

# ROBINSON

## 2006 FINANCIAL STATEMENTS

FRIDAY



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COMPANIES HOUSE

Registered Number: 39811

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Richard John Clothier – <i>Non-executive Chairman</i> Adam Formela – <i>Chief Executive (appointed 1 February 2007)</i> Dr Jonathan Brian Marx – <i>Director</i> Charles William Guy Robinson – <i>Finance Director</i> Charles Compton, Anthony Glossop – <i>Non-executive Director</i>
<b>Company Secretary</b>	Guy Robinson
<b>Registered Office</b>	Bradbury House Goyt Side Road, Chesterfield, S40 1YE
<b>Nominated Adviser/Broker</b>	Arbuthnot Securities Limited 20 Ropemaker Street, London, EC2Y 9AR
<b>Financial PR</b>	Bankside Consultants Limited 1 Frederick's Place, London, EC2R 8AE
<b>Solicitors</b>	DLA Piper UK LLP 1 St Paul's Place, Sheffield, S1 2JX
<b>Auditor</b>	Grant Thornton UK LLP 2 Broadfield Court, Sheffield, S8 0XF
<b>Registrars</b>	Neville Registrars Limited 18 Laurel Lane, Halesowen, B63 3DA
<b>Bankers</b>	NatWest Bank plc 5 Market Place, Chesterfield, S40 1TY

The Company is incorporated in England, registered no 39811

## Chairman's Review

### Summary

- 2006 has been a year of significant structural reorganisation of the business
- The loss before tax was £1.2m (2005 profit £1.3m)
- The acquisition of the Stanton Hill business from VR Plastics in 2006 increased total sales to £28.8m (2005 £26.6m). However, sales in the paperboard business declined from the previous year
- Exceptional operating costs of £1.4m were incurred due to the acquisition of Stanton Hill, the establishment of the Polish manufacturing facility and redundancy and reorganisation costs
- Net borrowings increased by £4.2m to £6.6m during the year, mainly as a result of the acquisition of Stanton Hill
- Agreements, subject inter alia to planning consents, to sell surplus properties are expected to permit a reduction in borrowings in 2007
- the Board will be recommending a final dividend for the year of 1.75p per share (2005 final 1.75p)

### Sales

Total sales were £2.2m higher than in the previous year. The growth was attributable to the acquisition of the plastics business at Stanton Hill in May 2006 (which contributed sales of £4.2m in 2006) which offset a decline in sales within the paperboard business. The sales from our newly established Polish plastic manufacturing business amounted to £0.9m and sales growth at our Kirkby plant was sufficient to replace the business transferred to Poland.

Paperboard revenues declined due to contract losses in the Drinks, Toiletries and Food sectors in the UK whilst the North American business suffered from the loss of the packaging contract for tooth whitening strips. Most notable was the loss in the UK of the Goldenfry gravy granules tube contract worth £3m per annum that we announced in November 2006.

### Trading results

There were very significant increases in input costs, with plastic polymer prices rising by 15% and energy costs by 50%, and the lag in passing these through to our customers resulted in the gross margin falling from 16% to 9%. Our commitment to recover margins has contributed to some loss of business.

Overheads were at a similar level to the previous year, although steps were taken at the end of the year to reduce future costs in line with the anticipated loss of business. The operating loss before exceptional items was £0.9m (2005 profit £0.5m).

Exceptional operating costs of £1.4m incurred in 2006 included

- Redundancy costs of £0.5m and £0.3m of accelerated depreciation of fixed assets, mainly as a response to the loss of Goldenfry's business in Paperboard
- The costs of setting up the Polish manufacturing facility, which were largely incurred in the first half of the year, amounting to £0.3m
- £0.1m associated with the acquisition of Stanton Hill, including goodwill written off
- £0.1m of tooling costs relating to a project that has not lived up to expectations

The operating loss after exceptional items was £2.3m (2005 profit £0.5m).

There was a profit on disposal of land and buildings which related in the main to the sale of two residential properties amounting to £0.3m.

Interest payable was £0.3m (2005 £0.04m), reflecting the investment in Stanton Hill and fixed assets (including Poland) in the period, coupled with the trading loss. Other financial income in respect of the Pension Fund (FRS17) produced a credit of £1.1m compared with £0.9m in 2005; the increase was due to higher returns on assets and lower scheme liabilities.

The loss before taxation was £1.2m (2005 profit £1.3m).

### Cash & Finances

Net bank borrowings increased by £4.2m to end the year at £6.6m. The acquisition of the Stanton Hill plastics business totalled £3.1m, which included £1.4m in respect of freehold land and buildings. Other capital expenditure was in line with the annual depreciation figure and included investments in the new plastics plant in Poland (£0.9m).

## Chairman's Review

### Dividends

The Board is recommending a final dividend of 1 75p per share (2005 final 1 75p) to be paid on 8 June 2007 to shareholders on the register at the close of business on 11 May 2007

### Pensions


Our pension fund remains in a healthy position. The latest actuarial valuation at 5 April 2005 indicated a surplus of 8%. The FRS17 valuation indicates the fund has assets with a market value of £56m and liabilities of £45m giving a surplus of £11m in the fund at the end of 2006. The market value of assets rose by 7% in the year whilst liabilities remained static. At the end of the year, the Group had paid over contributions amounting to £999,000 into an escrow account which will either be paid to the pension fund or returned to the Group depending on the outcome of the actuarial valuation of the fund due in April 2008. Full disclosure relating to the pension fund, including details of the mortality tables used for valuations, are included in the notes to the accounts.

### Property

We are entering into agreements, completion of which is subject to obtaining the necessary planning consents and certain other matters, to sell both the Walton Works (7.6 acres) and the Wheatbridge (1.5 acres) sites. If the planning applications are successful and proceed according to our expected timetable then we should complete both contracts during 2007. The proceeds will be used to pay down our borrowings.

### Outlook

The loss of the Goldenfry paperboard business, which accounted for over 10% of the Group turnover, is a significant loss. However, the action already taken to reduce operating costs will do much to mitigate this. We continue to seek to develop the business both through organic growth and acquisition. Adam Formela, who was appointed Chief Executive in February, will bring a new perspective to the management team and we expect to restore profitability in the coming year.

  
Richard Clothier  
Chairman  
22 March 2007

## Report on corporate governance

The Company is committed to high standards of corporate governance in keeping with its size

### **The Board**

The Company supports the concept of an effective board leading and controlling the Group. The Board is responsible for approving Group policy and strategy and the Directors are free to seek any further information they consider necessary. All Directors have access to independent professional advice at the Group's expense.

The Board has a written statement of its responsibilities and there are written terms of reference for the Nomination, Remuneration and Audit committees. The Chairman and Non-Executive Director, whose time commitment to the Company are commensurate with their remuneration, hold other positions as set out in the biographies below.

