

# **PERSTORP UK LTD**

## **Financial Statements for the year ended 31 December 2010**

Company Registered Number: 2715398



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# **PERSTORP UK LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The directors present their report and the audited financial statements of the company for the year ended 31 December 2010

### **PRINCIPAL ACTIVITIES**

The principal activity of the company is the manufacture and selling of chemicals and polymers. The company also acts in the capacity of an agent to Perstorp group companies.

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The caprolactone production platform was developed in the 1980s, first producing monomers. Since then the product range has increased with polycaprolactones and thermoplastic caprolactones being produced in many different varieties. In many cases, customers have co-operated in development and today Perstorp UK Ltd is the world-leader in every part of the process. Caprolactones in different forms are present in applications such as adhesives, paints and lacquers as well as polyurethane elastomers such as shoe soles and vehicle components.

The caprolactones business was acquired from the Belgium chemical group Solvay in January 2008.

During 2010, the company saw a strong recovery in the first quarter which was maintained throughout the year. Business performance in 2010 was characterised by solid growth following the global recovery, constructing a stronger platform to build upon in 2011. Raw material prices rose throughout the year with crude oil prices exceeding USD 90 per barrel towards the end of the year.

The company was forced to temporarily shutdown its production plants in December 2010 due to the prolonged cold weather in the UK. The temporary shutdown resulted in a loss of production for approximately ten days. The plants were successfully re-started at the beginning of January 2011.

The project to double the production capacity for caprolactones continued on time during 2010 and the additional capacity has come on stream as planned in 2011. To secure buyers for the new tonnage, product development is taking place to find new application areas for the products.

Growth in emerging markets, particularly Asia and Latin America, spawns increasingly attractive demands for the chemical industry, thus igniting growth opportunities for the company.

During 2010 the company increased borrowings from related parties within the group to partly finance the capital spend on the project to double the capacity for caprolactone production. The remainder of the capital spend was financed by net inflows from trading by the company during the year.

### **MISSION, VISION, VALUES AND STRATEGY**

Perstorp UK Ltd has adopted and conforms with the mission, vision, values and strategy of the Perstorp group. Perstorp's mission is to provide sustainable solutions through innovative chemistry to the market segments that we serve. Our vision is to contribute to a better, more sustainable world through innovative chemical solutions.

The core values of Perstorp are focused innovation, reliability and responsibility. Innovation means developing new products or finding new areas of use for existing products, developing new processes or optimising existing ones. The innovation process aims to meet unfilled needs that exist in the market place and focuses on making products and processes better, cheaper, faster and with less environmental impact. For caprolactones there is the opportunity to utilise the additional capacity that will become available from the current capital project.

The value of reliability involves making continuous improvement a part of the daily routine for every employee and Perstorp a reliable partner. Perstorp seeks long-term relationships with its customers and believes that an open and honest dialogue is an important part of this.

Responsibility is one of Perstorp's core values permeating through all activities. This has many aspects and includes taking responsibility for staff and providing good working conditions and development opportunities for everyone, being a good employer in the local community and working for sustainable development in terms of the environment.

The Perstorp group has been an active participant in the UN Global Compact since 2004. The compact sets ten principles covering human rights, the environment, working conditions and anti-corruption. Perstorp develops its working practices year-on-year in line with this initiative, such as the Code of Conduct which was drawn up at the end of 2008.

# PERSTORP UK LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

### MISSION, VISION, VALUES AND STRATEGY (continued)

Perstorp's Code of Conduct has been drawn up to support the principles that govern the relationship with employees, business partners and other interested parties. The Code applies to all companies in the group, the Board of directors, managers and all employees. Perstorp also encourages suppliers, distributors and other business partners, with which Perstorp has close working relationships, to act according to these principles.

Perstorp UK Ltd is the market leader in the caprolactones market and the company is seeking to expand by greater innovation and focused sales and marketing efforts in order to utilise the additional production capacity that becomes available in 2011.

### TRADING RESULTS AND DIVIDEND

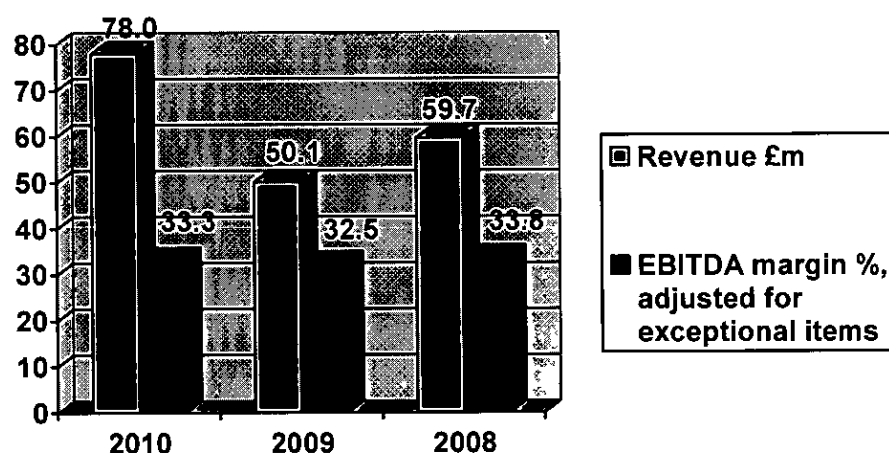
The operating profit for the year was £16,900,000 (2009: £6,972,000) and the net cash inflow for the year was £3,710,000 (2009: net cash outflow of £8,414,000). The balance sheet has net assets of £30,971,000 (2009: £22,344,000).

The directors do not recommend payment of a dividend for the year (2009: £nil).

### EXCEPTIONAL ITEMS

The company has incurred £137,000 of exceptional costs during the year relating to restructuring costs and the costs arising from the cessation of an agency agreement.

### KEY FIGURES DEVELOPMENT



EBITDA is the Earnings figure before the deduction of interest, tax, depreciation and amortisation. The EBITDA margin is calculated as EBITDA, adjusted for exceptional items, as a percentage of Revenue.

### DEVELOPMENT OF EMPLOYEES

The company has a detailed process that closely analyses the future expertise requirements while ensuring that a workplace is created where the employees can thrive and deploy their talent. The first stage of the process is to attract and recruit. The company works on recruiting the best talents available based upon a strategic skills requirement. The second stage is to review and retain; the company evaluates the profiles for managers and other functions and compares them with future skills requirements. The skills gap – both for the individual and the company – is closed with the help of a business-driven development process.

