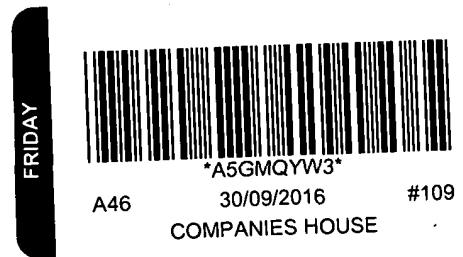


PERSTORP UK LTD.

Annual Report and Financial Statements for the year ended 31 December 2015



Company Registered Number: 2715398

PERSTORP UK LTD.

CONTENTS

- 2. Directors and advisers
- 3. Strategic report
- 5. Directors report
- 8. Independent auditors report to the members of Perstorp UK Ltd.
- 10. Income statement
- 11. Balance sheet
- 12. Statement of changes in equity
- 12. Cash flow statement
- 13. Notes to the financial statements

PERSTORP UK LTD.

DIRECTORS AND ADVISERS

Directors

D Turner
P Shelley
M Lanner

Bankers

Nordea Bank AB
London Branch
8th Floor, City Place House
55 Basinghall St
London
EC2V 5NB

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Registered Office

Perstorp UK Limited
Baronet Road
Warrington
Cheshire
WA4 6HA

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their Strategic Report for the year ended 31 December 2015

BUSINESS REVIEW

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, and the capacity was substantially expanded in 2011. In 2015, the business is continuing to increase its position as the world leader, by increasing the R&D function to develop new products, and enhance existing products, to allow growth into new markets, and increase market share with existing customer bases.

TRADING RESULTS AND DIVIDEND

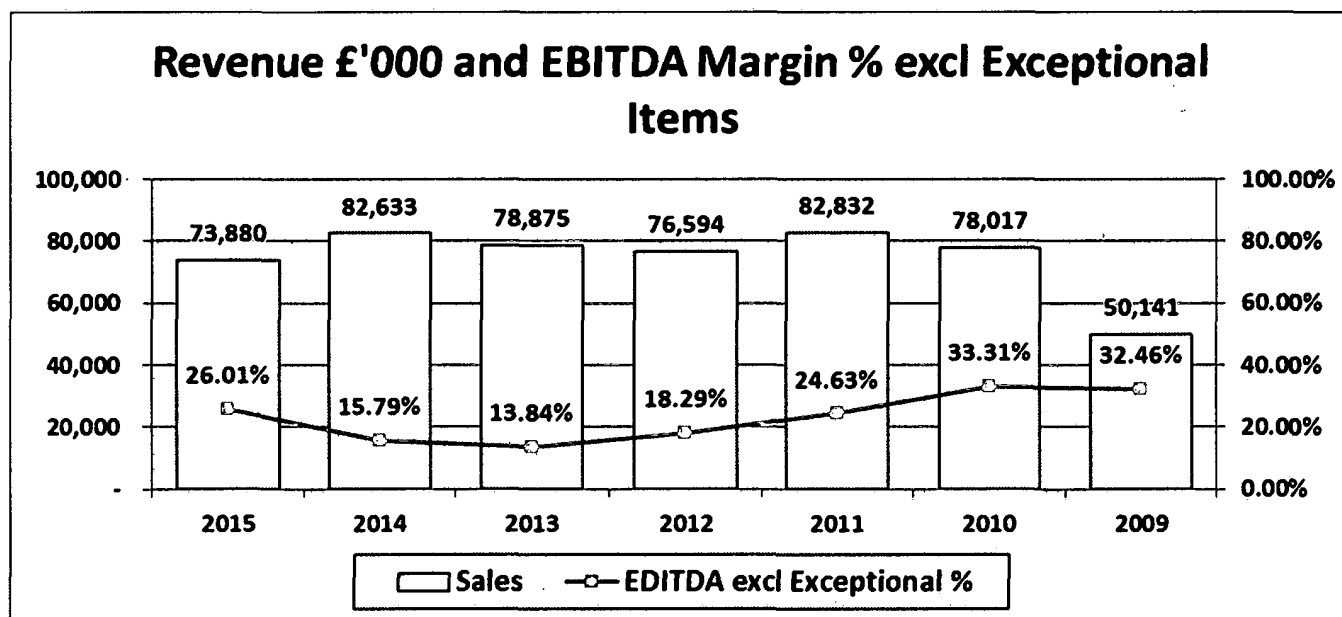
The operating profit for the year was £11,330k (2014: profit £4,761k). The operating profit was higher than the 2014 profit due to less pressure on margins as a result of reduced competition and lower raw material and utility prices.

