

# **Sumika Polymer Compounds (Europe) Ltd**

Annual report and financial statements

for the year ended 31 December 2012

Registered no 2594323



# **Sumika Polymer Compounds (Europe) Ltd**

## **Annual report and financial statements for the year ended 31 December 2012**

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**Company information**

**Directors**

Executive directors

H Nishio (President)

Non-executive directors

H Hamada

T Hirai

A Iwata

T Ohno

R Shibata

A Ueda

**Secretary and registered office**

P Claydon

Sumika Polymer Compounds (Europe) Ltd

28 New Lane

Havant

Hampshire

PO9 2NQ

**Statutory Auditor**

KPMG LLP

Chartered Accountants

Dukes Keep

Marsh Lane

Southampton

SO14 3EX

**Bankers**

The Bank of Tokyo-Mitsubishi UFJ , Ltd

Sumitomo Mitsui Banking Corporation Europe Ltd

The Mizuho Corporate Bank , Ltd

**Directors' report  
for the year ended 31 December 2012**

The directors present their report and the audited group financial statements of the Group for the year ended 31 December 2012

**Principal activities**

The Company acts principally as an investment holding company. The principal activity of the Group, thermoplastic compounding, remains unchanged from last year.

**Review of business and future developments**

The group loss before tax was £2.0M, compared with a £1.5M loss in the prior year. 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.

For 2013, we are seeing gradual increases in volumes, coming from new products, new business segments and new sales territories. Margins have been as expected. Together with the benefit of the actions mentioned above, we expect the 2013 group results to be profitable. After several tough years and some adverse financial results, the directors are pleased with the reorganisation of the Group and with the on-going development of new business.

Bank borrowings continue to be guaranteed by the Group's strong Japanese corporate shareholders, that support the Group financially and provide additional business opportunities. The shareholders remain committed to the Group 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 indicator**

The key performance indicators for the Group 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 Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to competition from national and international compounders and raw material price fluctuation.

**Financial risk management**

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

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

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

**Financial risk management (continued)**

The Group's income is exposed to changes in interest rates. The Group finances its operations through share capital, factoring, short term bank loans and an overdraft. The Group's borrowings are in sterling and euro with the majority at floating rates of interest. Interest costs are minimised by taking flexible short-term loans and overdrafts to meet fluctuating requirements. Interest rate risk is mitigated by shareholder letters of guarantee to its lending banks.

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

The Group makes 76% (2011: 81%) of its sales outside the United Kingdom. Since a portion of purchases are also made in foreign currency, the Group aims to achieve a natural hedge and does not hedge the exposure in any other way. The principal currency to which the Group 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 short-term debt finance. The Board is satisfied that the Company was not subject to significant liquidity risk as at the year end.

**Business environment**

The Group operates within the global plastics business sector. This sector is experiencing long term growth but volumes have been volatile in recent years.

**Strategy**

The Group is focused on the automotive and white goods sectors. It also maintains its strategy of developing glass fibre polypropylene for other markets.

**Results and dividends**

The Group's loss for the financial year is £1,967,000 (2011: loss of £2,320,000). The directors do not recommend the payment of a dividend (2011: £nil).

**Research and development activities**

The Group is committed to research and development activities in order to secure its position in the market. R&D costs expensed in the year are set out in note 9, whilst Development costs capitalised are shown in note 14.

**Going concern**

The financial statements have been prepared on the going concern basis since the shareholders have resolved that it is in the best interest of the Company and the Group that they should continue to provide financial and other support to Sumika Polymer Compounds (Europe) Ltd and its subsidiaries. Further details of this support are set out in note 1 to these financial statements.

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

**Directors**

The directors of the Company who held office during the year and up to the date of signing the financial statements were

**Executive directors**

H Nishio	(President)
K Yamasaki	(resigned 18 May 2012)
F Girard	(resigned 29 February 2012)

**Non-executive directors**

H Hamada	(appointed 29 February 2012)
T Hirai	(appointed 1 April 2013)
A Iwata	(appointed 29 February 2012)
T Kasamatsu	(resigned 1 June 2012)
Y Kawai	(appointed 1 June 2012, resigned 1 April 2013)
T Ohno	
N Sakuma	(resigned 29 February 2012)
R Shibata	
A Ueda	

The Company has provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

**Charitable and political donations**

There were no charitable or political donations in either year

**Disclosure of information to the auditor**

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

- a) so far as each director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- b) each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

**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 Company and Group 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 the Group, and of their profit or loss for that period. In preparing each of the Company and Group 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 and Group 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Sumika Polymer Compounds (Europe) Ltd**

We have audited the financial statements of Sumika Polymer Compounds (Europe) Ltd for the year ended 31 December 2012 set out on pages 7 to 34. 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 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 auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and 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 Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