In the third phase the company ensures that all individuals have a development plan that derives from their desires and the company's requirements. Training, mentorship and coaching is carried out to close the gap. The fourth phase is redeploy and reward. The company makes sure that there is a natural next step for the individual in line with the planned development and company's requirements.

In the process, individual competencies, ambitions and abilities are gathered together early on so that development can be planned over a longer period and the company will seek to ensure that there is always a replacement ready for all key positions.

## PERSTORP UK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

#### PRINCIPAL RISKS AND UNCERTAINTIES

**Access to raw materials** The company has several raw materials that are key in the production process. To safeguard supplies of raw materials the company has a purchasing policy that requires that supplies of critical raw materials are made by several suppliers where possible or that long-term agreements are entered into if this is not possible.

**Production disruptions** Disruptions on the production plant may lead to a loss of earnings in the short-term if the company cannot deliver agreed volumes to customers and in the long-term if this leads to alternative products taking over for the same application. Regular technical risk inspections are performed in order to minimise these risks. Suitable insurance is in place in the event of disruptions.

More details about risk management (including financial risk management) appear in note 3 to the accounts.

#### DIRECTORS

The directors who have held office during the period from 1 January 2010 to the date of this report

A Lundin  
M Olausson  
J Sallén  
D Turner  
S Derbyshire (resigned 13<sup>th</sup> September 2010)

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND 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 the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). 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 judgements and accounting estimates that are reasonable and prudent,
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB), 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### QUALIFYING THIRD PARTY AND PENSION SCHEME INDEMNITY PROVISIONS

At the time this report is approved, no qualifying third party indemnity provisions or qualifying pension scheme indemnity provisions are in place for the benefit of one or more of the directors. At no time during the year were any such provisions in force for the benefit of one or more persons who were then directors.

## PERSTORP UK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

#### EMPLOYEES

The number of employees at the end of the year was 82 (2009 74) This total comprised 71 males and 11 females all of whom were employed in the UK

#### THE ENVIRONMENT

The company works proactively to develop and improve its products and processes and has targets for safety, health and the environment Environmental targets focus on use of energy and water

The production of the company affects the environment through emissions in air and water and through the generation of waste and noise The company follows national and local requirements relating to the environment The company also ensures that it complies with the REACH registration requirements for the chemical industry

The Perstorp group produces a sustainability report with the consolidated financial statements The consolidated financial statements of the group are available to the public and may be obtained from Perstorp Holding AB, Perstorp S-284 80, Sweden or from the group website [www.perstorp.com](http://www.perstorp.com)

#### CREDITOR PAYMENT POLICY

The company does not follow a universal code which deals specifically with payments to suppliers but, where appropriate, the company's practice is to

- a) agree the terms at the start of business with the supplier,
- b) ensure that those suppliers are made aware of the terms of payment, and
- c) pay in accordance with its contractual and other legal obligations

Trade creditors at 31 December 2010 were equivalent to 54 days (2009 70 days) of purchases (including capital expenditure) during the year ended on that date

#### DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

#### AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

#### ON BEHALF OF THE BOARD



Josefin Sallén  
Managing Director

Company Registered Number 2715398

29 SEPTEMBER 2011

## PERSTORP UK LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PERSTORP UK LTD

We have audited the financial statements of Perstorp UK Limited for the year ended 31 December 2010 which comprise the income statement, the statement of comprehensive income, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

#### 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 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, 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.



Martin Heath (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
29 September 2011

**PERSTORP UK LIMITED**

**Income statement**

for the year ended 31 December

Continuing operations	Note	2010 £'000	2009 £'000
Revenue	4	78,016	50,141
Cost of sales			
Excluding exceptional items	4	(41,944)	(28,483)
Exceptional items	9	-	(87)
Cost of sales including exceptional items		(41,944)	(28,570)
Gross profit		36,072	21,571
Distribution costs			
Excluding exceptional items	4	(17,099)	(13,673)
Exceptional items	9	(137)	(88)
Distribution costs including exceptional items		(17,236)	(13,761)
Administration expenses		(2,484)	(2,187)
Other income	6	548	1,349
Operating profit		16,900	6,972
Finance income	7	805	9,629
Finance costs	8	(6,034)	(5,626)
Profit before income tax	5	11,671	10,975
Income tax expense	10	(3,044)	(3,092)
Profit for the year attributable to the owners of the parent	20	8,627	7,883

**Statement of comprehensive income**

for the year ended 31 December

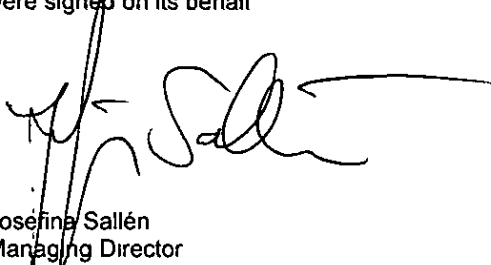
	2010 £'000	2009 £'000
Profit for the year	8,627	7,883
Total comprehensive income for the year attributable to the owners of the parent	8,627	7,883

The annexed notes form part of these financial statements

**Balance sheet as at 31 December**

	Note	2010 £'000	2009 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	11	67,724	45,306
Goodwill	12	26,186	26,186
Customer relations	12	18,684	21,038
Non-compete agreement	12	11,402	15,101
Deferred income tax assets	13	5,000	5,477
<b>Total non-current assets</b>		<b>128,996</b>	<b>113,108</b>
<b>Current assets</b>			
Inventories	14	2,527	3,672
Trade and other receivables	15	14,075	11,785
Cash and cash equivalents	27	5,151	1,680
<b>Total current assets</b>		<b>21,753</b>	<b>17,137</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	(15,678)	(11,756)
Current income tax liabilities		(142)	(142)
Borrowings	17	(23,271)	(16,100)
Provisions for other liabilities and charges	18	-	(175)
<b>Total current liabilities</b>		<b>(39,091)</b>	<b>(28,173)</b>
<b>Net current liabilities</b>		<b>(17,338)</b>	<b>(11,036)</b>
<b>Non-current liabilities</b>			
Borrowings	17	(75,393)	(77,001)
Deferred income tax liabilities	13	(5,294)	(2,727)
<b>Total non-current liabilities</b>		<b>(80,687)</b>	<b>(79,728)</b>
<b>Net assets</b>		<b>30,971</b>	<b>22,344</b>
<b>Equity attributable to owners of the parent</b>			
Ordinary shares	19	29,702	29,702
Retained earnings	20	1,269	(7,358)
<b>Total equity</b>	20	<b>30,971</b>	<b>22,344</b>

