

**International Process Technologies Limited
and subsidiary companies**

Report and Financial Statements

31 December 2012



**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

REPORT AND FINANCIAL STATEMENTS 2012

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**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J M Stoke (Chairman)
P R Benson
K J Bilham
C F Dunnett

SECRETARY

K J Bilham

REGISTERED OFFICE

Farnham Trading Estate
Farnham
Surrey
GU9 9NY

BANKERS

Lloyds Bank (formerly Lloyds Bank Corporate Markets)
PO Box 112
Canons House
Canons Way
Bristol
BS99 7LB

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

SOLICITORS

Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX

INTERNATIONAL PROCESS TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

Year ended 31 December 2012

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

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding and management service company to the IPT Group of companies. The principal trading activity of the group is that of plastic engineering operations, covering the manufacture of plastic materials, plastic moulding, compounding and grinding and plastic coating.

The group continues to invest in research and development which has resulted in a number of new products being introduced to the market in the year. The directors regard this investment as key to the continued success in the medium to long term future of the business.

As shown in the consolidated profit and loss account on page 6, the group's sales have increased by 8% over the prior year (2011 9% increase). The group made progress in all of its operating divisions in the year growing turnover in all businesses. Most of the regions have continued the recovery in 2011 into 2012 with the UK up 6.3%, Europe up 9.0%, the USA up 3.6% and the Rest of the World up 10.8%. There have been some significant customer gains for the business in the coating powder sector and these customers have continued purchasing at levels similar to later part of 2012 in the early part of 2013. Both Plastic Coatings and United Moulders have recovered their turnover in 2012 as the markets have become more active and we have also seen a widening in the customer base. However although some sectors have performed above prior levels namely petrochemical and automotive, other sectors such as construction have been slower to recover and it is clear that the macro economic climate will affect both local and export markets.

The start of 2013 has been encouraging, with all of the operating companies achieving a steady start to the year. There were continual increases in the cost of material feedstock's and energy costs in 2012, which did impact on the margins of the business. However investments in new technology and equipment will mitigate this effect in the coming year.

The group's net borrowings increased marginally from 2011 levels resulting in £3.2m total net borrowings at the end of 2012 financial year, due to the capital purchases of strategic equipment for the group. The group interest payable on loans and overdrafts at £0.2m (2011 £0.2m) was at last year's level, and continues to benefit in the coming year due to low base rate levels in the UK and Europe.

PRINCIPAL RISKS AND UNCERTAINTIES

The group's sales to customers in the United States, Middle East and the Far East are in US Dollars and therefore the group is exposed to movement in the US Dollar to pounds sterling exchange rates, however there is limited hedging as there are purchases that the company makes in US Dollars from time to time. The group also sells and purchases products in Europe but minimises this risk by operating currency accounts for these transactions. Where possible the group will enter forward sale and purchase contracts to secure rates of exchange.

The group is also financed by long term loan and operational finance agreements which have a fixed premium related to the bank base rates and therefore there is exposure to changes in these base rates.

With many manufacturers in the United Kingdom and Western Europe reviewing where they make their products there is a risk that metal fabrication could move offshore to possibly China or Eastern Europe. The group continues to focus on supply chain management and by following this strategy the group have been able to replace lost business by growing existing customers and attracting new customers.

RESULTS

The profit for the year after taxation was £1.3m (2011 £1.6m) which included £0.4m of underlying exceptional pension settlement costs incurred as a result of one of the Group's subsidiaries, Plascoat Systems Limited, completing an ETV exercise. This significantly reduced the liability value of deferred members. The gross profit at £6.9m represents 24.2% of sales (2011 25.3%). Throughout the year there were significant increases in material costs and more modest rises in processing costs, the latter has been mitigated due to some forward fixing of contract based costs. Whilst sales prices have been increased it has taken some time to pass these onto customers.

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

DIRECTORS' REPORT (CONTINUED)
Year ended 31 December 2012

FUTURE PROSPECTS

The directors intend to take advantage of the market opportunities in Europe and the Far East that have continued to open up to the company in 2012. There is a strategy of offering our customers the opportunity to use our products and services, to help them reduce their holistic costs within their business. It is the directors' aim to improve where possible operating efficiencies to ensure that group operating profit is maintained. This will be achieved through focussed improvement initiatives and targeted capital investment.

GOING CONCERN

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current banking facility. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The company is in a net current liabilities position, due to intercompany debt. The directors have satisfied themselves that this debt will not be called and hence will not have a detrimental effect on the company. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIVIDENDS

The directors are not recommending payment of a dividend on the ordinary shares (2011 £nil). No dividend is due to the preference shareholders as they have previously agreed to waive their entitlement to past unpaid dividends together with future dividends in respect of the 7% cumulative redeemable preference shares.