**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



**Consolidated profit and loss account  
for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
Turnover	2	53,122	59,874
Cost of sales		(47,613)	(53,627)
<b>Gross profit</b>		<b>5,509</b>	<b>6,247</b>
Operating expenses	3	(7,270)	(7,591)
<b>Operating loss</b>		<b>(1,761)</b>	<b>(1,344)</b>
Interest receivable and similar income	6	-	114
Other non-operating income	7	36	32
Interest payable and similar charges	8	(249)	(314)
Net return on pension scheme assets	22	7	17
<b>Loss on ordinary activities before taxation</b>	9	<b>(1,967)</b>	<b>(1,495)</b>
Tax on loss on ordinary activities	10	-	(825)
<b>Loss for the financial year</b>	24, 25	<b>(1,967)</b>	<b>(2,320)</b>

The results for both years are derived from continuing operations

The notes on pages 11 to 34 are integral part of these financial statements

**Consolidated statement of total recognised gains and losses  
for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
Loss for the financial year	24	(1,967)	(2,320)
Currency translation (loss) on foreign currency net investments	24	(170)	(115)
Actuarial gain/(loss) recognised in the pension and post retirement schemes	22, 24	30	(1,777)
Revaluation of land and buildings	24	2,405	-
<b>Total recognised Gain/(losses) relating to the year</b>	25	<b>298</b>	<b>(4,212)</b>

**Consolidated 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	(1,967)	(1,495)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	39	11
<b>Historical cost loss on ordinary activities before taxation</b>	<b>(1,928)</b>	<b>(1,484)</b>
Tax on loss on ordinary activities	-	(825)
<b>Historical cost loss for the year after taxation</b>	<b>(1,928)</b>	<b>(2,309)</b>

The notes on pages 11 to 34 are integral part of these financial statements

**Consolidated and Company balance sheets  
as at 31 December 2012**

	Notes	Group		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
<b>Fixed assets</b>					
Tangible assets	13	14,447	13,034	-	-
Intangible assets	14	101	-	-	-
Investments	12	-	-	6,959	6,959
		<b>14,548</b>	<b>13,034</b>	<b>6,959</b>	<b>6,959</b>
<b>Current assets</b>					
Stocks	15	11,856	10,975	-	-
Debtors	16	8,733	9,582	409	178
Cash at bank and in hand		8	1,644	7	48
		<b>20,597</b>	<b>22,201</b>	<b>416</b>	<b>226</b>
<b>Creditors</b> amounts falling due within one year	17	<b>(28,437)</b>	<b>(28,261)</b>	<b>(4,521)</b>	<b>(4,243)</b>
<b>Net current (liabilities)</b>		<b>(7,840)</b>	<b>(6,060)</b>	<b>(4,105)</b>	<b>(4,017)</b>
<b>Total assets less current liabilities</b>		<b>6,708</b>	<b>6,974</b>	<b>2,854</b>	<b>2,942</b>
<b>Creditors</b> amounts falling due after more than one year	18	<b>(115)</b>	<b>(99)</b>	<b>-</b>	<b>-</b>
<b>Provisions for liabilities</b>	20	<b>(203)</b>	<b>(367)</b>	<b>-</b>	<b>-</b>
<b>Net assets before pension liability</b>		<b>6,390</b>	<b>6,508</b>	<b>2,854</b>	<b>2,942</b>
Pension liability	22	<b>(3,100)</b>	<b>(3,516)</b>	<b>-</b>	<b>-</b>
<b>Net assets including pension liability</b>		<b>3,290</b>	<b>2,992</b>	<b>2,854</b>	<b>2,942</b>
<b>Capital and reserves</b>					
Called up share capital	23	11,100	11,100	11,100	11,100
Revaluation reserve	24	5,042	2,637	-	-
Reserve arising on consolidation	24	649	649	-	-
Profit and loss account	24	<b>(13,501)</b>	<b>(11,394)</b>	<b>(8,246)</b>	<b>(8,158)</b>
<b>Total equity shareholders' funds</b>	25	<b>3,290</b>	<b>2,992</b>	<b>2,854</b>	<b>2,942</b>

The notes on pages 11 to 34 are integral part of these financial statements

The financial statements on pages 7 to 34 were approved by the board of directors on 22 May 2013 and were signed on its behalf by



