

PERSTORP UK LTD

Financial Statements for the year ended 31 December 2009



Company Registered Number. 2715398

PERSTORP UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The directors present their report and the audited accounts of the company for the year ended 31 December 2009

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 2009 lower demand, partly due to stock cutbacks in the customer chain, led to reductions in sales volumes particularly in the first quarter. Starting in the second quarter volumes began to recover slowly but gradually for the remainder of the year.

The company closed its UK sales office during the year. The decision to close the office was made in 2008 and the previous financial statements included a liability for the anticipated costs of the restructuring including severance pay.

The financing of the company falls within the Perstorp group financing facility. In the fourth quarter of 2009 the group reached an agreement with the banks that provide the finance facility concerning renegotiated loan documentation, including new bank covenants that must be reached during the period up to when the loans fall due in 2012 and 2013. The group's principal financing comprises senior credits provided by Svenska Handelsbanken, Nordea, DnB NOR and HSH Nordbank as well as second lien and mezzanine facilities that were syndicated to around 20 financial institutions in 2006.

The company continues to invest in a new plant that will double capacity for production of caprolactones. To secure buyers for the new tonnage, product development is taking place to find new application areas for the products. The new plant will commence production in 2011.

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 2009 (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

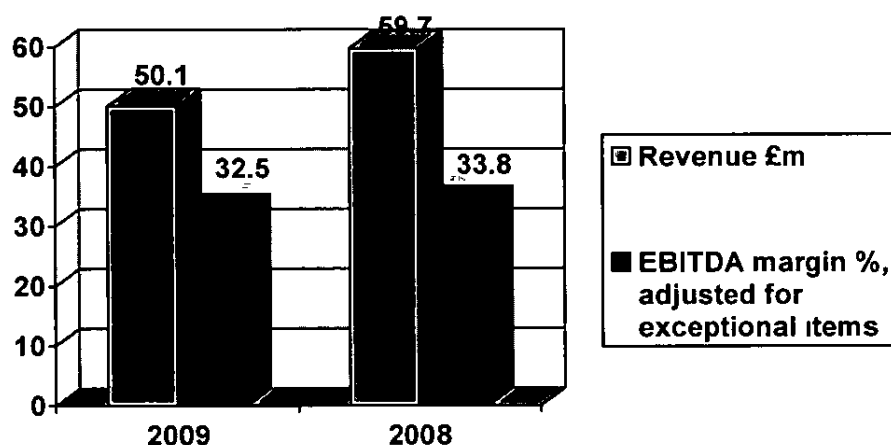
The operating profit for the year was £6,972,000 (2008: £11,688,000) and the net cash outflow for the year was £8,414,000 (2008: net cash inflow of £8,850,000). The balance sheet has net assets of £22,344,000 (2008: £14,461,000).

The directors are unable to recommend payment of a dividend for the year (2008: £nil).

EXCEPTIONAL ITEMS

The company has incurred £175,000 of exceptional costs during the year relating to restructuring costs and the costs arising from the cessation of a distributor agreement in Japan.

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 2009 (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 2009 to the date of this report:

A Lundin
M Olausson
D Turner
J Sallén Åkesson (appointed 28 July 2009)
S Derbyshire (appointed 28 July 2009)
L Hagelqvist (resigned 28 July 2009)
A Haak (resigned 26 January 2009)

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 2009 (CONTINUED)

EMPLOYEES

The number of employees at the end of the year was 74 (2008 75). This total comprised 65 males and 9 females all of whom were employed in the UK.

CHARITABLE CONTRIBUTIONS

The company made charitable donations of £1,200 (2008 £1,953) during the year. The total of £1,200 was all donated to local charities.

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 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.

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 2009 were equivalent to 99 days (2008 74 days) of purchases 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.