DIRECTORS AND THEIR INTERESTS

The current list of directors is shown on page 1. All directors served throughout the year and to the date of this report.

EMPLOYEES

The Group pursues a policy of employee communication through meetings, including briefings and team meetings, and through internal notification of the Group focus and movement.

The Group employs disabled persons whenever circumstances permit, and full and fair consideration is given to applications for employment by disabled persons having regard to their particular aptitudes and disabilities.

AUDITOR

In the case of the director of the company at the date when this report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information.

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

Deloitte LLP have expressed their willingness to continue as auditor and a resolution for the re-appointment of Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board


K J Bilham
Director

14 June 2013

INTERNATIONAL PROCESS TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, 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.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PROCESS TECHNOLOGIES LIMITED

We have audited the group and parent company financial statements (the "financial statements") of International Process Technologies Limited for the year ended 31 December 2012 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Reconciliation of Movements in Consolidated Shareholders' Funds, the Consolidated Statement of Total Recognised Gains and Losses and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2012 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

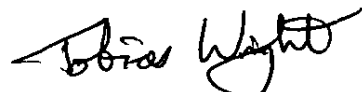
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Tobias Wright (Senior Statutory Auditor) for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Southampton, United Kingdom

21 June 2013

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover – continuing operations	2	28,416	26,268
Cost of sales		(21,534)	(19,635)
		<u>6,882</u>	<u>6,633</u>
Gross profit			
Distribution costs		(1,505)	(1,502)
Administrative expenses (including £424k (2011 £nil) exceptional pension settlement costs)		(3,569)	(3,067)
		<u>(5,074)</u>	<u>(4,569)</u>
Operating profit – continuing operations	3	1,808	2,064
 Total interest receivable and similar income	5	37	115
Interest payable and similar charges	5	(208)	(179)
		<u>1,637</u>	<u>2,000</u>
Profit on ordinary activities before taxation			
Tax charge on profit on ordinary activities	6	(341)	(419)
Retained profit for the financial year	18	<u>1,296</u>	<u>1,581</u>

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET
31 December 2012**

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Intangible assets	8	34	34
Tangible assets	9	6,145	5,795
		<u>6,179</u>	<u>5,829</u>
CURRENT ASSETS			
Stocks	11	2,425	2,084
Debtors	12	5,043	4,421
Cash at bank and in hand		444	237
		<u>7,912</u>	<u>6,742</u>
CREDITORS: amounts falling due within one year	13	(4,921)	(4,207)
NET CURRENT ASSETS		<u>2,991</u>	<u>2,535</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>9,170</u>	<u>8,364</u>
CREDITORS: amounts falling due after more than one year	14	2,289	2,533
PENSION LIABILITY	18, 20	3,772	2,610
PROVISIONS FOR LIABILITIES AND CHARGES	16	271	427
CAPITAL AND RESERVES			
Called up share capital	17	1,261	1,261
Share premium account	18	10,385	10,385
Capital redemption reserve	18	82	82
Profit and loss account deficit	18	(8,890)	(8,934)
CAPITAL AND RESERVES		<u>2,838</u>	<u>2,794</u>
CAPITAL EMPLOYED		<u>9,170</u>	<u>8,364</u>

These financial statements of International Process Technologies Limited, registered number 03139509, were approved and authorised for issue by the Board of Directors on 14 June 2013

Signed on behalf of the Board of Directors


C F Dunnett

Director

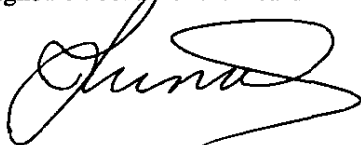
**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

**COMPANY BALANCE SHEET
31 December 2012**

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	9	-	1
Investments	10	56,292	56,292
		<u>56,292</u>	<u>56,293</u>
CURRENT ASSETS			
Debtors	12	147	221
Cash at bank and in hand		2,420	1,205
		<u>2,567</u>	<u>1,426</u>
CREDITORS: amounts falling due within one year	13	(8,577)	(7,355)
NET CURRENT LIABILITIES		<u>(6,010)</u>	<u>(5,929)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,282</u>	<u>50,364</u>
CREDITORS: amounts falling due after more than one year	14	46,805	46,980
CAPITAL AND RESERVES			
Called up share capital	17	1,261	1,261
Share premium account	18	10,385	10,385
Capital redemption reserve	18	82	82
Profit and loss account deficit	18	(8,251)	(8,344)
CAPITAL AND RESERVES		<u>3,477</u>	<u>3,384</u>
CAPITAL EMPLOYED		<u>50,282</u>	<u>50,364</u>

