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**Report of the Directors and
Financial Statements
for the Period 1 August 2004 to 31 December 2005
for
Scott Packaging Limited**



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for the Period 1 August 2004 to 31 December 2005**

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Scott Packaging Limited

Company Information

for the Period 1 August 2004 to 31 December 2005

DIRECTORS:

J C Scott
N R Scott
C R Hatton
T A C T Impey

SECRETARY:

T A C T Impey

REGISTERED OFFICE:

Port Office
Atlantic Way
Barry
Vale of Glamorgan
CF63 3US

REGISTERED NUMBER:

02701453 (England and Wales)

AUDITORS:

Campbell Dallas
Chartered Accountants
Registered Auditors
Campbell House
126 Drymen Road
Bearsden
GLASGOW
G61 3RB

Scott Packaging Limited

Report of the Directors

for the Period 1 August 2004 to 31 December 2005

The directors present their report with the financial statements of the company for the period 1 August 2004 to 31 December 2005.

CHANGE OF NAME

The company passed a special resolution on 9 December 2005 changing its name from Combine Packaging Company Ltd to Scott Packaging Limited.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of manufacturers of corrugated products and suppliers of industrial packaging.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

DIVIDENDS

No dividends will be distributed for the period ended 31 December 2005.

DIRECTORS

The directors during the period under review were:

| | |
|---------------|--------------------|
| J C Scott | - appointed 1.9.04 |
| N R Scott | - appointed 1.9.04 |
| C R Hatton | |
| T A C T Impey | |

The beneficial interests of the directors holding office on 31 December 2005 in the issued share capital of the company were as follows:

| | 31.12.05 | 1.8.04 or date of appointment if later |
|---------------------------|----------|---|
| Ordinary £1 shares | | |
| J C Scott | - | - |
| N R Scott | - | - |
| C R Hatton | 67 | 67 |
| T A C T Impey | 424 | 424 |

The shareholdings of the directors in the ultimate parent company are separately disclosed in the accounts of Scott Timber (Holdings) Ltd.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Scott Packaging Limited

Report of the Directors

for the Period 1 August 2004 to 31 December 2005

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Campbell Dallas, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



.....
J C Scott - Director

Date: 01 JUNE 2006

Report of the Independent Auditors to the Shareholders of Scott Packaging Limited

We have audited the financial statements of Scott Packaging Limited for the period ended 31 December 2005 on pages six to fourteen. These financial statements have been prepared under the historical cost convention and 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 on pages two and three the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Basis of audit opinion

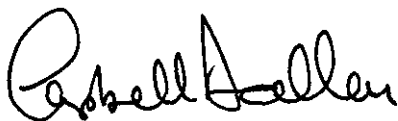
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

**Report of the Independent Auditors to the Shareholders of
Scott Packaging Limited**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2005 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Campbell Dallas
Chartered Accountants
Registered Auditors
Campbell House
126 Drymen Road
Bearsden
GLASGOW
G61 3RB

Date: 4/7/06

Scott Packaging Limited

Profit and Loss Account

for the Period 1 August 2004 to 31 December 2005

| | Notes | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|---|-------|---|---|
| TURNOVER | | 1,287,464 | 589,801 |
| Cost of sales | | 979,364 | 450,125 |
| GROSS PROFIT | | 308,100 | 139,676 |
| Administrative expenses | | 203,133 | 134,517 |
| OPERATING PROFIT | 3 | 104,967 | 5,159 |
| Interest receivable and similar income | | 855 | - |
| | | 105,822 | 5,159 |
| Interest payable and similar charges | 4 | 503 | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 105,319 | 5,159 |
| Tax on profit on ordinary activities | 5 | 11,391 | 18 |
| PROFIT FOR THE FINANCIAL PERIOD AFTER TAXATION | | 93,928 | 5,141 |
| Dividends | 6 | - | 20,252 |
| RETAINED PROFIT/(DEFICIT) FOR THE PERIOD | | 93,928 | (15,111) |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period or previous period.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current period or previous period.

