Company Registration No. 1980314

CHEMSON LIMITED

Report and Financial Statements

31 December 2012

REPORT AND FINANCIAL STATEMENTS

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P D Goodinson (Chairman of the Board)
P Knowles (Operations Director) by 1st of July 2011 until 3rd January 2013
D Stöfler (Commercial Director) by 1st of July 2011 until 3rd January 2013

SECRETARY

Ward Hadaway Company Secretarial Services Limited

REGISTERED OFFICE

Northumberland Dock Road
Hayhole Works
Wallsend
Tyne and Wear
NE28 0PB

BANKERS

Royal Bank of Scotland Plc
Edinburgh

UniCredit Bank Austria AG
Klagenfurt

SOLICITORS

Ward Hadaway
Sandgate House
102 Quayside
Newcastle upon Tyne
NE1 3DX

AUDITOR

KPMG LLP
Chartered Accountants and Registered Auditor
Newcastle upon Tyne

DIRECTORS' REPORT

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

FINANCIAL YEAR

The financial year 1 January 2012 until 31 December 2012 which compares to the financial year 1 January 2011 until 31 December 2011

PRINCIPAL ACTIVITIES

The principal activities of the company are the manufacture and sale of Ca and lead based stabilisers (Polymer Additives) and other lead based chemicals for the PVC industry We are selling across the world but with a main focus on Europe

Research and development is centralized but Chemson Limited has a powerful technical service department and a well equipped laboratory available locally and is able to redesign and adjust new products according to local demands

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

In 2012 sales decreased by 13 3 percent based on slow market demand in Europe Despite an unfavourable development in raw material prices, the efficiency increased significantly due to the measures taken in the course of the optimization of the European production network, which includes the increase in production efficiency, the establishment of new sustainable processes, the adaption and optimization of the new plant, but also the resizing of the Company

As a result of the bundle of implemented measures to soften external factors, to improve internal processes and to align with the new European Group strategy, operational efficiency increased significantly despite an ongoing weak market environment EBITDA loss decreased by £3 1 million to £0 5 million

Market

The economic crises, still showing an onging impact in Europe, affected the business in 2012 The difficult market conditions arising from the building and construction industry, to which a high percentage of Chemson Ltd 's business is linked, persisted also in 2012, as the European and especially the UK market experienced a slower than expected recovery

In parallel, the difficult situation in the procurement market continued with further increasing raw material prices

The magnitude and speed of these increases have made it difficult to pass on the required level of increase in a timely fashion Fixing prices for any period over one month is no longer practiced due to the very poor short term visibility on currency and feedstock pricing

Apart from the difficulties with market conditions and raw material increases, Chemson Ltd has continued to work hard on increasing its market share Clear definition and ownership of target customers is decreasing our time to market and increasing strike rate on new developments Chemson continues to further develop its range of market-leading lead free products for all of the necessary application areas

We will not stand still with this approach and continue to develop this technology Internally, the drive is still on to ensure that our costs are always matched to market conditions without putting the Group's strategic and operational targets at risk

Risks & Uncertainties

The biggest risk to our business from a macro-economic perspective is the delicate situation in which the construction industry finds itself A high percentage of Chemson Limited business is linked to building and construction Like other industries, the performance of this market is linked to the general economy which is as uncertain for Chemson as any other company That said, Chemson Limited not only services the UK market but a very wide export market which can cushion the effect of a decline in any one country

We have sales mainly in Euros but also in Sterling and US$ which are exposed to the movement in the Euro/US$ to Sterling exchange rate To counter this we have purchases in Euro and US$ and also hold bank accounts in these currencies so that we can balance the result of currency variances

DIRECTORS' REPORT (continued)

The risk of bad debt has been drastically minimized by the beginning of 2011, when the centralized European invoicing has been implemented Since then, more than 70 percent of Chemson Ltd 's sales are planned to be invoiced by the operational headquarters in Austria and bad debt risk is shifted to the parent company

The change to another technology would always pose a risk to any business, but as mentioned above, Chemson Limited are well positioned in all application areas to cope with this change

The introduction of REACH poses some challenges during the change away from lead, but again these are being well managed by our organisation

