Grant Thornton

Financial Statements
Akcros Chemicals Limited

For the year ended 31 December 2012

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COMPANIES HOUSE

Registered number: 00995767

Company Information

Directors	R Catchpole M Charnock L R Litwinowicz T Engelen
Company secretary	M Charnock
Registered number	00995767
Registered office	5 The Courtyard Timothy's Bridge Road Stratford-upon-Avon Warwickshire CV37 9NP
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Colmore Plaza 20 Colmore Circus Birmingham West Midlands B4 6AT
Bankers	RBS Invoice Finance Limited 3rd Floor 1 Spinningfields Square Manchester M3 3AP
	NatWest Bank plc 49 Church Street Eccles Manchester M30 0AF
Solicitors	HBJ Gateley Wareing LLP One Eleven Edmund Street Birmingham B3 2HJ

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Directors' Report
For the year ended 31 December 2012

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

Principal activities

The company is engaged in the manufacture and sale of Polymer Additives and other speciality chemicals

Business review

Economic activity levels in the Eurozone, exchange rates and raw material prices significantly affected Akcros Chemicals Ltd business in 2012 After a strong start to the year, customers reported diminished activity from May onwards with long summer shutdowns and extended December holidays and destocking This drop in activity, combined with raw material price increases resulted in a squeeze on margins In addition to this a number of one-off maintenance costs resulted in higher outgoings

On a positive, the significant de-stocking by customers in December has resulted in very high activity levels in Q1 2013 and our deliberately high year end stocks were consumed very quickly in January With falling raw material prices and higher demand this is making for a much brighter picture in 2013

Exchange rates (€/£) moved from 1 19 at the start of 2012 to a peak of 1 28 in the middle of the year resulting in an average of 1 22 for the year, which compares to 1 15 in 2011, resulting in a significant deficit in the translation of profits from € to £ in an 80% Euro-based export business The impact of this across the year amounted to a loss of around £450k on bottom line performance across the year versus 2011

The major project undertaken in the year was the installation of the new phenol-free phosphites capacity on reactor system S17 This £900k investment makes Akcros the most back integrated producer of these types of material in the world and as predicted is now having a significant impact on our competitiveness and profitability for 2013 and this is expected to continue for many years to come The phenol-free technology is critical for flooring customers who cannot meet new emission standards with standard phosphites

We have fully utilised our new epoxidation capacity in the year and continue to diversify into more specialty areas with this technology The Dragonkraft Europe Ltd company funded by Akcros to take renewable epoxies into the composites, adhesives and coatings markets continues to attract a great deal of interest, with sales starting in early 2013 and we expect to grow strongly from here

Our biocides business continues to develop and with significant change-over in actives occurring during 2012 into 2013 we are well positioned to continue to grow in this area Our Tin business was weak on margins in 2012 due to fluctuations in Tin metal prices, but we anticipate and are seeing a significant improvement coming into 2013 due to regulatory pressures on other competitive products in this sector

The finance structure with RBS is working very effectively and our day-to-day cashflow is in its strongest position since the 2008 general financial crisis

In health and safety management the company continued its good safety management practices to achieve a year free from LTI and reportable accidents The company is now working proactively on PSPI measurement and management

The company and its employees are looking forward to further development of the business in 2013 and are already experiencing the benefits of the investment made in 2012 in additional income in the first quarter of 2013

Directors' Report
For the year ended 31 December 2012

Results and dividends

The loss for the year, after taxation, amounted to £460,000 (2011 - profit £115,000)

The directors do not recommend the payment of a dividend (2011 £Nil)

Key performance indicators

The directors monitor and manage the performance of the company assisted by the production of detailed monthly management reports containing detailed monthly accounts and a number of key financial and non-financial performance measures The main KPI's include turnover, gross margin and operating costs by business segment

Principal risks and uncertainties

The company operates in a changing economic and competitive environment that presents risks, many of which are driven by factors that we cannot control or predict

A significant level of the company's purchases are based on commodity prices which can fluctuate significantly Gross margin is heavily influenced by the ability to pass on price increases to customers and the purchasing of the product at competitive prices

Financial instruments
The company's operations expose it to a variety of financial risks including the effects of changes in interest rates on debt, foreign currency exchange rates, credit risk and liquidity risk