Scott Packaging Limited

Balance Sheet **31 December 2005**

| | Notes | 2005 £ | 2004 £ |
|--|-------|----------------|----------------|
| FIXED ASSETS | | | |
| Tangible assets | 7 | 25,496 | 22,979 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 59,043 | 29,900 |
| Debtors | 9 | 189,718 | 181,251 |
| Cash at bank | | 24,167 | - |
| | | <u>272,928</u> | <u>211,151</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 10 | <u>172,230</u> | <u>201,864</u> |
| NET CURRENT ASSETS | | <u>100,698</u> | <u>9,287</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>126,194</u> | <u>32,266</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 1,002 | 1,002 |
| Profit and loss account | 13 | <u>125,192</u> | <u>31,264</u> |
| SHAREHOLDERS' FUNDS | 17 | <u>126,194</u> | <u>32,266</u> |

ON BEHALF OF THE BOARD:



 J.C. Scott - Director

Approved by the Board on 02 JUNE 2006

**Notes to the Financial Statements
for the Period 1 August 2004 to 31 December 2005**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Plant and machinery - 15% on reducing balance

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of all future payments are treated as a liability.

Rentals paid under operation leases are charged to the profit and loss account as incurred.

Cashflow Exemption

The company has not prepared a cashflow statement as it has availed itself of the exemptions within Financial Reporting Standard 1 as a subsidiary of a UK parent that publishes a consolidated cashflow statement.

2. STAFF COSTS

| | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|-----------------------|---|---|
| Wages and salaries | 143,821 | 85,275 |
| Social security costs | 14,072 | 9,025 |
| | <u>157,893</u> | <u>94,300</u> |

Scott Packaging Limited

Notes to the Financial Statements - continued **for the Period 1 August 2004 to 31 December 2005**

2. STAFF COSTS - continued

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

| | Period 1.8.04 to 31.12.05 | Period 1.10.03 to 31.7.04 |
|-------------------------------|------------------------------------|------------------------------------|
| Management and administration | <u>5</u> | <u>4</u> |

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

| | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|---|---|---|
| Hire of plant and machinery | 4,751 | - |
| Depreciation - owned assets | 6,088 | 8,257 |
| (Profit)/Loss on disposal of fixed assets | <u>(279)</u> | <u>2,882</u> |
| Directors' emoluments | <u>87,250</u> | <u>52,697</u> |

4. INTEREST PAYABLE AND SIMILAR CHARGES

| | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|---------------|---|---|
| Bank interest | <u>503</u> | <u>-</u> |

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the period was as follows:

| | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|--------------------------------------|---|---|
| Current tax: | | |
| UK corporation tax | <u>11,391</u> | <u>18</u> |
| Tax on profit on ordinary activities | <u>11,391</u> | <u>18</u> |

Scott Packaging Limited

Notes to the Financial Statements - continued for the Period 1 August 2004 to 31 December 2005

5. TAXATION - continued

Factors affecting the tax charge

The tax assessed for the period is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|--|---|---|
| Profit on ordinary activities before tax | <u>105,319</u> | <u>5,159</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 19%) | 31,596 | 980 |
| Effects of: | | |
| Temporary timing differences | 82 | (1,602) |
| Disallowed items | (1,552) | 640 |
| Group relief | (15,568) | - |
| Marginal relief | <u>(3,167)</u> | <u>-</u> |
| Current tax charge | <u>11,391</u> | <u>18</u> |

6. DIVIDENDS

| | Period 1.8.04 to 31.12.05 £ | Period 1.10.03 to 31.7.04 £ |
|----------------|---|---|
| Equity shares: | | |
| Final | <u>-</u> | <u>20,252</u> |

Notes to the Financial Statements - continued
for the Period 1 August 2004 to 31 December 2005

7. TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Fixtures and fittings £ | Motor vehicles £ | Totals £ |
|------------------------|-----------------------------|----------------------------------|------------------------|-------------|
| COST | | | | |
| At 1 August 2004 | 18,100 | 7,105 | 7,000 | 32,205 |
| Additions | 12,715 | - | - | 12,715 |
| Disposals | (5,290) | - | - | (5,290) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2005 | 25,525 | 7,105 | 7,000 | 39,630 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| DEPRECIATION | | | | |
| At 1 August 2004 | 5,943 | 1,916 | 1,367 | 9,226 |
| Charge for period | 2,646 | 1,111 | 2,331 | 6,088 |
| Eliminated on disposal | (1,180) | - | - | (1,180) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2005 | 7,409 | 3,027 | 3,698 | 14,134 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET BOOK VALUE | | | | |
| At 31 December 2005 | 18,116 | 4,078 | 3,302 | 25,496 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 July 2004 | 12,157 | 5,189 | 5,633 | 22,979 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

8. STOCKS

| | 2005 £ | 2004 £ |
|----------------|-----------|-----------|
| Raw materials | 55,749 | - |
| Finished goods | 3,294 | 29,900 |
| | <hr/> | <hr/> |
| | 59,043 | 29,900 |
| | <hr/> | <hr/> |

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 £ | 2004 £ |
|------------------------------|-----------|-----------|
| Trade debtors | 179,757 | 181,251 |
| Due from fellow subsidiaries | 9,961 | - |
| | <hr/> | <hr/> |
| | 189,718 | 181,251 |
| | <hr/> | <hr/> |

Scott Packaging Limited

**Notes to the Financial Statements - continued
for the Period 1 August 2004 to 31 December 2005**

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 £ | 2004 £ |
|---|----------------|----------------|
| Bank loans and overdrafts (see note 11) | - | 19,580 |
| Trade creditors | 103,123 | 126,699 |
| Tax | 11,391 | - |
| Social security and other taxes | 3,405 | 2,469 |
| VAT | 4,171 | 5,693 |
| Other creditors | - | 1,387 |
| Due to fellow subsidiaries | 41,510 | - |
| Directors' current accounts | 6,593 | 42,607 |
| Accrued expenses | 2,037 | 3,429 |
| | <u>172,230</u> | <u>201,864</u> |

11. LOANS

An analysis of the maturity of loans is given below:

| | 2005 £ | 2004 £ |
|---|-----------|---------------|
| Amounts falling due within one year or on demand: | | |
| Bank overdrafts | <u>-</u> | <u>19,580</u> |

12. CALLED UP SHARE CAPITAL

| | | | | |
|-------------|----------|----------------|--------------|--------------|
| Authorised: | | | | |
| Number: | Class: | Nominal value: | 2005 £ | 2004 £ |
| 2,000 | Ordinary | £1 | <u>2,000</u> | <u>2,000</u> |

| | | | | |
|----------------------------------|----------|----------------|--------------|--------------|
| Allotted, issued and fully paid: | | | | |
| Number: | Class: | Nominal value: | 2005 £ | 2004 £ |
| 1,002 | Ordinary | £1 | <u>1,002</u> | <u>1,002</u> |

13. RESERVES

| | Profit and loss account £ |
|--------------------------------|------------------------------|
| At 1 August 2004 | 31,264 |
| Retained profit for the period | <u>93,928</u> |
| At 31 December 2005 | <u>125,192</u> |

**Notes to the Financial Statements - continued
for the Period 1 August 2004 to 31 December 2005**

14. ULTIMATE PARENT COMPANY

The directors regard Scott Timber (Holdings) Limited, company registered in Scotland under reference 187620, to be the ultimate parent company.

A copy of full financial statements of the group may be obtained from Forties Campus, Rosyth Euro Parc, Rosyth, Fife, KY11 2XS.

15. TRANSACTIONS WITH DIRECTORS

At the year end TACT Impey and CR Hatton was owed £36,958 and £5,649 respectively from the Company. Both these loans have been granted interest free and have no fixed repayment terms.