BY ORDER OF THE BOARD



Josefin Sällén Akesson
Director
28 September 2010

Company Registered Number 2715398

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 2009 which comprise the Income Statement, the Statement of Recognised Income and Expense, 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 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 2009 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
28 September 2010

PERSTORP UK LIMITED

Income statement
for the year ended 31 December

Continuing operations	Note	2009 £'000	2008 £'000
Revenue	4	50,141	59,670
Cost of sales			
Excluding exceptional items	4	(28,483)	(35,260)
Exceptional items	4,9	(87)	-
Cost of sales including exceptional items		(28,570)	(35,260)
Gross profit		21,571	24,410
Distribution costs			
Excluding exceptional items	4	(13,673)	(14,500)
Exceptional items	4,9	(88)	(143)
Distribution costs including exceptional items		(13,761)	(14,643)
Administration expenses		(2,187)	(1,907)
Other income	6	1,349	3,828
Operating profit		6,972	11,688
Finance costs	7	(5,626)	(36,357)
Finance income	8	9,629	1,735
Profit / (loss) before income tax	5	10,975	(22,934)
Income tax	10	(3,092)	6,404
Profit / (loss) for the year attributable to the owners of the parent	20	7,883	(16,530)

Statement of comprehensive income
for the year ended 31 December

	2009 £'000	2008 £'000
Profit / (loss) for the year	7,883	(16,530)
Total comprehensive income for the year attributable to the owners of the parent	7,883	(16,530)

The annexed notes form part of these accounts

PERSTORP UK LIMITED

Balance sheet as at 31 December

	Note	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant, and equipment	11	45,306	38,506
Goodwill	12	26,186	26,186
Customer relations	12	21,038	23,393
Non-compete agreement	12	15,101	18,799
Deferred income tax assets	13	5,477	5,985
Total non-current assets		113,108	112,869
Current assets			
Inventories	14	3,672	4,244
Trade and other receivables	15	11,785	10,139
Cash and cash equivalents	27	1,680	10,449
Total current assets		17,137	24,832
Liabilities			
Current liabilities			
Trade and other payables	16	(11,756)	(16,866)
Current income tax liabilities		(142)	(79)
Borrowings	17	(16,100)	(18,708)
Provisions for other liabilities and charges	18	(175)	-
Total current liabilities		(28,173)	(35,653)
Net current liabilities		(11,036)	(10,821)
Non-current liabilities			
Borrowings	17	(77,001)	(87,127)
Deferred income tax liabilities	13	(2,727)	(285)
Provisions for other liabilities and charges	18	-	(175)
Total non-current liabilities		(79,728)	(87,587)
Net assets		22,344	14,461
Equity attributable to owners of the parent			
Ordinary shares	19	29,702	29,702
Retained earnings	20	(7,358)	(15,241)
Total equity	20	22,344	14,461

The financial statements on pages 6 to 27 were authorised for issue by the board of directors on 28 September 2010 and were signed on its behalf


 Josefina Sallén Axelson
 Director

Perstorp UK Ltd
 Company Registered Number 2715398

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

PERSTORP UK LIMITED

Cash flow statement
for the year ended 31 December

	Note	2009 £'000	2008 £'000
Cash flows from operating activities			
Cash generated from operations	26	10,906	25,992
Interest paid		(4,686)	(6,353)
Interest received		74	1,062
Income tax paid		(79)	-
Income tax payment received		-	4
Net cash generated from operating activities		6,215	20,705
Cash flows from investing activities			
Purchase of caprolactone business		-	(114,126)
Purchase of property, plant and equipment	11	(9,876)	(4,434)
Net cash used in investing activities		(9,876)	(118,560)
Cash flows from financing activities			
Capital element of finance lease rental payments		(6)	(5)
Proceeds from issue of ordinary shares		-	29,884
Proceeds from loan borrowings net of capitalised borrowing costs		(838)	112,995
Repayments of loan borrowings		(3,909)	(36,169)
Net cash used in financing activities		(4,753)	106,705
Net (decrease) / increase in cash and cash equivalents		(8,414)	8,850
Cash and cash equivalents at beginning of the year		10,449	926
Exchange (losses) / gains on cash and cash equivalents		(355)	673
Cash and cash equivalents at end of the year	27	1,680	10,449

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009

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 2009 financial year and are applied by the company.

