Sumika Polymer Compounds (UK) Ltd

Directors' report and financial statements

for the year ended 31 December 2012

Registered no 2594313

Sumika Polymer Compounds (UK) Ltd
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Directors' report and financial statements for the year ended 31 December 2012

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Company Information

Executive directors

H Nishio (Chairman)
L Seynave (Managing Director)
P Claydon

Non-executive directors

H Hamada
T Ohno

Secretary and registered office

P Claydon
Sumika Polymer Compounds (UK) Ltd
28 New Lane
Havant
Hampshire
PO9 2NQ

Statutory Auditor

KPMG LLP
Chartered Accountants
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

Bankers

HSBC plc
The Bank of Tokyo Mitsubishi UFJ, Ltd
Mizuho Corporate Bank, Ltd
Sumitomo Mitsui Banking Corporation Europe Limited

Directors' report
for the year ended 31 December 2012

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

Principal activities

The principal activity of the Company, thermoplastic compounding, remains unchanged from last year

Review of business and future developments

The loss after tax for the year was £1,264,000 (2011 loss of £1,653,000) However, major restructuring and a large scale staff redundancy program were carried out during the year and staff termination costs of £0 5M are included in the result The restructuring was successfully completed by year-end and has achieved fixed cost savings of over £1M per year Also during the year, investment of over £2M in new plant and machinery was successfully completed, contributing to efficiency improvements and cost savings, as well as providing capacity for new business segments

Since the year-end, we have started to see the full year benefits of the restructuring and we anticipate the 2013 results will be profitable We are also seeing the ramping-up of volumes in new business segments and new technologies, which have been developed with the support of our shareholders Margins are as expected

Our bank borrowings continue to be guaranteed by our group's strong Japanese shareholders, who support the Company financially and provide additional business opportunities The shareholders remain committed to the Company and its operations in Europe, which form part of a global business supplying high performance plastic compounds to the white goods and automotive sectors

Key performance indicators

The key performance indicators for the Company are volumes and margins The impact of these on the result for the year is set out above

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks

The key business risks and uncertainties affecting the Company are considered to be competition from both national and international plastics compounders, and raw material price fluctuation

Financial risk management

The company is exposed to a variety of financial risks The Company's overall risk management programme seeks to minimise potential risks for the Company The Board reviews and agrees policies for managing risks The most important components of financial risk impacting the Company are price risk, interest rate risk, credit risk, foreign exchange risk and liquidity risk

The Company is exposed to commodity price risk as a result of its operations In order to manage this exposure the Company seeks to match its purchasing contracts to its sales contracts

The Company's income is substantially independent of changes in interest rates The Company finances its operations through share capital, related party loans, bank loans and overdraft The Company's borrowings are in sterling, at floating rates of interest Interest costs are minimised by taking flexible short term loans and overdrafts to meet fluctuating requirements Competitive rates of financing are achieved by enjoying parent company guarantees

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due The Company's policy is to limit counterparty exposures by setting credit limits and credit checks are performed on potential customers before sales are made Credit insurance is taken where appropriate

Directors' report
for the year ended 31 December 2012 (continued)

The Company makes 66% (2011 71%) of its sales outside the United Kingdom Since a portion of purchases are also made from foreign companies the Company aims to achieve a natural hedge and does not hedge foreign currency exposure in any other way The principal currency to which the Company is exposed is the Euro

Liquidity risk is the risk that cash may not be available to pay obligations when due This risk is managed centrally by the finance team using a mixture of long-term and short-term debt finance The Board is satisfied that the Company was not subject to significant liquidity risk as at the year end

Results and dividends

The Company's loss after tax for the financial year is £1,264,000 (2011 loss £1,653,000)

The directors do not recommend the payment of a dividend (2011 nil)

Research and development activities

The Company is committed to research and development activities in order to secure its position in the market Expenditure in the year is set out in note 8

Directors

The directors of the Company who held office during the year and up to the date of signing the financial statements, except where shown otherwise, were

J I Davies (Resigned 26 January 2012), F D Girard (Resigned 12 April 2012), K Yamasaki (Resigned 18 May 2012), H Hamada (Appointed 13 April 2012), H Nishio, T Ohno, L Seynave, P Claydon (Appointed 10 May 2012) T Ohno is resident in Japan, H Hamada, L Seynave and F D Girard in France

The Company has provided an indemnity for its directors under the Articles of Association which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

