Polymer Logistics (UK) Limited

Report and Financial Statements

31 December 2003

ERNST & YOUNG

Registered No: 4015336

Directors
M Mizrahy
G Feiner
J C Hodkinson
Z Yemini

Secretary
D Gerner-Aharon

Auditors
Ernst & Young LLP
No.1 Colmore Square
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B4 6HQ

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24 Creechurch Lane
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the company during the year was that of renting and trading of plastic packaging and transportation equipment.

The results for the year are considered to be satisfactory as are future prospects.

Results and dividends

The profit for the year, after taxation, amounted to £410,455. The directors do not recommend the payment of any dividends.

Directors

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

M Mizrahy
G Feiner
J C Hodkinson
Z Yemini

There are no directors' interests requiring disclosure under the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board

D Gerner-Aharon
Secretary

21st October 2004

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to 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.

ERNST & YOUNG

Independent auditors' report

to the members of Polymer Logistics (UK) Limited

We have audited the company's financial statements for the year ended 31 December 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
Birmingham

21st October 2004

Profit and loss account
for the year ended 31 December 2003

	Notes	2003 £	2002 £
Turnover	2	6,453,837	3,322,598
Cost of sales		4,509,502	2,146,330
Gross profit		1,944,335	1,176,268
Distribution costs		391,725	330,039
Administrative expenses		755,873	524,296
Operating profit	3	796,737	321,933
Interest payable	6	198,027	216,201
Profit on ordinary activities before taxation		598,710	105,732
Tax on profit on ordinary activities	7	188,255	15,605
Profit retained for the financial year		410,455	90,127

Statement of total recognised gains and losses
There are no recognised gains or losses other than the profit of £410,455 attributable to the shareholders for the year ended 31 December 2003 (2002 - profit of £90,127).

Balance sheet
at 31 December 2003

	Notes	2003 £	2002 £
Fixed assets			
Tangible fixed assets	8	6,473,896	6,253,892
Current assets			
Debtors	9	1,626,233	1,297,362
Cash at bank and in hand		325,641	–
		1,951,874	1,297,362
Creditors: amounts falling due within one year	10	6,070,012	4,954,776
Net current liabilities		(4,118,138)	(3,657,414)
Total assets less current liabilities		2,355,758	2,596,478
Creditors: amounts falling due after more than one year	11	1,819,964	2,557,239
Provisions for liabilities and charges			
Deferred taxation	7	101,906	15,806
		433,888	23,433
Capital and reserves			
Called up share capital	13	2	2
Profit and loss account	14	433,886	23,431
Equity shareholders' funds	14	433,888	23,433

The financial statements were approved on behalf of the board of directors on the date shown below

J C Hodkinson
Director

21st October 2004

Notes to the financial statements
at 31 December 2003

1. Accounting policies
Basis of preparation
The financial statements are prepared under the historical cost convention.

Fundamental accounting concept
The accounts have been prepared under the going concern concept because the directors have received confirmation that continuing finance will be made available from the parent company in order for the company to meets its liabilities as they fall due and to continue operations without immediate realisation of its assets. The sister company, Polymer Logistics (Israel) Limited has also given an unlimited guarantee for the liabilities of the company.

Cash flow statement
The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent produces consolidated financial statements, which are publicly available.

Fixed assets
All fixed assets are initially recorded at cost.

Depreciation
Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Fixtures and Fittings	- Over 7 1/2 years
Motor Vehicles	- Over 4 years
Rental Equipment	- Over 5 years
Computer Equipment	- Over 3 years

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

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

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements
Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Notes to the financial statements
at 31 December 2003

2. Turnover
Turnover represents amounts invoiced to third parties stated net of value added tax, and is wholly attributable to the principal activities of the company and arises solely in the United Kingdom.

3. Operating profit
This is stated after charging:

		2003 £	2002 £
Auditors' remuneration	- audit services	10,500	10,000
	- non-audit services	4,250	4,000
		14,750	14,000
Depreciation of owned fixed assets		1,688,615	1,111,831
Loss on disposal of fixed assets		8,027	20,794
Operating lease rentals	- land and buildings	5,526	3,996
	- plant and machinery	10,956	4,967

4. Staff costs

	2003 £	2002 £
Wages and salaries	262,586	245,528
Social security costs	26,806	16,268
	289,392	261,796

The monthly average number of employees during the year was as follows:

	2003 No.	2002 No.
Distribution staff	4	5
Administrative staff	6	5
	10	10

5. Directors' emoluments

	2003 £	2002 £
Emoluments	25,000	29,989

No pension contributions were made by the company in the current or prior year for the directors.