- **IAS 1, Presentation of Financial Statements** has been revised. The changed standard requires that only owner-related transactions concerning equity shall be included in the report for the company's change in shareholders' equity. All other transactions concerning change in equity shall be reported separately and be included in the report on comprehensive income.
- **IAS23, Borrowing costs**. The standard has changed with regard to borrowing costs directly attributable to purchases, construction or production of an asset that takes a significant time to complete for use or sale. Previously a choice could be made and the company followed the principle of consistently reporting borrowing costs directly. The company now capitalises borrowing costs for projects with a start date falling after 1st January 2009. No specific large projects commenced during 2009 and there are therefore no capitalised borrowing costs concerning investment in fixed assets.
- **IFRS 7, Financial Instruments Disclosures**. The change involves a requirement for extended disclosure of the valuation of financial instruments at fair value and how the liquidity risk concerning financial instruments should be handled in practice. Since this change only relates to disclosures it does not affect reporting of earnings and position.
- **IFRS 8, Operating Segments**. The new standard, which replaces IAS 14, is based upon segment reporting from an internal management perspective. The consequence is that information shall be provided per segment as the ultimate decision-maker continually views activities. The standard is related to disclosures and does not affect reporting of income or position. The company has chosen not to apply the standard as it is not a legal requirement, see note 1.2 below.

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.

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.

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

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

1 3 Intangible assets (continued)

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.

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.

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 calculated in accordance with the liability method on the basis of all material temporary differences between the book values and the taxable values of assets and liabilities. 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.

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

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 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

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 The company has provided £175,000 for a future contracted service arising from the purchase of the caprolactones business from Solvay Interlox Limited It is anticipated that the provision will be utilised in full during 2010

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

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.

1 20 Effects of future accounting principles

When the financial statements of 31 December 2009 were being compiled, the following standards, changes and interpretations had been announced and will be compulsory for the financial years starting 1 January 2010 or later. None of them have been implemented in advance.

- **IAS32 Financial instruments Classification** This change is aimed at the classification of subscription rights and reporting in the event that the instruments are issued in a currency other than the functional currency of the issuer. The change is not relevant for the company.
- **IAS27 Consolidated and separate financial statements.** The change means that all transactions involving shareholders, including shareholders without 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. This change comes into effect on 1 January 2010 and currently has no effect on the company.

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

1 20 Effects of future accounting principles (continued)

- **IFRS 3 Business combinations** Company acquisitions shall in future continue to be reported using the acquisition method, but with certain important changes. Among other matters the purchase amount at the time of the acquisition shall be reported at fair value and ensuing conditional purchase payments 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 the re-evaluation is not considered to be related to the acquisition, but instead represents a changed situation after the acquisition. Minority interests in the acquired business may be valued optionally for each acquisition either at fair value or at the minority shareholder'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 standard will be applied by the company from 1 January 2010.
- **IAS 38 (amendment), 'Intangible Assets'** The amendment is part of the IASB's annual improvements project published in April 2009 and the company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a material impact on the company's financial statements.
- **IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'** The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The company will apply IFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the company's financial statements.
- **IAS 1 (amendment), 'Presentation of financial statements'** The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the company's financial statements.
- **IFRS 2 (amendments), 'Group cash-settled share-based payment transaction (effective from 1 January 2010)'** In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 - Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the company's financial statements.
- **IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009)** The interpretation was published in November 2008. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The company will apply IFRIC 17 from 1 January 2010. It is not expected to have a material impact on the company's financial statements.

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.

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

2 Significant estimates and judgments made for accounting purposes (continued)

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 judgements 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.

Sensitivity of 2010 forecast operating profit to 1% increase in the strength of Sterling	Loss of Operating profit £'000
USD cash flows	139
EUR cash flows	295

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.

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	3,244	5,806	74,680
Borrowings from related parties	14,388	-	-
Accounts payable	8,874	-	-

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

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	535
Interest payable on loans denominated in EUR	298

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.

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.