The company's principal financial instruments comprise sterling bank balances, debt factoring facilities, other loans and obligations under finance leases together with trade debtors and trade creditors that arise directly from its operations

The main risks arising from the company's financial instruments can be analysed as follows -

Foreign currency risk
The company is exposed in its trading operations to the risk of changes in foreign currency exchange rates The main foreign currencies in which the company operates are the Euro and the US dollar

Management monitor the level of overall exposure and, where possible, the company will create a natural hedge by buying and selling in the same currency

Credit risk
The company's principal financial assets are bank balances and trade debtors The latter represents the company's maximum exposure to credit risk in relation to financial assets

Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the company's management based on prior experience and their assessment of the current economic environment

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies

Directors' Report
For the year ended 31 December 2012

Liquidity risk
The company's policy has been to ensure continuity of funding through acquiring an element of its fixed assets under finance and operating leases, and arranging funding for operations via short-term credit facilities with it's principle funder

The directors have reviewed the forecasts for the next 12 months and the facilities available, and consider that these facilities are more than adequate to meet the cash flow needs of the business

Cash flow interest rate risks
The interest rate on the company's borrowings is at market rate and the company's policy is to keep downward pressure on borrowings such that the risk that could arise from a significant change in interest rates would not have a material impact on cash flows The directors monitor the overall level of borrowing and interest costs to limit any adverse effects on the financial performance of the company

Directors

The directors who served during the year were

R Catchpole
M Charnock
L R Litwinowicz
T Engelen

No director had any interests in the shares of the company

The interests of the directors in the shares of the parent undertaking are disclosed in the accounts of that company

Employees

The Management Team communicates regularly with employees through team briefings and periodic team meetings chaired by the directors

The company is committed to equality of opportunity and makes every reasonable effort to ensure that there is no harassment or unlawful discrimination in the way that the company treats its employees, contractors, job applicants and visitors

Charitable contributions

Donations to UK charities amounted to £400 (2011 £2,928)

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information

Directors' Report
For the year ended 31 December 2012

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006 at the forthcoming Annual General Meeting

This report was approved by the board on 18 April 2013 and signed on its behalf

M Charnock
Director

Directors' Responsibilities Statement

For the year ended 31 December 2012

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have 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, subject to any material departures disclosed and explained in the financial statements,
- 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

Grant Thornton

Independent Auditor's Report to the Members of Akcros Chemicals Limited

We have audited the financial statements of Akcros Chemicals Limited for the year ended 31 December 2012, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and 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
A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss 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

GrantThornton

Independent Auditor's Report to the Members of Akcros Chemicals Limited

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

Grant Thornton UK LLP

David Munton (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
Birmingham

18 April 2013

Profit and Loss Account

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Turnover	1,2	**48,570**	46,405
Cost of sales		**(44,371)**	(41,875)
Gross profit		**4,199**	4,530
Distribution costs		**(2,300)**	(2,233)
Administrative expenses		**(2,231)**	(2,154)
Other operating income	3	**98**	20
Operating (loss)/profit	4	**(234)**	163
Interest receivable and similar income	7	**115**	136
Interest payable and similar charges	8	**(191)**	(186)
(Loss)/profit on ordinary activities before taxation		**(310)**	113
Tax on (loss)/profit on ordinary activities	9	**43**	2
(Loss)/profit for the financial year	17	**(267)**	115

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 11 to 23 form part of these financial statements

Balance Sheet
As at 31 December 2012

	Note	£000	2012 £000	£000	2011 £000
Fixed assets					
Tangible assets	10		**4,181**		3,557
Current assets					
Stocks	11	**5,722**		5,551	
Debtors	12	**10,694**		12,239	
Cash at bank		**932**		1,054	
		17,348		18,844	
Creditors. amounts falling due within one year	13	**(10,748)**		(11,213)	
Net current assets			**6,600**		7,631
Total assets less current liabilities			**10,781**		11,188
Creditors: amounts falling due after more than one year	14		**(292)**		(399)
Provisions for liabilities					
Deferred tax	15		**(69)**		(102)
Net assets			**10,420**		10,687
Capital and reserves					
Called up share capital	16		**1,000**		1,000
Profit and loss account	17		**9,420**		9,687
Equity shareholders' funds	18		**10,420**		10,687