The financial statements on pages 6 to 27 were authorised for issue by the board of directors on 29 SEPTEMBER 2011 and were signed on its behalf



Josefina Sallén  
Managing Director

Perstorp UK Ltd  
Company Registered Number 2715398

The annexed notes on pages 9 to 27 form part of these financial statements



**Cash flow statement**  
for the year ended 31 December

	Note	2010 £'000	2009 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	28,246	10,906
Interest paid		(4,223)	(4,686)
Interest received		98	74
Income tax paid		-	(79)
Net cash generated from operating activities		24,121	6,215
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(25,163)	(9,876)
Proceeds from the sale of property, plant and equipment		14	-
Net cash used in investing activities		(25,149)	(9,876)
<b>Cash flows from financing activities</b>			
Capital element of finance lease rental payments		-	(6)
Proceeds from loan borrowings net of capitalised borrowing costs		8,000	(838)
Repayments of loan borrowings		(3,262)	(3,909)
Net cash generated from / (used in) financing activities		4,738	(4,753)
<b>Net increase / (decrease) in cash and cash equivalents</b>		3,710	(8,414)
Cash and cash equivalents at beginning of the year		1,680	10,449
Exchange losses on cash and cash equivalents		(239)	(355)
<b>Cash and cash equivalents at end of the year</b>	27	5,151	1,680

NOTES TO THE ACCOUNTS - 31 DECEMBER 2010

Perstorp UK Ltd is a limited liability company, incorporated in the United Kingdom and registered in England and Wales. The company's registered address is Baronet Rd, Warrington, Cheshire WA4 6HA

**1 Statement of accounting policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**1.1 Basis of preparation**

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS) and IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the going concern basis under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of a number of important accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Standards (IAS / IFRS), changes and interpretations (IFRIC) now in effect that are applicable for the 2010 financial year and are applied by the company.

- **IAS 27 (revised) "Consolidated and separate financial statements"** (applicable from 1<sup>st</sup> July 2009) The change means that all transactions involving shareholders, including shareholders without any decisive influence, are reported under shareholders' equity on condition that the transaction does not change the decisive influence and no longer gives rise to goodwill or profit / loss. In the event of partial sale where the decisive influence ends, the remaining owned part is re-assessed to fair value at the time the decisive influence ends according to agreement. The re-assessment impacts in full on the income statement. Formerly owned participations are also re-assessed at fair value in the income statement at later acquisitions. There is no impact upon the company's accounts in 2010 coming from this standard.
- **IFRS 3 (revised) "business combinations"** (applicable from 1<sup>st</sup> July 2009) The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared to IFRS 3. Among other matters, the purchase amount at the time of acquisition shall be reported at fair value and ensuing contingent consideration shall be classified normally as liabilities / provisions. These liabilities are then re-evaluated as necessary via the income statement and do not therefore retroactively affect the acquisition value of the asset. The reason is that re-evaluation is not considered to be related to the acquisition, but instead represents a changed situation after the acquisition. The non-controlling interests in the acquired business may be valued optionally for each acquisition either at fair value or at the non-controlling interest's proportional share of the acquired activity's net assets. Furthermore, all transaction costs shall be reported in the income statement directly, they are no longer considered to represent a value in the acquired unit. The company, in line with the accounting policy of the Perstorp group, has applied IFRS 3 (revised) to transactions occurring on or after 1<sup>st</sup> January 2010 and as a consequence no adjustment was necessary to any amounts previously recognised in the financial statements. There were no acquisitions during 2010.
- **IFRIC 16 "Hedges of a net investment in a foreign operation"** (applicable from 1<sup>st</sup> July 2009) The interpretation is directed at hedging of net investment. The consideration is that hedges of net investments refer to the difference in functional currency and that hedge instruments can be used by any company within a group as long as hedge reporting is in agreement with IAS 39. This had no impact upon the company's financial reporting for 2010.

**1.2 Segment reporting**

To a very great extent, the specialty chemicals operations are integrated both horizontally and vertically. Virtually all products sold to customers at this level are far removed from the end customers in the form of automakers, coatings producers and so forth. The same product can often be used for a wide spectrum of different applications. Accordingly there is no natural reason to divide the specialty chemicals operations into different segments.

At present there is no formal requirement for companies whose stocks are not subject to general trading to follow IFRS/IAS. This factor, together with the lack of a natural basis for dividing segments in accordance with IFRS 8 means that the company has chosen to exclude this information.

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 1 3 Intangible assets

Goodwill comprises the amount by which the acquisition value exceeds the fair value at the date of acquisition of the identifiable net assets acquired. Goodwill is reported as an intangible asset. Goodwill is tested annually in order to identify impairment requirements. Impairment of goodwill is not recovered.

A fair value for customer relations has been established in connection with the acquisition of the Solvay Caprolactones business in January 2008.

A fair value for the non-compete agreement has been established in connection with the acquisition of the Solvay caprolactones business in January 2008.

Intangible assets (excluding goodwill) are reported at their acquisition value less accumulated amortisation. The acquisition value is linearly amortised in order to divide the cost over the life span of the intangible asset which have been determined to be

Customer relations	9-11 years
Non-compete agreement	6 years

Assets with an indeterminate useful life, such as goodwill, are not depreciated or amortised but are subject to annual testing of impairment requirements. Assets with a determined useful life are assessed for a reduction in value whenever events or changes in conditions indicate that the book value may not be recoverable. Impairment is recognised in the amount by which the asset's book value exceeds its recoverable value and it will be immediately reported as a cost. Impairment is never recovered for goodwill.

### 1 4 Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated depreciation. The cost includes expenses that are directly attributable to the acquisition of the asset. Additional costs are added to the asset's reported value or are reported as a separate asset, depending upon which is appropriate, but only if it is probable that the future economic benefits associated with the asset accrue to the company and the cost can be measured reliably. All other forms of expenses for repair and maintenance are reported as costs in the income statement during the period they arise.