**H Nishio**

**Director**

Sumika Polymer Compounds (Europe) Ltd  
Company registered number 2594323

**Consolidated cash flow statement  
for the year ended 31 December 2012**

	Notes	2012 £'000	2011 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	26	<b>(1,083)</b>	<b>2,210</b>
<b>Returns on investments and servicing of finance</b>			
Interest received		-	115
Interest paid		(249)	(314)
<b>Net cash (outflow) from returns on investments and servicing of finance</b>		<b>(249)</b>	<b>(199)</b>
<b>Taxation</b>			
Tax paid		-	-
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(742)	(985)
Sale of tangible fixed assets		28	2
<b>Net cash (outflow) from capital expenditure</b>		<b>(714)</b>	<b>(983)</b>
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>		<b>(2,046)</b>	<b>1,028</b>
<b>Financing</b>			
Increase in loans and other borrowings	27	2,273	231
<b>Increase in cash in the year</b>	27	<b>227</b>	<b>1,259</b>
<b>Reconciliation of cash flow to movement in net debt</b>			
Net debt at 1 January	27	(13,209)	(14,364)
Increase in net cash	27	227	1,259
Movement in borrowings	27	(2,273)	(231)
Exchange adjustments	27	135	127
<b>Net debt at 31 December</b>	27	<b>(15,120)</b>	<b>(13,209)</b>

The consolidated cash flow statement should be read in conjunction with the notes on page 32

The notes on pages 11 to 34 form an integral part of these financial statements

**Notes to the financial statements  
for the year ended 31 December 2012**

**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**

These financial statements have been prepared 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

The financial statements have been prepared on the going concern basis, notwithstanding the significant loss after tax for the financial year. The Company has received undertakings from its shareholders that for at least 12 months from the date of approval of the financial statements they will make available such funds as are needed by the Company to enable it to continue to trade by meeting its 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 this undertaking 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

**Basis of consolidation**

The consolidated financial statements include the Company and all its subsidiary undertakings. The acquisition method of accounting has been adopted. Under this method the results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of their disposal. Intra-group sales and profits are eliminated fully on consolidation. Uniform accounting policies have been applied by the Company and all its subsidiary undertakings. The Company and its subsidiary undertakings have coterminous year ends

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction

Monetary assets and liabilities of subsidiaries denominated in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings. All other foreign exchange differences are taken to the profit and loss account in the year in which they arise

**Notes to the financial statements  
for the year ended 31 December 2012 (continued)****1 Principal accounting policies (continued)****Turnover**

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services 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 Group 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.

**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.

**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.

**Tangible fixed assets**

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 are classified as capital work in progress and are transferred to the appropriate fixed asset account on completion of the 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 disposals are included in the trading results for the year. Freehold land is not depreciated.

**Notes to the financial statements  
for the year ended 31 December 2012 (continued)****1 Principal accounting policies (continued)****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.

**Investments**

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

**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 recognised on a full provision basis on all timing differences which have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date and is calculated at rates of tax expected to apply, based on annual tax rates and law. Timing differences represent accumulated differences between a company's taxable profit and its financial profit and arise primarily from the difference between accelerated capital allowances and depreciation. 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. Deferred tax liabilities have not been discounted.

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.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future periods has been entered into by the subsidiary.

**Notes to the financial statements  
for the year ended 31 December 2012 (continued)****1 Principal accounting policies (continued)****Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. They are classified according to the substance of the contractual arrangements entered into.

**a) Debt instruments**

Debt is recognised in the balance sheet as the cash proceeds received less finance costs incurred directly in connection with the issue of the instrument. Finance costs in respect of the instruments, including discounts on issue, are charged to the profit and loss account over the term of the instrument to achieve a constant rate on the balance outstanding.

**b) Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

**Post retirement obligations**

Pensions and other post retirement benefits are accounted for in accordance with FRS 17 'Retirement Benefits'. The United Kingdom subsidiary company operates a defined benefit pension scheme which is contracted out of the state scheme. For the defined benefit scheme, the amounts charged to operating profit are any gains and losses on settlements and curtailments. There is no service cost because the scheme is closed to further accrual of benefits.

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 is shown as other finance income or expense on the face of 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 and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. 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 increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the consolidated statement of total recognised gains and losses.

The United Kingdom subsidiary company also 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 United Kingdom subsidiary 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.



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

**2 Turnover**

Turnover is derived from only one class of business

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

	2012 £'000	2011 £'000
<b>Geographical segment</b>		
United Kingdom	12,700	11,618
Continental Europe	36,417	44,015
Other	4,005	4,241
	<b>53,122</b>	<b>59,874</b>

The analysis of turnover by geographical origin is set out below

	2012 £'000	2011 £'000
<b>Geographical segment</b>		
United Kingdom	36,748	38,536
France	16,374	21,338
	<b>53,122</b>	<b>59,874</b>

**3 Operating expenses**

	2012 £'000	2011 £'000
Distribution costs	3,661	3,843
Administrative expenses	3,609	3,748
	<b>7,270</b>	<b>7,591</b>

**4 Directors' emoluments**

	2012 £'000	2011 £'000
Aggregate emoluments	460	643
Emoluments paid to the highest paid director	309	296

Retirement benefits do not accrue to any directors

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

**5 Employee information**

The average number of persons (including executive directors) employed by the Group during the year was

	2012 Number	2011 Number
Production	69	79
Research and development	13	15
Selling and distribution	15	12
Administration	12	16
	109	122
	2012 £'000	2011 £'000
Staff costs for the above persons		
Wages and salaries	3,838	4,192
Social security costs	802	815
Other pension costs (note 22)	253	330
	4,893	5,337

