

ECO Plastics Limited

**Directors' report and financial
statements**

Registered number 03948149

31 December 2012



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Chairman's statement

2012 was a second year of rapid transition for the Company as it continued with its ambitious plans to establish Europe's largest plastic bottle reprocessing facility

The key events during the year were

- The completion of the expansion programme required to facilitate our Joint Venture with Coca-Cola Enterprises Limited. This was launched in 2011 and largely completed by the end of 2012
- Successful approval of our rPET product to support supply to Coca-Cola Enterprises Limited from May 2012
- A further £6m funding package from existing shareholders and banks. £3m of this funding was received in 2012, with the remaining £3m invested during the first quarter of 2013

The year's financial performance was marked by an 11% rise in turnover to £38m, an increase in gross profits to £7.9m from £3.2m and EBITDA losses narrowing by £2m to £0.7m. Underlying EBITDA, excluding a number of exceptional costs, was break-even.

Performance was behind the directors' original expectations due to

- Disappointing delays in the commissioning and ramp up of the operational performance of the plant
- Higher than expected waste removal costs in the first half of the year
- Exceptional costs arising from the fundraising in the final quarter of 2012

The fundraising has provided a stronger platform for the Company and financial performance has improved. By August 2013 the business has become cash generative with monthly turnover rising to £4m per month and an EBITDA average run rate of £500k (four months May to August). The Directors are confident that the strong EBITDA performance will continue over the next 12 months.

Key developments

Expansion programme

The expansion programme which had begun in 2011 was largely completed in 2012. This saw the bottle sorting capacity increase to 150,000 tonnes per annum, PET washing capacity grow to 70,000 tonnes per annum, and PET extrusion capacity increase to 40,000 tonnes per annum.


Funding

Operational issues through 2012 associated with the commissioning of the plant saw a further £6m investment from our shareholders and banks.

£3m of this investment was made in the final quarter of 2012, with a further £3m received in the first quarter of 2013.

The future

The board believes that the Company is now established as the market leader in the reprocessing of post consumer plastic waste for food grade applications. The plan over the next three years is to continue to develop the business and deliver substantial improvements in financial performance.



William Reeves
Chairman

25 September 2013

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2012

Principal activities

The company's principal activity is the recycling of plastic waste

Business review and principal activities

The company's principal activity is the recycling of plastic waste

Overview

As described in the Chairman's statement on page 1, the year ended 31 December 2012 saw another year of growth alongside a number of commissioning and operational challenges originating from the ambitious expansion programme the Company has been through over the last 24 months

2012's key developments were

- The completion of the expansion programme required to facilitate our Joint Venture with Coca-Cola Enterprises Limited. This had been begun in 2011 and was largely completed by the end of 2012,
- Successful approval of our rPET to allow supply to Coca-Cola Enterprises Limited from May 2012,
- A further £6m funding package being agreed with from existing shareholders and banks on 30th November 2012. £3m of this funding was received in 2012, with the remaining £3m invested during the first quarter of 2013

Whilst the directors did expect some challenges throughout 2012 the delays in commissioning and operational performance were disappointing and necessitated a further fundraising exercise in the second half of 2012 which saw an additional £3m received in 2012, with another £3m invested in the first quarter of 2013. This enabled the Company to manage through the delays in commissioning and has allowed monthly EBITDA to grow to an average run rate of £500k per month (May to August)

The directors now plan to stabilise operations throughout 2013 and grow the business thereafter

Current markets

The Company is seeing sales to UK and Europe increase in line with the move to the production of food grade quality material. Demand for plastics of this nature continues to increase and this has led to the expansion of capacity over the coming 12 months. The Company sold over 1,000t of rPET to Coca-Cola in April 2013 and across the full year will supply over 12,500t to Coca-Cola

Correspondingly, sales into the Far East are forecast to reduce over time and therefore reduce the companies' exposure to this market. However, our understanding of the Far East supply chain remains crucial to long term business performance

The business is now established as the largest processor of post consumer plastic waste and continues to manage a feedstock which is variable and mixed in its nature. This has resulted in continual quality management and batch processing to help the business manage this issue effectively. The Company is committed to continuing to work with the industry to help educate the consumer and improve the understanding and processes used to produce this material

Operational Performance

The Board of Directors feel that the business has made good progress in its development as a value added recycler of plastic waste