Borrowing costs attributable to acquisitions of fixed assets that take a significant amount of time to complete are capitalised for any such acquisitions that have commenced since 1 January 2009.

Straight line depreciation is applied based on the asset's acquisition value and estimated useful life. The following depreciation periods are used:

Buildings	20-50 years
Plant and equipment	5-40 years
Land is not depreciated	

The residual value and useful life of assets are reviewed and adjusted if appropriate at each balance sheet date. Assets are impairment tested when external or internal circumstances dictate such impairment testing, and are adjusted as necessary. An asset's book value is immediately impaired to its recoverable amount if the asset's book value exceeds its estimated recoverable amount.

Gains and losses on divestment are determined by comparing the sales proceeds and the book value and are reported in the income statement under the headings of other operating income or other operating expenses.

### 1 5 Inventories

Raw materials, supplies and goods purchased for resale are valued at purchase cost. Finished goods are valued at the cost of production. The cost of production comprises the direct cost of materials, direct manufacturing expenses, appropriate allocations of material and manufacturing overheads, and an appropriate share of the depreciation and write-downs of assets used for production. It includes the share of expenses for company pension plans and discretionary employee benefits that are attributable to production. Administrative costs are included where they are attributable to production. Inventories are valued using the weighted-average cost method. Costs and overheads allocated are based on normal operating activity.

If the purchase or production cost is higher than the net realisable value, inventories are written down to net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**1 6 Taxation**

Reported taxes in the income statement include current tax, adjustment of prior year current tax and changes in deferred tax. The calculation of tax and the assessment of all current and deferred tax liabilities and receivables are made in accordance with the UK tax regulations and tax rates that have been decided or that with a great deal of certainty will be determined and apply when the tax is to be paid.

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax assets are only reported when it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**1 7 Foreign currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Sterling (£'000s) which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

**1 8 Revenue recognition**

Revenue from the sales of goods are reported in accordance with sales terms and thereby in the period when all significant risks and benefits attributable to the goods are transferred to the purchaser in accordance with the sales agreement.

Reported revenue is the fair value of what has been received or will be received for sold goods and services within the company's business with deductions for VAT, discounts and returns. Revenue per category is reported as follows:

- Sales of goods are reported upon delivery to the customer in accordance with sales terms and thereby in the period when all significant risks and benefits attributable to the goods are transferred to the purchaser in accordance with the agreement.
- Commissions due from related parties and sales of services to related parties are recognised on an accruals basis in accordance with the substance of the relevant agreements.
- Interest income is recognised as revenue distributed over the contract term using the effective interest method.

**1 9 Leased assets**

Assets held under finance leases where substantially all the benefits and risks of ownership are transferred to the company, are capitalised as property, plant and equipment in the balance sheet and are depreciated over the useful economic life of the asset or the term of the lease, whichever is shorter. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals in respect of operating leases, under which substantially all the benefits and risks of ownership remain with the lessors, are charged to the profit and loss account on a straight line basis over the period of the lease.

**1 10 Pension costs**

The company has defined-contribution pension plans. The characteristic of a defined-contribution pension plan is that the company pays a fixed contribution to a separate legal entity. After the premium is paid the company has no other legal or informal obligations to pay additional amounts. Therefore there are no provisions or contingent liabilities in the balance sheet for the pension plans.

## PERSTORP UK LIMITED

### NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

#### 1 11 Remuneration for redundancy

Remuneration is paid for redundancy when an employee's employment is terminated before normal retirement or when the employee accepts voluntary redundancy. The company reports severance pay when a formal plan is presented or an offer is made and an obligation or legal undertaking is created.

#### 1 12 Provisions

Provisions are reported when the company has an existing legal or informal obligation as a result of the occurrence of an event for which it is probable that an outflow of resources will be required to settle the obligation and for which the amount can be reasonably estimated. In the 2009 financial statements, the company held a provision for £175,000 for a future contracted service arising from the purchase of the caprolactones business from Solvay Interlox Limited. This provision was utilised in full during 2010.

#### 1 13 Trade receivables

Trade receivables are reported at fair value. Trade receivables are normally reported at their original fair value when the effect of discounting is considered to be marginal. When an assessment is made by the company that a receivable will not be paid, then a provision is made. The size of the provision is calculated as the difference between the asset's reported value and the estimated future cash flows. The effect of a reported loss and possible recovery amount of previously written down receivables is returned to the income statement.

#### 1 14 Trade payables

Trade payables are reported at fair value.

#### 1 15 Borrowings

Borrowings are reported at fair value, net after transactions costs. Borrowing expenses are reported in the income statement based upon the period to which they relate, including periodised activated borrowing costs. Borrowings are classified as interest-bearing long-term or short-term liabilities in the balance sheets depending upon the due date.

#### 1 16 Share capital

Ordinary share capital is treated as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

#### 1 17 Fair value estimation

Fair value is defined as the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction. Due to the specialised nature of the property, plant and equipment of the company, there is no means of ascertaining a market value for these assets and therefore the fair value as at the date of purchase of the business has been calculated on a depreciated replacement cost basis. When a financial instrument is traded on active markets, the fair value of that financial instrument is based on listed market prices on the closing date of the financial statements. The current external borrowings of the company are not subject to organised trading and therefore an objective market assessment is not possible.

#### 1 18 Cash and cash equivalents

Cash and cash equivalents include cash and bank balances and other short-term investments maturing within three months and that can easily be converted into cash.

#### 1 19 Exceptional items

Exceptional items are material items that derive from events or transactions that fall within the ordinary activities of the company. Materiality is determined by the size or incidence of the item. Exceptional items are disclosed separately in the income statement.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

1 20 Effects of future accounting principles

When the financial statements of 31 December 2010 were being compiled, the following standards, changes and interpretations had been announced and will be compulsory for the financial years starting 1 January 2011 or later. None of them have been implemented in advance.

- **IFRS 9 "Financial Instruments"** was issued in 2009. This standard is the first step in the process to replace IAS 39 "Financial Instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.
- **IFRIC 19 "Extinguishing financial liabilities with equity instruments"**, effective date 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of financial liabilities are renegotiated and result in the entity issuing equity instruments to a creditor. The company will apply the interpretation from 1 January 2011 but the change is not relevant to the company as of the closing of 2010.