**6 Interest receivable and similar income**

	2012 £'000	2011 £'000
Bank interest	-	114

**7 Other operating income**

	2012 £'000	2011 £'000
Royalties receivable	36	32

**8 Interest payable and similar charges**

	2012 £'000	2011 £'000
On bank overdrafts and other loans (note 17)		
Repayable within 5 years, not by instalments	168	216
Payable to related parties	81	94
Other interest payable	-	4
	249	314

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

**9 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		
Tangible fixed assets (note 13)	1,498	1,525
Research and development expenditure	554	605
Operating leases for plant and machinery	169	199
Foreign exchange losses	-	156
(Gain)/loss on disposal of tangible fixed assets	(15)	13

	2012 £'000	2011 £'000
Services provided by the group auditor		
<b>Audit of these consolidated financial statements</b>	<b>25</b>	<b>25</b>
<b>Amounts receivable by auditor and their associates in respect of</b>		
Audit of financial statements of subsidiaries pursuant to legislation	90	91
Services relating to tax	30	11
	<b>145</b>	<b>127</b>

**10 Tax on loss on ordinary activities**

	2012 £'000	2011 £'000
<b>Current tax</b>		
Adjustments in respect of prior years	-	-
Overseas tax	-	-
<b>Total current tax</b>	<b>-</b>	<b>-</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax (note 21)</b>	<b>-</b>	<b>(825)</b>
<b>Tax on loss on ordinary activities</b>	<b>-</b>	<b>-</b>

Deferred tax timing differences arise from both movements on deferred tax assets offset against movements on deferred tax provisions (note 21)

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

**10 Tax on loss on ordinary activities (continued)**

The tax assessed for the period is higher (2011 higher) than the standard rate of corporation tax in the United Kingdom for the reasons set out below

	2012 £'000	2011 £'000
The differences are explained below		
Loss on ordinary activities before tax	(1,967)	(1,495)
Loss on ordinary activities multiplied by standard rate in the United Kingdom for 2012 24.5% (2011 26.5%)	(483)	(396)
Effects of		
Expenses not deductible for tax purposes	88	102
Capital allowances in excess of depreciation	86	121
Other timing differences	(89)	(91)
Research and development	(4)	(4)
Unrelieved losses for the year	439	288
Higher tax rate on overseas earnings	(37)	(20)
Adjustment in respect of prior year	-	-
Current tax for the year	-	-

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 assets at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date. The average corporation tax rate for the year ended 31 December 2012 is 24.5% (2011 26.5%).

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.

Other factors that may affect future tax charges are disclosed in note 21.

**11 Profit for the financial year**

As permitted by section 408 of the Companies Act 2006, the Company's profit and loss account has not been included in these financial statements. The loss for the financial year was £88,000 (2011 loss £2,171,000, which included partial book write-offs against the cost of investments in subsidiary companies).

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

**12 Fixed asset investments**

<b>Company</b>	<b>Interest in group undertakings £'000</b>
<b>Cost or valuation</b>	
At 31 December 2011 and 31 December 2012	9,222
Provision for impairment at 31 December 2011 and 31 December 2012	(2,263)
<b>Net book value at 31 December 2012</b>	<b>6,959</b>
<b>Net book value</b>	
<b>At 31 December 2012</b>	<b>6,959</b>
At 31 December 2011	6,959

Details of principal subsidiary undertakings are as follows

<b>Name of undertaking</b>	<b>Country of incorporation or registration</b>	<b>Description of shares held</b>	<b>Proportion of nominal value of issued shares held by the Group</b>
Sumika Polymer Compounds (UK) Ltd	England and Wales	Ordinary £1 shares	100%
Sumika Polymer Compounds (France) SA	France	Ordinary €15 shares	100%

The principal business activity of Sumika Polymer Compounds (UK) Ltd and Sumika Polymer Compounds (France) SA is the manufacture and distribution of thermoplastic compounds

The above companies operate principally in their respective countries of incorporation or registration  
Both companies above are included in these consolidated accounts

The Board has reviewed the carrying value of the investments at the year end and are satisfied that there are no indicators of impairment

