

# **Techwax Limited**

## **Report and Financial Statements**

30 September 2013

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COMPANIES HOUSE

**Director**

F. Jumelet

**Secretary**

J Charlton

**Independent Auditors**

PricewaterhouseCoopers LLP  
Central Square South  
Orchard Sreet  
Newcastle upon Tyne  
NE1 3AZ

**Bankers**

National Westminster Bank Plc  
28 Market Place  
Barnard Castle  
County Durham  
DL12 8PT

**Solicitors**

Davies Wallis Foyster  
Centurion House  
129 Deansgate  
Manchester  
M3 3AA

**Registered Office**

Unit 4B Whinbank Park  
Whinbank Road  
Aycliffe Industrial Estate  
Newton Aycliffe  
County Durham  
DL5 6AY

## Strategic report

### Principal activity and review of the business

The principal activity of the company is in the manufacture of chemicals in support of drilling activities within the oilfield industry and research, manufacture and sale of a range of acrylates including dispersants, thickeners, binders, scale inhibitors, coagulants and flocculants.

The directors are pleased with the improvement in profitability and look forward to continued profitability in 2014.

### Principal risks and uncertainties

There are no significant risks or uncertainties that would hinder the company's continued steady growth. The company continues to enjoy the full support of its ultimate U.S. parent undertaking and thus no risks or uncertainties currently exist which would hinder continued operations in the markets that it operates in.

### Risk management objectives and policies

The company acts as a toll manufacturer on behalf of Ashland Industries Europe GmbH and thus it is Ashland Industries Europe GmbH who bears all the exposure to risk on pricing, credit, liquidity and cash flows.

### Environmental Matters

The business complies with all current environmental legislation; this is lead by the ultimate U.S. parent company and is audited on a regular basis.

By order of the Board



J Charlton  
Secretary

27 June 2014

## Director's report for the year ended 30 September 2013

The director presents his report and financial statements for the year ended 30 September 2013.

### Results and dividends

The profit for the financial year after taxation amounted to £242,942 (year ended 30 September 2012 – £401,107). The directors do not recommend a dividend for the year (2012 – £nil).

### Going concern

The directors have considered the company's current and future prospects and its availability of financing, and are satisfied that the company can continue to pay its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements. For this reason the directors continue to adopt the going concern basis of preparation for these financial statements.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were as follows:

F Jumelet (Appointed 30 September 2012)

C Higgs (Resigned 30 September 2012)

### Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



J Charlton  
Secretary

27 June 2014

## Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with 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 judgements 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.

The directors are responsible for the maintenance and integrity of 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 auditors' report**

To the members of Techwax Limited

### **Report on the financial statements**

#### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 30 September 2013 and of its 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.

This opinion is to be read in the context of what we say in the remainder of this report.

#### **What we have audited**

The financial statements, which are prepared by Techwax Limited, comprise:

- the balance sheet as at 30 September 2013;
- the profit and loss account and statement of total recognised gains and losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

#### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

### **Opinion on other matter prescribed by the Companies Act 2006**

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

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Independent auditors' report

To the members of Techwax Limited

### Directors' remuneration

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

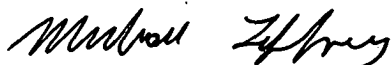
### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Michael Jeffrey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
27 June 2014

## Profit and loss account

for the year ended 30 September 2013

|  |              | <i>Year Ended</i>  | <i>Year ended</i>  |
|--|--------------|--------------------|--------------------|
|  |              | <i>30 Sep 2013</i> | <i>30 Sep 2012</i> |
|  | <i>Notes</i> | <i>£</i>           | <i>£</i>           |
| <b>Turnover</b>                                      | 2            | 11,893,014         | 15,003,099         |
| Cost of sales  |              | (11,750,514)       | (14,943,471)       |
| <b>Gross profit</b>                                  |              | 142,500            | 59,628             |
| Administrative expenses                              | 3            | (2,897,195)        | (2,629,247)        |
| Other operating income                               |              | 3,025,317          | 3,004,521          |
| <b>Operating profit</b>                              | 4            | 270,622            | 434,902            |
| Other finance expense                                |              | (3,000)            | -                  |
| <b>Profit on ordinary activities before taxation</b> |              | 267,622            | 434,902            |
| Tax on profit on ordinary activities                 | 6            | (24,680)           | (33,795)           |
| <b>Profit for the financial year</b>                 | 12           | 242,942            | 401,107            |

The results are derived wholly from continuing operations. There is no material difference between the profit for the financial year stated above and their historical cost equivalents.