By August 2013 the business has become cash generative with monthly turnover rising to £4m per month and an EBITDA average run rate of £500k per month (four months May to August)

Directors' report *(continued)*

Business review *(continued)*

Key Performance Indicators

The directors have considered those key performance indicators ('KPIs') which they consider to be appropriate for assessing the financial performance of the business going forward. The key KPI's are

- Volume, quality and pricing of purchased feedstock,
- Volume processed through each part of the plant,
- Sales volumes and pricing,
- Margin per tonne generated from feedstock, and
- Costs per tonne

Turnover for the year was £38m against £35m in the preceding year. Loss after taxation was stable at £5.8m with EBITDA improving by £2m, compensated for by depreciation rising by £1.3m and interest increasing by £0.7m. Underlying EBITDA was break-even, and is expected to grow year on year as the Company optimises its operation.

An integrated business plan and forecasting model is in place to set appropriate business targets and is a strong part of our management system.

Expansion and future prospects

The Company is now in the process of stabilising its operating model and delivering increased throughput through its existing facilities whilst looking to improve efficiencies.

The Board of Directors have agreed that throughout 2013 further expansion will be limited although discrete projects will be considered on their merits.

Proposed dividend and transfer to reserves

The directors cannot recommend the payment of a dividend.

The loss for the year transferred to reserves is £5,790,000 (2011 loss of £5,142,000).

Directors

The directors who held office during the year and up to the date of signing this report are as follows:

Jonathan Short	
Duncan Oakes	(resigned 11 December 2012)
Keimpe Keuning	
Samuel JI Richardson	
Peter Gangsted	Chairman (resigned 11 December 2012)
Jeff Holder	(resigned 30 June 2013)
Simon Faulkner	(resigned 11 December 2012)
William Weil	
William Reeves	Chairman (appointed 11 December 2012)
STV Nominee Limited	(resigned 29 October 2012, appointed 5 February 2013)

Directors' report *(continued)*

Political and charitable contributions

Neither the company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the year

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



J Short
Director

Hemswell Business Park
Hemswell
Lincolnshire
DN21 5TU

25 September 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the 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 they have elected to prepare the Group and 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 the profit or loss of the Group 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,
- 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 Parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent company and enable them to ensure that the 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



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Independent auditor's report to the members of ECO Plastics Limited

We have audited the financial statements of ECO Plastics Limited for the year ended 31 December 2012 set out on pages 8 to 28. The financial reporting framework that has been applied in their preparation 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 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 to 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group and of the Parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been properly 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.

Independent auditor's report to the members of ECO Plastics Limited (*continued*)

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



**Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

26 September 2013

Consolidated Profit and Loss Account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	2	38,459	34,788
Cost of sales		(30,520)	(31,615)
Gross profit		7,939	3,173
Administrative expenses		(11,678)	(8,601)
Other operating income (<i>including exceptional income of £nil (2011 £962,000)</i>)	3	-	962
Operating loss		(3,739)	(4,466)
Loss on disposal of fixed assets	4	-	(13)
Interest payable and similar charges	7	(2,051)	(663)
Loss on ordinary activities before taxation	2-7	(5,790)	(5,142)
Tax on loss on ordinary activities	8	-	-
Loss for the financial year	17	(5,790)	(5,142)

All activities derive from continuing operations

There were no recognised gains or losses during the current and previous years other than those shown above

Consolidated Balance Sheet
at 31 December 2012

	<i>Note</i>	2012 £000	£000	2011 £000	£000
Fixed assets					
Tangible assets	9		31,284		25,813
Current assets					
Stocks	11	2,770		2,619	
Debtors	12	6,702		6,385	
Cash at bank and in hand		481		2,736	
		<u>9,953</u>		<u>11,740</u>	
Creditors amounts falling due within one year	13	(17,775)		(13,932)	
Net current liabilities			(7,822)		(2,192)
Total assets less current liabilities			<u>23,462</u>		<u>23,621</u>
Creditors amounts falling due after more than one year	14		(11,701)		(7,101)
Net assets before amount due to Joint Venture Partner			<u>11,761</u>		<u>16,520</u>
Amounts due to Joint Venture Partner	14		(5,453)		(4,879)
Net assets			<u>6,308</u>		<u>11,641</u>
Capital and reserves					
Called up share capital	15		37		37
Share premium account	16		18,031		18,031
Profit and loss account	17		(12,017)		(6,227)
Own share reserve	17		(200)		(200)
Other reserve	17		457		-
Shareholders' funds			<u>6,308</u>		<u>11,641</u>