2 Significant estimates and judgments made for accounting purposes

To an extent, the financial statements are based on estimates and judgments about the future trend. In turn, these judgments are based on historical experience and different assumptions that are considered to be reasonable in current circumstances. Reported values may have another actual outcome if other assumptions are made or circumstances change.

The following particular areas can be distinguished where estimates and judgments are of importance to the amounts entered in the financial statements and changes can have a significant effect on the company's earnings and financial position.

**Impairment testing of goodwill** Impairment testing is currently performed annually through analysis of the recovery value for the company which is viewed in whole as one cash-generating unit. The calculation is based on an estimate of future cash flow, in accordance with financial five-year plans that have been approved by management. A number of important assumptions are used in this analysis and they are disclosed in note 12.

**Market value of assets acquired** The company performed a fair value calculation of the property, plant and equipment that were acquired with the purchase of the activities of the Solvay caprolactones business. The valuation was performed on a depreciated replacement cost basis as is appropriate for the chemicals industry and the valuation contained a number of estimates and judgments regarding the current replacement cost of the plant and equipment and the remaining useful life of that plant and equipment.

**Valuation of tax-loss carry-forwards** The valuation of tax-loss carry-forwards in the company is based on an assessment that it will be possible to utilise these carry-forwards in the foreseeable future based upon the future anticipated earnings capability.

The financial statements of the company are based on the going-concern principle, which is also reflected in how any environmental liabilities are assessed. The company complies with decisions by public authorities and conducts measures both proactively to prevent environmental damage and reactively in the event that environmental disturbances occur.

3 Risk Management

3 1 Financial Risk

The company faces a number of financial risk factors, currency risk, financing risk, liquidity risk, interest rate risk and counter-party risk. The financial risks for the company are managed within a group-wide financial risk framework.

3 1 1 Currency risk

The currency risk is the risk that the company's earnings and net assets will be adversely affected by fluctuations in exchange rates. Within the Perstorp group currency risk is managed on a group-wide basis and the group manages its currency risk by concentrating borrowing to the USD and EUR currencies as these are the two significant currencies for flows of earnings for the group.

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 3 1 1 Currency risk (continued)

Sensitivity of 2011 forecast operating profit to 1% increase in the strength of Sterling	Loss of Operating profit £'000
USD cash flows	177
EUR cash flows	335

### 3 1 2 Financing risk

The financing risk is the risk that the re-financing of loans will be impeded or become costly. The financing of the company falls within the Perstorp group financing facility. The Perstorp group's main financing consists of senior loans that have been guaranteed by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank and also second liens and mezzanine facilities that were syndicated to a number of financiers. These loan agreements stipulate financial covenants pertaining to the fulfilment of key figures in terms of cash flow in relation to interest payments and amortisation, net debt in relation to EBITDA and EBITDA in relation to interest payments. During 2010 new capital was added into the group from the parent company in Luxembourg, Financiere Foret S A R L.

During 2010 the company has increased borrowings from related parties within the group to partly finance the capital spend on the project to double the capacity for caprolactone production. The remainder of the capital spend was financed by net inflows from trading by the company during the year.

### 3 1 3 Liquidity risk

Liquidity risk is managed by the company ensuring that it has sufficient liquid funds as part of the group's agreed credit facilities. Both company and group management closely monitor liquidity forecasts. The table below analyses the financial instruments of the company by the time remaining from the balance sheet date up to the agreed due date.

Maturity analysis for financial instruments	0-1 yrs £'000	1-2 yrs £'000	2-5yrs £'000
Bank borrowings	2,895	77,346	-
Borrowings from related parties	21,908	-	-
Trade payables	10,997	-	-

### 3 1 4 Interest rate risk

The interest rate risk is the risk that an increase in market interest rates will have an adverse impact on earnings. The table below shows the sensitivity of earnings to an increase in the interest rate.

Sensitivity to 1% increase in the interest rate	Additional Interest cost £'000
Interest payable on loans denominated in USD	530
Interest payable on loans denominated in EUR	365
Interest payable on loans denominated in GBP	134

### 3 1 5 Counterparty risk

Counterparty risk relates to the credit risk that might arise when a counterparty cannot fulfil its commitments and thus causes a financial loss to the company. The company has a set credit control policy, the main purpose of which is to prevent credit risks and minimise bad debt losses. The credit policy sets a framework for how to approve credit, who has responsibility and how deliveries may be approved in the event of a limit being exceeded or of a customer having credit that falls due for payment. Internal guidelines also include procedures for monitoring outstanding receivables before and after the maturity date depending upon materiality and the individual customer's risk profile.

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 3 2 Operational risk

#### 3 2 1 Access to raw materials

To secure delivery of raw materials and spread the risks the company operates a purchasing policy which requires that procurement of the most critical raw materials is made from several suppliers where possible. Procurement is secured through long-term delivery agreements. The company operates in the global chemicals market with suppliers who meet the highest environmental and safety requirements, but as far as possible the company aims to minimise transport by buying on local markets.

#### 3 2 2 Production disruptions

Disruptions in the company's plants can result in a loss of income, in the short term because the company cannot deliver expected volumes to customers and in the long term because it may lead to alternative products being used for the same application. Regular technical inspections are made of equipment to reduce the risk of a disruption and regular maintenance programmes are performed to reduce the risk of equipment deteriorating beyond use. Through the group function the company ensures that it has comprehensive insurance coverage in case of an unforeseen event.

### 3 3 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 4 Revenue and costs

	2010 £'000	2009 £'000
Sales divided by type		
Net external sales of goods	52,617	35,808
Sales of goods to related parties	25,399	14,333
Total revenue	78,016	50,141

	2010 £'000	2009 £'000
Costs divided by type		
Raw materials, goods for sale, energy, transport and packaging costs	38,937	24,735
Other external costs	15,109	12,595
Employee benefits (note 21)	4,579	3,937
Depreciation	2,902	3,076
Exceptional items (note 9)	137	175
Total costs	61,664	44,518

## 5 Profit before income tax

	2010 £'000	2009 £'000
<b>Profit before income tax is stated after charging</b>		
Depreciation of owned property plant and equipment	2,902	3,072
Depreciation of leased property plant and equipment	-	4
Staff costs (note 21)	4,579	3,937
Amortisation of intangible assets (included within distribution costs, note 12)	6,053	6,053
Auditors' remuneration for audit services – UK	33	32
Auditors' remuneration for taxation services - UK	-	25
Operating lease rentals		
Land and buildings	146	146
Plant and machinery	40	33

Auditors' remuneration for taxation services during 2010 was borne by the parent company, Perstorp AB.



# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 6 Other income

	2010 £'000	2009 £'000
Foreign exchange gains on operational transactions	486	520
Commissions receivable from related parties	62	829
	548	1,349

### 7 Finance income

	2010 £'000	2009 £'000
Gains on translation of foreign currency denominated loans	707	9,555
Bank interest receivable	22	74
Refund of bank commission payable on foreign exchange contracts	76	-
	805	9,629

### 8 Finance costs

	2010 £'000	2009 £'000
Interest on bank borrowings	(3,551)	(3,364)
Interest on loans from related parties	(712)	(614)
Losses on translation of foreign currency bank balances	(239)	(355)
Amortisation of capitalised financing costs	(1,532)	(1,245)
Commission payable on foreign exchange contracts	-	(43)
Other interest payable	-	(5)
	(6,034)	(5,626)

### 9 Exceptional items

	2010 £'000	2009 £'000
<b>Exceptional items included in the income statement are</b>		
Restructuring costs (included within distribution costs)	(77)	-
Restructuring costs (including within cost of sales)	-	(87)
Costs arising from cessation of agency agreement (included within distribution costs)	(60)	-
Costs arising from cessation of distribution agreement (included within distribution costs)	-	(88)
	(137)	(175)

### 10 Income tax expense

Analysis of charge for the year all relating to continuing operations	2010 £'000	2009 £'000
<b>Current tax</b>		
Current tax on profits for the year	-	142
	-	142
<b>Deferred income tax (note 13)</b>		
Current year	3,124	2,950
Prior year adjustment	(69)	-
Change in Corporation tax applicable to deferred tax	(11)	-
<b>Income tax expense</b>	<b>3,044</b>	<b>3,092</b>

**PERSTORP UK LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**10 Income tax expense (continued)**

The current tax rate applicable on the profit (2009 profit) from ordinary activities varied from the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	<b>2010 £'000</b>	<b>2009 £'000</b>
<b>Profit before income tax</b>	<b>11,671</b>	<b>10,975</b>
Profit multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	<b>3,268</b>	<b>3,073</b>
<b>Effects of</b>		
Non-deductible expenses	<b>6</b>	<b>19</b>
Capital allowances claimed in respect of additions in previous period	<b>(150)</b>	<b>-</b>
Adjustment in respect of prior periods	<b>(69)</b>	<b>-</b>
Difference between the tax rate in the period and the year end deferred tax rate	<b>(11)</b>	<b>-</b>
<b>Tax charge</b>	<b>3,044</b>	<b>3,092</b>

Effective 1 April 2011, the applicable rate of UK Corporation Tax is 26%. Further reductions to the UK Corporation Tax rate were announced in the March 2011 budget. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014.

**PERSTORP UK LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**11 Property, plant and equipment**

	<b>Land</b> <b>£'000</b>	<b>Buildings</b> <b>£'000</b>	<b>Plant and equipment</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Cost</b>				
At 1 January 2009	1,187	2,500	37,705	41,392
Additions	-	-	9,876	9,876
At 31 December 2009	1,187	2,500	47,581	51,268
Additions	-	-	25,334	25,334
Disposals	-	-	(106)	(106)
At 31 December 2010	1,187	2,500	72,809	76,496
<b>Accumulated depreciation</b>				
At 1 January 2009	-	191	2,695	2,886
Charge for the year	-	208	2,868	3,076
At 31 December 2009	-	399	5,563	5,962
Charge for the year	-	208	2,694	2,902
Disposals	-	-	(92)	(92)
At 31 December 2010	-	607	8,165	8,772
<b>Net book value</b>				
At 31 December 2010	1,187	1,893	64,644	67,724
At 31 December 2009	1,187	2,101	42,018	45,306
At 1 January 2009	1,187	2,309	35,010	38,506

The cost of fixed assets above includes assets held under finance leases (within plant and equipment) amounting to £Nil (2009 £18,000) and their net book value as at 31 December 2010 amounted to £Nil (2009 £4,000)

No borrowing costs have been capitalised on additions in 2010 and 2009

Depreciation has been charged in the income statement as follows

	<b>2010</b> <b>£'000</b>	<b>2009</b> <b>£'000</b>
Cost of goods sold	2,902	3,072
Selling & marketing costs	-	4
	<b>2,902</b>	<b>3,076</b>

**PERSTORP UK LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**12 Intangible assets**

	<b>Goodwill</b>	<b>Customer relations</b>	<b>Non-compete agreement</b>	<b>Total</b>
	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>	<b>£'000s</b>
<b>Cost At 31 December 2009 and 31 December 2010</b>	<b>26,186</b>	<b>25,551</b>	<b>22,189</b>	<b>73,926</b>
<b>Accumulated amortisation</b>				
At 1 January 2009	-	2,158	3,390	5,548
Charge for year	-	2,355	3,698	6,053
At 31 December 2009	-	4,513	7,088	11,601
Charge for year	-	2,354	3,699	6,053
At 31 December 2010	-	6,867	10,787	17,654
<b>Net book value</b>				
At 31 December 2010	<b>26,186</b>	<b>18,684</b>	<b>11,402</b>	<b>56,272</b>
At 31 December 2009	26,186	21,038	15,101	62,325
At 1 January 2009	26,186	23,393	18,799	68,378

The cost of amortisation of Intangible assets for the year of £6,053,000 (2009 £6,053,000) has been included within selling and distribution costs in the income statement

Following the acquisition of the Solvay Caprolactones business in January 2008, a fair value was established for both the customer relations of the Caprolactones business and a non-compete agreement with the Solvay group. Both of these intangible assets are amortised on a straight-line basis over a period of 9-11 years for customer relations and 6 years for the non-compete agreement.

Management considers that the company as a whole should be regarded as a cash-generating unit as it has only one manufacturing site and produces only one category of product, caprolactones. This is consistent with the group financial statements which view caprolactones as one cash-generating unit.