The balance sheet has net assets of £19,037k (2014: £19,365k).

The directors do not recommend payment of a dividend for the year (2014: £nil).

KEY PERFORMANCE INDICATOR

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



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 purchased from 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.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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

FUTURE DEVELOPMENTS

The year ahead brings many significant opportunities to consolidate our foothold in our selected markets, and to seek to successfully leverage on growth opportunities in existing and new markets throughout the world. This opportunity will be possible by the introduction of new products, and the growth into new markets, using our existing product range. With these two areas combined, Perstorp UK Ltd. will be positioned well to fulfil its strategic plan.

The current production capacity at the site is able to accommodate this anticipated growth without need for significant CAPEX, which is contributing to the increase in estimated taxable profitability.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, consisting of a stylized 'P' followed by a long, wavy horizontal line.

P Shelley
Managing Director
28 September 2016

Company Registered Number: 2715398

PERSTORP UK LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the audited financial statements of the company for the year ended 31 December 2015.

Perstorp UK Ltd. is a UK incorporated entity based in Warrington, England. The immediate parent of the company is Perstorp AB and the ultimate parent is Perstorp Holding AB.

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 other entities within the wider Perstorp AB group.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis and under the historical cost convention.

GOING CONCERN

Despite the loss in the year of £0.3m (2014: loss of £4.3m) the directors are confident that the company will continue as a going concern, due to forecasts of increasing sales volumes, sourcing and efficiency improvements. The directors have received continuing support from the parent company that they will provide sufficient financial support to enable Perstorp UK Limited, in the normal course of its business, to discharge its liabilities as they fall due.

DIVIDENDS

No dividends were paid or recommended during the year (2014: Nil).

MISSION, VISION, VALUES AND STRATEGY

Perstorp UK Ltd. has adopted and conforms with the mission, vision, values and strategy of the wider 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.

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.

Since 2004, the wider Perstorp group has participated in and supported the UN initiative Global Compact. 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's Code of Conduct covers four areas — Business Principles, Products and Environment, Working Conditions and Human Rights. Particular attention is paid to rules on competition law within the EU, as there is a lot of work going on in cooperation with competitors in the framework of the REACH legislation on chemicals.

In addition to the Code of Conduct, the Perstorp group has a policy on the environment, health and safety, that determines how employees behave and act in a responsible way. These basic policies are published on www.perstorp.com.

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 became available in 2011.

DEVELOPMENT OF EMPLOYEES

The company has a detailed process that closely analyses the future expertise requirements of the employees 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

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

DEVELOPMENT OF EMPLOYEES (continued)

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.

POLITICAL DONATIONS

The company did not make any political donations during the financial year (2014: £Nil)

DIRECTORS

The directors who have held office during the period from 1 January 2015 to the date of signing this report:

D Turner

The following directors were appointed during the year.

M Lanner – appointed 5 January 2015

P Shelley – appointed 1 August 2015

The following director resigned during the year.

E Sohlberg – resigned 30 July 2015

FUTURE DEVELOPMENTS

A comment on future developments is included in the Strategic Report (page 4).

FINANCIAL RISK MANAGEMENT

A comment on financial risk management is included in Note 3 to the accompanying financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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. 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; 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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015 (CONTINUED)

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.

EMPLOYEES

The average number of employees during the year was 86 (2014: 89) the number of employees at the end of the year was 83 (2014: 89). This total comprised 75 males and 8 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.

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 2015 were equivalent to 57.3 days (2014: 54.8 day) 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 each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each 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.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

ON BEHALF OF THE BOARD



P Shelley
Managing Director
28 September 2016
Company Registered Number: 2715398

PERSTORP UK LTD.

Independent auditors' report to the members of Perstorp UK Ltd.