The Board meets regularly on dates agreed each year for the calendar year ahead. This is typically seven times per year although additional meetings are called as and when deemed necessary.

The Board consists of a non-executive Chairman, one other non-executive Director, a Chief Executive and a Finance Director/Company Secretary. This provides a broad background of experience and a balance whereby the Board's decision making cannot be dominated by an individual. The Chairman of the Board is Richard Clothier and the Group's business is run by the Chief Executive (now Adam Formela) and Guy Robinson, the Finance Director and Company Secretary. The biographies of the Directors are set out below.

#### ***Richard Clothier, aged 61, Non-executive Chairman***

After a period with the Milk Marketing Board, Richard joined the Dalgety group in 1977. In 1988 he was appointed Chief Executive of PIC which was then a subsidiary of the group. In 1992 he was appointed to the main board of Dalgety Plc and took over as Group Chief Executive in 1993. In 1998 he joined PGI Group Plc as Chief Executive. He also served as non-executive director of Granada Plc until 2004 and is currently Chairman of Aqua Bounty Technologies Plc and Spearhead International Ltd. Richard joined the Robinson board in May 2004.

#### ***Adam Formela, aged 46, Chief Executive (appointed 1 February 2007)***

Adam started his career with Black & Decker rising to the rank of European Director of Sales & Marketing before moving into general management with Electrolux and then Kenwood Appliances. He then moved to GRP Ltd, a Singapore listed company as Group Chief Executive, before returning to Europe to work with Acco Brands Corporation as vice president of operations, business development and sales & marketing before becoming President of the Document Communication division. Adam was appointed Chief Executive of Robinson plc with effect 1 February 2007.

#### ***Dr Jonathan Marx, aged 59, Director (Chief Executive until 31 January 2007)***

Jon qualified as a Chartered Engineer in 1971. From 1989 to 1993 he was Divisional Managing Director of CMB Packaging S.A. where he gained substantial leadership and international business experience. In 1993 he joined Low & Bonar plc, an international group involved in packaging, specialist materials and plastics, as Divisional Managing Director of European Packaging, broadening his scope to include the North American division between 1997 and 1999. Between 2000 and 2002, Jon was Divisional Managing Director (Global Services) at De La Rue plc. Jon joined the Company in May 2003 as Chief Executive. Following the appointment of Adam Formela in February 2007, Jon will remain as a main board member until his normal retirement date in June 2007.

#### ***Guy Robinson, aged 50, Finance Director & Company Secretary***

Guy has an honours degree in mechanical engineering from Nottingham University and qualified as a Chartered Accountant in 1981 at Coopers & Lybrand, working for them until he joined Robinson as Management Information Systems manager in 1985. He has held the positions of Group Finance Controller and Packaging Division Financial Director and was appointed Group Finance Director in 1995. He has been responsible for working with the Board on a number of business acquisitions and disposals and is responsible for the Group's significant property portfolio.

#### ***Anthony Glossop, aged 65, Non-executive Director***

Anthony was appointed a director in 1995 and is Chairman of the remuneration committee. After qualifying as a solicitor he entered industry as a company secretary. He became Chief Executive of a West Midlands engineering group. During the engineering recession of the 1980's he steered that group into what is now St Modwen Properties, of which he is Chairman. He is also a non-executive director of Northern Racing plc.

## Report on corporate governance

### Shareholders

The Company maintains close contact with its brokers, who keep the Board informed of the views of the investment community. The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting is used to communicate with private investors and they are encouraged to participate. The Directors will be available at the Annual General Meeting to answer questions.

### Internal control

The Board recognises its responsibility for maintaining systems of internal control and reviewing their effectiveness. The Board maintains procedures for identifying significant risks faced by the Group.

The Board has reviewed the operation and effectiveness of the Group's system of internal financial control for the financial year up to the date of approval of the financial statements. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The principal elements of the Group's systems of internal financial control include:

- A management structure and written procedures that clearly define the levels of authority, responsibility and accountability
- well established business planning, budgeting and monthly reporting functions with timely reviews at the appropriate levels of the organisation
- a comprehensive system for investment appraisal and review
- an Audit Committee that regularly reviews the relationship with and matters arising from the external auditors including the level of non-audit work that is performed by them

### Nomination Committee

The Nomination Committee is chaired by Richard Clothier and includes Anthony Glossop and Jon Marx (now Adam Formela). This committee meets at least once per year and reviews the Board's structure, size and composition. It is also responsible for succession planning for directors and other senior executives.

### Audit Committee

The Audit Committee is chaired by Richard Clothier and includes Anthony Glossop and Jon Marx (now Adam Formela). This committee meets at least twice per year and reviews the interim and preliminary announcement of final results prior to their publication. It is also responsible for the appointment or dismissal of the external auditors and for agreeing their fees. It keeps under review the scope and methodology of the audit, its cost effectiveness together with the independence and objectivity of the auditors. It meets with the auditors at least twice per year to agree the audit plan and review the results of the audit.

### Remuneration Committee

The Remuneration Committee is chaired by Anthony Glossop and includes Richard Clothier and Jon Marx (now Adam Formela). On behalf of the Board the committee reviews and approves the remuneration and service contracts (including benefits) of the executive directors and other senior staff. The Committee aims to provide executive remuneration packages designed to attract, motivate and retain directors of the calibre necessary to achieve the Board's strategic and operational objectives and to reward them for enhancing shareholder value. The remuneration packages for the executive directors and other senior staff include a basic salary and benefits, an annual performance related pay scheme and a long term incentive plan in the form of a share option scheme.

The following information is audited:

A summary of the directors' remuneration for the year ended 31 December 2006 is set out below:

	2006 £'000	2005 £'000
Fees	-	-
Other emoluments (including benefits in kind)	315	329

## Report on corporate governance

### Remuneration Committee (continued)

Retirement benefits are accruing to one director under a money purchase pension scheme and one director under a defined benefit pension scheme. Details in respect of the highest paid director are as follows:

	2006 £'000	2005 £'000
Aggregate emoluments	172	152
Company contributions to money purchase pension scheme	13	12

### Share options

Details of options of 0.5p ordinary shares to the directors and senior staff are as follows:

	Outstanding 1 January 2006	Granted during the year	Exercised during the year	Expired during the year	Outstanding 31 December 2006
Jon Marx	533,021	-	-	-	533,021
Guy Robinson	375,977	95,907	-	-	471,884
Bob Parsons	155,909	41,860	-	-	197,769
Mark Fillingham	150,669	38,048	5,000	183,717	-
	1,215,576	175,815	5,000	183,717	1,202,674
Exercise price	108				
Exercise price (weighted average)	95p		95p		97p
Date of grant	24 March 2006				
Fair value	23.9p				

Generally, the share options may be exercised in whole or in part at any time between the third and tenth anniversary of their being granted subject to the achievement of certain performance criteria.