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

Sales divided by type	2009 £'000	2008 £'000
Net external sales of goods	35,808	41,930
Sales of goods to related parties	14,333	17,740
Total revenue	50,141	59,670

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

4 Revenue and costs (continued)

	2009 £'000	2008 £'000
Costs divided by type		
Raw materials, goods for sale, energy, transport and packaging costs	24,735	32,719
Other external costs	12,595	12,355
Employee benefits (note 21)	3,937	3,782
Depreciation	3,076	2,811
Exceptional items (note 9)	175	143
Total costs	44,518	51,810

5 Profit / (loss) before income tax

	2009 £'000	2008 £'000
Profit / (loss) before income tax is stated after charging:		
Depreciation of owned property plant and equipment	3,072	2,806
Depreciation of leased property plant and equipment	4	5
Staff costs (note 21)	3,937	3,782
Amortisation of intangible assets (included in sales and distribution)	6,053	5,548
Auditors' remuneration for audit services - UK	32	40
Auditors' remuneration for taxation services - UK	25	-
Auditors' remuneration for valuation services - UK	-	7
Operating lease rentals		
Land and buildings	146	123
Plant and machinery	33	20

6 Other income

	2009 £'000	2008 £'000
Foreign exchange gains on operational transactions	520	2,694
Commissions receivable from related parties	829	1,134
	1,349	3,828

7 Finance costs

	2009 £'000	2008 £'000
Interest on bank borrowings	(3,364)	(6,449)
Interest on loans from related parties	(614)	(485)
Losses on translation of foreign currency denominated loans	-	(28,120)
Losses on translation of foreign currency bank balances	(355)	-
Amortisation of capitalised financing costs	(1,245)	(1,141)
Commission payable on foreign exchange contracts	(43)	(162)
Other interest payable	(5)	-
	(5,626)	(36,357)

8 Finance income

	2009 £'000	2008 £'000
Interest income from related parties	-	772
Unrealised foreign exchange gains	-	672
Gains on translation of foreign currency denominated loans	9,555	-
Bank interest receivable	74	290
Other interest receivable	-	1
	9,629	1,735

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

9 Exceptional items

	2009 £'000
Exceptional items included in the income statement are	
Restructuring costs (included within cost of sales)	(87)
Costs arising from cessation of distributor agreement (included within sales and marketing costs)	(88)
	(175)

10 Income tax

Analysis of charge / (credit) for the year all relating to continuing operations	2009 £'000	2008 £'000
Current tax		
Current tax on profits for the year	142	-
Adjustments in respect of prior years	-	(4)
	142	(4)
Deferred income tax (note 13)		
Current year	2,950	(6,400)
Income tax	3,092	(6,404)

The current tax rate applicable on the profit (2008 loss) from ordinary activities varied from the standard rate of corporation tax in the UK of 28% (2008 28.5%). The differences are explained below

	2009 £'000	2008 £'000
Profit / (loss) before income tax	10,975	(22,934)
Profit / (loss) multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	3,073	(6,536)
Effects of		
Non-deductible expenses	19	17
Difference between the tax rate in the period and the year end deferred tax rate	-	115
Tax charge / (credit)	3,092	(6,404)

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget Statement. The Finance (No 2) Act 2010 is expected to include legislation to reduce the main rate of corporation tax from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by 1 April 2014. The changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

11 Property, plant and equipment

	Land	Buildings	Plant and equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2008	-	-	99	99
Acquisitions	1,187	2,500	33,175	36,862
Additions	-	-	4,434	4,434
Disposals	-	-	(3)	(3)
At 31 December 2008	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
Accumulated depreciation				
At 1 January 2008	-	-	78	78
Charge for the year	-	191	2,620	2,811
Disposals	-	-	(3)	(3)
At 31 December 2008	-	191	2,695	2,886
Charge for the year	-	208	2,868	3,076
At 31 December 2009	-	399	5,563	5,962
Net book value				
At 31 December 2009	1,187	2,101	42,018	45,306
At 31 December 2008	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 £18,000 (2008 £18,000) and their net book value as at 31 December 2009 amounted to £4,000 (2008 £8,000)

No borrowing costs have been capitalised on additions in 2009 and 2008

Depreciation has been charged in the income statement as follows

	2009	2008
	£'000	£'000
Cost of goods sold	3,072	2,800
Selling & marketing costs	4	11
	3,076	2,811