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 April 2013

R Catchpole
Director

The notes on pages 11 to 23 form part of these financial statements

Cash Flow Statement

For the year ended 31 December 2012

	Note	2012 £000	2011 £000
Net cash flow from operating activities	24	**1,913**	(802)
Returns on investments and servicing of finance	25	**(76)**	(50)
Taxation		**-**	(34)
Capital expenditure and financial investment	25	**(1,117)**	(1,144)
Cash inflow/(outflow) before financing		**720**	(2,030)
Financing	25	**(134)**	257
Increase/(decrease) in cash in the year		**586**	(1,773)

Reconciliation of Net Cash Flow to Movement in Net Funds/Debt

For the year ended 31 December 2012

	2012 £000	2011 £000
Increase/(decrease) in cash in the year	**586**	(1,773)
Cash outflow from decrease in debt and lease financing	**134**	(257)
Movement in net debt in the year	**720**	(2,030)
Net debt at 1 January 2012	**(4,874)**	(2,844)
Net debt at 31 December 2012	**(4,154)**	(4,874)

The notes on pages 11 to 23 form part of these financial statements

Notes to the Financial Statements
For the year ended 31 December 2012

1. Accounting Policies

1 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

1 2 Turnover

Turnover represents the amounts, net of rebates, (excluding value added tax) derived from the provision of goods to customers, and is recognised on the despatch of those goods

1 3 Related party transactions

As a subsidiary undertaking, 90% or more of whose voting rights are controlled by Akcros Holdings Limited, the company has taken advantage of the exemption in FRS 8 not to disclose related party transactions with other members of the group

1 4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Plant & machinery	-	4% to 33% per annum
Fixtures, fittings and equipment	-	10% to 20% per annum
Improvements to leased assets	-	Over the remaining term of lease or life of asset if shorter

Where there is evidence of impairment, fixed assets are written down to recoverable amount

1 5 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

1 6 Leasing and hire purchase

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors Interest is charged to the profit and loss account over the term of the lease to produce a constant rate of charge on the balance of capital repayments outstanding Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Notes to the Financial Statements

For the year ended 31 December 2012

1. Accounting Policies (continued)

1 7 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1.8 Stocks

Stocks are stated at the lower of cost and net realisable value In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads

1.9 Taxation

The charge or credit for taxation is based on the result for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

1 10 Financial instruments

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 entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

1 11 Research and development

Expenditure on research and development is written off against profits in the year in which it is incurred

Notes to the Financial Statements
For the year ended 31 December 2012

2. Turnover

The turnover and result for the year are entirely attributable to the manufacture and sale of PVC stabilisers and other speciality chemicals

A geographical analysis of turnover, by destination, is as follows

	2012 £000	2011 £000
United Kingdom	**11,156**	10,477
Rest of European Union	**29,833**	27,963
Rest of World	**7,581**	7,965
	48,570	46,405

3. Other operating income

	2012 £000	2011 £000
Other operating income	**98**	20

4. Operating (loss)/profit

The operating (loss)/profit is stated after charging

	2012 £000	2011 £000
Depreciation of tangible fixed assets		
- owned by the company	**230**	237
- held under finance leases	**263**	181
Auditor's remuneration	**40**	39
Auditor's remuneration - non-audit	**5**	5
Operating lease rentals		
- plant and machinery	**248**	284
- land and buildings	**586**	515
Research and development expenditure written off	**257**	202

Notes to the Financial Statements

For the year ended 31 December 2012

5. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £000	2011 £000
Wages and salaries	**4,263**	4,090
Social security costs	**426**	418
Other pension costs	**342**	324
	5,031	4,832

The average monthly number of employees, including the directors, during the year was as follows

	2012 No	2011 No
Production	**70**	69
Administrative and management	**37**	36
	107	105

6. Directors' remuneration

	2012 £000	2011 £000
Emoluments	**272**	324
Company pension contributions to defined contribution pension schemes	**34**	24

During the year retirement benefits were accruing to 2 directors (2011 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £143,968 (2011 - £144,256)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,359 (2011 - £12,545)

Notes to the Financial Statements
For the year ended 31 December 2012

7. Interest receivable and similar income

	2012 £000	2011 £000
Interest receivable from group companies	111	136
Interest receivable from related parties	4	-
	115	136

8. Interest payable and similar charges

	2012 £000	2011 £000
On bank loans and overdrafts	159	186
On finance leases and hire purchase contracts	32	-
	191	186