Political and charitable contributions

No political and charitable donations or political expenditure was incurred during the year

Disclosure of information to auditor

Each of the persons who held office at the date of approval of this directors' report confirms that

a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

b) 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 auditor is aware of that information

Independent 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

P Claydon
Company Secretary

28 New Lane
Havant
Hampshire
PO9 2NQ

22 May 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 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 Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,

- make judgments and estimates that are reasonable and prudent,

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 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 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 company and to prevent and detect fraud and other irregularities

Independent auditor's report to the members of Sumika Polymer Compounds (UK) Ltd

We have audited the financial statements of Sumika Polymer Compounds (UK) Ltd for the year ended 31 December 2012 set out on pages 6 to 24 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 4, 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 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 Ethical Standards for Auditor's

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 Company's affairs as at 31 December 2012 and of its loss for the year then ended,
• have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
• have been 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

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, or returns adequate for our audit have not been received from branches not visited by us, or
• the 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

Steve Masters

Steve Masters (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
Dukes Keep
Marsh Lane
Southampton
SO14 3EX

29 May 2013

Sumika Polymer Compounds (UK) Ltd
Registered no: 2594313

Profit and Loss Account
for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	**36,748**	38,536
Cost of sales		**(33,473)**	(34,900)
Gross profit		**3,275**	3,636
Net operating expenses	3	**(4,396)**	(4,681)
Operating loss		**(1,121)**	(1,045)
Interest receivable and similar income	6	**-**	16
Interest payable and similar charges	7	**(150)**	(172)
Net return on pension scheme asset	15	**7**	17
Loss on ordinary activities before taxation	8	**(1,264)**	(1,184)
Tax on loss on ordinary activities	9	**-**	(469)
Loss for the financial year	17	**(1,264)**	(1,653)

The results for both years are derived from continuing operations

The notes on pages 9 to 24 form an integral part of these financial statements

Sumika Polymer Compounds (UK) Ltd
Registered no: 2594313

Balance sheet
as at 31 December 2012

	Note	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Tangible assets	10		**8,385**		8,857
Current assets					
Stocks	11	**6,876**		6,035	
Debtors	12	**5,928**		5,553	
Cash at bank and in hand		**-**		1,518	
		12,804		13,106	
Creditors amounts falling due within one year	13	**(18,062)**		(17,102)	
Net current (Liabilities)			**(5,258)**		(3,996)
Net assets before pension liability			**3,127**		4,861
Retirement benefits liability	15		**(3,100)**		(3,516)
Net assets including pension liability			**27**		1,345
Capital and reserves					
Called up share capital	16		**5,300**		5,300
Revaluation reserve	17		**2,553**		2,637
Profit and loss account	17		**(7,826)**		(6,592)
Shareholders' funds	18		**27**		1,345

The notes on pages 9 to 24 form an integral part of these financial statements

The financial statements on pages 6 to 24 were approved by the board of directors on 22 May 2013 and were signed on its behalf by

H Nishio
Director

L Seynave
Director

Sumika Polymer Compounds (UK) Ltd
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Statement of Total Recognised Gains and Losses for the year ended 31 December 2012

	2012 £'000	2011 £'000
Loss for the financial year	**(1,264)**	(1,653)
Actuarial gains/(losses) recognised in the pension and post retirement schemes (note 15)	30	(1,777)
Revaluation (Losses)/Gains	(84)	-
Total recognised (losses) relating to the year	**(1,318)**	(3,430)

Note of Historical Cost Profits and Losses for the year ended 31 December 2012

	2012 £'000	2011 £'000
Reported loss on ordinary activities before taxation	**(1,264)**	(1,184)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the re-valued amount	39	11
Historical cost loss on ordinary activities before taxation	**(1,225)**	(1,173)
Tax on loss on ordinary activities	-	(469)
Historical cost loss for the year after taxation and dividends	**(1,225)**	(1,642)

The notes on pages 9 to 24 form an integral part of these financial statements

1 Principal accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance under the historical cost convention as modified by the revaluation of certain tangible fixed assets and in accordance with the Companies Act 2006 and Accounting Standards applicable in the United Kingdom

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements

As the Company is a wholly owned subsidiary of Sumika Polymer Compounds (Europe) Ltd, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group The consolidated financial statements of Sumika Polymer Compounds (Europe) Ltd, within which this Company is included, can be obtained from the address given in note 21