Report on the financial statements

Our opinion

In our opinion, Perstorp UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report") comprise:

- the Balance sheet as at 31 December 2015;
- the Income statement for the year then ended;
- the Cash flow statement for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

PERSTORP UK LTD.

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) ("ISAs (UK & 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Jonathan Studholme (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Liverpool
28 September 2016

Income statement
for the year ended 31 December

	Note	2015 £'000	2014 £'000
Continuing operations			
Revenue	4	73,880	82,633
Cost of sales		(46,144)	(61,244)
Gross profit		27,736	21,389
Distribution costs		(11,873)	(12,977)
Administration expenses		(4,552)	(4,252)
Other operating income	6	19	601
Operating profit		11,330	4,761
Finance income	7	938	13
Finance costs	8	(12,794)	(9,834)
Loss before income tax	5	(526)	(5,060)
Income tax (charge) / credit - Current		316	0
Income tax (charge) / credit - Deferred	9	(118)	797
Loss for the year		(328)	(4,263)

The notes on pages 13 to 30 are an integral part of these financial statements.

All items dealt with in the income statement relate to continuing operations.

The company has no recognized gains or losses other than those included in the results above and therefore no statement of comprehensive income has been prepared.

Balance sheet as at 31 December

	Note	2015 £'000	2014 £'000
Assets			
Non-current assets			
Property, plant, and equipment	10	59,463	64,123
Goodwill	11	26,186	26,186
Customer relations	11	6,911	9,265
Non-compete agreement	11	-	-
REACH costs	11	416	365
Deferred income tax assets	12	5,473	6,974
Total non-current assets		98,449	106,913
Current assets			
Inventories	13	5,845	6,226
Trade and other receivables	14	6,125	12,195
Cash and cash equivalents	25	21,742	9,492
Total current assets		33,712	27,913
Liabilities			
Current liabilities			
Trade and other payables	15	(7,250)	(9,206)
Obligations under finance leases	16	(12)	(12)
Borrowings	17	(27,046)	(26,934)
Total current liabilities		(34,308)	(36,152)
Net current liabilities		(596)	(8,239)
Non-current liabilities			
Borrowings	17	(73,521)	(72,616)
Obligations under finance leases	16	(23)	(38)
Deferred income tax liabilities	12	(5,272)	(6,653)
Total non-current liabilities		(78,816)	(79,307)
Net assets		19,037	19,365
Equity attributable to owners of the parent			
Ordinary shares	18	29,702	29,702
Accumulated losses		(10,665)	(10,337)
Total equity		19,037	19,365

The notes on page 13 to 30 are an integral part of these financial statements.

The financial statements on pages 10 to 30 were authorised for issue by the board of directors on 28 September 2016 and were signed on its behalf.



P Shelley
Managing Director
Perstorp UK Ltd.

Company Registered Number: 2715398

Statement of changes in equity for the year ended 31 December
For the year ended 31 December

	Ordinary shares £'000	Accumulated losses £'000	Total equity £'000
At 1 January 2015	29,702	(10,337)	19,365
Loss for the financial year	-	(328)	(328)
At 31 December 2015	29,702	(10,665)	19,037

Cash flow statement
for the year ended 31 December

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	24	23,969	9,584
Interest paid		(10,500)	(8,508)
Income tax paid		42	-
Net cash generated from operating activities		13,511	1,076
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(920)	(1,266)
Interest received		14	13
Net cash used in investing activities		(906)	(1,253)
Cash flows from financing activities			
Proceeds from loan borrowings net of capitalised borrowing costs		-	-
Repayments of loan borrowings		-	-
Net cash used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		12,605	(177)
Cash and cash equivalents at beginning of the year		9,492	9,782
Exchange losses on cash and cash equivalents		(355)	(113)
Cash and cash equivalents at end of the year	25	21,742	9,492

NOTES TO THE FINANCIAL STATEMENTS

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

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 International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS.

The directors have a reasonable expectation that the company can meet its day to day working capital requirements and has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis under the historical cost convention, in preparing its financial statements.

The directors are confident that the company will continue as a going concern, due to forecasts of increasing sales volumes, sourcing and efficiency improvements. The current borrowings (note 17) are on a rolling facility and will be extended if necessary or repayments deferred if the company is not in a position to repay such amounts.