## Statement of total recognised gains and losses

for the year ended 30 September 2013

|  |    | <i>Year ended</i>  | <i>Year ended</i>  |
|--|----|--------------------|--------------------|
|  |    | <i>30 Sep 2013</i> | <i>30 Sep 2012</i> |
|  |    | <i>£</i>           | <i>£</i>           |
| Profit attributable to members of the company                                  |    | 242,942            | 401,107            |
| Actuarial gain/(loss) recognised in the pension scheme                         | 14 | (88,000)           | -                  |
| Effect of pension surplus cap  | 14 | 97,000             | -                  |
| Movement in deferred tax relating to defined benefit pension deficits          | 14 | 14,070             | -                  |
| <b>Total recognised gains and losses relating to the financial year/period</b> |    | 266,012            | 401,107            |



**Balance sheet**

at 30 September 2013

|   | Notes | 2013<br>£   | 2012<br>£   |
|---|-------|-------------|-------------|
| <b>Fixed assets</b>                                   |       |             |             |
| Tangible assets                                       | 7     | 1,638,015   | 1,501,253   |
| <b>Current assets</b>                                 |       |             |             |
| Debtors   | 8     | 1,884,642   | 4,550,111   |
| Cash at bank and in hand                              |       | 459,452     | 196,855     |
|   |       | 2,344,094   | 4,746,966   |
| <b>Creditors:</b> amounts falling due within one year | 9     | (1,952,475) | (4,436,147) |
| <b>Net current assets</b>                             |       | 391,619     | 310,819     |
| <b>Total assets less current liabilities</b>          |       | 2,029,634   | 1,812,072   |
| <b>Provisions for liabilities</b>                     | 10    | (155,323)   | (175,633)   |
| <b>Net assets</b>                                     |       | 1,874,311   | 1,636,439   |
| <b>Capital and reserves</b>                           |       |             |             |
| Called up share capital                               | 11    | 30,000      | 30,000      |
| Profit and loss account                               | 12    | 1,844,311   | 1,606,439   |
| <b>Total Shareholders' funds</b>                      | 12    | 1,874,311   | 1,636,439   |

The financial statements on pages 6 to 20 were approved by the Board of Directors on 27 June 2014 and signed on their behalf by:

F. Jumelet  
Director

## Notes to the financial statements for the year ended

30 September 2013

### 1. Accounting policies

#### *Basis of preparation*

The financial statements have been prepared in accordance with the financial reporting standards for smaller entities and applicable accounting standards in the United Kingdom. Also in accordance with the provision of the Companies Act 2006 and under the historical cost accounting convention. The accounting policies that follow have been consistently applied to all years presented.

#### *Going concern*

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future and meet its liabilities as they fall due.

The company has net current assets of £391,619 (2012 – assets of £310,819). The company meets its day to day working capital requirements through inter-company funding. In view of these circumstances, the directors are satisfied that financial support will be available to the company should it be required for the foreseeable future. Accordingly, the directors of the company believe that it is appropriate to adopt the going concern basis in preparing the financial statements.

#### *Statement of cash flows*

Under the provisions of FRS 1, the company is exempt from the requirement to prepare a statement of cash flows on the grounds that its ultimate parent undertaking, Ashland Inc, incorporated in the United States of America, includes the company in its own published group financial statements.

#### *Turnover*

The company acts as a tolling manufacturer for Ashland Industries Europe GmbH. Turnover represents the movement on inventory plus associated mark-up. Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

#### *Tangible fixed assets*

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided to write-off the cost less estimated residual value of tangible fixed assets on a straight-line basis over their expected useful life, as follows:

|                        |   |               |
|------------------------|---|---------------|
| Leasehold improvements | – | 5 years       |
| Plant and machinery    | – | 3 to 20 years |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Stocks*

Stock is owned by Ashland Industries Europe GmbH under a tolling manufacturing arrangement and is therefore not included in the balance sheet of Techwax Limited.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

# Notes to the financial statements for the year ended

30 September 2013

## 1. Accounting policies (continued)

### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate of exchange 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 or losses on translation are included in the profit and loss account.

### *Leases and hire purchase commitments*

Operating lease rental are charged to the profit and loss account on a straight-line basis over the period of the lease.

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

### *Pension costs*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amounts charged to the profit and loss account in respect of the defined contribution scheme represent the contributions payable to the scheme in respect of the accounting period.