The financial statements have been prepared on the going concern basis, notwithstanding the significant loss for the year ended 31 December 2012 The Company is ultimately dependent for its working capital on support from the shareholders of its parent company, Sumika Polymer Compounds (Europe) Limited The parent company has received undertakings from its shareholders that for at least 12 months from the approval of the financial statements they will make available such funds as are needed by the parent company and its subsidiaries to enable them to continue to trade by meeting their liabilities as and when they become due for payment

As with any company 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, the directors have no reason to believe that it will not do so Based on the undertakings received by the parent company the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result if such funds were not available

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods supplied Turnover is recognised where goods have been delivered and there is no future performance required and amounts are collectable under normal payment terms

Where the company carries out tolling for its customers, turnover is recognised when the goods are produced and there are no further performance obligations

Turnover relating to sale of goods on a consignment basis is recognised upon notification from the customer of the goods used

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term

Research and development

Expenditure on research is written off to the profit and loss account in the year in which it is incurred Development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to exceed related future sales and adequate resources exist to enable the project to be completed Otherwise development costs are written-off to the profit and loss account in the year in which it is incurred Where development costs are capitalised, they are amortised to profit and loss account over the duration of related commercial sales, to a maximum of five years

1 Principal accounting policies (continued)

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Any differences on translation are dealt with as part of the trading result for the year

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at original cost or valuation less accumulated depreciation and any provision for impairment Cost comprises direct expenditure incurred together with any incidental expenses of acquisition

Expenditure on new capital projects which have not been commissioned by the accounting date are classified as capital work in progress and are transferred to the appropriate fixed asset account on completion of commissioning

Depreciation is calculated so as to write off the cost or valuation of tangible fixed assets on a straight line basis over the expected useful economic lives of the assets concerned The principal asset lives used for this purpose are

Freehold buildings (including temporary constructions)	5 – 20 years
Plant and machinery	5 – 15 years
Fixtures, fittings and equipment	5 – 15 years
Computers (included as equipment)	3 – 5 years

Profits or losses on disposal are included in the trading results for the year Freehold land is not depreciated

Revaluation of tangible fixed assets

Net surpluses arising as a result of incorporating property valuations in the financial statements are taken to the revaluation reserve Revaluations are obtained every three years On disposal of a property the revaluation surplus is transferred to retained profit

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value Cost is determined on a first in first out basis and includes transport and handling costs Finished goods are stated at cost of production including works overheads Net realisable value is the price at which stocks can be sold in the normal course of business, after allowing for the cost of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition Where necessary, provision is made for obsolete, slow moving and defective stocks

Deferred taxation

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Timing differences represent accumulated differences between the company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation Deferred tax is measured on an undiscounted basis

Deferred tax assets are only recognised when it is considered more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets/liabilities relating to the deficit/surplus in the pension scheme are set-off against the pension liability/asset in accordance with FRS17

1 Principal accounting policies (continued)

Post retirement obligations

Pensions and other post retirement benefits are accounted for in accordance with FRS 17 'Retirement Benefits'

For the defined benefit scheme, the amounts charged to operating profit are the current costs and gains and losses on settlements and curtailments They are included as part of staff costs Past service costs are recognised immediately in the profit and loss account if the benefits have vested

If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount in the profit and loss account Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses

The defined benefit scheme is funded with assets of the scheme held separately from those of the Company, in separate trustee administered funds Pension scheme assets are measured at fair value Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability The increase in the present value of the liabilities of the Company's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses The actuarial valuations are obtained at least triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of related deferred tax, is presented separately after other net assets on the face of the balance sheet

The Company operates a defined contribution pension scheme, which is open to all current employees For this scheme the amounts charged to the profit and loss account are the contributions payable in the year, the assets of the scheme are held separately from those of the Company in an independently administered fund

The Company provides post retirement medical insurance to certain of its retired employees The liability is accounted for in accordance with FRS17 "Retirement Benefits" This provision is closed to further accrual of benefits

2 Turnover

The analysis by geographical area of the Company's turnover by destination is set out below

	2012 £'000	2011 £'000
Geographical segment		
United Kingdom	**12,360**	10,992
Europe	**21,936**	25,000
Other	**2,452**	2,544
	36,748	38,536

All turnover originates in the United Kingdom and comprises only one class of business, that of thermoplastic compounding