Notes to the financial statements
at 31 December 2003

6. Interest payable

	2003 £	2002 £
Bank interest payable	4,636	3,894
Interest on other loans	193,391	212,307
	198,027	216,201

7. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £	2002 £
Current tax:		
UK corporation tax	102,155	–
Total current tax (note 7(b))	102,155	–
Deferred tax:		
Origination and reversal of timing differences	78,397	15,605
Effect of changes in tax rate on opening liability	7,703	-
Tax on profit on ordinary activities	188,255	15,605

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is different than the standard rate of corporation tax in the UK of 30% (2002 - 20%). The differences are reconciled below:

	2003 £	2002 £
Profit on ordinary activities before taxation	598,710	105,732
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 20%)	179,613	21,146
Expenses not deductible for tax purposes	1,339	5,896
Depreciation in excess of capital allowances	(78,797)	(114,124)
Other timing differences	–	87,082
Total current tax (note 7(a))	102,155	-

Notes to the financial statements
at 31 December 2003

7. Tax (continued)

(c) *Deferred tax*

	2003 £	2002 £
Depreciation in advance of capital allowances	(101,906)	(228,832)
Other timing differences	–	213,026
Provision for deferred taxation	(101,906)	(15,806)

	£
At 1 January 2003	(15,806)
Profit and loss account movement arising during the year	(86,100)
At 31 December 2003	(101,906)

8. Tangible fixed assets

	Fixtures & Fittings £	*Motor Vehicles* £	*Rental Equipment* £	*Computer Equipment* £	*Total* £
Cost:					
At 1 January 2003	2,511	19,350	7,925,171	28,652	7,975,684
Additions	16,788	–	1,989,276	9,312	2,015,376
Disposals	–	(9,855)	(202,730)	–	(212,585)
At 31 December 2003	19,299	9,495	9,711,717	37,964	9,778,475
Depreciation:					
At 1 January 2003	372	8,475	1,693,502	19,443	1,721,792
Provided during the year	776	3,439	1,676,692	7,708	1,688,615
Disposals	–	(5,098)	(100,730)	–	(105,828)
At 31 December 2003	1,148	6,816	3,269,464	27,151	3,304,579
Net book value:					
At 31 December 2003	18,151	2,679	6,442,253	10,813	6,473,896
At 1 January 2003	2,139	10,875	6,231,669	9,209	6,253,892

9. Debtors

	2003 £	2002 £
Trade debtors	1,406,134	1,138,919
Amounts owed by group undertakings	100,931	3,566
Other debtors	103,375	140,607
Prepayments and accrued income	15,793	14,270
	1,626,233	1,297,362

Notes to the financial statements
at 31 December 2003

10. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts (note 12)	1,618,798	1,000,748
Trade creditors	530,874	219,998
Amounts owed to group undertakings	3,667,334	3,640,652
Corporation tax	102,155	–
Other taxation and social security costs	12,760	7,146
Other creditors	100	–
Accruals and deferred income	137,991	86,232
	6,070,012	4,954,776

11. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Loans (note 12)	1,819,964	2,557,239

12. Loans

Creditors include bank loans and overdrafts, which are due for repayment as follows:

	2003 £	2002 £
Amounts repayable:		
In one year or less or on demand (note 10)	1,618,798	1,000,748
In more than one year but not more than two years	1,455,972	989,899
In more than two years but not more than five years	363,992	1,567,340
	3,438,762	3,557,987

The bank loan is secured by a fixed and floating charge over the assets of the company. Polymer Logistics (Israel) Limited, a sister company incorporated in Israel, has given an unlimited guarantee for the liabilities of the company. The directors of the company have also given personal guarantees totalling £1,540,010 as security for the bank loan.

13. Share capital

		Authorised
	2003 £	2002 £
Ordinary shares of £1 each	100	100

	Allotted, called up and fully paid			
		2003		2002
	No.	£	No.	£
Ordinary shares of £1 each	2	2	2	2

Notes to the financial statements
at 31 December 2003

14. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Profit and loss account* £	*Total share-holders' funds* £
At 1 January 2002	2	(66,696)	(66,694)
Retained profit for the year	–	90,127	90,127
At 31 December 2002	2	23,431	23,433
Retained profit for the year	–	410,455	410,455
At 31 December 2003	2	433,886	433,888

15. Commitments under operating leases
At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003 Other £	*2002 Other* £
Operating leases which expire:		
In two to five years	4,967	-
	4,967	-

16. Ultimate parent company
The company is a wholly owned subsidiary undertaking of Polymer Logistics BV, a company registered in Holland. This is the largest and smallest group of which the company is a member for which group accounts are prepared. Copies of these accounts are available from the Registered Office on page 1.

In the director's opinion, the company's ultimate parent undertaking and controlling party is Polymer Logistics Holdings Limited, which is incorporated in Israel.

17. Related party transactions
In accordance with Financial Reporting Standard No. 8, transactions with group companies are not disclosed as the company is a wholly owned subsidiary within a group that prepares publicly available consolidated statements, which include the company.