The market value of the shares at 31 December 2006 was 67.5p.

The fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	24 March 2006	5 May 2005
Share price	115.5p	125p
Exercise price	107.5p	115p
Expected volatility	16%	17%
Expected life	3 years	3 years
Risk free rate	5%	4%

The Group charged £79,000 (2005: £65,000) to the profit and loss account in respect of share based payments.

Mark Fillingham resigned on 30 April 2006.

### International Financial Reporting Standards

The Group will adopt IFRS for the year ending 31 December 2007. Interim reporting for 2007 will be prepared under IFRS. Further planning regarding this, including the provision of comparative figures, will take place in the forthcoming months.

## Directors' report

The directors present their report and the audited accounts of the Group for the year ended 31 December 2006

### Principal activity

The principal activity of the Group is the manufacture and marketing of plastic and paperboard packaging

### Review of business

With the acquisition of the Stanton Hill business in May, the Group turnover increased by 8% to £28.8m. Unanticipated significantly increased input costs have impacted margins in the period. Inevitably there is a time lag before we are able to pass these onto our customers. This coupled with lower sales in our paperboard businesses, resulting in the under-recovery of direct labour costs, has had a significant impact on the profitability of the business. The gross margin reduced from 16% to 9% of sales. As our response to this, together with the loss of a significant sales contract at the end of 2006, the business has elected to re-structure in line with reduced activity resulting in one off redundancy and re-organisation costs. The loss before tax was £1.2m compared to a profit in 2005 of £1.3m. Exceptional costs amounted to £1.4m and there was an exceptional profit on sale of property of £0.3m.

Key financial indicators, including the management of profitability and working capital, monitored on an on-going basis by management are set out below:

Indicator	2006	2005 Measure
<b>Turnover (£'000)</b>	<b>28,800</b>	<b>26,648</b>
<b>Profitability ratios</b>		
Gross margin	9%	16% Gross profit as a percentage of turnover
Trading margin	-3%	2% Operating profit before exceptional items
<b>Working capital levels</b>	<b>10%</b>	<b>11% Stock, debtors and creditors as a percentage of turnover</b>

The Group is committed to minimising its adverse impact on the environment. The following are amongst the measures used by the Group to effectively measure our progress in achieving this objective:

Indicator	2006	2005
Electricity consumed ('000 kwh)	17,065	14,096
Transport costs (£'000s)	1,107	926
Average CO2 of company cars	163	164

The Group's primary commitment is to provide a safe and healthy environment for our employees. The number of reportable accidents are shown below. There were no fatalities in either year.

	2006	2005
Reportable accidents	5	11

### Risk and uncertainty

The directors have set in place a thorough risk management process that identifies and the key risks faced by the Group and ensures that processes are adopted to monitor and mitigate such risks.

The principal risks affecting the business are:

- **Customer base** Many of our customers are large international businesses that are migrating their operations into geographies that optimise efficiencies. To this end we have experienced UK business moving to Continental Europe and we anticipate that this trend will continue. The company has established a production facility in Lodz, Poland and we continue to focus our UK sales activities on business that we believe will remain in the UK.
- **Fluctuations in input prices** Input prices such as polymer prices and electricity costs can fluctuate significantly. The Group seeks to structure contracts with customers in order to recover its costs and monitors the effect of such fluctuations closely.
- **Seasonality** The packaging business is seasonal and sales and profits are weighted towards the second half of the year. The Group seeks appropriate new business to balance its sales more smoothly and structures employee agreements accordingly.
- **Competition** The market in which the Group operates is highly competitive, with constant downward pressure on margins. The Group seeks to improve existing products and introduce new products, as well as providing excellent customer service.



## Directors' report

### Results

	2006 £'000	2005 £'000
Operating (loss)/profit	(2,273)	519
(Loss)/profit before taxation	(1,236)	1,349
(Loss)/profit after taxation	(1,014)	1,029

### Dividends

The following dividends were paid during the year

	2006 £'000	2005 £'000
Final of 1 75p per share, 9 June 2006	244	140
Interim of 1 5p per share, paid 2 October 2006	209	209
Interim paid	-	139
	453	488

The directors recommend a final dividend of 1 75p per share to be paid on 8 June 2007 to shareholders on the register on 11 May 2007

### Directors and directors' interests

The directors of the company during the year together with their interests were as follows:

	0 5p ordinary shares	
	31 December	1 January
Richard Clothier	15,000	15,000
Adam Formela (appointed 1 February 2007 – nil shares at appointment)	-	-
Anthony Glossop	135,162	135,162
Jon Marx	10,528	10,528
Guy Robinson	699,500	699,500

Details of directors' interests in share options are shown on page 7. No director had any interest in the shares of any other Group company. The Company maintains insurance cover to protect directors and officers in respect of their duties as directors and officers of the Group. During the year none of the directors had any material interest in any contract of significance in relation to the Group's business. In accordance with the Company's Articles of Association, Anthony Glossop retires by rotation and offers himself for re-election. Adam Formela, having been appointed since the last annual general meeting, also offers himself for re-election.

### Charitable and political contributions

During the year the Group made charitable contributions totalling £2,714 (2005 £2,822). No contributions were made to political organisations.

### Employees

The Group recognises the need to ensure effective communications with employees. During the year, they were provided with financial and other information affecting the Group and its various operations, by means of the house magazine, and briefings and newsletters. Consultative committees in the different areas of the Group enabled the views of employees to be heard and taken into account when making decisions likely to affect their interests.

### Health and safety

Group policy is to provide and maintain a safe and healthy working environment for all employees and other people who may be affected by our activities and to provide such information, training and supervision as is required for the purpose.

### Employment of disabled persons

In accordance with Group policy, full and fair consideration is given to the employment of disabled persons, having regard to their particular aptitudes and abilities and the responsibility and physical demands of the job. Disabled employees are provided with equal opportunities as regards training and career development.

## Directors' report

### Payment policy and practice

It is the Group's policy to settle the terms of payment with suppliers when agreeing the rest of the transaction to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year end amount to 54 days of average supplies for the year.

### Financial risk management objectives and policies

The Group's financial instruments comprise borrowings, cash balances, liquid resources, debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group does not use derivative instruments.

The principal risks the Group faces in its activities are

- Credit risk from debts arising from its operations
- Foreign currency risk, to which the Group is exposed through its investment in two unlisted companies based overseas

The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

- The Group seeks to manage credit risk by careful review of potential customers and strict control of credit
- The Group does not hedge its exposure of foreign investments held in foreign currencies

The Group has little exposure to liquidity risk and short term flexibility may be achieved by the use of overdraft facilities with a floating interest rate.

### Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.


The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

By order of the Board



Guy Robinson  
Secretary  
Chesterfield  
22 March 2007

## Report of the Independent Auditor

We have audited the financial statements of the Group and parent company financial statements (the "financial statements") of Robinson plc for the year ended 31 December 2006 which comprise the group profit and loss account, statement of total recognised gains and losses, note of historical cost profits and losses, balance sheets, group cash flow statement and notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the report of the directors is consistent with the financial statements. In addition we report to you if, in our opinion, the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the chairman's review, the report on corporate governance, the directors' report and the five year summary. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Grant Thornton UK LLP  
Registered Auditor  
Chartered Accountants  
Sheffield  
22 March 2007

The maintenance and integrity of the Robinson plc website is the responsibility of the directors, the work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

## Group profit and loss account

			2006		2005
	Notes	Excluding acquisition £'000	Acquisition £'000	Total £'000	£'000
<b>Turnover</b>	1	24,649	4,151	<b>28,800</b>	26,648
<b>Cost of sales</b>		(22,566)	(3,518)	<b>(26,084)</b>	(22,512)
<b>Gross Profit</b>		2,083	633	<b>2,716</b>	4,136
Net operating costs excluding exceptional items		(3,230)	(403)	<b>(3,633)</b>	(3,608)
Exceptional items	3	(1,277)	(79)	<b>(1,356)</b>	(9)
Net operating costs	2	(4,507)	(482)	<b>(4,989)</b>	(3,617)
<b>Operating (loss)/profit</b>		(2,424)	151	<b>(2,273)</b>	519
Profit on disposal of land and buildings		252	-	<b>252</b>	-
<b>(Loss)/profit on ordinary activities before interest</b>		(2,172)	151	<b>(2,021)</b>	519
Interest	5			<b>(335)</b>	(40)
Other finance income in respect of pension fund	18			<b>1,120</b>	870
<b>(Loss)/profit on ordinary activities before taxation</b>	1			<b>(1,236)</b>	1,349
Taxation	6			<b>222</b>	(320)
<b>(Loss)/profit on ordinary activities after taxation</b>				<b>(1,014)</b>	1,029
<b>(Loss)/profit per 0.5p share</b>					
Basic and diluted	8			<b>( 6.4p )</b>	6 5p

All amounts relate to continuing operations

	Notes		
<b>Statement of total recognised gains and losses</b>			
(Loss)/profit for the financial year		<b>(1,014)</b>	1,029
Actuarial gain in respect of Pension Fund net of deferred tax	18	<b>53</b>	297
Currency translation differences on foreign currency net investments	20	<b>(111)</b>	82
Total (losses)/gains recognised since last annual report		<b>(1,072)</b>	1,408
<b>Note of historical cost profits and losses</b>			
(Loss)/profit on ordinary activities before taxation		<b>(1,236)</b>	1,349
Difference between historical cost depreciation charge and the actual depreciation charge for the year		<b>24</b>	61
Realisation of revaluation surpluses of previous years on property transactions during the year		<b>77</b>	-
Historical cost (loss)/profit on ordinary activities before taxation		<b>(1,135)</b>	1,410
Historical cost (loss)/profit for the year after taxation and dividends		<b>(1,366)</b>	602

The accounting policies and notes from an integral part of the financial statements

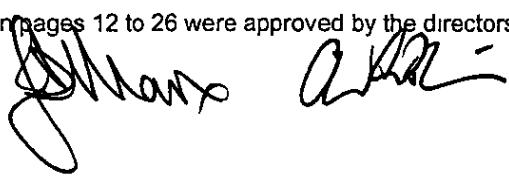
## Balance sheets

		Group		Company	
	Notes	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Fixed assets</b>					
Intangible assets	9	-	-	-	-
Tangible assets	10	19,380	17,440	1,022	1,158
Investments	11	-	-	12,738	10,178
		<u>19,380</u>	<u>17,440</u>	<u>13,760</u>	<u>11,336</u>
<b>Current assets</b>					
Stocks	12	2,031	1,997	-	-
Debtors	13	7,701	7,246	11,284	12,412
Cash	14	196	28	45	1,612
		<u>9,928</u>	<u>9,271</u>	<u>11,329</u>	<u>14,024</u>
Creditors amounts falling due within one year	15	(13,480)	(8,588)	(6,348)	(3,829)
<b>Net current (liabilities)/assets</b>		<u>(3,552)</u>	<u>683</u>	<u>4,981</u>	<u>10,195</u>
<b>Total assets less current liabilities</b>		<u>15,828</u>	<u>18,123</u>	<u>18,741</u>	<u>21,531</u>
Creditors amounts falling due after more than one year	16	-	-	(4,175)	(4,375)
Provisions for liabilities	17	(394)	(607)	(208)	(251)
<b>Net assets excluding pension asset</b>		<u>15,434</u>	<u>17,516</u>	<u>14,358</u>	<u>16,905</u>
Pension asset (net of deferred tax)	18	5,345	4,705	5,345	4,705
<b>Net assets including pension asset</b>		<u>20,779</u>	<u>22,221</u>	<u>19,703</u>	<u>21,610</u>
<b>Capital and reserves</b>					
Called up share capital	19	80	80	80	80
Share premium account	20	402	398	402	398
Capital redemption reserve	20	216	216	216	216
Revaluation reserve	20	4,880	5,136	518	2,357
Profit and loss account	20	15,201	16,391	18,487	18,559
<b>Shareholders' funds</b>	21	<u>20,779</u>	<u>22,221</u>	<u>19,703</u>	<u>21,610</u>

The accounting policies and notes form an integral part of the financial statements