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Net operating expenses

	2012 £'000	2011 £'000
Distribution costs	**1,851**	1,995
Administrative expenses	**2,545**	2,686
	4,396	4,681

4 Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	**123**	152
Contributions to defined contribution pension scheme	**114**	83
Sums paid to parent company for directors' services	**122**	122
	359	357

Highest paid director	2012 £'000	2011 £'000
Aggregate emoluments and benefits	**109**	104
Contributions to defined contribution pension scheme	**15**	20
	124	124

Aggregate compensation for loss of office amounted to £59,000

5 Employee information

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

	Number of employees 2012	Number of employees 2011
Production	**44**	54
Selling and distribution	**6**	6
Administration	**9**	12
Research and development	**11**	13
	70	85

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Employee information (continued)

The aggregate payroll costs of these persons were as follows

	2012 £'000	2011 £'000
Wages and salaries	2,019	2,329
Social security costs	213	234
Other pension costs (see note 15)	245	330
	2,477	2,893

6 Interest receivable and similar income

	2012 £'000	2011 £'000
Loan interest due from parent company	-	16
	-	16

7 Interest payable and similar charges

	2012 £'000	2011 £'000
Bank overdraft and other loans (note 13)	69	78
Payable to related parties	81	94
	150	172

8 Loss on ordinary activities before taxation

	2012 £'000	2011 £'000
Loss on ordinary activities before taxation is stated after charging/ (crediting)		
Depreciation charge for the year		
Owned tangible fixed assets (note 10)	808	774
Research and development expenditure	554	605
Auditor's remuneration for Audit services	52	52
Operating leases for hire of plant and machinery	123	133
Loss/(Profit) on foreign currency exchange	2	150
(Profit)/Loss on disposal of fixed assets	(13)	13

Disclosure of fees payable to the auditor and its associates for other (non audit) services has not been made because the consolidated accounts of the Company's parent are required to disclose other (non audit) services on a consolidated basis

Notes to the financial statements for the year ended 31 December 2012 (continued)

9 Taxation

Analysis of charge for the year

	2012 £'000	2011 £'000
Current tax		
Adjustments in respect of prior years	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of timing differences	-	(469)
Total deferred tax credit (notes 14)	-	-
Tax credit on loss on ordinary activities	-	-

Deferred tax charges and credits, if any, arise from both movements on deferred tax assets offset against the pension scheme deficit (note 15) as well as movements on other deferred tax assets/provisions (note 14)

The current tax credit for the year is lower (2011 26 5%) than the standard rate of corporation tax in the UK for the reasons set out below

	2012 £'000	2011 £'000
(Loss) on ordinary activities before tax	**(1,264)**	(1,184)
(Loss) on ordinary activities multiplied by standard rate in the UK for 2012 24 5% (2011 26 5 %)	**(310)**	(314)
Effects of		
Expenses not deductible for tax purposes	**81**	95
Depreciation in excess of Capital Allowances	**123**	121
Other timing differences	**(94)**	(101)
Research & Development	**(3)**	(4)
Unrelieved losses for the year	**203**	203
Current tax credit for the year	**-**	-

Factors that may affect future tax charges include significant loss relief carried forward, which is reflected in note 14, Deferred tax

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Tangible fixed assets

	Freehold land and buildings £'000	Plant, machinery and equipment £'000	Capital work in progress £'000	Total £'000
Cost or valuation				
At 1 January 2012	4,958	15,826	1,976	22,760
Additions	-	-	433	433
Disposals	-	(852)	-	(852)
Revaluation	(367)	-	-	(367)
Transfers	39	2,317	(2,356)	-
At 31 December 2012	**4,630**	**17,291**	**53**	**21,974**
Accumulated depreciation				
At 1 January 2012	201	13,702	-	13,903
Charge for year	105	703	-	808
Revaluation	(282)	-	-	(282)
Disposals	-	(840)	-	(840)
At 31 December 2012	**24**	**13,565**	**-**	**13,589**
Net book value				
At 31 December 2011	4,757	2,124	1,976	8,857
At 31 December 2012	**4,606**	**3,726**	**53**	**8,385**
Cost or valuation at 31 December 2012 is represented by				
At valuation	4,600	-	-	4,600
At cost	30	17,291	53	17,374
	4,630	**17,291**	**53**	**21,974**

Land and buildings were re-valued in September 2012 to £4,600,000 being open market value for existing use These valuations were made by Hellier Langston, a firm of independent Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual

The Directors have considered the value of the land and buildings included in the financial statements and do not believe a material difference to the September 2012 valuation exists

If land and buildings had not been re-valued they would have been included at the following amounts

	2012 £'000	2011 £'000
Historical cost	**4,157**	4,118
Aggregate depreciation based on cost	**(2,578)**	(2,512)
Net book value based on cost	**1,579**	1,606

Depreciation has not been charged on freehold land, which is stated at its re-valued amount of £3,475,000 (2011 £3,350,000)

There are no assets held under finance leases

There is a charge over the freehold land and buildings in favour of the Thermofil Polymers Pension Scheme, the charge is for a value equalling the scheme deficit

Notes to the financial statements for the year ended 31 December 2012 (continued)

11 Stocks

	2012 £'000	2011 £'000
Raw matenals and consumables	**3,088**	2,763
Fınıshed goods and goods for resale	**3,788**	3,272
	6,876	6,035

12 Debtors

	2012 £'000	2011 £'000
Amounts fallıng due wıthın one year		
Trade debtors	**5,054**	4,961
Amounts owed by group undertakıngs	**111**	-
Amounts owed by related partıes	**159**	152
Other debtors	**325**	171
Prepayments and accrued ıncome	**279**	269
	5,928	5,553

Amounts owed by group undertakıngs are unsecured, ınterest bearıng and have no fixed date of payment

13 Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Bank loans	**6,000**	5,500
Bank overdraft	**214**	-
Amounts owed to Group undertakıngs	**37**	-
Amounts owed to related partıes	**9,494**	9,490
Trade credıtors	**1,641**	1,430
Taxatıon and socıal securıty costs	**69**	73
Pensıon Contrıbutıons payable	**44**	51
Other credıtors	**71**	68
Accruals	**492**	490
	18,062	17,102

The bank overdraft facılıtıes are unsecured and repayable on demand The bank loans are revolvıng facılıtıes and unsecured The respectıve banks hold Letters of Intent as forms of guarantee from the shareholders of the parent company Interest on the bank loans ıs payable at varıable rates close to LIBOR

The amounts owed to related partıes consısts maınly of trade credıt balances due to Itochu ın respect of raw materıal purchases These balances are ınterest bearıng at varıable rates

14 Deferred tax

The elements of deferred taxation are as follows

Analysis of deferred tax	2012 Recognised £'000	2012 Unrecognised £'000	2011 Recognised £'000	2011 Unrecognised £'000
Deferred tax assets/(liabilities)				
Accelerated capital allowances	-	332	-	238
Tax Losses carried forward	-	1,159	-	1,242
Other timing differences	-	6	-	7
	-	1,497	-	1,487
Deferred tax asset - pension liability	-	705	-	874
Deferred tax asset - post retirement medical benefit	-	8	-	5
	-	713	-	879
Total deferred tax asset	-	2,210	-	2,366

The directors consider that, under UK GAAP, it remains inappropriate to recognise a deferred tax asset at the year end However, in view of the return to profitability in 2013, the directors expect to recognise deferred tax assets again in due course

No provision has been made for deferred taxation on gains recognised on the revaluation of land and buildings If the freehold were sold at re-valued book value then an estimated tax liability of £385,000 (2011 £456,000 liability) would arise The Company has no plans to make such a disposal and therefore no such tax is expected to arise in the foreseeable future

Deferred tax assets and liabilities have not been discounted

A reduction in the 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 current tax charge accordingly The (unrecognised) deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further 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 current tax charge and reduce the company's deferred tax asset accordingly

Deferred tax asset excluding that relating to pension liability and post retirement benefit provision

	2012 £'000	2011 £'000
At 1 January	-	469
Movement	-	(469)
At 31 December (note 12)	-	-

Deferred tax asset relating to pension liability and post retirement benefit provision

No deferred tax asset has been deducted in arriving at the net pension deficit on the balance sheet (2011 nil) The total unrecognised deferred tax asset on the net pension deficit is £713,000 (2011 £879,000)

15 Pension and post retirement obligations

The Company operates three schemes -
(1) Defined benefit pension scheme
(2) Defined contribution group personal pension
(3) Post-retirement private medical insurance entitlement

The assets of the defined benefit occupational pension scheme are held in a separate trustee administered fund The scheme was closed from 6 October 2006 to all future accrual of benefits Accrued benefits are no longer linked to future salary increases Since this date pension provisions are on a defined contribution basis