The recoverable amount for the cash-generating unit has been established on the basis of a calculation of value in use. The calculation is based on an estimate of future cash flow, in accordance with financial five-year plans that have been approved by management. Cash flows beyond this five-year period are extrapolated using an estimated growth rate of 2%. The discount interest rate used for the calculation is 10.5% after tax. The sensitivity analysis did not produce an impairment requirement.

**13 Deferred income tax assets and liabilities**

**Recognised deferred tax assets and liabilities**

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2010 £'000</b>	<b>2009 £'000</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Property plant and equipment	-	-	(4,445)	(2,139)
Intangibles	-	-	(849)	(588)
Losses	5,000	5,477	-	-
	<b>5,000</b>	<b>5,477</b>	<b>(5,294)</b>	<b>(2,727)</b>

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 13 Deferred income tax assets and liabilities (continued)

Movement in deferred tax during the year	1 January 2010 £'000	Recognised in income £'000	31 December 2010 £'000
Property plant and equipment	(2,139)	(2,306)	(4,445)
Intangibles	(588)	(261)	(849)
Losses	5,477	(477)	5,000
	<b>2,750</b>	<b>(3,044)</b>	<b>(294)</b>

Movement in deferred tax during the previous year	1 January 2009 £'000	Recognised in income £'000	31 December 2009 £'000
Property plant and equipment	48	(2,187)	(2,139)
Intangibles	(285)	(303)	(588)
Losses	5,937	(460)	5,477
	<b>5,700</b>	<b>(2,950)</b>	<b>2,750</b>

The value of unutilised tax loss carryforwards is capitalised where it is expected that the carryforwards will be utilised in the foreseeable future due to taxable profits being earned

### 14 Inventories

	2010 £'000	2009 £'000
Raw materials and consumables	1,317	1,057
Finished goods and goods for resale	1,659	3,095
Less provision for impairment of inventories	(449)	(480)
<b>At 31 December</b>	<b>2,527</b>	<b>3,672</b>

The amount of inventories included in cost of sales amounted to £29,564,000 (2009 £16,799,000)

The movement on the impairment reserve during the year impacts upon the earnings for the year in the income statement

### 15 Trade and other receivables

	2010 £'000	2009 £'000
Trade receivables	8,017	5,771
Less provision for impairment of trade receivables	(111)	(29)
Trade receivables - net	7,906	5,742
Prepayments	101	79
Receivables from related parties (note 24)	5,026	5,478
Other receivables	1,042	486
<b>At 31 December</b>	<b>14,075</b>	<b>11,785</b>

**PERSTORP UK LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**15 Trade and other receivables (continued)**

Analysis of trade receivables	2010 £'000	2009 £'000
Not due receivables	7,400	5,476
Due receivables		
1-10 days	125	88
11-30 days	212	174
31-60 days	265	4
61-90 days	3	-
91-180 days	5	18
Over 180 days	7	11
<b>Total trade receivables</b>	<b>8,017</b>	<b>5,771</b>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above  
The company does not hold any collateral as security

The fair values of trade and other receivables do not differ from the values shown above

**16 Trade and other payables**

	2010 £'000	2009 £'000
Trade payables	10,997	8,874
Amounts due to related parties	2,372	2,410
Other tax and social security	131	104
Accrued expenses	2,178	368
<b>At 31 December</b>	<b>15,678</b>	<b>11,756</b>

The fair values of trade and other payables do not differ from the values shown above

**17 Borrowings**

	2010 £'000	2009 £'000
<b>Current borrowings</b>		
Bank borrowings	2,895	3,244
Capitalised financing costs	(1,532)	(1,532)
Borrowings from related parties	21,908	14,388
<b>Balance as at 31 December</b>	<b>23,271</b>	<b>16,100</b>
<b>Non-current borrowings</b>		
Bank borrowings	77,346	80,486
Capitalised financing costs	(1,953)	(3,485)
<b>Balance as at 31 December</b>	<b>75,393</b>	<b>77,001</b>
<b>Total borrowings</b>	<b>98,664</b>	<b>93,101</b>

The bank loans comprise secured loans that are included within the senior loan facility that has been made available to the Perstorp group. These loan agreements include quarterly key indicators linked to cash flow in relation to interest payments and amortisation, net debt in relation to EBITDA and EBITDA in relation to interest payments.

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 17 Borrowings (continued)

The total assets of the company have been pledged as security for the loans in addition to other pledged assets within the group

In connection with the acquisition of the caprolactones business from Solvay the existing loan facilities of the group were re-negotiated and increased. The costs incurred in relation to the re-financing have been capitalised and are being written off on a straight line basis over the length of the loans.

There have been no defaults during the year of principal, interest or redemption terms of the loans payable.

Maturity structure of non-current borrowings	2010 £'000	2009 £'000
Between 1-2 years	77,346	5,806
Between 2-3 years	-	74,680
Balance as at 31 December	77,346	80,486

Currency composition and interest rates of borrowings	Amount in currency '000s	Sterling equivalent £'000	Effective interest rate (%)
Bank borrowings			
Loans denominated in USD	80,175	51,708	4.04
Loans denominated in EUR	33,432	28,533	4.77
		80,241	
Borrowings from related parties			
Loan denominated in EUR owed to ultimate parent company	10,000	8,535	5.04
Loan denominated in GBP owed to ultimate parent company		13,373	4.72
		21,908	

The loans of the company are arranged within the group facility on market terms. For external loans, interest terms are based on official market rates plus an interest margin. As these loans are not subject to any organised trading it is not possible to make an objective market assessment of their fair value.

### 18 Provisions for other liabilities and charges

	2010 £'000	2009 £'000
Current		
Provision for future contracted services	-	175

Analysis of provision	£'000
At 1 January 2010	175
Provision utilised during 2010 for contracted services	(175)
At 31 December 2010	-

**PERSTORP UK LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**19 Ordinary shares**

	2010		2009	
	Number '000	£'000	Number '000	£'000
<b>Authorised</b>				
Ordinary shares of £1 each	10	10	10	10
Ordinary A shares of € 1 each	40,000	29,692	40,000	29,692
		29,702		29,702
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	10	10	10	10
Ordinary A shares of € 1 each	40,000	29,692	40,000	29,692
		29,702		29,702

The ordinary A € 1 shares have the same rights and are subject to the same restrictions as the ordinary £1 shares and they rank par passu in all respects