These financial statements were approved by the board of directors on 25 September 2013 and were signed on its behalf by



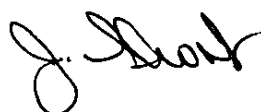
J Short
Director

Registered number 03948149

Company Balance Sheet
at 31 December 2012

	<i>Note</i>	2012 £000	£000	2011 £000	£000
Fixed assets					
Tangible assets	9		27,601		22,945
Investments	10		5,001		5,001
			<u>32,602</u>		<u>27,946</u>
Current assets					
Stocks	11	2,770		2,619	
Debtors	12	6,310		6,385	
Cash at bank and in hand		123		605	
		<u>9,203</u>		<u>9,609</u>	
Creditors' amounts falling due within one year	13	<u>(18,014)</u>		<u>(13,933)</u>	
Net current liabilities			<u>(8,811)</u>		<u>(4,324)</u>
Total assets less current liabilities			<u>23,791</u>		<u>23,622</u>
Creditors' amounts falling due after more than one year	14		<u>(11,701)</u>		<u>(7,101)</u>
Net assets before amount due to Joint Venture Partner			<u>12,090</u>		<u>16,521</u>
Amounts due to Joint Venture Partner	14		(5,453)		(4,879)
Net assets			<u>6,637</u>		<u>11,642</u>
Capital and reserves					
Called up share capital	15		37		37
Share premium account	16		18,031		18,031
Profit and loss account	17		(11,688)		(6,226)
Own share reserve	17		(200)		(200)
Other reserves	17		457		-
Shareholders' funds			<u>6,637</u>		<u>11,642</u>

These financial statements were approved by the board of directors on *25 September* 2013 and were signed on its behalf by



J Short
Director

Registered number 03948149

Consolidated Cash Flow Statement
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Reconciliation of operating loss to net cash flow from operating activities			
Operating loss		(3,739)	(4,466)
Depreciation charges		3,073	1,976
Amortisation of issue costs		126	-
Increase in stocks		(151)	(1,552)
Increase in debtors		(317)	(867)
Increase in creditors		2,880	365
Net cash inflow/(outflow) from operating activities		1,872	(4,544)
Cash flow statement			
Cash flow from operating activities		1,872	(4,544)
Returns on investment and servicing of finance	19	(1,376)	(656)
Taxation		-	-
Capital expenditure	19	(9,039)	(9,376)
Cash outflow before financing		(8,543)	(14,576)
Financing	19	6,288	16,230
(Decrease)/increase in cash in the year		(2,255)	1,654
Reconciliation of net cash flow to movement in net debt			
	20		
(Decrease)/increase in cash in the year		(2,255)	1,654
Net cash (inflow)/outflow from movement in debt		(4,143)	2,230
Change in net debt resulting from cash flows		(6,398)	3,884
Non cash changes		(220)	-
Movement in finance leases		(1,688)	(6,739)
Movement in net debt in the year		(8,306)	(2,855)
Net debt at the start of the year		(7,446)	(4,591)
Net debt at the end of the year		(15,752)	(7,446)

Reconciliation of Movements in Shareholders' Funds
for the year ended 31 December 2012

	2012 £000	2011 £000
Loss for the financial year	(5,790)	(5,142)
New share capital subscribed (net of issue costs)	457	6,608
Net (reduction)/addition to shareholders' funds	(5,333)	1,466
Opening shareholders' funds	11,641	10,175
Closing shareholders' funds	6,308	11,641

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Going concern

The group's business objectives together with the factors likely to affect its future development, performance and position, are set out on pages 1 to 4. The financial position and borrowing facilities are also described here with further details of the facilities in place at the balance sheet date provided in notes 13 and 14 of the financial statements. During 2012 the group extended its use of its asset finance and working capital facilities and has raised £3m of new finance through convertible loan notes with a further £3m being raised in early 2013 with the additional facilities being used to fund capital expenditure and working capital to support the company's expansion. After the challenging conditions in 2012 the group continued to target improvements in the volume and quality of feedstocks and in operational performance and is satisfied with the progress being made.