The pension cost charged to the profit and loss account for the Company was £246,000 (2011 £313,000) This comprises £7,000 credit (2011 £21,000 credit) for the occupational scheme, £253,000 charge (2011 £330,000 charge) for the defined contribution scheme and £nil (2011 £4,000 charge) for the post retirement medical scheme

Included in creditors are amounts of pension contributions payable of £25,000 (2011 £25,000) for the defined benefit scheme and £19,000 (2011 £26,000) for the defined contribution scheme All amounts represent current month contributions

The Company provides post retirement medical insurance to certain retired employees This arrangement is unfunded This scheme is now closed and accrual of benefits ceased during 2008

FRS 17 – Occupational pension scheme

A full actuarial valuation was carried out as at 6 April 2010 and updated to 31 December 2012 by a qualified independent actuary

The pension contributions were assessed in accordance with the advice of an independent qualified actuary using the Attained Age method The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions It is assumed that the investment return would be 5 1% - 6 1% per annum and that future pensions would increase at the rate of 2 9% - 3 8% per annum

	2012	2011
Rate of increase in pensions in deferment	**2 6%**	2 5%
Rate of increase in pensions in payment	**3 0%**	3 2%
Discount rate	**4 4%**	4 7%
Inflation assumption	**3 1%**	3 2%

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £13,254,000 and the actuarial value of the assets was sufficient to cover 76% of the benefits which had accrued to members, after allowing for expected future increases in earnings The contribution rate is as follows

	Employer's	**Employees'**	**Total**
01 01 08 to 30 06 08	£48,000 per month	Nil	£48,000 per month
01 07 08 to 30 06 09	£31,250 per month	Nil	£31,250 per month
01 07 09 to 30 06 10	£32,350 per month	Nil	£32,350 per month
01 07 10 to 30 04 11	£33,500 per month	Nil	£33,500 per month
01 05 11 to next agreement	£25,000 per month + 1/3 profit sharing	Nil	£25,000 per month + 1/3 profit sharing

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Pension and post retirement obligations (continued)

The assets in the scheme and the expected long-term rates of return were

	2012 £'000	2012 %	2011 £'000	2011 %
Equities	10,377	7 0%	9,519	7 0%
Gilts	3,313	3 0%	3,147	3 0%
Corporate Bonds	1,088	4 4%	1,044	4 7%
Cash	105	0 5%	(4)	0 5%
	14,883		13,706	
Actual return on scheme assets	1,481		29	

The expected rates of return on assets were determined by the directors after taking advice from a qualified actuary

Average future life expectancy used to determine the actuarial value of liability

	2012 Male	2012 Female	2011 Male	2011 Female
Member attaining age 62 in 2012 (2011 62 in 2011)	24 0	26 4	24 0	26 3
Member attaining age 62 in 2022 (2011 62 in 2021)	24 7	27 2	24 7	27 1

The following amounts at 31 December 2012 and 31 December 2011 were measured in accordance with the requirements of FRS 17

	2012 £'000	2011 £'000
Total market value of assets	14,883	13,706
Present value of scheme liabilities	(17,947)	(17,202)
Deficit in the scheme	(3,064)	(3,496)
Deferred tax asset	-	-
Net pension liability	(3,064)	(3,496)
Post retirement medical benefit provision	(36)	(20)
Deferred tax asset	-	-
Total FRS17 Liability	(3,100)	(3,516)

Notes to the financial statements for the year ended 31 December 2012 (continued)

15 Pension and post retirement obligations (continued)

Defined benefit pension scheme

Service costs under the defined benefit pension scheme ceased after closure to further accrual in October 2006

Analysis of the amount charged to operating profit	**2012 £'000**	2011 £'000
Current service cost	-	-
Total operating charge	-	-

Analysis of amount (credited)/charged to other finance (income)/charges	**2012 £'000**	2011 £'000
Expected return on pension scheme assets	**(800)**	(870)
Interest on pension scheme liabilities	**793**	849
Net (credit)/charge	**(7)**	(21)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	**2012 £'000**	2011 £'000
Actual return less expected return on pension scheme assets	**681**	(841)
Experience gains/(losses) arising on the scheme liabilities	**113**	(12)
Changes in assumptions underlying the present value of the scheme liabilities	**(744)**	(924)
Actuarial gains/(losses) recognised in STRGL	**50**	(1,777)

