

**Company Number 5217791**

**Sphere Consumer Products Plc**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**31 December 2008**

WEDNESDAY



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## **Sphere Consumer Products Plc**

### COMPANY INFORMATION

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Directors	Antoine Chauvin Francis Lustman John Andre Persenda Marie Jose Persenda Hugh Weston-Smith Christophe Bergamo
Secretary	Thomson Smith & Puxon (Secretarial Services) Limited 4 North Hill Colchester Essex CO1 1EB
Company number	5217791
Registered Office	Unit 15 Yew Tree Way Stone Cross Park Golborne WA3 3JD
Auditors	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Bank	National Westminster Bank Plc Knightsbridge Po Box 6037 186 Brompton Road London SW3 1XJ

## **Sphere Consumer Products Plc**

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## Sphere Consumer Products Plc

### DIRECTORS' REPORT

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The Directors present their report together with audited financial statements for the year ending 31 December 2008.

#### Principal Activities and Business Review

The principal activity of the Company continues to be the manufacture and distribution of foodwraps and household packaging.

The Directors are delighted by the achievement of a substantial increase in Turnover, making major inroads with several customers both in terms of value and volume.

The company was disappointed that this did not translate into improved operational profitability due to :

- a challenging environment with periods of large increases in raw material prices.
- a devaluation of more than 20% of Sterling against the Euro, which was particularly damaging since the Company is a significant importer of euro denominated goods, components and raw materials

The Company successfully raised £1.55 million from its shareholders designed to strengthen the balance sheet and provide resources for future growth and development.

The Directors forecast that, despite the difficult economic environment in the United Kingdom, further progress in sales for the company's products which correspond to everyday needs is likely to be made.

The Directors are confident, in view of trading performance through the first quarter, that the Company will achieve an operating Profit for year 2009.

The Company's key financial and other performance indicators during the year were as follows:

	12 months to 31 December 2008 £'000	12 months to 31 December 2007 £'000	Movement %
Turnover	21,478	17,462	23%
Shareholders' Funds	1,336	539	148%
Operating Loss	(750)	(33)	-2176%
Average Number of employees	66	71	-7%

#### Results and Dividends

The Directors do not recommend the payment of a dividend for the period ended 31 December 2008 (2007: Nil).

The loss for the year after taxation amounted to £753,000 (2007: £137,000).

#### Post Balance Sheet Events

There have been no significant post balance sheet events.

## **Sphere Consumer Products Plc**

### **DIRECTORS' REPORT (CONTINUED)**

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#### **Principal Risks and Uncertainties**

The principal risks and uncertainties facing the Company are considered to be credit risk, foreign currency risk and liquidity risk.

##### **Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a loss to the other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require customers demonstrate an appropriate payment history and satisfy credit worthiness procedures.

##### **Foreign Currency Risk**

The Company buys and sells goods denominated in currencies other than sterling. As a result the value of the Company's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by the movements in exchange rates in general, Euro rates in particular. The Company enters into derivative transactions in the form of forward currency contracts. The purpose being to manage its currency risks arising from operations.

##### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Directors are confident that the Company's borrowing facilities, which are reviewed on an annual basis, will be renewed. Taking this into consideration, along with the availability of liquidity from within the Sphere group under internal arrangements, the Directors believe that the Company is properly prepared to meet its continuing liquidity needs.

##### **Directors**

The Directors who served during the period are listed on page 1.

##### **Creditor Payment Policy**

It is the Company's policy to settle terms of payment with suppliers when agreeing the terms of the transaction, to ensure suppliers are aware of these and abide by them. Normally, suppliers are advised as soon as practicable of a dispute and payment is made of that part of the invoice which is not in dispute unless good reason exists. Total creditor days for the year ending 31 December 2008 was 82 days (2007: 70 days).


■ to the best of each Directors knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and

■ each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information

#### **Auditors**

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming annual general meeting.

BY ORDER OF THE BOARD

 17/07/09

Francis Lustman  
DIRECTOR

## **Sphere Consumer Products Plc**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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#### **Directors' responsibilities for the financial statements**

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 the year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 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
- 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 maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Company and 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.