9. Taxation

	2012 £000	2011 £000
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax credit on (loss)/profit for the year	(10)	-
Adjustments in respect of prior periods	-	(6)
Total current tax	(10)	(6)
Deferred tax		
Origination and reversal of timing differences- current year	-	73
Origination and reversal of timing differences- prior year	-	(69)
Utilisation of trading losses	(33)	-
Total deferred tax (see note 15)	(33)	4
Tax on (loss)/profit on ordinary activities	(43)	(2)

Notes to the Financial Statements

For the year ended 31 December 2012

9. Taxation (continued)

Factors affecting the tax charge for the year

The tax assessed for the year is higher than (2011 - lower than) the standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%) The differences are explained below

	2012 £000	2011 £000
(Loss)/profit on ordinary activities before tax	**(310)**	113
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24 5% (2011 - 26 5%)	**(76)**	30
Effects of		
Expenses not deductible for tax purposes	**18**	10
Capital allowances for year in excess of depreciation	**(49)**	(86)
Enhanced deduction for research and development expenditure	**(19)**	-
Adjustments to tax charge in respect of prior periods	**(10)**	(6)
Other short term timing differences	**-**	6
Unrelieved taxation losses carried forward	**96**	-
Group relief given without charge	**30**	40
Current tax credit for the year (see note above)	**(10)**	(6)

Notes to the Financial Statements

For the year ended 31 December 2012

10. Tangible fixed assets

	Improvements to leasehold land and buildings £000	Plant & machinery £000	Fixtures & fittings £000	Payments on account and assets in course of construction £000	Total £000
Cost					
At 1 January 2012	326	26,648	919	375	28,268
Additions	-	1,117	-	-	1,117
Transfer between classes	-	375	-	(375)	-
At 31 December 2012	326	28,140	919	-	29,385
Depreciation					
At 1 January 2012	25	23,775	911	-	24,711
Charge for the year	15	477	1	-	493
At 31 December 2012	40	24,252	912	-	25,204
Net book value					
At 31 December 2012	286	3,888	7	-	4,181
At 31 December 2011	301	2,873	8	375	3,557

The net book value of assets held under finance leases at the year end was £1,968,448 (2011 £1,810,098) Depreciation totalling £262,654 was charged on these assets during the year (2011 £180,690)

11. Stocks

	2012 £000	2011 £000
Raw materials and consumables	1,412	1,473
Finished goods and goods for resale	4,310	4,078
	5,722	5,551

The difference between purchase price or production cost of stocks and their replacement cost is not material

Notes to the Financial Statements
For the year ended 31 December 2012

12. Debtors

	2012 £000	2011 £000
Trade debtors	**6,578**	6,801
Amounts owed by group undertakings	**3,696**	5,215
Amounts owed by related parties	**136**	-
Corporation tax recoverable	**10**	-
Other debtors	**274**	223
	10,694	12,239

13. Creditors: Amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	**4,558**	5,266
Net obligations under finance leases and hire purchase contracts	**236**	263
Trade creditors	**4,844**	4,303
Amounts owed to group undertakings	**-**	108
Social security and other taxes	**134**	130
Accruals and deferred income	**976**	1,143
	10,748	11,213

The bank overdraft relates to debt factoring facilities and is secured by a fixed charge over trade debtors

14. Creditors: Amounts falling due after more than one year

	2012 £000	2011 £000
Net obligations under finance leases and hire purchase contracts	**292**	399

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2012 £000	2011 £000
Between one and five years	**292**	399

The finance leases and hire purchase contracts are secured on the assets concerned

Notes to the Financial Statements

For the year ended 31 December 2012

15. Deferred taxation

	2012 £000	2011 £000
At beginning of year	**102**	98
(Released during)/charge for year	**(33)**	4
At end of year	**69**	102

The provision for deferred taxation is made up as follows

	2012 £000	2011 £000
Accelerated capital allowances	**210**	178
Short term timing differences	**(6)**	(11)
Losses and other deductions	**(135)**	(65)
	69	102

16. Share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
1,000,000 equity ordinary shares of £1 each	**1,000**	1,000

17. Reserves

	Profit and loss account £000
At 1 January 2012	**9,687**
Loss for the year	**(267)**
At 31 December 2012	**9,420**