Changes in the present value of the defined benefit obligations are as follows	**2012 £'000**	2011 £'000
Opening defined benefit obligation	**17,202**	16,018
Movement in year		
Interest cost	**793**	849
Actuarial losses/(gains)	**631**	936
Benefits paid	**(679)**	(601)
Closing defined benefit obligation	**17,947**	17,202

Changes in the fair value of scheme assets are as follows	**2012 £'000**	2011 £'000
Opening fair value of scheme assets	**13,706**	13,935
Movement in year		
Expected return on assets	**800**	870
Actuarial (losses)/gains	**681**	(841)
Contributions by employer	**375**	343
Benefits paid	**(679)**	(601)
Closing fair value of scheme assets	**14,883**	13,706

15 Pension and post retirement obligations (continued)

Amounts for the current and previous four penods are as follows

Defined benefit pension scheme	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Present value of scheme liabilities	(17,947)	(17,202)	(16,018)	(16,820)	(12,795)
Fair value of scheme assets	14,883	13,706	13,935	12,489	10,653
Deficit	(3,064)	(3,496)	(2,083)	(4,331)	(2,142)
Experience adjustments on scheme liabilities	113	(12)	619	95	191
Experience adjustments on scheme assets	681	(841)	760	1,450	(3,780)

FRS17 - Private medical insurance retirement benefits

Certain ex-employees are entitled to private medical insurance benefit until age 70 The principal assumptions used for this purpose are set out below

	2012	2011	2010	2009
Rate of increase in premiums	10 0%	10 0%	10 0%	10 0%
Discount rate	4 4%	4 7%	5 4%	5 7%

Average future life expectancy for mortality tables used to determine actuarial value of liability (though entitlement to medical cover ceases when the member reaches age 70)

	2012 Male	2012 Female	2011 Male	2011 Female
Member attaining age 62 in 2012 (2011 62 in 2011)	24 0	26 4	24 0	26 3
Member attaining age 62 in 2022 (2011 62 in 2021)	24 7	27 2	24 7	27 1

	2012 £'000	2011 £'000
Actuarial value of unfunded liability	(36)	(20)
Related deferred tax asset	-	-
Net liability	(36)	(20)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)	2012 £'000	2011 £'000
Experience (losses) arising on the liability	(20)	-
Total (losses) recognised in STRGL	(20)	-

Analysis of amount charged to other finance income	2012 £'000	2011 £'000
Interest on liabilities – charge to P&L	-	4

15 Pension and post retirement obligations (continued)

Movement in liability during the year	**2012 £'000**	2011 £'000
Liability at beginning of the year	-	(31)
Movement in year		
Insurance Premiums paid	**4**	15
Interest on liabilities	-	(4)
Experience (losses)/gains	**(20)**	-
Liability at end of the year	**(16)**	(20)
Transferred (from)/to Accruals	**(20)**	20
PRPMI FRS17 Liability	**(36)**	-

Amounts for the current and previous four periods are as follows

Retirement healthcare benefits	**2012 £'000**	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Defined benefit obligation	**(36)**	(20)	(31)	(50)	(52)
Experience adjustments on obligations	**(20)**	-	-	(11)	5

16 Called up share capital

	2012 £'000	2011 £'000
Allotted, called up and fully paid		
5,300,002 ordinary shares of £1 each	**5,300**	5,300

17 Reserves

	Revaluation Reserve £'000	**Profit and loss account £'000**
1 January 2012	**2,637**	**(6,592)**
Actuarial gain recognised on the pension and post-retirement obligations	**-**	**30**
Revaluation of land & buildings	**(84)**	**-**
Loss for the financial year	**-**	**(1,264)**
At 31 December 2012	**2,553**	**(7,826)**

18 Reconciliation of Movements in Shareholders' Funds

	2012 £'000	2011 £'000
Loss for the financial year	**(1,264)**	(1,653)
Actuarial gains/(losses) recognised on the pension scheme and post retirement obligations	**30**	(1,777)
Deferred tax movement on the pension scheme and post retirement obligations	**-**	-
Revaluation of Land & Buildings	**(84)**	-
Net (reduction)/ increase to equity shareholders' funds	**(1,318)**	(3,430)
Opening equity shareholders' funds	**1,345**	4 775
Closing equity shareholders' funds	**27**	1,345