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.

1.2 Recent accounting developments

Standards amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 27, 'Separate financial statements' on the equity method (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative (effective for annual periods beginning on or after 1 January 2016);
- IAS Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017);
- IFRS 9 'Financial instruments' (effective for annual periods beginning on or after 1 January 2018);
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2016);
- Amendment to IFRS 15, 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 'Leases' (effective for annual periods beginning on or after 1 January 2019).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Statement of accounting policies (continued)

1.3 Segment reporting

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.

The chief operating decision maker, defined as the directors, make decisions based on the underlying management data, which is the data presented in the financial statements. The directors consider the operations of the entity to represent one trading segment and therefore a segmental analysis has not been disclosed.

1.4 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 Caprolactones business from Solvay in January 2008.

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

The costs of the REACH registration of the company's products have been identified as an intangible asset and capitalised accordingly (see note 11).

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
REACH costs	20 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.

1.5 Property, plant and equipment

Property, plant and equipment is 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	10-25 years
Plant and equipment	1-20 years
Land is not depreciated	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Statement of accounting policies (continued)

1.5 Property, plant and equipment (continued)

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.

1.6 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.

1.7 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.

1.8 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Statement of accounting policies (continued)

1.9 Revenue recognition

Revenue from the sales of goods is 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, and
- 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.

1.10 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.

1.11 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.

1.12 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.

1.13 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative costs'. When a trade receivable is uncollectable, it is written off against the allowance account for trade

1.14 Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method

1.15 Borrowings

Borrowings are reported at fair value, net of transactions costs. Borrowing expenses are reported in the income statement based upon the period to which they relate, including borrowing costs. Borrowings are classified as interest-bearing long-term or short-term liabilities in the balance sheets depending upon the due date. Borrowing costs are not capitalised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

2 Significant estimates and judgements made for accounting purposes

To an extent, the financial statements are based on estimates and judgements. These judgements 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 judgements 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 11.

Valuation of deferred tax assets: 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2016 forecast operating profit to 1% increase in the strength of Sterling:	Loss of Operating profit £'000
USD cash flows	318
EUR cash flows	66
YEN cash flows	28

3.1.2 Financing risk

Financing risk refers to the risk that refinancing of due loans becomes more difficult or expensive, due to changing market conditions. The Group's principal financing consists of corporate bonds listed on the Luxembourg Stock Exchange Euro MTF Market since November 2012, a mezzanine facility syndicated at the start of 2006 with over 20 financiers, and a Revolving Credit Facility initiated in November 2012.

3.1.3 Liquidity risk

Liquidity risk is managed by checking that the company 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
Borrowings from related parties	27,046	73,521	-
Finance Lease	12	23	-
Trade payables	4,055	-	-

The borrowings from related parties is on a one month rolling facility basis and can be rolled over for a period exceeding one year if necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Risk Management (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	505
Interest payable on loans denominated in EUR	230
Interest payable on loans denominated in GBP	260

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. 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 in 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Revenue

	2015 £'000	2014 £'000
Sales divided by type:		
Net external sales of goods	47,815	57,339
Sales of goods to related parties	26,065	25,294
Total revenue	73,880	82,633

5 Loss before income tax

	2015 £'000	2014 £'000
Loss before income tax is stated after charging:		
Depreciation of owned property plant and equipment	5,506	5,510
Staff costs (note 19)	5,441	5,300
Amortisation of intangible assets (included within distribution costs, note 11)	2,378	2,681
Auditors' remuneration for audit services – UK	33	32
Operating lease rentals:		
Land and buildings	115	114
Plant and machinery	62	59

6 Other operating income

	2015 £'000	2014 £'000
Foreign exchange gains on operational transactions	19	601
	19	601

7 Finance income

	2015 £'000	2014 £'000
Bank interest receivable	938	13
	938	13

8 Finance costs

	2015 £'000	2014 £'000
Interest on bank borrowings	(1)	(2)
Interest expense on current liabilities	(737)	-
Interest on loans from related parties	(9,866)	(8,478)
Financial exchange losses	(1)	-
Losses on translation of foreign currency denominated loans	(2,181)	(1,347)
Commission payable on foreign exchange contracts and deferral fees	-	(1)
Bank charges	(8)	(6)
	(12,794)	(9,834)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9 Income tax charge / (credit)