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

**13 Tangible fixed assets**

Group	Freehold land and buildings £'000	Plant machinery and equipment £'000	Capital work in progress £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2012	6,609	28,451	1,981	37,041
Exchange differences	(49)	(378)	-	(427)
Additions	8	228	439	675
Disposals	-	(971)	-	(971)
Revaluation	828	-	-	828
Transfers	39	2,317	(2,356)	-
<b>At 31 December 2012</b>	<b>7,435</b>	<b>29,647</b>	<b>64</b>	<b>37,146</b>
<b>Accumulated depreciation</b>				
At 1 January 2012	1,515	22,492	-	24,007
Exchange differences	(41)	(261)	-	(302)
Charge for year	126	1,372	-	1,498
Disposals	-	(928)	-	(928)
Revaluation	(1,576)	-	-	(1,576)
<b>At 31 December 2012</b>	<b>24</b>	<b>22,675</b>	<b>-</b>	<b>22,699</b>
<b>Net book value</b>				
<b>At 31 December 2012</b>	<b>7,411</b>	<b>6,972</b>	<b>64</b>	<b>14,447</b>
At 31 December 2011	5,094	5,959	1,981	13,034
<b>Analysis of freehold land and buildings at cost or valuation</b>				
			<b>2012</b>	<b>2011</b>
			<b>£'000</b>	<b>£'000</b>
At cost			<b>30</b>	1,909
At valuation			<b>7,405</b>	4,700
			<b>7,435</b>	6,609

**Revaluation of Land and Buildings**

Land and buildings were re-valued in September 2012 in the UK to £4,600,000, and in December 2012 in France to EUR 3,450,000 (£2,805,000), being open market value for existing use in each case. These valuations were made by Hellier Langston, a firm of independent Chartered Surveyors in the UK and by Galtier Expertises Immobilières et Financières in France, respectively, in accordance with the RICS Appraisal and Valuation Manual or equivalent.

The Directors have considered the value of the land and buildings included in the financial statements and do not believe a material difference exists between book and market value at the balance sheet date.

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

**13 Tangible fixed assets (continued)**

If land and buildings had not been revalued they would have been included at the following amounts

	2012 £'000	2011 £'000
Cost	5,767	5,769
Aggregate depreciation based on cost	(3,872)	(3,824)
Net book value based on cost	1,895	1,945

Depreciation has not been charged on freehold land, which is stated at its re-valued amount of £4,133,000 (2011 £3,350,000)

There are no assets held under finance leases

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

**14 Intangible fixed assets**

Group	Development costs £'000
<b>Cost</b>	
At 1 January 2012	-
Exchange differences	-
Additions	101
Disposals	-
<b>At 31 December 2012</b>	<b>101</b>
<b>Accumulated depreciation</b>	
At 1 January 2012	-
Exchange differences	-
Charge for year	-
Disposals	-
<b>At 31 December 2012</b>	<b>-</b>
<b>Net book value</b>	
<b>At 31 December 2012</b>	<b>101</b>
At 31 December 2011	-

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

**15 Stocks**

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Raw materials and consumables	4,393	3,893	-	-
Finished goods and goods for resale	7,463	7,082	-	-
	11,856	10,975	-	-

**16 Debtors**

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
<b>Amounts falling due after one year</b>				
Deferred tax assets (note 21)	-	821	-	-
<b>Amounts falling due within one year</b>				
Trade debtors	7,669	8,403	-	-
Amounts owed by group undertakings	-	-	406	-
Amounts owed by related party undertakings	159	153	-	175
Other debtors	567	822	3	2
Prepayments and accrued income	338	204	-	1
	8,733	9,582	409	178

Amounts owed by group undertakings are unsecured, interest bearing and have no fixed date of payment

Trade debtors includes £2,238,000 subject to with-recourse financing arrangements



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

**17 Creditors: amounts falling due within one year**

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Bank overdrafts	2,850	4,789	-	-
Other bank borrowings	10,804	7,810	4,397	4,144
Factoring advances	1,474	2,253	-	-
Amounts owed to group undertakings	-	-	101	33
Trade creditors	2,590	2,645	-	-
Amounts owed to related party undertakings	9,524	9,531	-	-
Other creditors	159	68	-	-
Taxation and social security costs	455	585	23	26
Accruals	581	580	-	40
	<b>28,437</b>	<b>28,261</b>	<b>4,521</b>	<b>4,243</b>

The bank overdraft facilities are unsecured and repayable on demand. Other bank borrowings of £10,804,000 (2011: £7,810,000) consist of revolving loan facilities, repayable on demand and unsecured. The respective banks hold Letters of Intent as forms of guarantee from the shareholders. Interest is payable at variable rates close to LIBOR.

The amounts owed to related parties consist mainly of trade credit balances due to Itochu in respect of raw material purchases. These balances are interest bearing at variable rates.

Factoring advances are secured on trade debtors. Interest is payable at variable rates.

**18 Creditors: amounts falling due after more than one year**

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Other creditors	115	99	-	-

**19 Loans and other borrowings**

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
<b>Maturity of debt</b>				
<b>Within one year</b>				
Bank overdrafts	2,850	4,789	-	-
Other bank borrowings	10,804	7,810	4,397	4,144
Factoring advances	1,474	2,253	-	-
	<b>15,128</b>	<b>14,852</b>	<b>4,397</b>	<b>4,144</b>

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

**20 Provisions for liabilities**

Group	Other provisions £'000	Total £'000
At 1 January 2012	367	367
Profit and loss account	(158)	(158)
Exchange differences	(6)	(6)
<b>At 31 December 2012</b>	<b>203</b>	<b>203</b>

Other provisions relate to the current best estimate of potential employee settlements. It is expected that all the amounts will be settled within one year although it is not clear how much will ultimately be agreed.