**20 Statement of changes in equity**

	Share capital £'000	(Accumulated deficit) / retained earnings £'000	Total equity £'000
At 1 January 2009	29,702	(15,241)	14,461
Profit for the financial year	-	7,883	7,883
At 31 December 2009	29,702	(7,358)	22,344
Profit for the financial year	-	8,627	8,627
At 31 December 2010	29,702	1,269	30,971

**21 Employee costs and directors' remuneration**

	2010 £'000	2009 £'000
<b>Staff costs (including directors' remuneration) for the company during the year were as follows</b>		
Wages and salaries	3,595	3,060
Social security costs	378	321
Other pension costs (note 22)	606	556
	4,579	3,937

Average monthly number of people (including executive directors) employed by the company during the year	2010 number	2009 number
Administration	25	25
Manual	54	48
	79	73



# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 21 Employee costs and directors' remuneration (continued)

#### Key management compensation

Key management includes directors (executive and non-executive) The compensation paid (or payable) for employee services is shown below

	2010 £'000	2009 £'000
Aggregate emoluments	455	357
Company contributions to money purchase pension scheme	30	23
	485	380

Retirement benefits are accruing under the money purchase pension scheme in respect of qualifying services for one director (2009 two)

The compensation paid (or payable) for employee services to the highest paid director is shown below

	2010 £'000	2009 £'000
Aggregate emoluments	200	195
Company contributions to money purchase pension scheme	-	-
	200	195

### 22 Pension commitments

The net pension cost is allocated within the income statement as follows

	2010 £'000	2009 £'000
Cost of goods sold	409	372
Selling and marketing costs	184	174
Administration costs	13	10
	606	556

### 23 Operating leases

The company has lease agreements in respect of properties, vehicles, and plant and equipment, for which the payments extend over a number of years as detailed below

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2010		2009	
	Land and buildings £'000	Vehicles, plant and equipment £'000	Land and buildings £'000	Vehicles, plant and equipment £'000
Within one year	110	28	110	32
Within two to five years	440	41	440	39
After five years	220	-	330	-
	770	69	880	71

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 24 Related party transactions

The largest group of which Perstorp UK Limited is a member is that headed by Perstorp Holding AB which is 100% owned by Luxembourg based Financiere Foret S A R L

Within the framework of an incentive programme, group executives, managers and key employees have the opportunity to become shareholders in the parent company Financiere Foret S A R L. Shares and options relating to the programme are priced on normal commercial terms and this does not constitute a share-based remuneration scheme. This programme has been extended to some managers and key employees within the company.

Remuneration to the company's board of directors is reported in note 21.

Goods are sold on terms that would be available to third parties. Commissions were receivable on specified UK sales made by a fellow subsidiary, however, this agreement ended during 2010. Sales of services are made on a cost plus basis for sales, marketing and administration services.

Goods are purchased from related parties on terms that would be available to third parties. Royalties are incurred on patents and trademarks owned by the immediate holding company and they are charged at a market rate. Services are purchased from related parties on a cost plus basis. Management, sales, marketing, legal, technical and administration services are purchased.

Loan borrowings from related parties are detailed in note 17.

The following balances were held with related parties at the end of the year:

	2010 £'000	2009 £'000
<b>Receivables from related parties</b>		
Fellow subsidiary company	5,014	3,794
Ultimate parent company	-	1,684
Immediate parent company	12	-
	<b>5,026</b>	<b>5,478</b>
<b>Payables to related parties</b>		
Fellow subsidiary company	451	181
Immediate parent company	1,798	1,278
Ultimate parent company	123	951
	<b>2,372</b>	<b>2,410</b>

The following transactions were carried out with related parties during the year:

	2010 £'000	2009 £'000
<b>Sales of goods:</b>		
Fellow subsidiary company	25,399	14,433
	<b>25,399</b>	<b>14,433</b>
<b>Commissions receivable</b>		
Fellow subsidiary company	62	829
	<b>62</b>	<b>829</b>
<b>Sales of services:</b>		
Fellow subsidiary company	144	-
Immediate parent company	118	-
	<b>262</b>	<b>-</b>

# PERSTORP UK LIMITED

## NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)

### 24 Related party transactions (continued)

	2010 £'000	2009 £'000
<b>Purchase of goods</b>		
Fellow subsidiary company	966	648
	966	648
<b>Purchase of services</b>		
Fellow subsidiary company	1,821	739
Immediate parent company	3,104	1,896
Ultimate parent company	104	116
	5,029	2,751
<b>Royalties payable</b>		
Immediate parent company	6,239	4,114
	6,239	4,114
<b>Commissions payable</b>		
Fellow subsidiary company	-	83
	-	83
<b>Interest payable.</b>		
Fellow subsidiary company	-	222
Ultimate parent company	712	392
	712	614

### 25 Ultimate holding company

The company is a wholly owned subsidiary undertaking of Perstorp AB, incorporated in Sweden. The largest and smallest group of which Perstorp UK Limited is a member is that headed by Perstorp Holding AB, incorporated in Sweden. Perstorp Holding AB is controlled by the French private equity firm, PAI Partners, which owns close to 100% of the shares in Luxembourg based Financiere Foret S A R L, which in turn owns 100% of the shares in Perstorp Holding AB. PAI Partners, which is an unincorporated partnership, is considered by the directors to be the ultimate controlling company.

The consolidated financial statements of the group are available to the public and may be obtained from Perstorp Holding AB, Perstorp S-284 80, Sweden or from the group website [www.perstorp.com](http://www.perstorp.com)

### 26 Reconciliation of profit to net cash flow from operations

	2010 £'000	2009 £'000
Profit for the year before tax	11,671	10,975
<b>Adjustments for:</b>		
Depreciation	2,902	3,076
Amortisation of intangible assets	6,053	6,053
Decrease in inventories	1,145	572
Increase in trade and other receivables	(2,290)	(1,646)
Increase / (decrease) in trade and other payables	3,536	(4,121)
Interest income	(805)	(9,629)
Interest expense	6,034	5,626
Cash generated from operations	28,246	10,906

**PERSTORP UK LIMITED**

**NOTES TO THE ACCOUNTS - 31 DECEMBER 2010 (CONTINUED)**

**27 Cash and cash equivalents**

	<b>2010 £'000</b>	<b>2009 £'000</b>
Deposit accounts	<b>5,151</b>	<b>1,680</b>
Total cash and cash equivalents	<b>5,151</b>	<b>1,680</b>