	475	-
Past due 61 – 90 days	**305**	**-**	399	-
More than 90 days	**151**	**-**	123	-
	6,922	**-**	5,951	-

e) Maturity of debt

					31 Mar '11		31 Mar '10
					£000		£000
	Currency	Nominal interest rate	Period of maturity	**Face value**	**Carrying amount**	Face value	Carrying amoun
Bank loan	GBP	2.25%	2 years	**4,552**	**4,552**	5,118	5,118
	EUR	2.25%	2 years	**6,605**	**6,605**	7,833	7,833
	USD	2.25%	2 years	**1,248**	**1,248**	1,548	1,548
	JPY	2.25%	2 years	**650**	**650**	703	703
Property loan	GBP	2.75%	2 years	**-**	**-**	1,100	1,100
Asset backed loan	EUR	2.75%	2 years	**308**	**308**	444	444
Deferred consideration	GBP	12.00%	2 years	**626**	**626**	552	552
				13,989	**13,989**	17,298	17,298

The interest margin on the bank loans will step down as the senior net debt to EBITDA leverage reduces, as follows: (i) Leverage > 3x, the margin is 2.75%; (ii) Leverage 3-2.5x, the margin is 2.50%; (iii) Leverage 2.5-2x, the margin is 2.25%; and (iv) Leverage < 2x, the margin is 2.00%.

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 two years plus a bullet payment which are repayable in March 2013. The property loan was repaid in the year following the sale and leaseback of the Palagan property.

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f) 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 2011 and 31 March 2010.

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

	Carrying amount liability 2011 £000	Fair value liability 2011 £000	Carrying amount liability 2010 £000	Fair value liability 2010 £000
Forward contracts - foreign exchange	(319)	(319)	451	451
Interest rate collar	152	152	400	400
	(167)	(167)	851	851

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.

Fair value hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) inactive markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets of liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Level 2 £000	Total £000
31 March 2011		
Forward exchange contracts used for hedging	(319)	(319)
Interest rate collar	152	152
	(167)	(167)

	Level 2 £000	Total £000
31 March 2010		
Forward exchange contracts used for hedging	451	451
Interest rate collar	400	400
	851	851

g) Capital management
In line with the disclosure requirements of IAS1, Presentation of Financial Statements, the Company regards its capital as being the issued share capital together with its banking facilities, used to manage short term working capital requirements.

Note 23 to the Financial Statements provides details regarding the Company's share capital and movements in the period. There were no breaches of any requirements with regard to any relevant conditions imposed by the Company's Articles of Association during the periods under review.

There have been no changes to the Group's capital management approach in the period. The treasury functions of the Group are responsible for managing fund requirements and investments which includes banking and cash flow management. The main risk arising from the Group's capital management is non-compliance with covenants attached to banking facilities.

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26 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land & Buildings 2011 £000	Plant & Machinery 2011 £000	Total 2011 £000	Land & Buildings 2010 £000	Plant & Machinery 2010 £000	Total 2010 £000
Less than one year	**539**	**44**	**583**	512	51	563
Between one and five years	**1,952**	**35**	**1,987**	1,533	82	1,615
More than five years	**3,152**	**-**	**3,152**	2,283	-	2,283
	5,643	**79**	**5,722**	4,328	133	4,461

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
Blandford Road	June 2024	June 2015	June 2015
Sanders Road	August 2022	August 2022	August 2022
Tavistock Street	October 2025	October 2015	October 2015

The rent review date for the Manse Lane premises is on 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.

27 Related parties

In addition to Directors emoluments disclosed in Note 6, key management remuneration during the year was £447,000 (2010: £382,000) with company pension contributions of £27,000 (2010: £15,000).

During the year sales were made to and goods purchased from SKOR srl by C&T Matrix Limited of £338,000 and £138,000, respectively (2010: £435,000 and £269,000, respectively). SKOR srl is an associated undertaking of Plastics Capital plc (see note 12).

Annual rent of £135,000 (2010: £150,000) is payable by Palagan Limited to Plastics Capital Trading Limited, the intermediary parent company of Palagan Limited.

In March 2008, Plastics Capital plc, through its subsidiary, Plastics Capital Trading Limited acquired Palagan Limited ("Palagan") for a total consideration of £6,400,000 of which £500,000 plus interest of £52,510 was deferred for two years until March 2010. Certain Directors of Plastics Capital plc, being Faisal Rahmatallah, Arun Nagwaney, Andrew Walker and Richard Vessey have established a specially formed company (PLA4 Limited) to pay the deferred consideration and the accumulated interest on behalf of Plastics Capital Trading Limited in consideration for Plastics Capital Trading Limited undertaking to pay PLA4 Limited, £552,510, plus interest at a rate which will not exceed 12%, by 31 March 2013. PLA4 Limited is therefore considered to be a related party as the above individuals are Directors of both entities.