The financial forecasts assume that the current improving trend in volumes and margins will continue. The directors recognise that the company does not yet have a consistent track record in delivering against its forecasts as the business model is still being refined. Shortfalls against these financial forecasts could require the company to seek further support from its shareholders, lenders or other stakeholders. The shareholders have indicated that they will continue to consider to make available such funds as are needed by the Group and will not seek repayment of the amounts currently made available for at least 12 months from the date of approval of these financial statements. The directors consider that this should enable the Group to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Group placing reliance on its shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

An associate is an undertaking in which the Group has a long term interest, usually from 20% to 50% of the equity voting rights, and over which it exercises significant influence. A joint venture is an undertaking in which the Group has a long-term interest and over which it exercises joint control. The Group's share of the profits less losses of associates and of joint ventures is included in the consolidated profit and loss account and its interest in their net assets, is included in investments in the consolidated balance sheet.

Where a group company is party to a joint arrangement which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal annual instalments over their estimated useful economic lives as follows

Land and buildings	-	4% per annum
Plant and machinery	-	10% per annum
Fixtures, fittings & equipment	-	20%-33% per annum
Motor vehicles	-	20% per annum

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Leases

Assets acquired under finance leases, including similar hire purchase contracts, are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post-retirement benefits

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred.

Stocks

Stocks 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.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Notes (continued)

1 Accounting policies (continued)

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

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers. Turnover is recognised on dispatch of goods or when the services have been provided.

Share based payments

The share option programme allows certain employees to acquire shares of the company. The grant date fair value of share-based payment awards granted is recognised as an employee expense with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. 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 awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 parent company and group's financial statements. In particular, the trust's purchases and sales of shares in the company are debited and credited directly to equity.

Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Cash

Cash, for the purposes of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Analysis of turnover

All turnover is derived from the group's principal activity

	2012 £000	2011 £000
By geographical market		
UK	26,206	22,439
Europe	5,750	2,463
Other	6,503	9,886
	<u>38,459</u>	<u>34,788</u>

3 Exceptional items

As reported in the 2009, 2010 and 2011 financial statements, there was a major fire at the group's recycling plant at Hemswell on 25 August 2009. The premises, bottle sorting plant and significant stock holdings were destroyed.

The loss arising from the fire was recognised across 2009, 2010 and 2011's financial statements. In the 2011 financial year, the final insurance proceeds of £962,000 were recognised in respect of the business interruption claim which relates to additional costs incurred and loss of profits in that year, net of any cost savings made, from the group's continuing trading activities and arising as a result of the fire. The additional costs associated with this claim are reflected in the group's operating result for the year and have not been separately identified.

4 Notes to the profit and loss account

	2012 £000	2011 £000
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation of tangible fixed assets		
Owned	232	1,906
Leased	2,841	70
Amounts payable under operating leases		
Land and buildings	1,173	858
Other operating leases	213	80
Loss on disposal of fixed assets	-	13
Net foreign exchange losses	(444)	86
	<u> </u>	<u> </u>
	2012 £000	2011 £000
<i>Auditor's remuneration</i>		
Audit of these financial statements	35	36
Other services relating to taxation	5	5
Services relating to corporate finance transactions entered into by the company and its associates	89	300
	<u> </u>	<u> </u>

Notes (continued)

5 Remuneration of directors

	2012 £000	2011 £000
Directors' emoluments	464	405
Amounts paid to third parties in respect of directors' services	91	94

The emoluments of the highest paid director, including amounts paid to third parties in respect of directors' services, were £129,000 (2011 £129,000)

Directors' rights to subscribe for shares in the company are indicated below

	At start of year	Number of options Granted in year	At end of year	Exercise price p
J Short	1,134	-	1,134	11p
D Oakes	1,768	-	1,768	11p
J Holder	2,620	-	2,620	11p
S Faulkner	-	510	510	11p

6 Staff numbers and costs

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

	2012	2011
Production	154	113
Sales	9	10
Administration	16	16
	179	139

The aggregate payroll costs of these persons were as follows

	2012 £000	2011 £000
Wages and salaries	4,599	3,663
Social security costs	453	368
	5,052	4,031

Notes (continued)