The accounts on pages 12 to 26 were approved by the directors on 22 March 2007

Jon Marx  
Guy Robinson



## Group cash flow statement

	2006 £'000	2005 £'000
<b>Cash inflow from operating activities</b>		
Operating (loss)/profit	(2,273)	519
Depreciation charges and write-down of fixed assets	1,986	1,705
Impairment/(reversal of impairment) of fixed assets	317	(296)
Profit on sale of other tangible fixed assets	(19)	(5)
Decrease/(increase) in stocks	173	(357)
Decrease/(increase) in debtors	214	(1,732)
Increase in creditors	620	928
Decrease in provisions	(44)	(7)
<b>Non-cash items</b>		
Increase in net pension asset charged to operating profit	440	400
Goodwill written off	79	-
Cost of share options	79	65
Transfer to pension escrow account (note 18)	(159)	(822)
<b>Net cash inflow from operating activities</b>	<b>1,413</b>	<b>398</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	-	24
Interest paid	(335)	(62)
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>(335)</b>	<b>(38)</b>
<b>Taxation</b>		
UK corporation tax paid	(129)	(229)
<b>Capital expenditure and financial investment</b>		
Acquisition of business	(3,102)	-
Acquisition of tangible fixed assets	(1,995)	(4,119)
Sales of surplus properties	332	-
Sales of other tangible fixed assets	46	315
<b>Net cash outflow from capital expenditure and financial investment</b>	<b>(4,719)</b>	<b>(3,804)</b>
<b>Equity dividends paid</b>	<b>(453)</b>	<b>(488)</b>
<b>Net cash outflow before use of liquid resources and financing</b>	<b>(4,223)</b>	<b>(4,161)</b>
<b>Management of liquid resources</b>		
Decrease in short term cash deposits with UK banks	-	1,002
<b>Net cash inflow from management of liquid resources</b>	<b>-</b>	<b>1,002</b>
<b>Financing</b>		
Issue of share capital	4	-
<b>Net cash inflow from financing</b>	<b>4</b>	<b>-</b>
<b>Decrease in cash (note 25)</b>	<b>(4,219)</b>	<b>(3,159)</b>
<b>Analysis of changes in cash during the year</b>		
Balance at 31 December	(6,565)	(2,346)
Balance at 1 January	(2,346)	813
<b>Net cash outflow</b>	<b>(4,219)</b>	<b>(3,159)</b>

The accounting policies and notes form an integral part of the financial statements

## Notes to the financial statements

### 1 Turnover and (loss)/profit on ordinary activities before taxation

	2006 £'000	2005 £'000
Turnover was attributable to the following geographical markets		
United Kingdom	20,686	18,798
North America	4,633	4,452
E U	3,286	3,169
Other	195	229
	<u>28,800</u>	<u>26,648</u>
Turnover derived from the following locations		
United Kingdom	25,894	23,012
E U	884	-
North America	2,022	3,636
	<u>28,800</u>	<u>26,648</u>
(Loss)/profit before tax derived from the following locations		
United Kingdom	(646)	1,330
North America	(333)	64
E U	(257)	(45)
	<u>(1,236)</u>	<u>1,349</u>
Net assets/(liabilities) are held in the following locations		
United Kingdom	21,087	22,828
North America	(952)	(647)
E U	644	40
	<u>20,779</u>	<u>22,221</u>
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation of owned fixed assets	1,986	1,705
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	27	27
Fees payable to the company's auditor and its associates for other services		
The audit of the company's subsidiaries pursuant to legislation	3	-
Taxation services	5	11
Services relating to corporate finance transactions	-	15
Audit fees in respect of the Robinson plc pension scheme	2	2
	<u>37</u>	<u>55</u>
Loss on foreign exchange	98	81
Hire of plant and machinery - operating leases	4	8

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these accounts and its loss for the financial year amounted to £1,590,000 (2005 profit £559,000)

### 2 Net operating costs

	2006 £'000	2005 £'000
Selling, marketing and distribution costs	1,238	1,278
Administrative expenses excluding exceptional items	2,573	2,540
Exceptional items (see note 3)	1,356	9
Administrative expenses including exceptional items	3,929	2,549
Net income from let properties	(178)	(210)
	<u>4,989</u>	<u>3,617</u>

## Notes to the financial statements

### 3 Exceptional items

	2006 £'000	2005 £'000
Redundancy	465	-
Impairment/(reversal of impairment) of fixed assets	317	(296)
Cost of setting up Polish manufacturing facility	296	267
Costs of acquisition of Stanton Hill business (including £79,000 write-off of acquired goodwill)	143	-
Write-off of tooling costs	135	-
Costs of abortive acquisition	-	38
	<u>1,356</u>	<u>9</u>

### 4 Employee information

The average monthly number of persons (including executive directors) employed by the Group during the year was

	2006	2005
	<u>465</u>	<u>421</u>
Staff costs (for the above)	£'000	£'000
Wages and salaries	9,001	8,054
Social security costs	843	675
Pension costs	407	441
	<u>10,251</u>	<u>9,170</u>

Details of directors' emoluments are shown on page 6 in the Report on Corporate Governance

### 5 Interest

	2006 £'000	2005 £'000
Interest payable	(335)	(62)
Income from short term deposits and loans	-	22
	<u>(335)</u>	<u>(40)</u>

### 6 Taxation

	2006 £'000	2005 £'000
Current tax		
UK corporation tax at 30% (2005 30%)	-	122
Adjustments in respect of prior periods	(38)	(77)
Overseas tax	7	6
Total current tax	<u>(31)</u>	<u>51</u>
Deferred tax		
UK tax at 30%	(191)	367
Adjustments in respect of prior periods	-	(98)
Total deferred tax	<u>(191)</u>	<u>269</u>
	<u>(222)</u>	<u>320</u>



## Notes to the financial statements

### 6 Taxation (continued)

The tax (credit)/charge for the period is lower than the standard rate of UK corporation tax (30%). The differences are explained below

	2006 £'000	2005 £'000
(Loss)/profit on ordinary activities before tax	(1,236)	1,349
At the effective rate of tax of 30% (2005 30%)	(371)	405
Gains in respect of the pension fund asset	(252)	(202)
Depreciation in excess of capital allowances	148	(26)
Short term timing differences	111	17
Book value of property disposals in excess of capital gains	(76)	-
Profits on disposal of plant and machinery	(6)	(88)
Disallowable expenses	92	43
Prior period adjustments	(38)	(77)
Losses carried forward	374	(29)
Other differences	(13)	8
Current tax charge for the period	(31)	51

There are tax losses of £354,000 carried forward in Robinson Paperboard Packaging (North America) Ltd which are not recognised in these accounts because of uncertainty as to their future utilisation. There are capital losses carried forward of £1,612,000 (2005: £1,889,000). With this exception, the directors are not aware of any material factors affecting the future tax charge.

### 7 Dividends

	2006 £'000	2005 £'000
Ordinary final	244	140
interim	209	209
second interim	-	139
	453	488

A final dividend of 1.75p per ordinary share will be proposed at the Annual General Meeting.

### 8 Earnings per share

The calculation of basic and diluted earnings per ordinary share is based on the loss on ordinary activities after taxation (£1,014,000) divided by the weighted average number of shares in issue (15,921,372).