These financial statements of International Process Technologies Limited, registered number 03139509, were approved and authorised for issue by the Board of Directors on 14 June 2013

Signed on behalf of the Board of Directors



C F Dunnett

Director

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Net cash inflow from operating activities	22	1,392	1,695
Returns on investments and servicing of finance	23	(208)	(179)
Net taxation paid		(211)	(392)
Capital expenditure and financial investment	23	(1,143)	(1,154)
Net cash outflow before financing		<u>(170)</u>	<u>(30)</u>
Financing	23	<u>(73)</u>	<u>223</u>
(Decrease) / increase in cash in the year	24	<u><u>(243)</u></u>	<u><u>193</u></u>

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

RECONCILIATION OF MOVEMENTS IN CONSOLIDATED SHAREHOLDERS' FUNDS

Year ended 31 December 2012

	2012 £'000	2011 £'000
Profit for the financial year	1,296	1,581
Actuarial loss relating to pension scheme	(1,483)	(2,441)
UK deferred tax attributable to actuarial loss	272	588
Currency translation differences on net assets of overseas subsidiaries	(41)	(40)
Net Increase/(decrease) in shareholders' funds	<u>44</u>	<u>(312)</u>
Opening shareholders' funds	<u>2,794</u>	<u>3,106</u>
Closing shareholders' funds	<u><u>2,838</u></u>	<u><u>2,794</u></u>

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2012

	2012 £'000	2011 £'000
Group		
Profit for the financial year	1,296	1,581
Actuarial loss relating to pension scheme	(1,483)	(2,441)
UK deferred tax attributable to actuarial loss	272	588
Currency translation differences on net assets of overseas subsidiaries	(41)	(40)
Total recognised gains and losses relating to the year	<u><u>44</u></u>	<u><u>(312)</u></u>

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

**NOTES TO THE ACCOUNTS
Year ended 31 December 2012**

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries for the year ended 31 December 2012

Going concern

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current banking facility. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Goodwill

On acquisition of a business, fair values are attributed to the Group's share of net tangible assets acquired. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and, prior to the adoption of FRS 10, was written off directly to reserves in the year of acquisition. Following the adoption of FRS 10, goodwill arising on acquisitions is capitalised and amortised over its useful economic life, which is generally considered to be twenty years. The directors regard twenty years as a reasonable maximum for the estimated useful life of goodwill since it is difficult to make projections exceeding this period.

The profit or loss on the disposal of previously acquired businesses includes the attributable amount of any purchased goodwill previously written off to reserves relating to that business.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation and provision for any impairment. Depreciation is not provided on freehold land or assets in the course of construction. On other assets it is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation used are as follows:

Freehold and long leasehold buildings	-	over 50 years
Short leasehold buildings	-	over the period of the lease
Plant and machinery	-	over 5 - 13 years
Fixtures, fittings, tools and equipment	-	over 3 - 10 years

Intangible fixed assets

Intangible fixed assets relate to the capitalisation of development costs on future products. These are stated at cost, net of any amortisation and any provision for impairment. Amortisation is provided when the product is launched in equal annual instalments over the estimated useful life of the assets and is calculated on the cost of the assets. The rate of amortisation is as follows:

Development costs	20% per annum
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Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks and work in progress are valued on a first in, first out basis at the lower of cost and net realisable value. Cost includes materials, direct labour and an appropriate proportion of overhead expenses. Provision is made for obsolete, slow moving and defective items.

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE ACCOUNTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Redeemable preference shares are included in the balance sheet as liabilities, in accordance with FRS 25.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Turnover represents amounts invoiced to customers, less sales returns, exclusive of Value Added Tax. Income is recognised on delivery of goods and services.

Pension costs

The company has fully adopted Financial Reporting Standard 17 "Retirement Benefits" ("FRS 17") in these financial statements. One of the Group's subsidiaries, Plascoat Systems Limited, is the sponsoring employer for the Grosvenor Pension Fund. This defined benefit pension scheme has a FRS 17 deficit of £3,772,000 as at 31 December 2012 (2011 deficit of £2,610,000).

For the defined benefit scheme the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The assets and liabilities of which are held independently from each company in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately on the face of the balance sheet.

As it is not possible to identify the individual company's share of the underlying assets and liabilities of the scheme, it has been treated as a defined contribution scheme in the individual company accounts for the purposes of FRS 17. In the group accounts, full FRS 17 disclosures have been adopted.

The group also has an insurance backed scheme in respect of the Dutch subsidiary, Plastic Coatings Europe BV. This scheme is treated as a defined contribution scheme in the group financial statements. For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year.