## **Sphere Consumer Products Plc**

### **INDEPENDENT AUDITOR'S REPORT**

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#### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPHERE CONSUMER PRODUCTS PLC**

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any 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 financial statements in accordance with applicable 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 in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practises 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 company's circumstances, consistently applied and adequately disclosed.



## Sphere Consumer Products Plc

### INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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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 company's affairs as at 31 December 2008 and of its 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.

Ernst & Young LLP

*Ernst & Young LLP*

Registered auditor  
Manchester

*17.07.09*

## Sphere Consumer Products Plc

### PROFIT AND LOSS ACCOUNT YEAR ENDING 31 DECEMBER 2008

	Notes	12 months to 31 December 2007 £ '000	12 months to 31 December 2008 £ '000
<b>Turnover</b>	<b>2</b>	17,462	21,478
Cost of Sales		(14,524)	(18,973)
<b>Gross Profit</b>		<u>2,938</u>	<u>2,505</u>
Distribution costs		(490)	(646)
Administrative expenses		(2,506)	(2,635)
Other operating income		25	26
<b>Operating Loss</b>	<b>3</b>	<u>(33)</u>	<u>(750)</u>
Interest payable and similar charges	<b>4</b>	(104)	(91)
<b>Loss on ordinary activities before taxation</b>		<u>(137)</u>	<u>(841)</u>
Taxation	<b>5</b>	-	88
<b>Loss on ordinary activities after taxation</b>		(137)	(753)
<b>Retained loss for period</b>	<b>15</b>	<u><u>(137)</u></u>	<u><u>(753)</u></u>

All of the results for the current and previous year have arisen from continuing operations.

#### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than those reported in the profit and loss account.

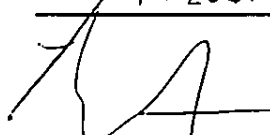
# Sphere Consumer Products Plc

## BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	2007 £ '000	2008 £ '000
<b>Fixed assets</b>			
Tangible assets	6	1,038	1,189
<b>Current assets</b>			
Stocks	7	2,193	3,529
Debtors	8	2,947	3,685
Debtors (due after one year)	9	97	97
Cash at bank and in hand		-	104
		<u>5,237</u>	<u>7,415</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(4,985)</u>	<u>(7,268)</u>
<b>Net current assets</b>		252	147
<b>Total assets less current liabilities</b>		<u>1,289</u>	<u>1,336</u>
<b>Creditors: amounts falling due after more than one year</b>	11	(750)	-
		<u>539</u>	<u>1,336</u>
<b>Capital and reserves</b>			
Share Capital	14	1,250	2,800
Profit and Loss account	15	(711)	(1,464)
<b>Shareholders' funds - equity interests</b>	15	<u>539</u>	<u>1,336</u>

The financial statements of Sphere Consumer Products Plc for the year ending 31 December 2008 were authorised for issue by the Board of Directors on  
and the Balance Sheet was signed on the Board's behalf by

17/07/09  
F. LUSTMAN  
Director



## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS YEAR ENDING 31 DECEMBER 2008

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#### 1. Accounting policies

##### 1.1. Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

##### 1.2. Cash Flow Statement

The directors have taken advantage of the exemption given in the Financial Reporting Standard No.1 (revised) in that these accounts do not include a cash flow statement because the company is a wholly owned subsidiary of Sphere SA, whose financial statements include a group cash flow statement.

##### 1.3. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	-	Over number of remaining months left on lease
Plant and machinery	-	5-10 years
Fixtures, fittings & equipment	-	5-10 years
Motor vehicles	-	1-3 years

Carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

##### 1.4. Leasing

Total rentals payable under operating leases are charged against income on a straight line basis over the lease term.

##### 1.5. Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first in, first out basis.
Finished goods	-	cost of direct materials and attributable costs on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

## **Sphere Consumer Products Plc**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **YEAR ENDING 31 DECEMBER 2008**

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#### **1.6. Pensions**

These are defined contribution money purchase plans.

The company contributes to certain employees and director's personal pension plans and these contributions are charged to income as incurred.

#### **1.7. Deferred taxation**

Deferred taxation 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 right to pay less or receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more than likely than not that there will be suitable taxable profits from which 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 the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **1.8. Research and development**

Research expenditure is written off in the period in which it is incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

#### **1.9. Foreign currency translation**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction, or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate. All differences are taken to profit and loss account.