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

12 Intangible assets

	Goodwill £'000s	Customer relations £'000s	Non-compete agreement £'000s	Total £'000s
Cost				
At 1 January 2008	-	-	-	-
Additions	26,186	25,551	22,189	73,926
At 31 December 2008 and 31 December 2009	26,186	25,551	22,189	73,926
Accumulated amortisation				
At 1 January 2008	-	-	-	-
Charge for year	-	(2,158)	(3,390)	(5,548)
At 31 December 2008	-	(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)
Net book value				
At 31 December 2009	26,186	21,038	15,101	62,325
At 31 December 2008	26,186	23,393	18,799	68,378

The cost of amortisation of Intangible assets for the year of £6,053,000 (2008 £5,548,000) 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 9.6% after tax.

The sensitivity analysis was performed using a discount factor of 10.5% which did not produce an impairment requirement.

13 Deferred income tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Property plant and equipment	-	48	(2,139)	-
Intangibles	-	-	(588)	(285)
Losses	5,477	5,937	-	-
	5,477	5,985	(2,727)	(285)

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

13 Deferred income tax assets and liabilities (continued)

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

Movement in deferred tax during the previous year	1 January 2008 £'000	Recognised in income £'000	Recognised as acquired £'000	31 December 2008 £'000
Property plant and equipment	3	748	(703)	48
Intangibles	-	(285)	-	(285)
Losses	-	5,937	-	5,937
	3	6,400	(703)	5,700

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

	2009 £'000	2008 £'000
Raw materials and consumables	878	740
Finished goods and goods for resale	2,794	3,504
At 31 December	3,672	4,244

The amount of inventories included in cost of sales amounted to £16,799,000 (2008 £24,454,000)

There were no write-downs of inventory during the year and no reversals of any previous write-downs

15 Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	5,771	6,201
Less provision for impairment of trade receivables	(29)	-
Trade receivables - net	5,742	6,201
Prepayments	79	69
Receivables from related parties	5,478	3,403
Other receivables	486	466
At 31 December	11,785	10,139

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

15 Trade and other receivables (continued)

Analysis of trade receivables	2009 £'000	2008 £'000
Not due receivables	5,476	5,111
Due receivables		
1-10 days	88	532
11-30 days	174	413
31-60 days	4	109
61-90 days	-	23
91-180 days	18	13
Over 180 days	11	-
Total trade receivables	5,771	6,201

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

	2009 £'000	2008 £'000
Trade payables	8,874	7,875
Amounts due to related parties	2,410	7,334
Other tax and social security	104	109
Accrued expenses	368	1,526
Other payables	-	22
At 31 December	11,756	16,866

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

17 Borrowings

	2009 £'000	2008 £'000
Current borrowings		
Bank borrowings	3,244	4,398
Capitalised financing costs	(1,532)	(1,245)
Borrowings from related parties	14,388	15,549
Finance lease liabilities	-	6
Balance as at 31 December	16,100	18,708
Non-current borrowings		
Bank borrowings	80,486	91,282
Capitalised financing costs	(3,485)	(4,155)
Balance as at 31 December	77,001	87,127
Total borrowings	93,101	105,835

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 2009 (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	2009 £'000	2008 £'000
Between 1-2 years	5,806	8,797
Between 2-3 years	74,680	8,797
Between 3-4 years	-	73,688
Between 4-5 years	-	-
More than 5 years	-	-
Balance as at 31 December	80,486	91,282

Currency composition and interest rates of borrowings	Amount in currency '000s	Sterling equivalent £'000	Effective interest rate (%)
Bank borrowings			
Loans denominated in USD	83,475	52,421	3.98
Loans denominated in EUR	34,732	31,309	4.22
		83,730	
Borrowings from related parties			
Loan denominated in EUR owed to ultimate parent company	10,000	9,015	3.48
Loan denominated in GBP owed to ultimate parent company	5,373	5,373	3.56
		14,388	

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.