Environment

Chemson Limited operates under a permit issued by The Environment Agency (EA) under the Pollution Prevention and Control (England and Wales) Regulations 2002 (PPC regs), which is a requirement as the company manufactures lead based substances and mixtures

The site operates as a Top Tier, higher risk, installation under the Control of Major Accident Hazards (COMAH) Regulations 1999 because of the potential risks to the aquatic environment from its lead based materials

The site conformed to all of its obligations under both COMAH and PPC The site operates an Environmental Management System (EMS) conforming to the requirements of the ISO 14001/ 2004 environmental standard

This EMS accreditation was first achieved in 2000, was revalidated in November 2011 for a further period of 3 years and is independently audited 6 monthly by the certification body

General Outlook

While the expected recovery in the UK building industry did not take place in 2012 and export volume also declined, we expect a sales increase in 2013 based on a slight market recovery in Europe coupled with the additional allocation of production volumes in the course of the European production network

The new production facility, which has been started-up in 2010, is now fully online and provides additional capacity to match projected demand The full production capacity of the new plant has been available from December 2012 onwards and meets the budgeted sales volume

Chemson Ltd has the infrastructure and management systems in place to ensure that the costs of the business will be matched to the market conditions Chemson Ltd will continue to focus on increasing its market share by the continuous introduction of market leading products

Based on the progress of the profit situation in 2012, the expected slight market recovery, the increased allocation of production volumes and implemented measures to adopt according to the changing market environment, the Company expects to achieve the turnaround in 2013 despite potential effects of unfavourable raw material prices

Going Concern

The Directors have acknowledged the latest guidance on going concern The current uncertain economic climate and advanced investments into the new Company structure are affecting the Company as outlined above The Company's forecasts show that additional financing will be required above the Company's current banking facilities based on the loss in 2012 and financial obligations to third parties It is agreed, that the parent company will clear a potential liquidity squeeze and pre-finance the loan-repayment in the amount of £0 7m in 2013

DIRECTORS' REPORT (continued)

As of 31 December 2012, the total amount of shareholder loan granted to Chemson Ltd equals £ 9,245,794 In order to ımprove the commercıal equıty ratıo of Chemson Ltd , the Company has receıved a bındıng letter of Chemson Polymer-Addıtıve AG, Austrıa, wıth the declaratıon that an amount of £8,396,597 of the total shareholder loan ıs subordınated

Followıng thıs subordınatıon the company has net current lıabılıtıes of £ 3,941,227, ıncludıng amounts owed to group companıes of £ 6,579,923 and credıtors fallıng due after more than one year of £ 2,562,426 ıncludıng amounts owed to group companıes of £ 2,432,425 Whılst these amounts have not been formally subordınated, the Group's forecasts assume that such amounts wıll not be repaıd unless the company also has adequate workıng capıtal to meet ıts thırd party commıtments Furthermore ıt ıs agreed that Chemson Polymer-Addıtıve AG wıll provıde reasonable support for the ongoıng busıness by allocatıng ıncreasıng productıon volume to the Company

The plannıng of the fınancıng capabılıty of Chemson Ltd ıs based on the budget and mıdterm plannıng 2013 to 2016 of the Chemson Group When assessıng the goıng concern assumptıon the followıng developments are consıdered

- tradıng volumes remaıns volatıle and the company may have to seek addıtıonal fundıng from Chemson Polymer-Addıtıve AG There ıs no guarantee that such addıtıonal funds wıll be provıded,
- the group fınancıng facılıtıes are subject to monthly covenant tests, whılst the dırectors do not antıcıpate a covenant breach, a monthly test ıs an onerous requırement when volumes ın the sector remaın volatıle,
- the parent company ıs currently subject to a sales process A change ın ownershıp may lead to a change ın strategy for the group

On the basıs of the company's forecasts takıng account of reasonably possıble changes ın tradıng performance and enquırıes made of Atterbury S A group dırectors, the Company's dırectors have a reasonable expectatıon that the Company wıll be able to contınue ın operatıonal exıstence for the foreseeable future Thus they contınue to adopt the goıng concern basıs of accountıng ın preparıng the annual fınancıal statements However, there can be no certaınty that the forecasts wıll be achıeved as the current tradıng envıronment remaıns ınherently uncertaın and volatıle Measurement of the covenants on a monthly basıs ıncreases thıs uncertaınty Further detaıls are ıncluded ın note 1