16. RELATED PARTY DISCLOSURES

In the period to 31 December 2005 the company entered into the following transactions:

| | |
|--|---------|
| Sales to fellow subsidiary undertakings | £ |
| James Ind. Limited | 114 |
| Combine Pallet Company Limited | 49,333 |
| Hambrook Pallets Limited | 115 |
| Scott Timber Limited | 10,580 |
| Purchases from fellow subsidiary undertakings: | £ |
| Combine Pallet Company Limited | 267,951 |
| Scott Timber Limited | 6,025 |
| Scott Recycling Limited | 38,703 |

At 31 December 2005 the amounts due from/(to) fellow subsidiary undertakings were as follows:

| | |
|---------------------------------------|----------|
| | £ |
| Due from James Ind. Limited | 135 |
| Due from Hambrook Pallets Limited | 136 |
| Due from Scott Timber Limited | 9,238 |
| Due to Combine Pallet Company Limited | (38,678) |
| Due to Scott Recycling Limited | (2,378) |

Notes to the Financial Statements - continued
for the Period 1 August 2004 to 31 December 2005

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2005 | 2004 |
|--|----------------|---------------|
| | £ | £ |
| Profit for the financial period | 93,928 | 5,141 |
| Dividends | - | (20,252) |
| | <hr/> | <hr/> |
| Net addition/(reduction) to shareholders' funds | 93,928 | (15,111) |
| Opening shareholders' funds | 32,266 | 47,377 |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>126,194</u> | <u>32,266</u> |
| | <hr/> | <hr/> |
| Equity interests | <u>126,194</u> | <u>32,266</u> |

Scott Packaging Limited

**Trading and Profit and Loss Account
for the Period 1 August 2004 to 31 December 2005**

| | Period 1.8.04 to 31.12.05 | | Period 1.10.03 to 31.7.04 | |
|-----------------------------|------------------------------|----------------|------------------------------|----------------|
| | £ | £ | £ | £ |
| Sales | | 1,287,464 | | 589,801 |
| Cost of sales | | | | |
| Purchases | 956,794 | | 445,739 | |
| Hire of plant and machinery | 4,751 | | - | |
| Haulage | 17,819 | | 4,386 | |
| | | <u>979,364</u> | | <u>450,125</u> |
| GROSS PROFIT | | 308,100 | | 139,676 |
| Other income | | | | |
| Deposit account interest | | 855 | | - |
| | | <u>308,955</u> | | <u>139,676</u> |
| Expenditure | | | | |
| Directors' salaries | 87,250 | | 52,697 | |
| Directors' social security | 9,421 | | 6,877 | |
| Rates and water | 3,000 | | 2,000 | |
| Insurance | 3,574 | | 1,396 | |
| Wages | 56,571 | | 32,578 | |
| Social security | 4,651 | | 2,148 | |
| Telephone | 4,219 | | 2,631 | |
| Post and stationery | 1,540 | | 2,176 | |
| Advertising | 1,839 | | - | |
| Travelling | 860 | | 468 | |
| Motor expenses | 18,102 | | 13,909 | |
| Repairs and renewals | 532 | | 1,345 | |
| Sundry expenses | 955 | | 797 | |
| Accountancy | 2,150 | | 2,720 | |
| Legal and professional fees | 1,004 | | 1,132 | |
| Entertainment | 1,108 | | 128 | |
| | | <u>196,776</u> | | <u>123,002</u> |
| | | 112,179 | | 16,674 |
| Finance costs | | | | |
| Bank charges | 548 | | 376 | |
| Bank interest | 503 | | - | |
| | | <u>1,051</u> | | <u>376</u> |
| Carried forward | | 111,128 | | 16,298 |

This page does not form part of the statutory financial statements

Scott Packaging Limited

**Trading and Profit and Loss Account
for the Period 1 August 2004 to 31 December 2005**

| | Period 1.8.04 to 31.12.05 | | Period 1.10.03 to 31.7.04 | |
|--|------------------------------|----------------|------------------------------|--------------|
| | £ | £ | £ | £ |
| Brought forward | | 111,128 | | 16,298 |
| Depreciation | | | | |
| Plant and machinery | 2,646 | | 3,993 | |
| Fixtures and fittings | 1,111 | | 1,602 | |
| Motor vehicles | 2,331 | | 2,662 | |
| | | <u>6,088</u> | | <u>8,257</u> |
| | | 105,040 | | 8,041 |
| Profit/(Loss) on disposal of fixed assets | | | | |
| Plant and machinery | | 279 | | (2,882) |
| NET PROFIT | | <u>105,319</u> | | <u>5,159</u> |

This page does not form part of the statutory financial statements