From 1 February 2006, all active members transferred out of the defined benefit pension plan. From this date, the company paid contributions to stakeholder pension plan on behalf of participating employees. The company's contributions are charged to the profit and loss account. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

INTERNATIONAL PROCESS TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS Year ended 31 December 2012

1. ACCOUNTING POLICIES (CONTINUED)

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding and are charged to the profit and loss account.

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease. Where the costs of meeting the lease obligations exceed the benefits expected to be received from utilisation of the leased equipment, the lease is considered onerous and a provision is made for any unavoidable costs arising under the lease arrangement.

Foreign currencies

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account, except for those relating to capital funding which are taken directly to reserves.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the differences arising from the translation of the opening net investment in subsidiaries at the closing rate is taken directly to reserves.

Research and development

Research costs are written off to the profit and loss account as incurred. Costs of development are written off to the profit and loss account except in cases where they are related to projects in which the profitable outcome can be determined with reasonable certainty. Where this is the case, they have been capitalised within intangible fixed assets and treated as detailed above.

2. TURNOVER

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

	2012 £'000	2011 £'000
United Kingdom	9,927	9,336
Other European countries	11,214	10,290
North America	1,238	1,195
Rest of the world	6,037	5,447
Total	<u>28,416</u>	<u>26,268</u>

The directors are of the opinion that the Group operates only one class of business.

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE ACCOUNTS
Year ended 31 December 2012

3. OPERATING PROFIT

	2012	2011
	£'000	£'000
Operating profit is stated after charging/(crediting)		
Depreciation - owned assets	545	563
- leased assets	180	147
Amortisation - development costs	-	-
Auditor's remuneration (see below)	112	83
Operating leases - land and buildings	24	24
- other operating leases	271	311
Pension settlement costs	424	-
Foreign exchange gains	(225)	(147)
	<u> </u>	<u> </u>

The analysis of auditor's remuneration is as follows

	2012	2011
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	12	12
Fees payable to the company's auditor for other services to the Group		
- The audit of the company's subsidiaries pursuant to legislation	49	46
Total audit fees	<u>61</u>	<u>58</u>
Other services pursuant to legislation		
- Tax services	30	17
- All other services	14	8
Total non-audit fees	<u>44</u>	<u>25</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2012	2011
	£'000	£'000
Directors' remuneration		
Emoluments (excluding pension contributions)	475	486
Pension contributions	34	38
	<u>509</u>	<u>524</u>
	<u> </u>	<u> </u>
	2012	2011
	No.	No.
Number of directors who are members of the company's defined benefit scheme	<u>3</u>	<u>3</u>

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO THE ACCOUNTS
Year ended 31 December 2012

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	2012	2011
	No.	No.
Average number of persons employed (including directors):		
Management	15	16
Administration	23	19
Production and sales	157	154
	<u>195</u>	<u>189</u>

	2012	2011
	£'000	£'000
Staff costs during the year (including directors) were:		
Wages and salaries	5,731	5,426
Social security costs	596	571
Pension costs	230	260
	<u>6,557</u>	<u>6,257</u>

5. NET INTEREST PAYABLE

	2012	2011
	£'000	£'000
Interest receivable and similar income		
Net interest income on pension scheme	37	115
	<u>37</u>	<u>115</u>
Total interest receivable and similar income	37	115
Interest payable and similar charges		
Finance lease interest	(42)	(24)
On bank loans and overdrafts	(166)	(155)
	<u>(208)</u>	<u>(179)</u>
Net interest payable	<u>(171)</u>	<u>(64)</u>

**INTERNATIONAL PROCESS TECHNOLOGIES LIMITED
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Year ended 31 December 2012

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2012 £'000	2011 £'000
Analysis of tax charge on ordinary activities		
<i>Current tax</i>		
United Kingdom corporation tax at 24.5% (2011: 26.5%)	329	288
Adjustment in respect of prior years	-	(14)
Overseas taxation	13	(85)
Adjustment in respect of prior years	-	-
	<u>342</u>	<u>189</u>
Total current tax charge	342	189
<i>Deferred tax</i>		
Deferred tax on pension	16	112
Timing differences, origination and reversal	(17)	130
Adjustment in respect of prior years		
Change in Deferred Rate	-	(3)
Adjustment to Estimated Recoverable Amount	-	(9)
	<u>(1)</u>	<u>230</u>
Total deferred tax charge	(1)	230
Tax charge on profit on ordinary activities	<u>341</u>	<u>419</u>

Factors affecting the tax charge for the current year:

The current tax assessed for the period is lower (2011: lower) than that resulting from applying the standard rate of corporation tax of 24.5% (2011: 26.5%). The differences are explained below:

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	1,637	2,000
Tax at 24.5% (2011: 26.5%) thereon	395	530
Factors affecting tax charge		
Expenses not deductible for tax purposes	10	11
R&D tax relief	(57)	(48)
Capital allowances in excess of depreciation	11	(109)
Movement in short term timing differences	-	-
FRS 17 pension adjustment	(16)	(112)
Rate Difference	-	(5)
Utilisation of tax losses	(1)	(65)
Marginal relief	-	-
Adjustments in respect of prior years	-	(13)
	<u>342</u>	<u>189</u>
Current year tax charge	<u>342</u>	<u>189</u>

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6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

A reduction in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012, and a further reduction to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. The impact of the rate reduction has been reflected in the calculation of the UK deferred tax asset not recognised at 31 December 2012. The Government intends to enact future reduction in the main tax rate down to 20% by 1 April 2015. As this tax rate was not substantively enacted at the balance sheet date, the rate reduction is not yet reflected in these financial statements in accordance with FRS 21, as it is a non-adjusting event occurring after the reporting period.

Deferred tax has not been provided in respect of gains realised that have been rolled over into the acquisition cost of replacement assets. This tax will become payable if the replacement assets are sold and further rollover relief is not obtained. The estimated amount of tax that would become payable in these circumstances is £98,404 (2011 £106,961).

7. PROFIT OF PARENT COMPANY

As permitted by Section 480 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's profit for the financial year attributable to shareholders amounted to a profit of £93,000 (2011 £236,000).

8. INTANGIBLE FIXED ASSETS

	Development costs £'000
Group Cost	
As at 1 January 2012 and 31 December 2012	257
Amortisation	
At 1 January 2012 and 31 December 2012	(223)
Net book value	
As at 31 December 2012 and 31 December 2011	<u>34</u>

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9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Group					
Cost					
As at 1 January 2012	1,331	1,866	12,300	1,347	16,844
Exchange rate adjustments	(9)	-	(155)	(10)	(174)
Additions	-	-	1,096	47	1,143
Reclassification	-	-	(9)	9	-
Disposals	-	-	(154)	-	(154)
As at 31 December 2012	<u>1,322</u>	<u>1,866</u>	<u>13,078</u>	<u>1,393</u>	<u>17,659</u>
Depreciation					
As at 1 January 2012	234	1,191	8,423	1,201	11,049
Exchange rate adjustments	(2)	-	(95)	(9)	(106)
Charge for the year	6	37	646	36	725
Reclassification	-	-	9	(9)	-
Disposals	-	-	(154)	-	(154)
As at 31 December 2012	<u>238</u>	<u>1,228</u>	<u>8,829</u>	<u>1,219</u>	<u>11,514</u>
Net book value					
As at 31 December 2012	<u>1,084</u>	<u>638</u>	<u>4,249</u>	<u>174</u>	<u>6,145</u>
As at 31 December 2011	<u>1,097</u>	<u>675</u>	<u>3,877</u>	<u>146</u>	<u>5,795</u>

Freehold land and buildings includes freehold land of £294k (2011 £296k) Included within plant and machinery are assets held under finance leases with a net book value of £1.9m (2011 £1.6m) Depreciation includes a £180k charge for the year in relation to the assets under finance lease for the year with an accumulated depreciation charge at 31 December of £1.2m (2011 £1.1m)

	Fixtures, fittings, tools and equipment £'000
Company	
Cost	
As at 1 January 2012 and 31 December 2012	39
Depreciation	
As at 1 January 2012	38
Charge for the year	1
As at 31 December 2012	<u>39</u>
Net book value	
As at 31 December 2012	<u>-</u>
As at 31 December 2011	<u>1</u>

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NOTES TO THE ACCOUNTS
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10. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £'000	Loans to subsidiary undertakings £'000	Total £'000
Company			
Cost			
At 1 January 2012 and 31 December 2012	68,280	1,012	69,292
Provision for impairment			
At 1 January 2012 and 31 December 2012	(13,000)	-	(13,000)
Net book value			
At 31 December 2012 and 31 December 2011	55,280	1,012	56,292

The above investments are not listed

Additional information on subsidiaries

The principal subsidiaries involved in the consolidation of the Group are

Company	Country of incorporation and operation	Activity	Proportion of ordinary shares held %	Held directly or indirectly
Plascoat International Limited	Great Britain	Former holding company for Group subsidiaries (non-trading)	100	Direct
Plascoat Holdings Limited	Great Britain	Holding company for foreign investments	100	Indirect
Plascoat Systems Limited	Great Britain	Compounding, grinding and manufacture of plastic materials	100	Direct
Plastic Coatings Europe BV	Netherlands	Compounding, grinding and manufacture of plastic materials	100	Indirect
Plastic Coatings Limited	Great Britain	Plastic coating of materials	100	Direct
United Moulders Limited	Great Britain	Plastic Moulding and Assembly	100	Direct