DIRECTORS

The followıng persons held office as dırectors durıng the year and sınce

P D Goodınson (Chaırman of the Board)
P Knowles (Operatıons Dırector) by 1st of July 2011 untıl 3rd January 2013
D Stöfler (Commercıal Dırector) by 1st of July 2011 untıl 3rd January 2013

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no polıtıcal or charıtable contrıbutıons durıng the perıod (2011 £Nıl)

AUDITOR

In the case of each of the persons who are dırectors of the company at the date when thıs report ıs approved

- So far as each dırector ıs aware, there ıs no relevant audıt ınformatıon (as defined ın the Companıes Act 2006) of whıch the company's audıtor ıs unaware, and
- Each of the dırectors has taken all the steps they ought to have taken as a dırector to make themselves aware of any relevant audıt ınformatıon (as defined) and to establısh that the company's audıtor ıs aware of that ınformatıon

DIRECTORS' REPORT (continued)

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

KPMG LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming annual general meeting

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

P D Goodinson

Chairman of the Board

Date 30/5/2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

KPMG

KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to the members of Chemson Limited

We have audited the financial statements of Chemson Limited for the year ended 31 December 2012 as set out on pages 9 to 20 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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 Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeuk private

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 UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern Trading volumes remain volatile and the company may have to seek additional funding from a parent undertaking There is no guarantee that such additional funds will be provided These conditions, along with other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern

Independent auditor's report to the members of Chemson Limited *(continued)*

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

Nick Plumb (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

30 May 2013

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2012

	Note	12 month period ended December 2012 £	12 month period ended December 2011 £
TURNOVER	2	26,522,373	30,579,360
Change in stocks of finished goods and work in progress		933,716	(411,026)
Other operating income		1,242,663	2,134,035
Raw materials and consumables		(20,817,512)	(25,144,010)
Staff costs	5	(2,664,907)	(3,705,083)
Depreciation and other amounts written off tangible and intangible fixed assets		(986,681)	(1,025,256)
Other operating charges		(5,781,228)	(7,151,461)
OPERATING LOSS	3	(1,551,576)	(4,723,441)
Interest payable and similar charges	6	(593,040)	(672,345)
Other finance costs			
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,144,616)	(5,395,786)
Tax on loss on ordinary activities	7	-	-
LOSS FOR THE FINANCIAL YEAR	17	(2,144,616)	(5,395,786)

There were no recognised gains and losses in the year other than those shown in the profit and loss account above Accordingly no separate statement of total recognised gains and losses is presented

The results for the financial year and the preceding financial period derive solely from continuing activities

BALANCE SHEET
31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
FIXED ASSETS					
Intangible fixed assets	8		0		0
Tangible fixed assets	9		4,966,984		5,847,644
			4,966,984		5,847,644
CURRENT ASSETS					
Stocks	10	3,605,470		3,670,812	
Debtors	11	1,985,883		2,233,379	
Cash at bank and in hand		590,304		989,475	
		6,181,657		6,893,666	
CREDITORS: amounts falling due within one year	12	(10,122,884)		(9,503,842)	
NET CURRENT LIABILITIES			(3,941,227)		(2,610,176)
TOTAL ASSETS LESS CURRENT LIABILITIES			1,025,757		3,237,468
CREDITORS: amounts falling due after more than one year	13		(2,562,426)		(2,629,521)
SUBORDINATED INTERCOMPANY LOAN	14		(8,396,597)		(8,396,597)
NET ASSETS			(9,933,266)		(7,788,650)
CAPITAL AND RESERVES					
Called up share capital	16		3,500,002		3,500,002
Profit and loss account	17		(13,433,268)		(11,288,652)
TOTAL SHAREHOLDERS' FUNDS	18		(9,933,266)		(7,788,650)

These financial statements of Chemson Limited (Company Number 1980314) were approved by the Board of Directors on

Signed on behalf of the Board of Directors

P D Goodinson

Chairman of the Board

Date 30/5/2013

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with United Kingdom applicable accounting standards, which have been applied consistently in both the current and prior period The particular accounting policies adopted are described below

Basis of preparation

The financial statements have been prepared under the historical cost convention The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report on pages 2 to 5 The company's forecasts show that additional financing will be required above the Company's current banking facilities due to financial obligations to third parties