### *Other operating income*

Other operating income relates to reimbursement for work undertaken and expenses incurred on behalf of a fellow ISP subsidiary.

## 2. Turnover

The geographical analysis of turnover by destination is as follows:

|        | <i>Year ended</i>  | <i>Year ended</i>  |
|--------|--------------------|--------------------|
|        | <i>30 Sep 2013</i> | <i>30 Sep 2012</i> |
|        | <i>£</i>           | <i>£</i>           |
| Europe | 11,893,014         | 15,003,099         |

## 3. Administrative expenses

|                          | <i>Year Ended</i>  | <i>Year ended</i>  |
|--------------------------|--------------------|--------------------|
|                          | <i>30 Sep 2013</i> | <i>30 Sep 2012</i> |
|                          | <i>£</i>           | <i>£</i>           |
| Distribution costs       | 446,720            | 507,668            |
| Administration           | 1,053,011          | 1,321,743          |
| Research and development | 1,397,464          | 799,836            |
|                          | <u>2,897,195</u>   | <u>2,629,247</u>   |

# Notes to the financial statements for the year ended

30 September 2013

## 4. Operating profit

This is stated after charging:

|  | <i>Year ended<br/>30 Sep 2013</i> | <i>Year ended<br/>30 Sep 2012</i> |
|--|-----------------------------------|-----------------------------------|
|  | £                                 | £                                 |
| Auditors' remuneration – audit                             | 3,421                             | 5,145                             |
| – non audit services – taxation compliance                 | 127,590                           | 19,875                            |
| – non audit services – taxation advisory                   | 8,370                             | 14,750                            |
| Depreciation and amounts written off tangible fixed assets | 350,341                           | 328,356                           |
| Operating lease rentals – land and buildings               | 258,976                           | 233,076                           |
| Operating lease rentals – plant and machinery              | 19,252                            | 27,520                            |
| Operating lease rentals - other                            | 33,316                            | 22,643                            |

## 5. Staff costs

|                               | <i>Year ended<br/>30 Sep 2013</i> | <i>Year ended<br/>30 Sep 2012</i> |
|-------------------------------|-----------------------------------|-----------------------------------|
|                               | £                                 | £                                 |
| Wages and salaries            | 1,821,159                         | 1,850,707                         |
| Social security costs         | 192,274                           | 186,545                           |
| Other pension costs (note 13) | 41,437                            | 53,543                            |
|                               | <u>2,054,870</u>                  | <u>2,090,795</u>                  |

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

|                          | <i>Year ended<br/>30 Sep 2013</i> | <i>Year ended<br/>30 Sep 2012</i> |
|--------------------------|-----------------------------------|-----------------------------------|
|                          | No.                               | No.                               |
| Production               | 19                                | 19                                |
| Administration           | 21                                | 25                                |
| Research and development | 26                                | 21                                |
|                          | <u>66</u>                         | <u>65</u>                         |

The remuneration of the company directors in the current financial accounting year were borne by other group companies and are disclosed in the financial statements of those companies. It is not practical to apportion their remuneration between those companies.

# Notes to the financial statements for the year ended

30 September 2013

## 6. Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

|   | Year ended<br>30 Sep 2013 | Year ended<br>30 Sep 2012 |
|---|---------------------------|---------------------------|
|   | £                         | £                         |
| <i>Current tax:</i>                           |                           |                           |
| UK corporation tax                            | 66,784                    | 94,706                    |
| Adjustments in respect of previous years      | (21,794)                  | (117,203)                 |
| Total current tax (note 6(b))                 | 44,990                    | (22,497)                  |
| <i>Deferred tax:</i>                          |                           |                           |
| Origination and reversal of timing difference | 3,092                     | 73,890                    |
| Adjustment in respect of previous periods     | (38)                      | -                         |
| Effects of changes in tax rates               | (23,364)                  | (17,598)                  |
| Total deferred tax (note 10)                  | (20,310)                  | 56,292                    |
| Tax on profit on ordinary activities          | 24,680                    | 33,795                    |

(b) Factors affecting current tax charge

The tax charge for the period differs from the standard rate of corporation tax in the UK of 23.50%