**21 Analysis of deferred tax**

	2012 Recognised £'000	2012 Unrecognised £'000	2011 Recognised £'000	2011 Unrecognised £'000
(Accelerated)/Decelerated capital allowances	-	326	-	238
Tax losses carried forward	-	2,337	-	1,673
Other timing differences	-	124	-	7
	-	2,787	-	1,918
Deferred tax asset - pension liability	-	705	-	874
Deferred tax asset - post retirement medical benefit	-	8	-	5
	-	713	-	879
<b>Total deferred tax asset</b>	<b>-</b>	<b>3,500</b>	<b>-</b>	<b>2,797</b>

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 £1,215,000 (2011: £456,000 liability) would arise. The Group has no plans to make such disposals and therefore no such tax is expected to arise in the foreseeable future. Deferred tax assets and liabilities have not been discounted.

A deferred tax asset of £407,000 (2011: £272,000), comprising tax losses carried forward, has not been recognised in the Company.

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

**21 Analysis of deferred tax (continued)**

**21a) Deferred tax asset excluding that relating to Pension liability and Post retirement benefit provision**

Group	2012	2011
	£'000	£'000
At 1 January	-	821
Credit/(charge) to the profit and loss account	-	(825)
Exchange differences	-	4
At 31 December	-	-

**21b) 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 and post retirement benefit deficit on the balance sheet (2011 nil) The total unrecognised deferred tax asset on the net deficit is £713,000 (2011 £879,000)

**22 Pension and post retirement obligations**

The Group operates three arrangements, all in the UK

- (1) Defined benefit pension scheme
- (2) Defined contribution group personal pension
- (3) Post-retirement private medical insurance entitlement

The assets of the defined benefit 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 was £246,000 (2011 £313,000). This comprises £7,000 credit (2011 £21,000 credit) for the occupational scheme and £253,000 (2011 £330,000) for the defined contribution scheme and £nil (2011 £4,000 charge) for the post retirement private 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 UK subsidiary company provides post-retirement private medical insurance to certain retired employees. This arrangement is unfunded and closed to accrual of benefits during 2008.

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

**22 Pension and post retirement obligations (continued)**

**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

Addition contributions were agreed of £75,000 in 2012 and £13,000 per year thereafter in consideration for the planned reconstruction of certain buildings subject to the Scheme's charge.

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%
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.

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

**22 Pension and post retirement obligations (continued)**

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 Yrs	26 4 yrs	24 0 yrs	26 3 yrs
Member attaining age 62 in 2022 (2011 62 in 2021)	24 7 Yrs	27 2 yrs	24 7 yrs	27 1 yrs

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	-	-
Net liability for retirement benefits	(3,100)	(3,516)

**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 to other finance charges and income	2012 £'000	2011 £'000
Expected return on pension scheme assets	(800)	(870)
Interest on pension scheme liabilities	793	849
Net return	(7)	(21)

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

**22 Pension and post retirement obligations (continued)**

**Defined benefit pension scheme (continued)**

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 and (losses) arising on the scheme liabilities	113	(12)
Changes in assumptions underlying the present value of the scheme liabilities	(744)	(924)
Actuarial gain/(loss) 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	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 gains/(losses)	681	(841)
Contributions by employer	375	343
Benefits paid	(679)	(601)
Closing fair value of scheme assets	14,883	13,706

**Amounts for the current and previous four periods 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)

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

**22 Pension and post retirement obligations (continued)**

**FRS17 - Private medical insurance retirement benefits**

Certain ex-employees are entitled to medical insurance cover until age 70. This provision is closed to further accrual of benefits. The principal assumptions for this purpose are set out below.

	2012	2011	2010
Rate of increase in premiums	10.0%	10.0%	10.0%
Discount rate	4.4%	4.70%	5.40%

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

	2012	2012	2011	2011
	Male	Female	Male	Female
Member attaining age 62 in 2012 (2011: 62 in 2011)	24.0 yrs	26.4 yrs	24.0 yrs	26.3 yrs
Member attaining age 62 in 2022 (2011: 62 in 2021)	24.7 yrs	27.2 yrs	24.7 yrs	27.1 yrs

	2012	2011
	£'000	£'000
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	2011
	£'000	£'000
Experience (losses) arising on the liability	(20)	-
Total (losses) recognised in STRGL	(20)	-