Future finance lease costs	2009 £'000	2008 £'000
Year 1	-	6
Between years 2-5	-	-
Year 5+	-	-
	-	6

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

18 Provisions for other liabilities and charges

	2009 £'000	2008 £'000
Current Provision for future contracted services	175	-
Non-current Provision for future contracted services	-	175

Analysis of provision	£'000
At 1 January 2008	-
Provision recognised during the year for future contracted services (included within transaction costs of acquisition)	175
At 31 December 2008	175
Movement on provision during 2009	-
At 31 December 2009	175

The total balance that is held at the end of the year is expected to be fully utilised by the end of 2010

19 Ordinary shares

	2009		2008	
	Number '000	£'000	Number '000	£'000
Authorised				
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
Allotted, called up and fully paid				
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 *pari passu* in all respects

20 Statement of changes in equity

	Share capital £'000	(Accumulated deficit) / retained earnings £'000	Total equity £'000
At 1 January 2008	10	1,289	1,299
Issue of 40 million ordinary A shares	29,692	-	29,692
Loss for the financial year	-	(16,530)	(16,530)
At 31 December 2008	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

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

21 Employee costs and directors' remuneration

	2009 £'000	2008 £'000
Staff costs (including directors' remuneration) for the company during the year were as follows:		
Wages and salaries	3,060	2,935
Social security costs	321	337
Other pension costs (note 22)	556	510
	3,937	3,782

Average monthly number of people (including executive directors) employed by the company during the year	2009 number	2008 number
Administration	25	24
Manual	48	43
	73	67

Key management compensation

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

	2009 £'000	2008 £'000
Aggregate emoluments	357	189
Company contributions to money purchase pension scheme	23	15
	380	204

Retirement benefits are accruing under the money purchase pension scheme in respect of qualifying services for two directors (2008 one)

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

	2009 £'000	2008 £'000
Aggregate emoluments	195	121
Company contributions to money purchase pension scheme	-	-
	195	121

22 Pension commitments

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

	2009 £'000	2008 £'000
Cost of goods sold	372	328
Selling and marketing costs	174	162
Administration costs	10	20
	556	510

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

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

	2009		2008	
	Land and buildings £'000	Vehicles, plant and equipment £'000	Land and buildings £'000	Vehicles, plant and equipment £'000
Within one year	110	32	110	33
Within two to five years	440	39	440	64
After five years	330	-	467	-
	880	71	1,017	97

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

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

Loan borrowings from related parties are detailed in note 17

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

	2009 £'000	2008 £'000
Receivables from related parties:		
Fellow subsidiary company	3,794	3,403
Ultimate holding company	1,684	-
	5,478	3,403
Payables to related parties:		
Fellow subsidiary company	181	213
Immediate parent company	1,278	7,040
Ultimate parent company	951	81
	2,410	7,334

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

24 Related party transactions (continued)

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

	2009 £'000	2008 £'000
Sales of goods:		
Fellow subsidiary company	14,433	17,740
	14,433	17,740
Commissions receivable		
Fellow subsidiary company	829	1,134
	829	1,134
Interest receivable		
Fellow subsidiary company	-	772
	-	772

	2009 £'000	2008 £'000
Purchase of goods		
Fellow subsidiary company	648	856
	648	856
Purchase of services:		
Fellow subsidiary company	739	1,172
Immediate parent company	1,896	819
Ultimate parent company	116	794
	2,751	2,785
Royalties payable		
Immediate parent company	4,114	4,774
	4,114	4,774
Commissions payable		
Fellow subsidiary company	83	-
	83	-
Interest payable:		
Fellow subsidiary company	222	260
Immediate parent company	-	121
Ultimate parent company	392	104
	614	485

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

PERSTORP UK LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 2009 (CONTINUED)

26 Reconciliation of (loss) / profit to net cash flow from operations

	2009 £'000	2008 £'000
Profit / (Loss) for the year before tax	10,975	(22,934)
Adjustments for		
Depreciation	3,076	2,811
Amortisation of intangible assets	6,053	5,548
Decrease / (increase) in inventories	572	(203)
Increase in trade and other receivables	(1,646)	(9,625)
(Decrease) / increase in trade and other payables	(4,121)	15,773
Interest income	(9,629)	(1,735)
Interest expense	5,626	36,357
	10,906	25,992

27 Cash and cash equivalents

	2009 £'000	2008 £'000
Deposit accounts	1,680	10,449
Total cash and cash equivalents	1,680	10,449