### 9 Intangible fixed assets

Cost	£'000
Arising from acquisition (see note 22)	79
Written off during the period	(79)
Net book amount at 31 December 2006	-

## Notes to the financial statements

### 10 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2006	10,039	1,398	23,639	35,076
Additions at cost	-	671	1,324	1,995
Acquisitions	1,456	-	982	2,438
Disposals	(80)	-	(168)	(248)
Exchange movement	-	(22)	(188)	(210)
At 31 December 2006	11,415	2,047	25,589	39,051
<b>Depreciation</b>				
At 1 January 2006	530	9	17,097	17,636
Charge for year	237	40	1,709	1,986
Impairment	-	-	317	317
Eliminated in respect of disposals	-	-	(141)	(141)
Exchange movement	-	-	(127)	(127)
At 31 December 2006	767	49	18,855	19,671
<b>Net book value</b>				
At 31 December 2006	10,648	1,998	6,734	19,380
At 1 January 2006	9,509	1,389	6,542	17,440
Cost or valuation at 31 December 2006 is represented by				
Valuation in 2003	9,836			
Cost	1,579			
	11,415			
<b>Company</b>				
<b>Cost or valuation</b>				
At 1 January 2006	1,055	-	444	1,499
Additions at cost	-	-	4	4
Disposals	(80)	-	(36)	(116)
At 31 December 2006	975	-	412	1,387
<b>Depreciation</b>				
At 1 January 2006	25	-	316	341
Charge for year	12	-	48	60
Eliminated in respect of disposals	-	-	(36)	(36)
At 31 December 2006	37	-	328	365
<b>Net book value</b>				
At 31 December 2006	938	-	84	1,022
At 1 January 2006	1,030	-	128	1,158
Cost or valuation at 31 December 2006 is represented by				
Valuation in 2003	852			
Cost	123			
	975			

The land and buildings were valued in 2003 at open market value on an existing use basis by Robbins, Renshaw, a firm of independent surveyors, valuers and commercial property consultants. The valuation was updated by Robbins, Renshaw in December 2006 and there were no significant differences from the net book values of the properties disclosed in these financial statements

## Notes to the financial statements

### 10 Tangible fixed assets (continued)

If land and buildings had not been revalued they would have been included at the following amounts

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Cost	11,989	8,462	679	682
Aggregate depreciation based on cost	4,156	3,895	302	296
Net book value	7,833	4,567	377	386

Assets to the value of £nil (2005 £662,000) had not yet been commissioned at 31 December and were not being depreciated

### 11 Fixed asset investments

Company	Interests in group undertakings £'000	Loans to group undertakings £'000	Total £'000
<b>Cost</b>			
At 1 January 2006	1,257	10,198	11,455
Additions (see note 22)	-	3,108	3,108
Disposals - dormant subsidiaries struck off	(256)	-	(256)
At 31 December 2006	1,001	13,306	14,307
<b>Amounts written off</b>			
At 1 January 2006	56	1,221	1,277
Disposals - dormant subsidiaries struck off	(56)	-	(56)
Provided	160	188	348
At 31 December 2006	160	1,409	1,569
<b>Net book value</b>			
At 31 December 2006	841	11,897	12,738
At 1 January 2006	1,201	8,977	10,178

#### Interests in group undertakings

The Company has the following interest in non-dormant subsidiaries

Name of undertaking	Shares held	Activities
Furnace Hill Limited	100 ordinary shares of £1	Property Company
Griffin Estates (Chesterfield) Limited	100 ordinary shares of £1	Property Company
Lowmoor Estates Limited	100 ordinary shares of £1	Property Company
Portland Works Limited	100 ordinary shares of £1	Property Company
Robinson Industrial Properties Limited	1,000,000 ordinary shares of £1	Property Company
Robinson (Overseas) Limited	2 ordinary shares of £1	Holding Company
Robinson Packaging Limited	100 ordinary shares of £1	Holding Company
Robinson Paperboard Packaging Limited	100 ordinary shares of £1	Marketing and Manufacture of Paperboard Packaging
Robinson Paperboard Packaging (North America) Limited	100 ordinary shares of £1	Marketing and Manufacture of Paperboard Packaging
Robinson Plastic Packaging Limited	100 ordinary shares of £1	Marketing and Manufacture of Plastic Packaging
Robinson Plastic Packaging (Stanton Hill) Limited	1 ordinary shares of £1	Marketing and Manufacture of Plastic Packaging
Robinson Packaging Polska sp. z o.o.	5,000,000 pln	Manufacture of Plastic Packaging
Walton Estates (Chesterfield) Limited	100 ordinary shares of £1	Property Company
Wheatbridge Limited	100 ordinary shares of £1	Property Company

## Notes to the financial statements

### 11 Fixed asset investments (continued)

The country of incorporation of each of the above companies is England, except for Robinson Paperboard Packaging (North America) Ltd, which is incorporated in Canada and Robinson Packaging Polska sp Z oo, which is incorporated in Poland. The percentage shareholding for all subsidiaries is 100%.

### 12 Stocks

	Group	
	2006 £'000	2005 £'000
Raw materials and consumables	975	1,139
Work in progress	80	54
Finished goods and goods for resale	976	804
	<u>2,031</u>	<u>1,997</u>

There is no material difference between the historic cost and the replacement cost of stocks.

### 13 Debtors

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Amounts falling due after more than one year:</b>				
Other debtors	128	-	-	-
Deferred tax asset (see note 17)	625	29	383	29
	<u>753</u>	<u>29</u>	<u>383</u>	<u>29</u>
<b>Amounts falling due within one year:</b>				
Trade debtors	6,009	5,610	173	299
Amounts owed by group undertakings	-	-	10,537	11,610
Other debtors	601	1,123	28	99
Prepayments and accrued income	212	162	37	53
Deferred tax asset (see note 17)	-	322	-	322
Taxation recoverable	126	-	126	-
	<u>6,948</u>	<u>7,217</u>	<u>10,901</u>	<u>12,383</u>
	<u>7,701</u>	<u>7,246</u>	<u>11,284</u>	<u>12,412</u>

### 14 Financial assets and liabilities

	Book and fair value	
	2006 £'000	2005 £'000
<b>Financial assets</b>		
Cash	<u>196</u>	<u>28</u>
<b>Financial liabilities</b>		
Bank overdraft	<u>6,761</u>	<u>2,374</u>

The financial risk management objectives and policies of the Group are outlined in the Directors' Report. Cash and bank overdraft are valued at market rate.