As of 31 December 2012, the total amount of shareholder loan granted to Chemson Ltd equals £ 9,245,794 In order to improve the commercial equity ratio of Chemson Ltd , the Company has received a binding letter of Chemson Polymer-Additive AG, Austria, with the declaration, that an amount of £ 8,396,597 of the total shareholder loan is subordinated

Following this subordination the company has net current liabilities of £3,941,227, including amounts owed to group companies of £ 6,579,923 and creditors falling due after more than one year with £ 2,562,426 including amounts owed to group companies of £ 2,432,425 Whilst these amounts have not been formally subordinated, the Group's forecasts assume that such amounts will not be repaid unless the company also has adequate working capital to meet its third party commitments Furthermore it is agreed that Chemson Polymer-Additive AG will provide reasonable support for the ongoing business by allocating increasing production volume to the Company

The planning of the financing capability of Chemson Ltd is based on the budget and midterm planning 2013 to 2016 of the Chemson Group When assessing the going concern assumption the following developments are considered

- trading volumes remains volatile and the company may have to seek additional funding from Chemson Polymer-Additive AG There is no guarantee that such additional funds will be provided,
- the group financing facilities are subject to monthly covenant tests, whilst the directors do not anticipate a covenant breach, a monthly test is an onerous requirement when volumes in the sector remain volatile,
- the parent company is currently subject to a sales process A change in ownership may lead to a change in strategy for the group

The directors have concluded that the combination of issues above represent a uncertainty that may cast doubt on the Company's ability to continue as a going concern The Company may, therefore, be unable to continue trading and realising their assets and discharging their liabilities in the normal course of business but the financial statements do not include any adjustments that would result from a breach of covenants Nevertheless after making enquiries and considering these issues in detail, the directors have a reasonable expectation that the Company have adequate resources to continue in operation for the foreseeable future For these reasons, they continue to adopt the going concern basis in the preparation of the financial statements

The company has taken advantage of the exemption under the rules of FRS 1 (revised) not to produce a cash flow statement, as the accounts of the parent company, Atterbury S A , of which it is a wholly owned subsidiary, are publicly available (see note 21)

Turnover

Turnover represents amounts invoiced (excluding VAT) to customers Turnover is recognised on transfer of title to the customer

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost, net of depreciation or amortisation and any provision for impairment

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less the estimated residual value of each asset by equal instalments over its expected useful lives as follows

Freehold buildings	-	25 to 30 years
Plant and machinery	-	5 to 25 years
Fixtures and fittings, tools and equipment	-	3 to 15 years

Licences and similar assets are amortised over their unexpired period of 4 years

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value Cost is determined on a first-in first-out basis, and includes all direct costs incurred For work in progress and finished goods manufactured by the company, cost is stated at production cost, which includes an appropriate proportion of attributable overheads Provision is made for obsolete, slow moving or defective items where appropriate

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account

Leases

The company has no finance lease obligations Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Post-retirement benefits

The company contributes a set proportion of employees' salaries to defined contribution schemes The costs are charged to the profit and loss account as they become payable Differences between contributions payables and contributions actually paid are shown as either accruals or prepayments in the balance sheet

Taxation

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

Deferred taxation is provided in full on timing differences that 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 the financial statements 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

1. ACCOUNTING POLICIES (continued)

Grants

Regional selective assistance grants are released to the profit and loss account by equal instalments over the lives of the assets to which they relate

2. ANALYSIS OF DESTINATION OF TURNOVER BY GEOGRAPHICAL MARKET

	12 month period ended December 2012 £	12 month period ended December 2011 £
Europe	25,912,214	29,194,998
Rest of the World	610,159	1,384,362
	26,522,373	30,579,360

All turnover originates within the United Kingdom

3. OPERATING LOSS

	12 month period ended December 2012 £	12 month period ended December 2011 £
Operating loss is stated after (crediting)/ charging		
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	30,600	30,500
Tax services	21,875	42,774
Operating leases - plant and machinery	380,483	381,463
Depreciation, amortisation and other amounts written off fixed assets		
Tangible fixed assets	986,681	1,021,817
Intangible fixed assets	0	3,439
Net exchange gain	(411,220)	(498,630)
Amortisation of government grants	(36,000)	(36,000)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