The differences are explained below:

|   | Year ended<br>30 Sep 2013 | Year<br>ended<br>30 Sep 2012 |
|---|---------------------------|------------------------------|
|   | £                         | £                            |
| Profit on ordinary activities   | 267,622                   | 434,902                      |
| Profit on ordinary activities multiplied by standard rate<br>of corporation tax in the UK of 23.50% (2012 – 25.00%) | 62,891                    | 108,726                      |
| <i>Effects of:</i>  |                           |                              |
| Expenses not deductible for tax   | 6,988                     | -                            |
| Non-taxable income  | -                         | (42,469)                     |
| Capital allowances in excess of depreciation  | (7,328)                   | 28,449                       |
| Movement in short term timing differences   | 4,233                     | -                            |
| Adjustments in respect of previous years  | (21,794)                  | (117,203)                    |
| Current tax for the year (note 6(a))  | 44,990                    | (22,497)                     |

# Notes to the financial statements for the year ended

30 September 2013

## 6. Tax on profit on ordinary activities (continued)

### (c) Factors affecting future tax charge

The Finance Act 2012, which was substantively enacted on 3 July 2012, includes legislation reducing the main rate of corporation tax to 23% from 1 April 2013. As the Finance Act 2012 was substantively enacted at the balance sheet date, deferred tax balances at 31 December 2012 have been calculated using a tax rate of 23%. A further reduction to the main rate is proposed to reduce the rate by 1% to 22% from 1 April 2014. This proposed reduction to the main rate of corporation tax is not expected to be enacted until a future Finance Bill is approved. The overall effect of the further change from 23% to 22% is not expected to have a material impact on the company's deferred tax balances.

## 7. Tangible fixed assets

|                           | <i>Leasehold<br/>improvements</i> | <i>Plant and<br/>machinery</i> | <i>Total</i> |
|---------------------------|-----------------------------------|--------------------------------|--------------|
|                           | £                                 | £                              | £            |
| Cost:                     |                                   |                                |              |
| At 1 October 2012         | 24,772                            | 2,702,877                      | 2,727,649    |
| Additions                 | -                                 | 487,103                        | 487,103      |
| At 30 September 2013      | 24,772                            | 3,189,980                      | 3,214,752    |
| Accumulated depreciation: |                                   |                                |              |
| At 1 October 2012         | 24,772                            | 1,201,624                      | 1,226,396    |
| Charge for the period     | -                                 | 350,341                        | 350,341      |
| At 30 September 2013      | 24,772                            | 1,551,965                      | 1,576,737    |
| Net book value:           |                                   |                                |              |
| At 30 September 2013      | -                                 | 1,638,015                      | 1,638,015    |
| At 30 September 2012      | -                                 | 1,501,253                      | 1,501,253    |

# Notes to the financial statements for the year ended

30 September 2013

## 8. Debtors

|                                    | 2013<br>£        | 2012<br>£        |
|------------------------------------|------------------|------------------|
| Amounts owed by group undertakings | 1,819,468        | 4,376,068        |
| Other debtors                      | -                | 78,286           |
| Prepayments and accrued income     | 65,174           | 95,757           |
|                                    | <u>1,884,642</u> | <u>4,550,111</u> |

## 9. Creditors: amounts falling due within one year

|                                    | 2013<br>£        | 2012<br>£        |
|------------------------------------|------------------|------------------|
| Trade creditors                    | 731,525          | 91,499           |
| Amounts owed to group undertakings | 952,512          | 4,156,564        |
| Corporation tax                    | 66,784           | 94,706           |
| Accruals and deferred income       | 201,654          | 93,378           |
|                                    | <u>1,952,475</u> | <u>4,436,147</u> |

## 10. Provisions for liabilities

|   | <i>Deferred tax</i> |             |
|---|---------------------|-------------|
|   | <i>£</i>            |             |
| At 1 October 2013                                 |                     | 175,633     |
| Charged to profit and loss account (note 6(a))    |                     | (20,272)    |
| Adjustments in respect of prior years (note 6(a)) |                     | (38)        |
|   |                     | <hr/>       |
| At 30 September 2012                              |                     | 155,323     |
|   |                     | <hr/> <hr/> |
|   | <i>2013</i>         | <i>2012</i> |
|   | <i>£</i>            | <i>£</i>    |
| Deferred tax consists of:                         |                     |             |
| Accelerated capital allowances                    | 155,323             | 175,633     |

## Notes to the financial statements for the year ended

30 September 2013

### 11. Called up share capital

|   |            | 2013     |            | 2012     |
|---|------------|----------|------------|----------|
| <i>Allotted, called up and fully paid</i> | <i>No.</i> | <i>£</i> | <i>No.</i> | <i>£</i> |
| Ordinary shares of £1 each                | 30,000     | 30,000   | 30,000     | 30,000   |