## Notes to the financial statements

### 15 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Bank overdraft	6,761	2,374	1,476	-
Trade creditors	4,059	3,704	165	156
Amounts owed to group undertakings	-	-	3,889	3,002
Corporation tax payable	-	115	-	-
Social security and other taxes	787	579	120	114
Other creditors	769	590	333	182
Accruals and deferred income	1,104	1,226	365	375
	<u>13,480</u>	<u>8,588</u>	<u>6,348</u>	<u>3,829</u>

### 16 Creditors: amounts falling due after more than one year

	Company	
	2006	2005
	£'000	£'000
Amounts owed to group undertakings	<u>4,175</u>	<u>4,375</u>

### 17 Provisions for liabilities

	Relocation, re-organisation & redundancy	Post- retirement benefits	Deferred taxation	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
At 1 January 2006	40	212	355	607
Released	(40)	-	(169)	(209)
Utilised in year	-	(4)	-	(4)
At 31 December 2006	<u>-</u>	<u>208</u>	<u>186</u>	<u>394</u>
<b>Company</b>				
At 1 January 2006	39	212	-	251
Released	(39)	-	-	(39)
Utilised in year	-	(4)	-	(4)
At 31 December 2006	<u>-</u>	<u>208</u>	<u>-</u>	<u>208</u>

#### Deferred taxation

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Tax effect of timing differences				
Excess of tax allowances over depreciation	295	375	1	(1)
Short term timing differences	(482)	(371)	(384)	(350)
Tax effect of losses carried forward	(252)	-	-	-
Tax effect of net pension asset	2,291	2,017	2,291	2,017
	<u>1,852</u>	<u>2,021</u>	<u>1,908</u>	<u>1,666</u>
Shown above as a provision	186	355	-	-
Shown in debtors (note 13)	(625)	(351)	(383)	(351)
Shown as a deduction from net pension asset	2,291	2,017	2,291	2,017
	<u>1,852</u>	<u>2,021</u>	<u>1,908</u>	<u>1,666</u>

The directors consider that the Group will generate sufficient taxable profits in future years with which to recover the deferred tax asset. Tax losses of £354,000 carried forward in Robinson Paperboard Packaging (North America) Ltd are not recognised in these accounts because of uncertainty as to their future utilisation.

## Notes to the financial statements

### 18 Pensions and similar obligations

The Group operates one principal pension scheme, the Robinson & Sons Limited Pension Fund, of which approximately 37% of UK employees are members. The scheme has a defined benefit section, which was closed to new members in 1997 and a defined contribution section introduced in 1998.

In respect of the defined benefit section, contributions to the pension schemes are made and the pension cost is assessed in accordance with the advice of an independent qualified actuary.

The latest actuarial valuation of the scheme was at 5 April 2005. The most significant assumptions were:

Increase in pensionable earnings	4.50 per cent per annum
Pension increases	3.25 per cent per annum
Price inflation	3.00 per cent per annum
Pre-retirement discount rate	6.75 per cent per annum
Post-retirement discount rate	4.75 per cent per annum

The valuation was carried out by Garvins using the projected unit method and the defined benefit scheme had assets with a market value of £47m. The actuarial value of the scheme assets represented 108% of the liabilities for benefits that had accrued to members, after allowing for expected future increases in earnings. The age profile of the active membership is rising significantly so the current cost under the projected unit method will increase as the members of the scheme approach retirement.

Following the actuarial valuation it was clear that there was no need for the employer to pay contributions into the fund for existing scheme members. The Company has nonetheless agreed to pay employer contributions set aside in the Company's accounts since the actuarial valuation in April 2002, together with money purchase contributions since April 2005, into an escrow account in the event that the funding position should deteriorate significantly. The outcome of the next actuarial valuation in April 2008 will determine whether the contributions will be paid over to the Fund, returned to the Company or whether some other arrangements will be made. The total set aside in the escrow account at 31 December 2006 amounted to £999,000 (2005 £822,000).

As at 31 December 2006, the estimated balance sheet position was as follows:

	2006 £m	2005 £m	2004 £m
Total market value of assets			
Equities	41.0	39.1	31.4
Bonds	13.3	11.7	13.4
Other	1.6	1.5	1.2
	<u>55.9</u>	<u>52.3</u>	<u>46.0</u>
Present value of scheme liabilities	(45.2)	(45.1)	(41.2)
Surplus in the scheme	<u>10.7</u>	<u>7.2</u>	<u>4.8</u>
Irrecoverable surplus	(3.1)	(0.5)	-
Net pension asset before deferred tax	<u>7.6</u>	<u>6.7</u>	<u>4.8</u>
Deferred tax liability on pension asset	(2.3)	(2.0)	(1.5)
Net pension asset after deferred tax	<u>5.3</u>	<u>4.7</u>	<u>3.3</u>
The financial assumptions used in estimating this position were:			
Discount rate	5.0%	4.8%	5.3%
Rate of pension increases	3.3%	3.3%	3.0%
Rate of pay increases	4.0%	4.0%	3.5%
Inflation	3.0%	3.0%	2.5%
The net expected long term rate of return is as follows:			
Equities (UK & overseas)	7.0%	7.0%	7.5%
Corporate bonds	5.0%	4.8%	5.3%
Government bonds	5.0%	4.8%	5.3%
Property	6.0%	6.0%	6.0%
Cash	3.0%	3.0%	3.0%

## Notes to the financial statements

### 18 Pensions and similar obligations (continued)

	2006	2005	2004
The mortality tables used in the valuations were			
Non-pensioner members pre-retirement	A92	A92	A80
Non-pensioner members post-retirement	PMA92C2018	PA92c2016	PA92c2014
Pensioner members	PMA92C2008	PA92c2006	PA92c2004

The following estimated amounts for 2006 have been recognised in the accounts

	2006 £'000	2005 £'000
Charged to operating profit		
Current service cost - final salary section	281	247
Current service cost - money purchase section	159	153
Total operating charge	440	400
Amount credited to other finance income		
Expected return on assets	3,130	2,900
Interest on scheme liabilities	(2,010)	(2,030)
Net return	1,120	870
Movement in surplus during the year		
Surplus in scheme at the beginning of the year	6,722	4,740
Current service cost	(440)	(400)
Other finance income	1,120	870
Actuarial gain	57	690
Transfer to escrow account treated as recoverable surplus	159	822
Interest on escrow account	18	-
Surplus in scheme at the end of the year	7,636	6,722
Surplus in the scheme net of deferred tax	5,345	4,705
Analysis of amount recognised in statement of total recognised gains and losses ("STRGL")		
Actual return less expected return on pension scheme assets	2,190	5,570
Experience gains and losses arising on the scheme liabilities	-	1,010
Changes in assumptions underlying the present value of the Scheme liabilities	680	(4,550)
Movement in irrecoverable surplus before deduction of escrow account (see above)	(2,813)	(1,340)
Interest on escrow account	18	-
Actuarial gain recognised in STRGL before deferred taxation	75	690
Deferred taxation	(22)	(393)
Actual gain recognised in STRGL after deferred taxation	53	297

	2006 £'000	%	2005 £'000	%	2004 £'000	%	2003 £'000	%	2002 £'000	%
History of experience gains and losses										
Difference between expected and actual return on assets	2,190	4	5,570	11	990	2	4,233	10	(12,598)	32
Experience gains and losses on scheme liabilities	-	0	1,010	2	(110)	0	(907)	2	1,700	5
Total amount recognised in STRGL before deferred tax	57	0	690	1	(2,610)	6	3,326	9	(6,412)	18

The Group provides benefits to certain retired employees and medical insurance to an executive director on retirement. A provision has been made to meet this liability. The principal assumptions used in determining the required provisions are of a discount rate of 5% per annum and an inflation rate of 3% per annum (7% for medical insurance). The credit to the profit and loss account in respect of expenditure relating to the provision in 2006 was £4,000 (2005 £4,000).