7 Interest payable and similar charges

	2012 £000	2011 £000
On invoice discounting facility	223	117
On all other loans	242	96
Amortisation of issue costs	126	-
On amounts owed to JV partner	550	-
Finance costs on shares classified as liabilities	-	7
Finance charges payable in respect of finance leases	910	443
	<u>2,051</u>	<u>663</u>

8 Taxation

Analysis of charge in period

	2012 £000	2011 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<u>-</u>	<u>-</u>
Total current tax	-	-
	<u>-</u>	<u>-</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2011 lower) than the standard rate of corporation tax in the UK, 24.5% (2011 26.49%). The differences are explained below

	2012 £000	2011 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(5,790)	(5,142)
	<u>(5,790)</u>	<u>(5,142)</u>
Current tax at 24.5% (2011 26.49%)	(1,419)	(1,362)
	<u>(1,419)</u>	<u>(1,362)</u>
<i>Effects of</i>		
Expenses not deductible for tax purposes	82	58
Depreciation for period less capital allowances	(300)	(540)
Other short term timing differences	-	(17)
Unrelieved tax losses arising in the period	1,637	1,861
	<u>1,419</u>	<u>1,362</u>
Total current tax charge (see above)	-	-
	<u>-</u>	<u>-</u>

Factors that may affect future current and total tax charges

A reduction in UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

Notes (continued)

8 Taxation (continued)

The 2013 Budget announced that the rate will reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Company's future tax charge and reduce the company's unrecognised deferred tax asset accordingly.

The elements of deferred taxation are as follows:

	2012 £000	2011 £000
Difference between accumulated depreciation and capital allowances	1,717	1,560
Tax losses	(2,188)	(2,071)
Capital gains	471	511
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The company has unrecognised deferred tax assets of £1,743,000 (2011 £721,000) in respect of tax losses and short term timing differences. The directors have not recognised these assets as they consider it would be imprudent to do so.

9 Tangible fixed assets

Group	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At beginning of year	113	29,483	207	29,803
Additions	-	8,543	1	8,544
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	113	38,026	208	38,347
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At beginning of year	5	3,875	110	3,990
Charge for year	4	3,024	45	3,073
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	9	6,899	155	7,063
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 December 2012	<u>104</u>	<u>31,127</u>	<u>53</u>	<u>31,284</u>
At 1 January 2012	<u>108</u>	<u>25,608</u>	<u>97</u>	<u>25,813</u>

Notes (continued)

9 Tangible fixed assets (continued)

Included in the above are assets held under finance leases as follows

	Plant and machinery	
	2012	2011
	£000	£000
Net book value at 31 December	268	441
Depreciation charged in year	115	115

During the prior year, a further single finance lease was entered into as part of a refinancing exercise. This finance lease was extended during the year such that all plant and equipment, not otherwise subject to other financing arrangements, is included on this lease schedule. The lease is secured against plant and machinery with a net book value of £26,336,000 on which depreciation of £2,617,000 has been charged in the year. This is not included in the lease analysis detailed above.

Company	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings and equipment £000	Total £000
Cost				
At beginning of year	113	26,615	207	26,935
Additions	-	7,436	1	7,437
At end of year	113	34,051	208	34,372
Depreciation				
At beginning of year	5	3,875	110	3,990
Charge for year	4	2,732	45	2,781
At end of year	9	6,607	155	6,771
Net book value				
At 31 December 2012	104	27,444	53	27,601
At 1 January 2012	108	22,740	97	22,945

Notes (continued)

9 Tangible fixed assets (continued)

Included in the above are assets held under finance leases as follows

	Plant and machinery	
	2012	2011
	£000	£000
Net book value at 31 December	268	441
Depreciation charged in year	115	115

During the prior year, a further single finance lease was entered into as part of a refinancing exercise. This finance lease was extended during the year such that all plant and equipment, not otherwise subject to other financing arrangements, is included on this lease schedule. The lease is secured against plant and machinery with a net book value of £26,336,000 on which depreciation of £2,617,000 has been charged in the year. This is not included in the lease analysis detailed above.