Analysis of credit for the year all relating to continuing operations	2015 £'000	2014 £'000
Current tax		
Prior year tax on profits for the year	(316)	-
Deferred income tax (note 12)		
Current year	(85)	(1,004)
Adjustment in respect of prior periods	190	(13)
Change in corporation tax rate applicable to deferred tax	13	220
Income tax (credit)	(198)	(797)

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (20.25 %) (2014: 21.49%). The differences are explained below:

	2015 £'000	2014 £'000
Loss before income tax	(491)	(5,060)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	(99)	(1,087)
Effects of:		
Non-deductible expenses	3	-
Losses not recognised	-	199
Adjustment in respect of prior periods	(126)	(13)
Difference between the tax rate in the period and the year end and prior year end deferred tax rate	24	104
Tax credit	(198)	(797)

During the year, the relevant deferred tax balances have been re-measured as a result of the change in the UK main corporation tax rate to 20% from April 2015, which was substantively enacted on 2 July 2013.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Property, plant and equipment

	Land £'000	Buildings £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2014	1,187	4,402	86,007	91,596
Additions	-	76	1,126	1,202
Reclassification	-	805	(805)	-
At 31 December 2014	1,187	5,283	86,328	92,798
Additions	-	540	305	845
At 31 December 2015	1,187	5,823	86,633	93,643
Accumulated depreciation				
At 1 January 2014	-	(1,249)	(21,916)	(23,165)
Charge for the year	-	(320)	(5,190)	(5,510)
Reclassification	-	557	(557)	-
At 31 December 2014	-	(1,012)	(27,663)	(28,675)
Charge for the year	-	(270)	(5,236)	(5,506)
At 31 December 2015	-	(1,282)	(32,899)	(34,180)
Net Book Value				
At 1 January 2014	1,187	3,153	64,091	68,431
At 31 December 2014	1,187	4,271	58,665	64,123
At 31 December 2015	1,187	4,540	53,735	59,463

The cost of fixed assets above includes assets held under finance leases (within plant and equipment) amounting to £69k (2014: £69k).

No borrowing costs have been capitalised on additions in 2015 and 2014.

Depreciation has been charged in the income statement as follows:

	2015 £'000	2014 £'000
Cost of goods sold	5,506	5,510
	5,506	5,510

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Intangible assets

	Goodwill £'000	Customer relations £'000	Non-compete agreement £'000	REACH costs £'000	Total £'000
Cost					
At 1 January 2014	26,186	25,551	22,189	341	74,267
Additions	-	-	-	64	64
At 31 December 2014	26,186	25,551	22,189	405	74,331
Additions	-	-	-	75	75
Disposals	-	-	(22,189)	-	(22,189)
At 31 December 2015	26,186	25,551	-	480	52,217
Accumulated amortisation					
At 1 January 2014	-	(13,931)	(21,881)	(22)	(35,834)
Charge for the year	-	(2,355)	(308)	(18)	(2,681)
At 31 December 2014	-	(16,286)	(22,189)	(40)	(38,515)
Charge for the year	-	(2,354)	-	(24)	(2,378)
Disposals	-	-	22,189	-	22,189
At 31 December 2015	-	(18,640)	-	(64)	(18,704)
Net book value					
At 1 January 2014	26,186	11,620	308	319	38,433
At 31 December 2014	26,186	9,265	-	365	35,816
At 31 December 2015	26,186	6,911	-	416	33,513

The cost of amortisation of Intangible assets for the year of £2,378k (2014: £2,681k) has been included within distribution costs in the income statement.

Following the acquisition of the Caprolactones business from Solvay 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. The non-compete agreement was fully written down in the prior year.

During the year the company has capitalised costs of £75k (2014: £64k) directly related to the REACH registration of the company's products. REACH stands for Registration Evaluation Authorization and Restriction of Chemicals. All substances that are used within the EU must be registered and evaluated from toxicological and eco-toxicological standpoints. The costs are being amortised over a 20 year period which has been decided taking into account the technological and commercial life cycles of the chemical substance and the related products of the company.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 rate used for the calculation is 11% after tax. The sensitivity analysis did not produce an impairment requirement.