19 Financial commitments

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases for assets as follows

	2012 Land and buildings £'000	2012 Other £'000	2011 Land and buildings £'000	2011 Other £'000
Expiring within one year	-	8	-	41
Expiring between two and five years inclusive	-	48	-	61
Expiring after more than five years	-	0	-	18
	-	56	-	120

There were contracted for, but un-provided capital commitments of £Nil at 31 December 2012 (2011 £278,000)

20 Related party transactions

The Company is controlled by its parent company, Sumika Polymer Compounds (Europe) Ltd

The following disclosures are with parties related to the shareholders of Sumika Polymer Compounds (Europe) Ltd, showing transactions for the full year

(i) Sumitomo Chemical Europe S A / N V, sold goods to the Company during the year amounting to £95,000 (2011 £nil), of which £35,000 (2011 £nil) was outstanding at the year end The Company sold goods to Sumitomo Chemical S A /N V during the year amounting to £2,000 (2011 £19,000) of which £1,000 (2011 £nil) was outstanding at the year end

(ii) Sumitomo Chemical America Inc sold goods to the Company during the year amounting to £212,000 (2011 £394,000), of which £51,000 (2011 £113,000) was outstanding at the year end

(iii) Sumitomo Chemical Asia PTE Sold goods to the Company during the year amounting to £96,000 (2011 nil), of which £25,000 (2011 nil) was outstanding at the year end

(iv) Itochu Europe PLC sold goods to the Company during the year amounting to £18,362,000 (2011 £17,804,000), of which £9,187,000 (2011 £9,028,000) was outstanding at the year end

20 Related party transactions (continued)

(v) Phillips Sumika Polypropylene Company sold goods to the Company during the year amounting to £39,000 (2011 £500,000), of which £nil (2011 £91,000) was outstanding at the year end

(vi) Sumika Polymer North America sold goods to the Company during the year amounting to £225,000 (2011 nil), of which £23,000 (2011 nil) was outstanding at the year end

(vii) Plastribution Ltd Sold goods to the Company during the year amounting to £39,000 (2011 £21,000), of which £16,000 (2011 £6,000) was outstanding at the year end The Company sold goods to Plastribution Ltd during the year amounting to £677,000 (2011 £342,000), of which £66,000 (2011 £4,000) was outstanding at year end

(viii) Toyo Ink Europe Plastic Colorant S A S sold goods to the Company during the year amounting to £904,000 (2011 £786,000), of which £155,000 (2011 £258,000) was outstanding at the year end The Company sold goods to Toyo Ink Europe Plastic Colorant S A S during the year amounting to £450,000 (2011 £563,000), of which £92,000 (2011 £92,000) was outstanding at the year end

(ix) Zhuhai Sumika Polymer Compounds bought goods from the Company during the year amounting to £nil (2011 £194,000), of which £nil (2011 £23,000) was outstanding at the year end

(x) Sumika Polymer Compounds (France) S A Sold goods to the Company during the year amounting to £528,000 (2011 £66,000), of which £37,000 (2011 £16,000) was outstanding at the year end The Company sold goods to Sumika Polymer Compounds (France) S A amounting to £20,000 (2011 nil), of which £10,000 (2011 nil) was outstanding at the year end

21 Ultimate controlling party, immediate and ultimate parent company

Sumika Polymer Compounds (Europe) Ltd, a company registered in England and Wales, is the immediate parent company According to the register kept by the Company, Sumika Polymer Compounds (Europe) Ltd has a 100% interest in the equity capital of the Company at 31 December 2012

Sumika Polymer Compounds (Europe) Ltd's shareholders are Sumitomo Chemical Co , Ltd, Toyo Ink SC Holdings Co , Ltd, Itochu Corporation and Itochu Europe plc The directors regard Sumitomo Chemical Co , Ltd, a company registered in Japan, as the ultimate parent company and ultimate controlling party

The smallest group to consolidate the results of the Company is Sumika Polymer Compounds (Europe) Ltd Copies of the consolidated financial statements can be obtained from the Company Secretary at Sumika Polymer Compounds (Europe) Ltd, 28 New Lane, Havant, Hampshire, PO9 2NQ, England The largest group to consolidate the results of the Company is Sumitomo Chemical Co , Ltd Copies of the consolidated financial statements can be requested from Sumitomo Chemical Co , Ltd's registered office at 27-1, Shinkawa 2-Chome, Chuo-ku, Tokyo 104-8260, Japan