28 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 or to the financial statements in general within the next financial year are discussed below:

Intangible assets

The Group recognises intangible assets (other than goodwill) on acquisition. Estimates are made in respect of useful lives 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 valuation methods, discount rates, growth rates and future cash flows and the cost of capital. Actual outcomes may vary.

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Goodwill
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. Goodwill is assigned by the Company to its cash-generating units, the allocation of which is a judgement based on the knowledge of the business. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows, growth rates and the choice of a discount rate based on knowledge of the cost of capital 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.

Exceptional costs, foreign exchange costs and presentation of the financial statements
The Group is required to make judgements in determining its policy for the disclosure and presentation of exceptional costs and foreign exchange costs. These judgements are made in order to facilitate the understanding of the performance of the Group.

29 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%
BNL (UK) Limited	England and Wales	Plastics Products	100%
BNL (Japan) Inc	Japan	Plastics Products	100%
BNL (US) Inc	USA	Plastics Products	100%
BNL (Thailand) Limited	Thailand	Plastics Products	100%
C&T Matrix Limited	England and Wales	Plastics Products	100%
Palagan Limited	England and Wales	Plastics Products	100%
Plastics Capital India Private Limited	India	Plastics Products	100%
SKOR srl	San Marino	Plastics Products	40%
Bell Holdings Limited	England and Wales	Holding company	100%
GKT Partnership Limited	England and Wales	Holding company	100%
Plastics Capital (Trustee) Limited *	England and Wales	Trust company	100%
Cobb Slater Limited	England and Wales	Dormant	100%
Channel Matrix Distribution Limited	England and Wales	Dormant	100%
Plastics Capital (Acquisitions) Limited *	England and Wales	Dormant	100%
Sabreplas Limited	England and Wales	Dormant	100%
Trimplex Safety Tread Limited	England and Wales	Dormant	100%

* These two companies are owned directly by Plastics Capital plc whilst all other companies are owned indirectly through Plastics Capital Trading Limited.

30 Post balance sheet event
On 21 June 2011, Plastics Capital signed a new £14 million committed banking facility with Barclays Corporate. The new facility has a final maturity date of 30 June 2015 and has been structured by means of a £8 million revolving credit facility and £6 million amortising term loan. This will replace the existing facility with Royal Bank of Scotland which was due to mature in March 2013.

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Company Balance Sheet
at 31 March 2011

	Note	2011 £000	2010 £000
Fixed assets			
Investments	2	**10,765**	10,765
		10,765	10,765
Current assets			
Debtors (including £15.5m due after more than one year)	3	**15,528**	15,132
Current liabilities			
Creditors: amounts falling due within one year		**(127)**	(81)
Net current assets		**15,401**	15,051
Total assets less current liabilities		**26,166**	25,816
Net assets		**26,166**	25,816
Capital and reserves			
Share capital	4	**275**	270
Share premium	4	**14,161**	13,923
Merger reserve	4	**10,544**	10,544
Capital redemption reserve	4	**194**	-
Retained earnings	4	**992**	1,079
Total shareholders' funds		**26,166**	25,816

These financial statements were approved by the Board of Directors on 27 June 2011 and were signed on its behalf by:

Faisal Rahmatallah
Executive Chairman
Registered number 06387173

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1 Accounting policies
Plastics Capital (the "Company") is a public company incorporated in England and Wales, with subsidiary undertakings in the UK, Japan, Thailand, India 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 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

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

	2011	2010
	£000	£000
Investments (see note 29)	**10,765**	10,765
	10,765	10,765

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3 Debtors

	2011 £000	2010 £000
Other debtors and prepayments	**67**	-
Amounts owed by Group undertakings	**15,461**	15,132
	15,528	15,132

Included in amounts owed by parent undertakings is £15,461,000 (2010 £15,132,000) 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	Capital redemption reserve £000	Retained earnings £000	Total £000
Balance at 31 March 2009	270	13,917	10,544	-	839	25,570
Issue of new shares	-	6	-	-	-	6
Profit for the financial year	-	-	-	-	240	240
Balance at 31 March 2010	270	13,923	10,544	-	1,079	25,816
Issue of new shares	5	238	-	-	-	243
Purchase of shares by EBT	-	-	-	194	-	194
Profit for the financial year	-	-	-	-	(87)	(87)
Balance at 31 March 2011	**275**	**14,161**	**10,544**	**194**	**992**	**26,166**

5 Reconciliation of movements in shareholders' funds

Statement of change in equity

	Total £000
Profit for the financial year	(87)
Purchase of shares by EBT	194
New share capital subscribed (net of issue costs)	243
Net addition to shareholders' funds	350
Opening shareholders' funds	25,816
Closing shareholders' funds	**26,166**

6 Staff numbers and costs

The only employees of the Company are the statutory Directors as listed on page 14. All remuneration was borne by a subsidiary Group company.

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Company Information

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06387173

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