## Notes to the financial statements

### 19 Called up share capital

	2006 £'000	2005 £'000
<b>Authorised:</b>		
70,000,000 ordinary shares of 0.5p each	350	350
<b>Allotted, called up and fully paid:</b>		
17,687,223 ordinary shares of 0.5p each	88	88
Held in Treasury 1,763,722 (2005 1,768,722) shares of 0.5p each	(8)	(8)
	80	80

During the year the Company issued 5,000 ordinary shares of 0.5p each at 85p each. The premium arising on this issue of £4,075 has been credited to the share premium account.

### 20 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Revaluation reserve £'000	Profit and loss account £'000
<b>Group</b>				
At 1 January 2006	398	216	5,136	16,391
Issue of shares	4			
Actuarial gain				53
Exchange difference on translation			(111)	
Release of revaluation reserves as a result of property transactions			(145)	145
Credit in respect of share based payments (see page 7)				79
Dividends paid				(453)
Loss for the year				(1,014)
At 31 December 2006	402	216	4,880	15,201
<b>Company</b>				
At 1 January 2006	398	216	2,357	18,559
Issue of shares	4			
Transfer of revaluation reserves relating to properties held by subsidiaries			(1,694)	1,694
Release of revaluation reserves as a result of property transactions			(145)	145
Credit in respect of share based payments (see page 7)				79
Actuarial gain				53
Dividends paid				(453)
Loss for the year				(1,590)
At 31 December 2006	402	216	518	18,487

An amount of £4,842,000 included in the profit and loss account of the Company relates to the revaluation of property held in its subsidiaries and is not distributable.



## Notes to the financial statements

### 21 Reconciliation of movement in shareholders' funds

Group	2006 £'000	2005 £'000
(Loss)/profit for the financial year	(1,014)	1,029
Dividends	(453)	(488)
	(1,467)	541
Actuarial gain	53	297
Exchange difference on translation	(111)	133
Recognition of share based payments	79	65
Share capital issued	4	-
Net (reduction in)/addition to shareholders' funds	(1,442)	1,036
Shareholders' funds at 1 January	22,221	21,185
Shareholders' funds at 31 December	20,779	22,221

### 22 Acquisition of business

During the period the Group acquired certain trade and assets of the plastic injection moulding business of VR Plastics Limited at Stanton Hill for a cash consideration of £3,102,000. A provisional assessment of the assets and liabilities of VR Plastics Limited acquired is as follows

	2006 £'000
Tangible fixed assets	2,438
Stocks	207
Debtors	378
	3,023
Goodwill	79
	3,102

### 23 Capital commitments

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Contracted but not provided in these accounts	-	118	-	-

### 24 Contingent liabilities

There were contingent liabilities at 31 December 2006 in relation to cross guarantees of bank overdrafts given by the company on behalf of other group undertakings. The amount guaranteed at 31 December 2006 was £5,341,000 (2005 £3,890,000).

### 25 Analysis of net debt

	At 1 Jan 2006 £'000	Cash Flow £'000	At 31 Dec 2006 £'000
Cash in hand and deposits repayable on demand	28	168	196
Bank overdraft	(2,374)	(4,387)	(6,761)
Cash and cash equivalents	(2,346)	(4,219)	(6,565)

## Notes to the financial statements

### 26 Accounting policies

The accounts are prepared in accordance with United Kingdom Generally Accepted Accounting Practice. The Group's accounting policies have been applied on a consistent basis.

A summary of the more important Group accounting policies, which have remained unchanged from the prior year, is given below.

#### Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

#### Consolidation

The Group accounts include the audited accounts of the Company and all its subsidiary companies. The accounts of foreign subsidiaries have been translated using the closing rate method and the exchange differences transferred to reserves.

#### Turnover

Turnover represents external revenue from sales of products, exclusive of value added tax and trade discounts and is recognised when goods have been supplied.

#### Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using the rate of tax that has been enacted at the balance sheet date.

#### Sale of properties

Sales of properties are accounted for on completion.

#### Depreciation

Depreciation is provided at various rates calculated to reduce the cost of fixed assets to residual values at the end of their expected useful lives, which are principally as follows:

Buildings	25 - 40 years
Plant and equipment	3 to 20 years

#### Goodwill

Purchased positive goodwill represents the difference between the cost and fair value of the net assets acquired. Goodwill arising on the acquisition of VR Plastics Limited has been written off in full during the year.

#### Stocks

Stocks are valued at the lower of cost and net realisable value. Cost, in the case of own manufactured items, comprises the cost of labour, materials and attributable overhead expenses.

#### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date. Transactions during the year are translated at rates ruling at the time of the transactions. Exchange differences which arise from normal trading are dealt with through the profit and loss account.

#### Pensions

Pension costs charged against profits represent, for members in the money purchase section, contributions payable during the year and for the members in the final salary section, the cost of providing benefits using the projected unit method. This method takes account of projected earnings and the cost of provision of benefits relating to those earnings in the current year. The retirement benefit asset in the balance sheet represents the fair value of plan assets less the present value of the defined benefit obligation, less deferred taxation in respect of this asset.

## Five year record

Year ended 31 December	2006 £'000	2005 £'000	2004 £'000	2003 £'000	2002 £'000
<b>Profit and loss account</b>					
Turnover	28,800	26,648	25,949	24,669	24,790
Gross profit	2,716	4,136	4,030	3,259	4,104
Trading (loss)/profit (operating (loss)/profit) before exceptional items	(917)	528	541	(411)	1,725
Operating (loss)/profit	(2,273)	519	29	(1,723)	478
Associate and joint venture (net of interest)					611
Exceptional items	252	-	236	1,154	1,239
Interest	(335)	(40)	146	297	475
Other finance income in respect of Pension Fund	1,120	870	1,040	650	1,083
Profit before tax	(1,236)	1,349	1,451	378	3,886
Taxation	222	(320)	(532)	474	(743)
Dividends	(453)	(488)	-	-	-
Retained (loss)/profit	(1,467)	541	919	852	3,143
Net assets excluding net pension asset	15,434	17,516	16,967	26,126	25,733
Operating profit sales (continuing operations)	(7.9%)	1.9%	0.1%	(8.0%)	1.9%
Return on shareholders' funds	(8.0%)	7.7%	8.6%	1.4%	15.1%
Earnings per share	(6.4p)	6.5p	4.7p	3.2p	11.9p