During the year the Group undertook a reconstruction for which the immediate shareholding in Plascoat Holdings Limited, and its subsidiaries) transferred to Plascoat Systems Limited in return for additional share capital. The transfer was structured such that there was a nil effect to the carrying value of investments held by International Process Technologies Limited

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Year ended 31 December 2012

11. STOCKS

	2012 £'000	2011 £'000
Group		
Raw materials and consumables	1,501	1,181
Work in progress	20	21
Finished goods and goods for resale	904	882
	<u>2,425</u>	<u>2,084</u>

There is no material difference between the balance sheet value of stocks and their replacement cost

12. DEBTORS

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Trade debtors	4,807	4,141	-	-
Amounts owed by group undertakings	-	-	40	47
Corporation tax	-	31	-	-
Deferred tax asset	-	-	4	10
Other debtors	227	168	66	97
Prepayments and accrued income	9	81	37	67
	<u>5,043</u>	<u>4,421</u>	<u>147</u>	<u>221</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank overdraft (see note 15)	734	284	-	-
Bank loans (see note 15)	228	273	175	219
Obligations under finance leases (see note 15)	369	153	-	-
Trade creditors	2,175	1,941	-	-
Amounts owed to subsidiary undertakings (see note 15)	-	-	8,094	6,821
Corporation tax	80	-	10	-
Other taxation and social security	264	325	17	15
Accruals and deferred income	1,071	1,231	281	300
	<u>4,921</u>	<u>4,207</u>	<u>8,577</u>	<u>7,355</u>

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14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans (see note 15)	1,561	1,815	700	875
Obligations under finance leases (see note 15)	728	718	-	-
Amounts owed to subsidiary undertakings (see note 15)	-	-	46,105	46,105
	<u>2,289</u>	<u>2,533</u>	<u>46,805</u>	<u>46,980</u>

15. BORROWINGS

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank overdraft	734	284	-	-
Bank loans	1,789	2,088	875	1,094
Obligations under finance leases	1,097	871	-	-
Amounts owed to subsidiary undertakings	-	-	54,183	52,926
	<u>3,620</u>	<u>3,243</u>	<u>55,058</u>	<u>54,020</u>
Due within one year or on demand	1,331	710	8,253	7,040
Due after more than one year	2,289	2,533	46,805	46,980
	<u>3,620</u>	<u>3,243</u>	<u>55,058</u>	<u>54,020</u>
Analysis of repayments:				
Within one year or on demand	1,331	710	8,253	7,040
Between one and two years	457	378	175	175
Between two and five years	1,184	1,258	525	525
After five years	648	897	46,105	46,280
	<u>3,620</u>	<u>3,243</u>	<u>55,058</u>	<u>54,020</u>

Amounts repayable by instalments, some of which fall due after five years

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Bank loans, finance leases and loans from subsidiary				
Total amount	<u>3,620</u>	<u>3,243</u>	<u>55,058</u>	<u>54,020</u>
Instalments after five years	<u>648</u>	<u>897</u>	<u>46,105</u>	<u>46,280</u>

The bank loans and overdraft are secured by a fixed charge over the assets and undertakings of the Group. Interest on the loans is currently charged at between 3% and 5% per annum. Obligations under finance leases are secured on the assets to which they relate.

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Year ended 31 December 2012

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Onerous lease £'000	Deferred tax £'000	Total £'000
Group analysis of movements in provisions:			
At 1 January 2012	159	268	427
Charged/(credited) to the profit and loss account in the year	(159)	9	(150)
Foreign exchange differences	-	(6)	(6)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2012	<u>-</u>	<u>271</u>	<u>271</u>

	2012 £'000	2011 £'000
Deferred taxation provided in the financial statements is as follows:		
Tax effect of timing differences because of		
Capital allowances in excess of depreciation	275	278
Short term timing differences	(4)	(4)
Losses	-	(6)
	<u>271</u>	<u>268</u>

17. SHARE CAPITAL

Group and company

Number	Called up, allotted and fully paid	2012 £'000	2011 £'000
28,000,000	Ordinary shares of £0.01 each	280	280
100	Preference shares of £1 each	-	-
981,030	Deferred shares of £1 each	981	981
		<u>1,261</u>	<u>1,261</u>