The year ahead brings many significant opportunities to consolidate our foothold in our selected markets, and to seek to successfully leverage on growth opportunities in existing and new markets throughout the world. This opportunity will be possible by the introduction of new products, and the growth into new markets, using our existing product range. With these two areas combined, Perstorp UK Ltd. will be positioned well to fulfil its strategic plan.

The current production capacity at the site is able to accommodate this anticipated growth without need for significant CAPEX, which is contributing to the increase in estimated taxable profitability.

12 Deferred income tax assets and liabilities

Recognised deferred tax assets and liabilities

	Assets		Liabilities	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Property plant and equipment	-	-	(3,764)	(5,189)
Intangibles	-	-	(1,508)	(1,464)
Losses	5,473	6,974	-	-
	5,473	6,974	(5,272)	(6,653)

Movement in deferred tax during the year

	1 January 2015 £'000	Recognised in income £'000	31 December 2015 £'000
Property plant and equipment	(5,189)	1,425	(3,764)
Intangibles	(1,466)	(42)	(1,508)
Losses	6,974	(1,501)	5,473
	319	(118)	201

Movement in deferred tax during the previous year

	1 January 2014 £'000	Recognised in income £'000	31 December 2014 £'000
Property plant and equipment	(6,193)	1,004	(5,189)
Intangibles	(1,257)	(209)	(1,466)
Losses	6,974	-	6,974
	(476)	795	319

The value of unutilised tax loss carry forwards is capitalised where it is expected that the carry forwards will be utilised in the foreseeable future due to sufficient taxable profits being earned. The tax asset is recognised as the company have forecasted a taxable profitability to be realised in the next 3 years. Therefore this asset is maintained on the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13 Inventories

	2015 £'000	2014 £'000
Raw materials and consumables	2,247	2,120
Finished goods and goods for resale	3,952	4,503
Less: provision for impairment of inventories	(354)	(397)
At 31 December	5,845	6,226

The amount of inventories included in cost of sales amounted to £44,085k (2014: £48,173k). The movement on the inventory impairment reserve during the year impacts upon the earnings for the year in the income statement.

14 Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	1,990	7,604
Less: provision for impairment of trade receivables	-	(88)
Trade receivables – net	1,990	7,516
Prepayments	585	241
Receivables from related parties	2,575	3,775
Other receivables	975	663
At 31 December	6,125	12,195

The receivables from related parties are unsecured, interest free and are repayable on demand.

Analysis of trade receivables	2015 £'000	2014 £'000
Not due receivables	1,987	7,163
Due receivables:		
1-10 days	49	258
11-30 days	(38)	141
31-60 days	73	19
61-90 days	10	23
91 days >	(91)	-
Total trade receivables	1,990	7,604

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.

15 Trade and other payables

	2015 £'000	2014 £'000
Trade payables	4,317	5,875
Amounts due to related parties	1,798	2,175
Other tax and social security	123	121
Accrued expenses	1,012	1,035
Balance at 31 December	7,250	9,206

The fair values of trade and other payables do not differ from the values shown above. The amounts due to related parties are unsecured, interest free and are payable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Obligations under finance leases

Obligations under finance leases are as follows.

	2015 £'000	2014 £'000
Gross obligations under finance leases	35	50
Less future finance charges	-	-
Present value of lease obligations	35	50

Net obligations under finance leases fall due as follows.

	2015 £'000	2014 £'000
Within one year	12	12
Within two to five years	23	38
After five years	-	-
Present value of lease obligations	35	50

17 Borrowings

	2015 £'000	2014 £'000
Current borrowings:		
Borrowings from related parties	26,000	26,000
Accrued interest due to related parties	1,046	934
Balance as at 31 December	27,046	26,934
Non-current borrowings:		
Borrowings from related parties	73,521	72,616
Balance as at 31 December	73,521	72,616
Total borrowings	100,567	99,550

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.

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

The current borrowings are on a rolling facility and will be extended if necessary.