At the balance sheet date the company had entered into foreign currency contracts on which the total sterling equivalent amounted to £7.830mil (2007: £1.508mil)

#### **1.10. Turnover**

Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

#### 2. Turnover

Turnover represents the amounts derived from the continuing activity of manufacture and distribution of foodwraps, net of VAT.

The analysis of turnover by geographical market is as follows:

	12 months to 31 December 2007 £ ' 000	12 months to 31 December 2008 £ ' 000
U.K. Sales	15,225	19,629
E.U. Sales	2,020	1,784
Non E.U. Sales	217	65
	<u>17,462</u>	<u>21,478</u>

#### 3. Operating Loss

Operating Loss is stated after charging/(crediting) :

	12 months to 31 December 2007 £ ' 000	12 months to 31 December 2008 £ ' 000
Depreciation of tangible assets	186	199
Loss on foreign exchange transactions	172	26
Operating lease rental - Land and buildings	184	184
- Other	8	13
Auditors remuneration - Audit of the financial statements	17	19
- Other services	4	4
Loss on disposal of fixed assets	2	8

#### 4. Interest Payable

	12 months to 31 December 2007 £ ' 000	12 months to 31 December 2008 £ ' 000
Amounts payable to group undertakings	71	46
Bank loans and overdrafts	33	45
	<u>104</u>	<u>91</u>

## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

5. Taxation	12 months to 31 December 2007 £ ' 000	12 months to 31 December 2008 £ ' 000
<b>Tax on loss on ordinary activities</b>		
UK Corporation tax		
Group relief receivable	-	(88)
Total current tax	-	(88)
Deferred tax		
Originating and reversal of timing differences	-	-
	-	(88)
<b>Factors affecting the tax charge for the period</b>		
Loss on ordinary activities before tax	(137)	(841)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (30%;2007)	(41)	(240)
<u>Effect of:</u>		
Disallowed expenses and non-taxable income	3	29
Capital allowances in excess of depreciation	1	(8)
Short term timing differences	2	35
Tax losses c/fwd	35	96
	-	(88)

## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

6. Tangible fixed assets	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£ ' 000	£ ' 000	£ ' 000	£ ' 000	£ ' 000
<b>Cost</b>					
At 1 January 2008	659	612	154	44	1,469
Additions	1	350	18	-	369
Disposals	-	(111)	-	(18)	(129)
As at 31 December 2008	660	851	172	26	1,709
<b>Depreciation</b>					
At 1 January 2008	185	153	59	34	431
Charge for the year	70	98	27	4	199
Disposals	-	(92)	-	(18)	(110)
As at 31 December 2008	255	159	86	20	520
<b>Net Book Value</b>					
As at 31 December 2008	405	692	86	6	1,189
As at 31 December 2007	474	459	95	10	1,038

7. Stocks	2007 £ ' 000	2008 £ ' 000
Raw materials	803	1,519
Finished goods and goods for resale	1,208	1,709
Packaging	182	301
	<u>2,193</u>	<u>3,529</u>
<b>8. Debtors: amounts falling due within one year</b>	<b>2007 £ ' 000</b>	<b>2008 £ ' 000</b>
Trade debtors	2,774	3,455
Amounts due from group undertakings	35	105
Other debtors	-	-
Prepayments and accrued income	138	125
	<u>2,947</u>	<u>3,685</u>



## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

<b>9. Debtors: amounts falling due after more than one year</b>	<b>2007</b>	<b>2008</b>
	<b>£ ' 000</b>	<b>£ ' 000</b>
Rent deposit due 31st October 2014	97	97
	<u>97</u>	<u>97</u>

<b>10. Creditors: amounts falling due within one year</b>	<b>2007</b>	<b>2008</b>
	<b>£ ' 000</b>	<b>£ ' 000</b>
Bank overdraft	577	677
Trade creditors	757	2,001
Amounts due to group undertakings	2,926	3,691
Other taxes and social security costs	509	773
Accruals	217	126
	<u>4,986</u>	<u>7,268</u>

The bank loan is due to be renewed 31 July 2009. Security of the loan is over assets.