10 Fixed asset investments

	Shares in group undertakings £
Company Cost and net book value At 1 January and 31 December 2012	5,000,670

The only undertaking in which the company's interest at the year end is more than 20% is as follows

	Country of incorporation	Principal activity	Class and percentage of shares held	
Subsidiary undertaking			Group	Company
Continuum Recycling Limited	United Kingdom	The extrusion of recycled polyethylene terephthalate for sale to customers	67%	67%

Continuum Recycling Limited is a joint venture with Coca Cola Enterprises Limited. It is accounted for as a subsidiary on the basis that the company owns 67% of the equity.

£5m of this investment is payable at a future date/dates in accordance with the terms of the Joint Venture agreement (see note 14).

Notes (continued)

11 Stocks

Group and Company

	2012 £000	2011 £000
Raw materials and consumables	2,218	1,040
Finished goods	552	1,579
	<u>2,770</u>	<u>2,619</u>

12 Debtors: amounts falling due within one year

	Group 2012 £000	2011 £000	Company 2012 £000	2011 £000
Trade debtors	5,636	5,397	5,140	5,397
Amounts owed by group undertakings (see note 22)	-	-	104	-
Other debtors	584	565	584	565
Prepayments and accrued income	482	423	482	423
	<u>6,702</u>	<u>6,385</u>	<u>6,310</u>	<u>6,385</u>

13 Creditors: amounts falling due within one year

	Group 2012 £000	2011 £000	Company 2012 £000	2011 £000
Shares classified as liabilities	240	240	240	240
Invoice discounting advances	3,266	2,816	2,871	2,816
Obligations under finance leases (see note 14)	1,676	941	1,676	941
Trade creditors	10,915	8,594	10,523	8,594
Other creditors including taxation and social security	273	110	273	110
Amounts owed to group undertakings (see note 22)	-	-	1,026	1
Accruals and deferred income	1,405	1,231	1,405	1,231
	<u>17,775</u>	<u>13,932</u>	<u>18,014</u>	<u>13,933</u>

The invoice discounting facility is secured against the debtors to which it relates

Notes (continued)

14 Creditors: amounts falling due after more than one year

	Group 2012 £000	2011 £000	Company 2012 £000	2011 £000
Convertible loan notes	2,543	-	2,543	-
Trade creditors	410	676	410	676
Other loans	1,150	-	1,150	-
Obligations under finance leases	7,598	6,425	7,598	6,425
	<hr/>	<hr/>	<hr/>	<hr/>
	11,701	7,101	11,701	7,101
Amount owed to JV partner	5,453	4,879	5,453	4,879
	<hr/>	<hr/>	<hr/>	<hr/>
	17,154	11,980	17,154	11,980
	<hr/>	<hr/>	<hr/>	<hr/>

Obligations under finance leases are secured on the assets to which they relate and bear interest at 9% per annum

Obligations under finance leases due after more than one year are stated net of unamortised issue costs of £457,000 (2011 £571,000)

Convertible loan notes

On 6 September 2012, £1m of F convertible loan notes were issued. Interest of 15% per annum is due on these loan notes with the first 9 months' interest charge being capitalised into further loan notes at the end of the initial 9 month period. These loan notes are convertible into F ordinary shares at £391.67 per share during the period between the end of the initial period and 6 September 2015.

On 29 November 2012, the company issued £2m of 'G' convertible loan notes. Interest accrues on these loan notes at 15% per annum and the loan notes can be converted to 'G' ordinary shares at a rate of £391.67 per share prior to the repayment date of 30 June 2015.

The company offered to repay the 'F' convertible loan notes by the issue of further 'G' convertible loan notes at the end of the 45 day 'G' convertible loan note offer period on a pound for pound basis. This took place on 13 January 2013.

Amount owed to Joint Venture partner

The Joint Venture agreement with Coca Cola Enterprises Limited includes a number of scenarios whereby the Joint Venture agreement will be ended. One of those scenarios is that Coca Cola Enterprises has the option, under certain circumstances, to sell its 33% stake to Eco Plastics Limited for consideration of £5m plus a notional return on capital (see below).

As the company cannot avoid this obligation, it is treated as a liability in accordance with FRS 25. As this liability does not fall due for at least ten years from the date of the Joint Venture agreement, and may never crystallise, the balance has been disclosed separately from other liabilities in the balance sheet and is excluded from the analysis of debt below. This amount bears a return on capital of 11% per annum, provided certain performance conditions are met, which would become payable when and if the put option is exercised.