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

**22 Pension and post retirement obligations (continued)**

**FRS17 - Private medical insurance retirement benefits (continued)**

Analysis of amount charged to other finance income	2012	2011
	£'000	£'000
Interest on liabilities – charge to P&L	-	4
<b>Movement in liability during the year</b>	<b>2012</b>	<b>2011</b>
	£'000	£'000
Liability at beginning of the year	-	(31)
Movement in year		
Insurance Premiums paid	4	15
Interest on liabilities	-	(4)
Experience loss	(20)	-
Liability at end of the year	(16)	(20)
Transferred (from)/to Accruals	(20)	20
<b>PRPMI FRS17 Liability at 31 December</b>	<b>(36)</b>	<b>-</b>

Amounts for the current and previous four periods are as follows

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

**23 Called up equity share capital**

**Group and Company**

	2012	2011
	£'000	£'000
<b>Authorised</b>		
12,000,100 ordinary shares of £1 each	12,000	12,000
<b>Allotted, called up and fully paid</b>		
11,100,100 ordinary shares of £1 each	11,100	11,100



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

<b>24</b>	<b>Reserves</b>	<b>Revaluation Reserve £'000</b>	<b>Reserve arising on consolidation £'000</b>	<b>Profit and loss account £'000</b>
<b>Group</b>				
	At 1 January 2012	2,637	649	(11,394)
	Exchange difference	-	-	(170)
	Actuarial gains recognised in the pension and post retirement schemes	-	-	30
	Revaluation of Land & Buildings	2,405	-	-
	Loss for the financial year	-	-	(1,967)
	<b>At 31 December 2012</b>	<b>5,042</b>	<b>649</b>	<b>(13,501)</b>
	Add back Pension and post retirement obligations			3,100
	<b>Profit and loss reserve excluding pension deficit</b>			<b>(10,401)</b>
<b>Company</b>				
	Loss for the financial year			
	At 1 January 2012	-	-	(8,158)
	Loss for the year (note 11)	-	-	(88)
	<b>At 31 December 2012</b>	<b>-</b>	<b>-</b>	<b>(8,246)</b>

<b>24a</b>	<b>Profit and loss account</b>	<b>Profit and loss account £'000</b>	<b>Foreign exchange difference £'000</b>	<b>Actuarial gains and losses in the pension £'000</b>	<b>Total £'000</b>
<b>Group</b>					
	At 1 January 2012	(8,565)	1,537	(4,366)	(11,394)
	Exchange (loss)	-	(170)	-	(170)
	Actuarial gain recognised in the pension and post retirement schemes	-	-	30	30
	Loss for the financial year	(1,967)	-	-	(1,967)
	<b>At 31 December 2012</b>	<b>(10,532)</b>	<b>1,367</b>	<b>(4,336)</b>	<b>(13,501)</b>

**25 Reconciliation of movements in equity shareholders' funds**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Loss for the financial year	(1,967)	(2,320)
Currency translation (losses) on foreign currency net investments	(170)	(115)
Actuarial gains/(losses) recognised in the pension and post retirement schemes	30	(1,777)
Loss on revaluation of land & buildings	2,405	-
Net increase/(reduction) to equity shareholders' funds	298	(4,212)
Opening equity shareholders' funds as previously reported	2,992	7,204
Closing equity shareholders' funds	3,290	2,992

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

**26 Reconciliation of operating profit to net cash inflow from operating activities**

	2012 £'000	2011 £'000
Operating loss	(1,761)	(1,344)
Depreciation of tangible fixed assets	1,498	1,525
Other operating income	36	32
(Profit)/loss on sale of tangible fixed assets	(15)	13
Difference between pensions charge and cash contributions	(379)	(359)
(Decrease)/increase in other provisions	(158)	2
(Increase) in stocks	(1,029)	(1,330)
Decrease in debtors	759	2,107
(Decrease)/increase in creditors	(34)	1,564
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,083)</b>	<b>2,210</b>

**27 Analysis of changes in net debt**

	1 January 2012 £'000	Net debt flows £'000	Exchange (losses)/gains £'000	31 December 2012 £'000
<b>Net cash</b>				
Cash at bank and in hand	1,644	(1,636)	-	8
Bank overdraft	(4,789)	1,863	76	(2,850)
Loans and other borrowings	(7,810)	(3,007)	13	(10,804)
Factoring	(2,253)	734	45	(1,474)
<b>Total</b>	<b>(13,208)</b>	<b>(2,046)</b>	<b>134</b>	<b>(15,120)</b>

**28 Financial commitments**

At 31 December the Group had annual commitments under non-cancellable operating leases for assets other than land and buildings as follows

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Expiring within one year	17	41	-	-
Expiring within two to five years	80	61	-	-
Expiring after more than five years	-	18	-	-
	<b>97</b>	<b>120</b>	<b>-</b>	<b>-</b>

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

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

**29 Related party transactions**

The Company has taken the exemption under FRS 8 not to disclose intra group transactions between the Sumika Polymer Compounds (Europe) Ltd group of companies