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18. RESERVES

	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account deficit £'000
Group			
As at 1 January 2012	82	10,385	(8,934)
Retained profit for the year	-	-	1,296
Exchange translation differences on net assets of overseas subsidiaries	-	-	(41)
Other recognised gains and losses relating to the year	-	-	(1,211)
	<u>82</u>	<u>10,385</u>	<u>(8,890)</u>
At 31 December 2012	<u>82</u>	<u>10,385</u>	<u>(8,890)</u>

As a result of adopting FRS 10, the cumulative goodwill previously eliminated against a separate reserve has been deducted from the profit and loss account. In the event of any future disposal of business segments, the goodwill attributable to that segment will be taken into account when calculating any profit or loss arising from the transaction. The cumulative amount of goodwill eliminated directly against the profit and loss account as at 31 December 2012 was £11,845,000 (2011: £11,845,000).

	2012 £'000	2011 £'000
Group pension liability		
Profit and loss deficit excluding pension asset	(5,118)	(6,324)
Amount relating to determined pension scheme liability net of related deferred tax	(3,772)	(2,610)
Profit and loss deficit	<u>(8,890)</u>	<u>(8,934)</u>

	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account deficit £'000
Company			
At 1 January 2012	82	10,385	(8,344)
Retained profit for the year	-	-	93
	<u>82</u>	<u>10,385</u>	<u>(8,251)</u>
At 31 December 2012	<u>82</u>	<u>10,385</u>	<u>(8,251)</u>

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19. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 December 2012, the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Group				
Expiring within one year	-	-	17	159
Expiring between two and five years inclusive	-	-	166	164
Expiring after more than five years	24	24	-	-
	<u>24</u>	<u>24</u>	<u>183</u>	<u>323</u>

20. PENSION COSTS

Prior to 1 February 2006, the sponsoring employer Plascoat Systems Limited contributed to the Grosvenor Pension Fund in the UK providing benefits based on final pensionable pay. From 1 February 2006, all active members transferred out of the scheme and the sponsoring employer has resumed contributions to the scheme as a result of the recent triennial pension valuation. The assets of the scheme are held separately from those of the group in a trustee administered fund.

For FRS 17 purposes, a valuation that starts by recognising the scheme assets and liabilities, and subsequently recognises movements in the period that they arise, has been prepared by qualified independent actuaries as at 31 December 2012.

The scheme actuary has calculated that a 0.5% reduction in the discount rate would result in the actuarial liabilities increasing by £1.4m.

The major assumptions used by the actuary were

	2012	2011	2010	2009
	%	%	%	%
Discount rate	4.4	5.5	5.9	6.4
Rate of increases in salaries	-	-	-	-
Inflation assumption	2.50	2.75	3.3	3.5
Pension increases	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>

The fair value of the assets of the scheme and the expected rate of return at the end of each financial year were

	Fair value at 31 Dec 2012	Expected rate of return at 31 Dec 2012	Fair value at 31 Dec 2011	Expected rate of return at 31 Dec 2011	Fair value at 31 Dec 2009	Expected rate of return at 31 Dec 2010	Fair value at 31 Dec 2009	Expected rate of return at 31 Dec 2009
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	12,191	7.50	13,033	8.0	13,188	8.0	13,053	8.0
Gilts	2,152	2.30	2,410	2.5	2,017	4.0	6,637	4.45
Corporate bonds	6,334	4.40	6,600	5.5	7,735	5.9	2,494	8.0
Cash	292	2.00	269	2.0	1,006	2.0	676	2.0
	<u>20,969</u>	<u>5.95</u>	<u>22,312</u>	<u>6.59</u>	<u>23,946</u>	<u>6.73</u>	<u>22,860</u>	<u>6.62</u>

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20. PENSION COSTS (CONTINUED)

	2012 £'000	2011 £'000
Analysis of the amount charged to operating profit:		
Current service cost of defined benefit schemes	-	-
Loss on settlements and curtailments	289	-
	<u>289</u>	<u>-</u>

	2012 £'000	2011 £'000
Analysis of the amount charged to net finance charges:		
Expected return on pension scheme assets	1,376	1,563
Interest on pension scheme liabilities	(1,339)	(1,448)
	<u>37</u>	<u>115</u>