Notes (continued)

14 Creditors: amounts falling due after more than one year (continued)

The liability is shown net of unamortised issue costs of £109,000 (2011 £121,000) excluding issue costs relating to finance leases as shown below

Analysis of debt:	2012 £000	2011 £000
Debt can be analysed as falling due		
Within one year, or on demand	4,942	3,757
Between one to two years	2,314	734
Between two to five years	8,977	2,043
Over five years	-	3,648
	<u>16,233</u>	<u>10,182</u>

The maturity of obligations under finance leases is as follows

	2012 £000	2011 £000
Within one year	1,676	941
In the second to fifth years	8,055	2,777
Over five years	-	4,219
	<u>9,731</u>	<u>7,937</u>
Less unamortised issue costs	(457)	(571)
	<u>9,274</u>	<u>7,366</u>

The company has undrawn facilities of £5.6m at 31 December 2012, in the invoice discounting facility which can only be drawn down to the extent that the Group has sufficient qualifying debtors available as security

15 Called up share capital

Group and company	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
14,928 Ordinary shares of £0.10 each	1,493	1,493
9,011 'A' Ordinary shares of £0.10 each	901	901
3,250 'B' Ordinary shares of £0.10 each	325	325
13,518 'B' Preferred shares of £0.10 each	1,352	1,352
12,627 'C' Ordinary shares of £0.10 each	1,263	1,263
300,514 Deferred Ordinary shares of £0.10 each	30,051	30,051
16,869 'E' Ordinary shares of £0.10 each	1,687	1,687
	<u>37,072</u>	<u>37,072</u>
Shares classified as liabilities	93	93
Shares classified in shareholders' funds	<u>36,979</u>	<u>36,979</u>
	<u>37,072</u>	<u>37,072</u>

Notes (continued)

15 Called up share capital (continued)

An element of the 'B' Preferred Shares are classified as liabilities in accordance with FRS 25

The respective rights of each class of share, subject to the other rights and restrictions contained in the company's articles of association, are as follows

Voting

The holders of all the shares in issue, with the exception of G Ordinary Shares and Deferred Ordinary Shares, are entitled to one vote per share. The G Ordinary shares are entitled to seven votes per share and the Deferred Ordinary shares carry no voting rights

Dividends

The holders of the 'B' Preferred Shares are entitled to receive a cumulative Preferred Dividend of 8% (totalling 8% over three years) of their original subscription price. The profits of the company available for distribution, after payment of the Preferred Dividend, and which the directors at their discretion may resolve to distribute shall be distributed amongst the holders of all except the Deferred Ordinary shares, as though they constituted one class of share. The Deferred Ordinary shares carry no rights to receive a dividend

Return of Capital

In the event of a return of capital, other than through a compulsory liquidation, the assets of the company remaining after the payment of its liabilities shall be applied firstly in paying to the holders of the 'G' ordinary shares seven times the original subscription price per share, secondly, in paying to the holders of the F ordinary shares £783.34 for each F ordinary share, thirdly in paying the holders of the 'E' Ordinary shares one times the original subscription price per share, the holders of the 'C' Ordinary shares, 'B' Ordinary shares, 'B' Preferred shares and 'A' Ordinary shares one and a half times the original subscription price per share, and fourthly, the balance of the assets of the company shall be distributed amongst the holders of all classes of share (except for the Deferred Ordinary shares) as though they constituted one class of share

In the event of a return of assets on a compulsory liquidation of the company, the balance of the company's assets shall be applied in the order set out above subject to the amounts payable to the holders of the 'E' Ordinary, 'C' Ordinary, 'B' Ordinary, 'B' Preferred and 'A' Ordinary shares being limited to the original subscription price per share

The holders of Deferred Ordinary shares are not entitled to receive any return of capital or assets of the company

Conversion

At the balance sheet date there were share options outstanding in respect of 6,574 (2011: 5,522) Ordinary shares of £0.10 each

16 Share premium

Group and company	Classified as liabilities £000	Classified as shareholders funds £000	Total £000
At beginning and end of year	240	18,031	18,271

Notes (continued)

17 Reserves

Group	Other reserves £000	Own shares held by ESOP £000	Profit and loss account £000
At beginning of year	-	(200)	(6,227)
Loss for the year	-	-	(5,790)
Equity element of convertible loan issued in the year	457	-	-
At end of year	457	(200)	(12,017)