18. Reconciliation of movement in equity shareholders' funds

	2012 £000	2011 £000
Opening equity shareholders' funds	**10,687**	10,572
(Loss)/profit for the year	**(267)**	115
Closing equity shareholders' funds	**10,420**	10,687

Notes to the Financial Statements
For the year ended 31 December 2012

19. Capital commitments

At 31 December 2012 the company had capital commitments as follows

	2012	2011
	£000	£000
Contracted for but not provided in these financial statements	-	35

20. Operating lease commitments

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

	Land and buildings			Other
	2012	2011	2012	2011
	£000	£000	£000	£000
Expiry date:				
Within 1 year	-	-	21	160
Between 2 and 5 years	-	-	35	53
After more than 5 years	515	515	-	-

21. Ultimate parent undertaking and controlling party

The company is a wholly owned subsidiary undertaking of Akcros Holdings Limited, a company incorporated in the UK There is no ultimate controlling party

Notes to the Financial Statements

For the year ended 31 December 2012

22. Pension scheme

Prior to the sale of the company on 4 April 2007 to Akcros Holdings Limited , the company was a member of the group-wide Akzo Nobel (UK) Pension Scheme providing benefits based on final pensionable salary

At the point of sale, a Deed of Withdrawal was signed between the company, Akzo Nobel NV as Guarantor and Akzo Nobel (UK) Pension Trustee Limited as the Trustee of the Scheme, to deal with the liabilities which would arise under Section 75 of the Pension Act 1995 in connection with the company's cessation of participation in the scheme Employees pension benefits built up within the Akzo Nobel UK Pension Scheme stayed in deferment with the Scheme

Post sale, the company has established a Group Stakeholder Pension Plan provided by Halifax Life Ltd In 2011, the company moved their main pension provider to Scottish Widows, though a small minority have remained with Halifax The company's contributions into this scheme are based on employee contributions as follows

Employee	Employer
%	%
2	7.1
3	8.1
4	9 1

At the same time as making the change to Scottish Widows, the company have introduced an 'Opt-in' Salary Exchange system for employees to make their contributions into the pension scheme

The company have also established insurance policies to replace other benefits enjoyed by employees as members of the Akzo Nobel (UK) Pension Trustee Limited, which were benefits self funded through the scheme These policies are

Group Income Protection Plan with Unum Limited - to provide a replacement income for employees unable to work through illness or injury
Group Life Insurance with Norwich Union - providing a salary based lump sum payment to an employee's dependent's on death whilst in service
Death In Service Pension with Norwich Union – providing a salary based pension to an individual's surviving partner on death whilst in service

23. Contingent liabilities

The company has committed to provide such funding as necessary to enable its related party, Dragonkraft Europe Limited, to meet its liabilities as and when they fall due for a period of twelve months from the accounts signing date

Notes to the Financial Statements

For the year ended 31 December 2012

24. Net cash flow from operating activities

	2012 £000	2011 £000
Operating (loss)/profit	(234)	163
Depreciation of tangible fixed assets	493	418
Increase in stocks	(171)	(139)
Decrease/(increase) in debtors	1,555	(274)
Increase/(decrease) in creditors	270	(970)
Net cash inflow/(outflow) from operating activities	1,913	(802)

25. Analysis of cash flows for headings netted in cash flow statement

	2012 £000	2011 £000
Returns on investments and servicing of finance		
Interest received	115	136
Interest paid	(159)	(186)
Hire purchase interest	(32)	-
Net cash outflow from returns on investments and servicing of finance	(76)	(50)

	2012 £000	2011 £000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,117)	(1,144)

	2012 £000	2011 £000
Financing		
New finance leases	215	670
Repayment of finance leases	(349)	(413)
Net cash (outflow)/inflow from financing	(134)	257

Notes to the Financial Statements

For the year ended 31 December 2012

26. Analysis of changes in net debt

	1 January 2012	Cash flow	Other non-cash changes	31 December 2012
	£000	£000	£000	£000
Cash at bank and in hand	1,054	(122)	-	932
Bank overdraft	(5,266)	708	-	(4,558)
	(4,212)	586	-	(3,626)
Debt:				
Debts due within one year	(263)	134	(107)	(236)
Debts falling due after more than one year	(399)	-	107	(292)
Net debt	(4,874)	720	-	(4,154)