### 12. Reconciliation of movements in shareholders' funds and movements on reserves

|   | <i>Called up<br/>Share<br/>capital<br/>£</i> | <i>Profit<br/>and loss<br/>account<br/>£</i> | <i>Total<br/>share-<br/>holders'<br/>funds<br/>£</i> |
|---|--|--|--|
| At 1 October 2012   | 30,000                                       | 1,606,439                                    | 1,636,439  |
| Profit for the year   | -  | 242,942                                      | 242,942  |
| Actuarial gain/(loss) recognised in the pension scheme                | -  | (88,000)                                     | (88,000)   |
| Effect of pension surplus cap   | -  | 97,000                                       | 97,000   |
| Movement in deferred tax relating to defined benefit pension deficits | -  | (14,070)                                     | (14,070)   |
| At 30 September 2013  | 30,000                                       | 1,844,311                                    | 1,874,311  |

Techwax Ltd was made the principal employer for the ISP Great Britain Pension Scheme during 2013.

### 13. Pension commitments

The company operates a defined contribution pension scheme for which the pension cost charge for the year amounted to £79,672 (2012 – £53,543). At the balance sheet date outstanding contributions were £18,024 (2012 – £nil).



## Notes to the financial statements for the year ended

30 September 2013

### 14. Pension schemes

The Company operates two pension schemes, a defined benefit scheme and a defined contribution personal pension plan. The assets of both schemes are held separately from those of the company in independently administered funds. The defined benefit scheme is closed to all new employees and the last remaining active member left the company's employment on 31 January 2006.

The defined benefit pension scheme provides benefits based on final pensionable pay. Payments made to the funds and charged in the financial statements comprise current and past service contributions. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method.

The most recent actuarial valuation was carried out as at 30th April 2009 and showed that the market value of the scheme's assets was £630,500. This represented 105% of the value of the benefits that had accrued to members, on an ongoing funding basis. This funding level is equivalent to a surplus in the scheme of £31,600. As a result of the actuarial valuation, it was agreed with the scheme Trustees that further lump sums of £58,000 in April 2010 and then £25,000 in both April 2011 and April 2012 will be paid into the scheme. This additional funding is being provided to bring the scheme up to full funding on a wind-up (buy-out) basis. The scheme's administrative expenses continue to be paid by the company rather than met out of the scheme funds.

The pension scheme has not invested in any of the company's own financial instruments nor in properties or other assets used by the company.

Additional disclosures regarding the group's defined benefit pension scheme are required under FRS 17 'Retirement benefits' and these are set out below.

The actual valuation described above has been updated at 30 September 2013 by a qualified independent actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose at fair value.

The major assumptions used for the actuarial valuation under FRS 17 were:

|   | 2013  | 2012  | 2011  |
|---|-------|-------|-------|
| Rate of increase in salaries                          | n/a   | n/a   | n/a   |
| Rate of increase in pensions in payment and deferment | 3.40% | 2.60% | 3.00% |
| Discount rate   | 4.50% | 4.40% | 5.25% |
| Inflation assumption (RPI)                            | 3.50% | 2.60% | 3.30% |

# Notes to the financial statements for the year ended

30 September 2013

## 14. Pension schemes (continued)

The UK Government announced on 8 July 2010 that statutory pension increases or valuations would be based on the Consumer Prices Index (CPI) measure of price inflation from 2011, rather than the Retail Prices Index (RPI) measure of price inflation. There is still some legal uncertainty as to how this will affect UK scheme benefits generally and the Scheme Trustees are considering whether there is a legal or constructive obligation to continue to provide increase or revaluations in line with the RPI. Until this has been resolved, the Company has agreed that pension increases and revaluations will continue to be accounted for on the basis that they were linked to the RPI.