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Amount recognised in the statement of total recognised gains and losses (STRGL)					
Difference between actual return less expected return on pension scheme assets	142	(1,763)	936	1,498	(4,494)
% of scheme assets	0.7%	(7.9%)	3.9%	6.6%	(20.6%)
Experience gains/(losses) arising on the scheme liabilities	882	(2)	-	190	(133)
% of scheme liabilities	3.4%	(0.0%)	-	-	(0.6%)
Effects of changes in assumptions underlying the present value of the scheme liabilities	(2,507)	(676)	(929)	(3,457)	2,984
% of scheme liabilities	(9.7%)	2.6%	3.7%	10.0%	13.8%
Total actuarial (losses) / gains recognised in STRGL	<u>(1,483)</u>	<u>(2,441)</u>	<u>7</u>	<u>(1,769)</u>	<u>(1,643)</u>
Reconciliation of scheme assets and liabilities to the balance sheet					
Total market value of assets	20,969	22,312	23,946	22,860	21,806
Present value of scheme liabilities	(25,868)	(25,793)	(25,410)	(24,659)	(21,566)
(Deficit)/surplus in scheme	(4,899)	(3,481)	(1,464)	(1,799)	240
Related deferred tax asset/(liability)	1,127	871	395	504	(67)
Net pension (liability)/asset	<u>(3,772)</u>	<u>(2,610)</u>	<u>(1,069)</u>	<u>(1,295)</u>	<u>173</u>

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20. PENSION COSTS (CONTINUED)

	2012	2011
	£'000	£'000
Movement in (deficit)/surplus during the year:		
Surplus/(deficit) in scheme at beginning of the year	(3,481)	(1,464)
Contributions	317	309
Settlement in profit and loss	(289)	
Other finance income	37	115
Actuarial (loss) / gain in STRGL	(1,483)	(2,441)
	<u>(4,899)</u>	<u>(3,481)</u>
Deficit in scheme at end of the year		
	2012	2011
	£'000	£'000
Movement in related deferred tax balances:		
Deferred tax at beginning of the year	871	395
Movement in year		
- Profit and loss account	(16)	(112)
- Statement of total recognised gains and losses	363	647
- Change in Deferred Tax Rate	(91)	(59)
	<u>1,127</u>	<u>871</u>

In respect of the Dutch subsidiary, Plastic Coatings Europe BV, contributions of £137,158 (2011 £171,828) have been made in the year. There were no outstanding contributions at the balance sheet date (2011 £nil)

21. CAPITAL COMMITMENTS

	2012	2011
	£'000	£'000
Group		
Capital expenditure, approved and contracted	<u>303</u>	<u>308</u>

A corporate cross guarantee exists between International Process Technologies Limited, Plascoat UK Limited, Plascoat International Limited, Plascoat Holdings Limited, Plastic Coatings Limited, Plascoat Systems Limited and United Moulders Limited

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22. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2012 £'000	2011 £'000
Operating profit	1,808	2,064
Depreciation and amortisation	725	710
Increase in stocks	(341)	(302)
Increase in debtors	(653)	(630)
Increase in creditors	13	325
Decrease in provisions	(159)	(165)
Exchange rate adjustment	27	2
Pension settlement	289	-
Adjustment for pension funding	(317)	(309)
	<u>1,392</u>	<u>1,695</u>
Net cash inflow from operating activities	<u>1,392</u>	<u>1,695</u>

23. ANALYSIS OF CASH FLOWS

	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Returns on investments and servicing of finance				
Interest received	-		-	
Finance lease interest paid	(42)		(24)	
Interest paid	(166)		(155)	
	<u> </u>	(208)	<u> </u>	(179)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(1,143)		(1,154)	
Proceeds from sale of fixed assets	-		-	
	<u> </u>	(1,143)	<u> </u>	(1,154)
Financing				
Finance leases	226		430	
Bank loans repayments	(299)		(207)	
Purchase of own shares	-		-	
	<u> </u>	(73)	<u> </u>	223

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24. ANALYSIS OF NET DEBT

	At 1 January 2012 £'000	Cash flow £'000	At 31 December 2012 £'000
Cash at bank	237	207	444
Overdraft	(284)	(450)	(734)
	<u>(47)</u>	<u>(243)</u>	<u>(290)</u>
Finance leases	(871)	(226)	(1097)
Debt due within one year	(273)	45	(228)
Debt due after one year	(1,815)	254	(1,561)
	<u>(2,959)</u>	<u>73</u>	<u>(2,886)</u>
	<u>(3,006)</u>	<u>(170)</u>	<u>(3,176)</u>

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£'000
Decrease in cash in the year	(243)
Cash movement from increase in debt and lease financing	73
Movement in net debt in the year	<u>(170)</u>
Net debt at 1 January 2012	<u>(3,006)</u>
Net debt at 31 December 2012	<u>(3,176)</u>

26. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

The Group has taken advantage of the exemption available under paragraph 3(c) of FRS 8 not to disclose any transactions or balances between Group companies which have been eliminated upon consolidation

The ultimate controlling party is the board of directors

International Process Technologies Limited is the largest group for which group financial statements are prepared. Copies of the group financial statements of International Process Technologies Limited can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff CF4 3UZ