4. DIRECTORS' REMUNERATION

The total amounts for dırector' remuneratıon ın respect of servıces to the company were as follows

	12 month perıod ended December 2012 £	12 month perıod ended December 2011 £
Dırectors' emoluments	170,000	165,000
Contrıbutıons to company pensıon schemes	18,700	14,556

Certaın dırectors of the company are wholly remunerated by other companıes ın the group headed by Atterbury S A

5. EMPLOYEES

The average number of persons employed by the company (ıncludıng dırectors) durıng the perıod, analysed by category, was as follows

	12 month perıod ended December 2012	12 month perıod ended December 2011
Office admınıstratıon	32	45
Productıon	33	45
	65	90

The aggregate payroll costs of these persons were as follows	£	£
Wages and salarıes	2,183,493	3,097,124
Socıal securıty costs	218,651	291,441
Other pensıon costs	262,763	316,518
	2,664,907	3,705,083

6. FINANCE CHARGES (NET)

	12 month perıod ended December 2012 £	12 month perıod ended December 2011 £
On bank loans and overdrafts payable to thırd partıes	82,566	210,282
Interest payable to other group companıes	555,159	508,533
Net exchange (gaıns)/losses	(44,685)	(46,470)
	593,040	672,345

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	12 month period ended December 2012 £	12 month period ended December 2011 £
a) Taxation is based on loss for the year and comprises		
Current tax		
UK corporation tax on loss for the year at 24 5% (2011 26 5%)	-	-
Total current tax charge	-	-
Deferred tax		
Deferred tax charge	-	-
Tax charge on loss on ordinary activities	-	-

b) Factors affecting the tax charge for the current period

The current tax charge for the period is £nil This is lower than the standard rate of corporation tax in the UK of 24 5% (2011 26 5%) The differences are explained below

	12 month period ended December 2012 £	12 month period ended December 2011 £
Tax charge reconciliation		
Loss on ordinary activities before taxation	(2,144,616)	(5,395,786)
Tax charge at UK corporation tax rate of 24 5% (2011 26 5%)	(525,431)	(1,429,514)
Effects of		
Expenditure not deductible for tax purposes	(201)	28,237
Pension scheme contribution	5,858	0
Depreciation in excess of capital allowances	140,405	89,365
Movement in short term timing differences	(11,120)	(12,024)
Losses not utilised	390,489	1,323,937
Total current tax charge	-	-

c) *Factors that may affect the future tax charge*

A deferred tax asset has not been recognised in respect both of other timing differences net of accelerated capital allowances and capital gains heldover, and of trading losses carried forward as there is insufficient evidence that the asset will be recovered The amount of the asset not recognised is £3,669,778 (31 December 2011 £3,467,291)

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

8. INTANGIBLE FIXED ASSETS

	Licences & similar assets £
Cost	
At 1 January 2012 and 31 December 2012	567,567
Amortisation	
At 1 January 2012	567,567
Charge for year	0
At 31 December 2012	567,567
Net book value	
At 31 December 2012	0
At 31 December 2011	0

9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Assets under course of construction £	Total £
Cost					
At 1 January 2012	4,054,051	15,174,176	758,710	53,515	20,040,452
Disposals	-	(500,182)	(2,307)	-	(502,489)
Additions/ Reclassification	-	194,750	6,875	(21,664)	179,961
At 31 December 2012	4,054,051	14,868,744	763,278	31,851	19,717,924
Depreciation					
At 1 January 2012	1,939,047	11,535,880	717,881	-	14,192,808
Charge for period	127,189	824,615	34,877	-	986,681
Disposals	-	(426,242)	(2,307)	-	(428,549)
At 31 December 2012	2,066,236	11,534,253	750,451	-	14,750,940
Net book value					
At 31 December 2012	1,987,815	2,934,491	12,827	31,851	4,966,984
At 31 December 2011	2,115,004	3,638,296	40,829	53,515	5,847,644

Freehold land and buildings includes land with a cost of £451,000 which is not being depreciated

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

10. STOCKS

	2012 £	2011 £
Raw materials and consumables	1,213,066	1,912,150
Work in progress	269,131	390,880
Finished goods and goods for resale	2,123,273	1,367,782
	3,605,470	3,670,812