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 Co , Ltd is a shareholder in Sumika Polymer Compounds (Europe) Ltd During the year the Group paid £19,000 (2011 £18,000) for employee remuneration to Sumitomo Chemical Co , Ltd, of which £1,000 (2011 £1,000) was outstanding at the year end
- (ii) Sumitomo Chemical Europe S A / N V is a subsidiary of Sumitomo Chemical Co Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd Sumitomo Chemical Europe S A / N V , sold goods to the Group during the year amounting to £95,000 (2011 £nil), of which £35,000 (2011 £nil) was outstanding at the year end It also made recharges to the Group for exhibition costs amounting to £31,000 (2011 £nil), of which £31,000 (2011 £nil) was outstanding at the year end The Group 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
- (iii) Itochu Europe PLC is a shareholder in Sumika Polymer Compounds (Europe) Ltd During the year Itochu Europe PLC sold goods to the Group amounting to £18,362,000 (2011 £17,804,000), of which £9,187,000 (2011 £9,028,000) was outstanding at the year end The Group also paid £174,000 (2011 £318,000) for employee remuneration and consulting services to Itochu Europe PLC, of which £nil (2011 £32,000) was outstanding at the year end
- (iv) Itochu Deutschland GmbH is a subsidiary of Itochu Europe PLC, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd Itochu Deutschland bought goods from the Group during the year amounting to £20,000 (2011 £19,000), of which £nil (2011 £nil) was outstanding at the year end
- (v) Philips Sumika Polypropylene Company was a joint venture between Sumitomo Chemical Co , Ltd (a shareholder in Sumika Polymer Compounds (Europe) Ltd) and Conoco Philips Philips Sumika Polypropylene Company sold goods to the Group during the year amounting to £39,000 (2011 £500,000), of which £nil (2011 £nil) was outstanding at the year end
- (vi) Toyo Ink Europe Plastic Colorant S A S is a subsidiary of Toyo Ink SC Holdings Co , Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd Toyo Ink Europe Plastic Colorant S A S sold goods to the Group during the year amounting to £911,000 (2011 £786,000), of which £155,000 (2011 £258,000) was outstanding at the year end The Group sold goods to Toyo Ink Europe Plastic Colorant S A S during the year amounting to £450,000 (2011 £580,000), of which £92,000 (2011 £106,000) was outstanding at the year end
- (vii) Toyo Ink Europe is a subsidiary of Toyo Ink SC Holdings Co , Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd Toyo Ink Europe sold goods to the Group during the year amounting to £nil (2011 £17,000), of which £nil (2011 £nil) was outstanding at the year end The Group sold goods to Toyo Ink Europe during the year amounting to £nil (2011 £131,000), of which £nil (2011 £14,000) was outstanding at the year end

**Notes to the financial statements  
for the year ended 31 December 2012 (continued)****29 Related party transactions (continued)**

- (viii) Zhuhai Sumika Polymer Compounds is a joint venture between Sumitomo Chemical Co , Ltd and Toyo Ink SC Holdings Co , Ltd (shareholders in Sumika Polymer Compounds (Europe) Ltd) Zhuhai Sumika Polymer Compounds bought goods from the Group during the year of £nil (2011 £194,000), of which £nil (2011 £23,000) was outstanding at the year end
- (ix) Toyo Ink SC Holdings Co , Ltd is a shareholder in Sumika Polymer Compounds (Europe) Ltd Toyo Ink SC Holdings Co , Ltd sold goods to the Group during the year amounting to £nil (2011 £131,000), of which £nil (2011 £14,000) was outstanding at the year end
- (x) Sumitomo Chemical America, Inc is a subsidiary of Sumitomo Chemical Co , Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd It sold goods to the Group during the year amounting to £212,000 (2011 £394,000), of which £51,000 (2011 £113,000) was outstanding at the year end
- (xi) Plastribution Ltd is a subsidiary of Itochu Europe PLC, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd Plastribution Ltd sold goods to the Group during the year amounting to £38,000 (2011 £21,000), of which £16,000 (2011 £6,000) was outstanding at the year end The Group 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 the year end
- (xii) Sumitomo Chemical Asia Pte is a subsidiary of Sumitomo Chemical Co , Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd It sold goods to the Group during the year amounting to £96,000 (2011 £nil), of which £25,000 (2011 £nil) was outstanding at the year end
- (xiii) Sumika Polymer North America, Inc is a subsidiary of Sumitomo Chemical Co , Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd It sold goods to the Group during the year amounting to £225,000 (2011 £nil), of which £23,000 (2011 £nil) was outstanding at the year end
- (xiv) Sumitomo Chemical (U K ) plc is a subsidiary of Sumitomo Chemical Co , Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd It made recharge of legal and professional costs during the year of £2,000 (2011 £nil), of which £nil (2011 £nil) was outstanding at the year end

**30 Ultimate parent company and controlling party**

The Company'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 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