<b>11. Creditors: amounts falling due after more than one year</b>	<b>2007</b>	<b>2008</b>
	<b>£ ' 000</b>	<b>£ ' 000</b>
Sphere Consolidated Holdings UK Plc loan notes	750	-
	<u>750</u>	<u>-</u>

<b>12. Provisions for liabilities and charges</b>	<b>2007</b>	<b>2008</b>
	<b>£ ' 000</b>	<b>£ ' 000</b>
A deferred taxation asset has not been recognised in relation to the following as there is insufficient evidence that the asset will be recovered;		
Accelerated capital allowances	(13)	(14)
Other timing differences	24	53
Tax losses	113	197
<b>Total unrecognised deferred tax</b>	<u>124</u>	<u>236</u>

## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

#### 13. Pension costs

The Company contributes to certain employees and Directors' personal pension plans and these contributions are charged to income as incurred.

	2007 £ ' 000	2008 £ ' 000
<b>Defined contribution</b>		
Contributions payable by the company outstanding for the period	4	3
	<u>4</u>	<u>3</u>

#### 14. Share Capital

	2007 £ ' 000	2008 £ ' 000
Authorised ordinary shares at £1 each	1,750	2,800
Allotted and fully paid ordinary shares of £1 each	1,250	2,800

##### Share Capital Issue 2008

June	Authorised ordinary shares at £1 each	250,000
	Allotted and fully paid ordinary shares of £1 each	750,000
December	Authorised ordinary shares at £1 each	800,000
	Allotted and fully paid ordinary shares of £1 each	800,000
Total	Authorised ordinary shares at £1 each	1,050,000
	Allotted and fully paid ordinary shares of £1 each	1,550,000

#### 15. Reconciliation of movements in shareholders funds

	Share Capital £ ' 000	Profit & Loss Account £ ' 000	Total £ ' 000
At 1 January 2007	1,250	(574)	676
Loss for the period	-	(137)	(137)
As at 1 January 2008	1,250	(711)	539
Share Capital Issue	1,550	-	1,550
Loss for the period	-	(753)	(753)
As at 31 December 2008	2,800	(1,464)	1,336

## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

#### 16. Staff Costs

	2007 £ ' 000	2008 £ ' 000
Wages and Salaries	1,357	1,613
Social Security Costs	145	156
Staff Pension Contributions	19	26
	<u>1,521</u>	<u>1,795</u>

The average monthly number of employees, including directors, during the year was made up as follows:

	2007 No	2008 No
Production	57	54
Selling	4	3
Office and management	10	9
	<u>71</u>	<u>66</u>

#### 17. Directors emoluments

The directors' aggregate emoluments in respect of qualifying services were;

	2007 £ ' 000	2008 £ ' 000
Emoluments	100	120
Value of company pension contributions to money purchase pension scheme	5	6
	<u>105</u>	<u>126</u>

The number of directors who were accruing benefits under the company pension scheme was as follows;

	2007 No	2008 No
Money purchase scheme	<u>1</u>	<u>1</u>

## Sphere Consumer Products Plc

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) YEAR ENDING 31 DECEMBER 2008

#### 18. Financial Commitments

The payments which the Company are committed to make in the next year under operating leases are as follows;

	Land & Buildings	Land & Buildings
	2007 £ ' 000	2008 £ ' 000
Lease expiring:		
Within one year	-	-
Two to five years	-	-
Over five years	216	216
	<u>216</u>	<u>216</u>

	Other	Other
	2007 £ ' 000	2008 £ ' 000
Lease expiring:		
Within one year	-	1
Two to five years	8	11
Over five years	-	-
	<u>8</u>	<u>12</u>

#### 19. Ultimate controlling party

The company is a wholly-owned subsidiary of Sphere Consolidated Holdings UK Plc, a company incorporated in England and Wales. The ultimate parent company is Sphere SA, a company incorporated in France.

The consolidated accounts of Sphere SA are available to the public and can be obtained from the Greffe du Tribunal de Commerce de Paris, 1 quai de la Corse, 75181 Paris cedex 04.

#### 20. Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

**Company Number 5217791**

**Sphere Consumer Products Plc**

**END**