11. DEBTORS

	2012 £	2011 £
Trade debtors	1,915,584	1,968,869
Amounts owed by group undertakings	-	62,543
Other debtors	52,147	147,017
Prepayments and accrued income	18,152	54,950
	1,985,883	2,233,379

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £	2011 £
Bank loan	734,490	1,002,360
Trade creditors	2,008,768	3,825,789
Amounts owed to group undertakings	6,579,923	3,862,881
Other creditors including taxation and social security	238,912	102,734
Accruals and deferred income	560,791	710,078
	10,122,884	9,503,842

The bank loan is secured over the book debts of the company

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

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

	2012	2011
	£	£
Bank loan	-	751,770
Intercompany loan	2,432,425	1,620,053
Accruals and deferred income	130,001	257,698
	2,562,426	2,629,521

Borrowings are repayable as follows

	2012	2011
Long term loans		
Less than one year	734,490	1,002,360
Between one and two years	-	751,770
Between two and five years	2,432,425	1,620,053
	3,166,915	3,374,183

The bank loan is secured against the shares in the Company, the shares in the ultimate parent company and fellow group members and inter-company receivables of a maturity greater than three months Interest is charged at Euribor +3 75%

It is repayable by quarterly instalments ending in 2013

The intercompany loan is unsecured and bears interest which is reset each quarter

14. SUBORDINATED INTERCOMPANY LOAN

In order to improve the commercial equity ratio of Chemson Ltd , the Company has received a binding letter of Chemson Polymer-Additive AG, Austria, with the declaration, that an amount of £8,396,597 of the total shareholder loan is subordinated

Repayment of the loan is deferred until the liquidity of the company allows repayment The loan bears interest at 5 25%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

15. DEFERRED TAX ASSET

	2012 £	2011 £
Deferred Taxation		
At 1 January	-	-
Charge/(credit) to the profit and loss account	-	-
At 31 December	-	-

The elements of the unrecognised deferred taxation are as follows

	2012	2011
Accelerated capital allowances	(556,597)	(743,208)
Other timing differences	10,686	14,710
Losses	4,297,569	4,284,789
Capital gains rolled over	(81,880)	(89,000)
	3,669,778	3,467,291

16. CALLED UP SHARE CAPITAL

	2012 £	2011 £
Allotted, called up and fully paid		
3,500,002 Ordinary shares of £1 each	3,500,002	3,500,002

17. PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At 1 January	(11,288,652)	(5,892,866)
Retained loss for the financial period	(2,144,616)	(5,395,786)
At 31 December	(13,433,268)	(11,288,652)

18. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' FUNDS

	Year ended December 2012 £	Year ended December 2011 £
Loss for the financial period	(2,144,616)	(5,395,786)
Opening shareholders' funds	(7,788,650)	(2,392,864)
Closing shareholders' funds	(9,933,266)	(7,788,650)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2012

19. COMMITMENTS

	2012 £	2011 £
Capital commitments contracted but not provided	-	-
Annual commitments under non-cancellable operating leases		
Operating leases which expire		
Within one year	69,444	82,397
Within two to five years inclusive	57,546	89,233
	126,990	171,630

20. PENSION SCHEME

Pension arrangements

After a qualifying period the Company offers Employees a G P P P (Group Personal Pension Plan) which is a defined contribution scheme This commenced 1st December 2007 following the closure to future accrual of the previous Defined Benefit scheme

The Company offer Employees 8 5% of salary as an Employers contribution, with the Employee contributing a minimum of 4% of salary

The scheme is currently optional for Employees

21. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Chemson Polymer-Additive AG a company incorporated in Austria and deemed to be the controlling party

The largest group in which the results are consolidated is that headed by Buy-Out Central Europe II Beteiligungs-Invest AG, Vienna, and parent company of subgroup consolidated statements is Atterbury S A , incorporated in Luxemburg The consolidated accounts of this group are available to the public and may be obtained from Atterbury S A Findel Business Center, Complexe B, Route de Trèves, L-2632 Findel, Grand Duchy of Luxembourg

22. RELATED PARTY TRANSACTIONS

Under FRS 8 "Related Party Disclosures", the group is exempt from the requirements to provide details of transactions with other members of the group headed by Atterbury S A