Company	Other reserves £000	Own shares held by ESOP £000	Profit and loss account £000
At beginning of year	-	(200)	(6,227)
Loss for the year	-	-	(5,461)
Equity element of convertible loan issued in the year	457	-	-
At end of year	457	(200)	(11,688)

At the balance sheet date 4,006 (2011 4,806) Ordinary shares of £0.10 each were held by a company sponsored Employee Benefit Trust. The arrangements for distributing shares to employees by the trust are at the discretion of the trustees. It is not practical to quantify the market value of shares held. Shareholders' funds have been reduced by £nil (2011 £nil) in respect of the purchase price of these shares. At the year end 6,315 (2011 5,522) shares are under option to employees or have been conditionally gifted to them.

Other reserves comprise the equity element of the convertible loan notes in issue at the balance sheet date which is a non-distributable reserve, in accordance with FRS 25.

18 Commitments

- a) Capital commitments at the balance sheet date, for which no provision has been made, totalled £nil (2011 £3,756,561).
- b) Annual commitments under non-cancellable operating leases are as follows:

	2012 Land and buildings £000	2012 Other £000	2011 Land and buildings £000	2011 Other £000
Operating leases which expire				
In less than one year	69	4	14	9
Between two and five years	-	209	-	217
Over five years	1,104	-	204	-
	1,173	213	218	226

Notes (continued)

19 Analysis of cash flows

	2012 £000	£000	2011 £000	£000
Returns on investment and servicing of finance				
Interest paid	(466)		(297)	
Interest element of finance lease rental payments	(910)		(359)	
		(1,376)		(656)
Capital expenditure				
Purchase of tangible fixed assets	(9,039)		(9,384)	
Sale of tangible fixed assets	-		8	
		(9,039)		(9,376)
Financing				
Issue of equity share capital	-		6,608	
Issue of convertible loan notes	3,000		-	
Invoice discounting advances	450		1,846	
New borrowings	1,150		6,929	
Repayment of borrowings	-		(3,842)	
Capital element of finance lease rental payments	1,688		(190)	
Issue of equity share capital in subsidiary to minority	-		4,879	
		6,288		16,230

20 Analysis of net debt

	At beginning of year £000	Cash flow £000	Non cash changes £000	At end of year £000
Cash at bank and in hand	2,736	(2,255)	-	481
Debt due within one year	(2,816)	(450)	-	(3,266)
Debt due after one year	-	(3,693)	-	(3,693)
Finance leases	(7,366)	(1,688)	(220)	(9,274)
	(10,182)	(5,831)	(220)	(16,233)
Total	(7,446)	(8,086)	(220)	(15,752)

Finance leases are stated net of unamortised issue costs of £457,000 (2011 £571,000)

21 Share based payments

The company operates an EMI Scheme under which share options, settled by the issue of Ordinary shares in the company, have been granted to certain employees. The options may only be exercised in the event of a sale or listing.

No options were granted during the current or prior year.

Notes (continued)

22 Related party transactions

Group

During the year, the group made sales to Coca Cola Enterprises Plc, which owns a minority holding in Continuum Recycling Limited, of £2,093,000 (2011 *£nil*) At the end of the year a balance of £496,000 (2011 *£nil*) was outstanding from Coca Cola Enterprises Plc

Company

During the year, the company sold goods and provided management services to Continuum Recycling Limited, which is 67% owned by the group, of £2,093,000 (2011 *£nil*) At the end of the year a balance of £1,026,000 (2011 *£nil*) was owed to Continuum Recycling Limited and a balance of £104,000 was owed by Continuum Recycling Limited

23 Post balance sheet event

On 13 January 2013, the Company received further investment of £2m 'G' convertible loan notes which were subscribed and paid up at the end of the offer period Following the receipt of this investment, an extension to the lease facility was granted and a further £825,000 was received in February 2013, which is secured on the plant and equipment of the Company as described in note 9

24 Ultimate controlling party

The directors of the company hold in aggregate 15% of the voting rights of the company Of the remaining voting rights in the company, no one investor controls 50% or more and the majority is held by private equity investors, which the directors consider are held in their normal course of business of providing finance The directors therefore consider that they are the ultimate controlling party of the company