Maturity structure of non-current borrowings:	2015 £'000	2014 £'000
Between 3-5 years	73,521	72,616
Balance as at 31 December	73,521	72,616

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Currency composition and interest rates of borrowings:	Amount in currency '000s	Sterling equivalent £'000	Effective interest rate (%)
Bank borrowings:			
Loans denominated in USD	-	-	-
Loans denominated in EUR	-	-	-
Borrowings from related parties:			
Loan denominated in EUR owed to ultimate parent company	31,182	23,011	9.84%
Loan denominated in EUR owed to ultimate parent company	74,857	50,510	9.84%
	106,039	73,521	

The loans of the company are arranged within the group facility on market terms.

18 Ordinary shares

	2015		2014	
	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
	40,010	29,702	40,010	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
	40,010	29,702	40,010	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.

19 Employee costs and directors' remuneration

	2015 £'000	2014 £'000
Staff costs (including directors' remuneration) for the company during the year were as follows:		
Wages and salaries	4,172	4,086
Social security costs	474	445
Other pension costs (note 20)	795	769
	5,441	5,300

Average monthly number of people (including executive directors) employed by the company during the year:	2015 Number	2014 number
Administration	25	29
Production	61	60
	86	89

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 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:

	2015 £'000	2014 £'000
Short-term employee benefits	261	262
Post-employment benefits	25	20
	286	282

Retirement benefits are accruing under the money purchase pension scheme in respect of qualifying services for two directors (2014: one).

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

	2015 £'000	2014 £'000
Short-term employee benefits	109	155
Post-employment benefits	20	-
	129	155

20 Pension commitments

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

	2015 £'000	2014 £'000
Cost of sales	650	579
Distribution costs	116	156
Administration costs	28	34
	794	769

21 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:

	2015		2014	
	Land and buildings £'000	Vehicles, plant and equipment £'000	Land and buildings £'000	Vehicles, plant and equipment £'000
Within one year	110	33	110	39
Within two to five years	163	39	258	57
After five years	15	-	15	4
	288	72	383	100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 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.

Remuneration to the company's board of directors is reported in note 19.

Goods are sold to related parties on terms that would be available to third parties. 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.

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

	2015 £'000	2014 £'000
Receivables from related parties:		
Fellow subsidiary company	2,540	3,748
Immediate parent company	35	27
	2,575	3,775
Payables to related parties:		
Fellow subsidiary company	234	222
Immediate parent company	1,525	1,898
Ultimate parent company	39	55
	1,798	2,175

In addition to the above balances, there are borrowings from related parties which are disclosed in note 17.

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

	2015 £'000	2014 £'000
Sales of goods:		
Fellow subsidiary company	26,065	25,294
	26,065	25,294
Sales of services:		
Fellow subsidiary company	178	195
Immediate parent company	304	308
Ultimate parent company	-	11
	482	514

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Related party transactions (continued)

	2015 £'000	2014 £'000
Purchase of goods:		
Fellow subsidiary company	758	1,063
	758	1,063
Purchase of services:		
Fellow subsidiary company	1,088	1,151
Immediate parent company	3,913	3,501
Ultimate parent company	277	204
	5,278	4,856
Royalties payable:		
Immediate parent company	5,313	5,962
	5,313	5,962
Interest payable:		
Fellow subsidiary company	9,866	8,478
	9,866	8,478

23 Ultimate parent company

The company is a wholly owned subsidiary undertaking of Perstorp AB, incorporated in Sweden. The largest and smallest group of which Perstorp UK Ltd. is a member is that headed by Perstorp Holding AB, which is the ultimate parent company. Perstorp Holding AB is incorporated in Sweden and 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.

24 Reconciliation of profit to net cash flow from operations

	2015 £'000	2014 £'000
Loss before income tax	(526)	(5,060)
Adjustments for:		
Depreciation	5,506	5,510
Amortisation of intangible assets	2,378	2,681
Decrease in inventories	381	1,564
Decrease /(increase) in trade and other receivables	6,070	(2,315)
(Decrease) in trade and other payables	(1,971)	(2,617)
Income tax due included in Debtors	274	0
Finance income	(938)	(13)
Finance costs	12,794	9,834
Cash generated from operations	23,969	9,584

25 Cash and cash equivalents

	2015 £'000	2014 £'000
Deposit accounts	21,742	9,492
Total cash and cash equivalents	21,742	9,492