The fair values of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

|   | <i>Long term<br/>rate of<br/>return<br/>2013<br/>%</i> | <i>Value<br/>2013<br/>£</i> | <i>Long term<br/>rate of<br/>return<br/>2012<br/>%</i> | <i>Value<br/>2012<br/>£</i> | <i>Long term<br/>rate of<br/>return<br/>2011<br/>%</i> | <i>Value<br/>2011<br/>£</i> |
|---|--|-----------------------------|--|-----------------------------|--|-----------------------------|
| Equities  | -  | -                           | -  | -                           | -  | -                           |
| Bonds   | 3.40   | 838,000                     | 2.6  | 825,690                     | 3.3  | 684,500                     |
| Cash  | 0.25   | 57,000                      | 0.3  | 82,310                      | 0.3  | 157,500                     |
| Total market value of assets                                    |  | 895,000                     |  | 908,000                     |  | 842,000                     |
| Actuarial value of scheme liabilities                           |  | (659,000)                   |  | (575,000)                   |  | (510,000)                   |
| Surplus in the scheme   |  | 236,000                     |  | 333,000                     |  | 332,000                     |
| Effect of surplus cap   |  | (236,000)                   |  | (333,000)                   |  | (332,000)                   |
| Net pension surplus   |  | -                           |  | -                           |  | -                           |
|   |  |                             |  |                             | 2013<br>£  | 2012<br>£                   |
| <b>Movement in the surplus during the year/period</b>           |  |                             |  |                             |  |                             |
| Surplus in scheme at beginning of year/period (capped)          |  |                             |  |                             | -  | -                           |
| Contributions paid  |  |                             |  |                             | -  | (25,000)                    |
| Other finance expense   |  |                             |  |                             | 9,000  | 3,000                       |
| Actuarial gain  |  |                             |  |                             | 88,000   | 21,000                      |
| Movement in surplus cap   |  |                             |  |                             | (97,000)   | 1,000                       |
| <b>Surplus in the scheme at the end of year/period (capped)</b> |  |                             |  |                             | -  | -                           |

# Notes to the financial statements for the year ended

30 September 2013

## 14. Pension schemes (continued)

|  | 2013<br>£        | 2012<br>£        |           |           |
|--|------------------|------------------|-----------|-----------|
| <b>Analysis of other pension costs charged in arriving at operating profit</b>                         |                  |                  |           |           |
| Current service cost   | 6,000            | -                |           |           |
|  | <u>2013</u><br>£ | <u>2012</u><br>£ |           |           |
| <b>Analysis of amounts included in other finance income/expense</b>                                    |                  |                  |           |           |
| Expected return on pension schemes assets  | (22,000)         | (23,000)         |           |           |
| Interest on pension scheme liabilities   | 25,000           | 26,000           |           |           |
|  | <u>3,000</u>     | <u>3,000</u>     |           |           |
| <b>Weighted average life expectancy for mortality tables used to determine benefit obligations at:</b> |                  |                  |           |           |
|  | 2013<br>Years    | 2012<br>Years    |           |           |
| Member age 65 (current life expectancy)  | 23.3             | 23.2             |           |           |
| Member age 45 (life expectancy at age 65)  | 25.1             | 25.0             |           |           |
|  | 2013<br>%        | 2013<br>£        | 2012<br>% | 2012<br>£ |
| <b>History of experience gains and losses</b>  |                  |                  |           |           |
| Actual return less expected return on scheme assets  |                  | (15,000)         |           | 32,000    |
| Percentage of year end scheme assets   | 2                |                  | 3         |           |
| Experience gains and losses arising on scheme liabilities  |                  | 7                |           | 1         |
| Percentage of present value of year end scheme liabilities   | 1                |                  | 0         |           |

## Notes to the financial statements for the year ended

30 September 2013

### 14. Pension schemes (continued)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice. The post-retirement mortality assumptions allow for expected increases in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date.

In agreeing the discount rate used in the calculation of the present value of the pension scheme liabilities under FRS17, the directors acknowledge the high degree of judgement involved, and the sensitivity of the calculations to a change in assumptions. The impact of a 0.1% change in the discount rate has an immaterial impact on scheme liabilities, particularly in view of the impact of the surplus cap. The directors also acknowledge their responsibilities for ensuring that actuarial assumptions are suitably updated to reflect changing economic conditions, and they confirm that the 30 September 2012 assumptions have been carefully reviewed with the actuary.

### 15. Other financial commitments

At 30 September, the company had annual commitments under non-cancellable operating leases as set out below:

|                              | <i>Land and<br/>buildings</i> | <i>Other</i>  | <i>Land and<br/>buildings</i> | <i>Other</i>  |
|------------------------------|-------------------------------|---------------|-------------------------------|---------------|
|                              | <i>2013</i>                   | <i>2013</i>   | <i>2012</i>                   | <i>2012</i>   |
|                              | <i>£</i>                      | <i>£</i>      | <i>£</i>                      | <i>£</i>      |
| Expiry date                  |                               |               |                               |               |
| – within one year            | -                             | -             | -                             | 3,245         |
| – between two and five years | 134,589                       | 25,560        | 134,589                       | 12,247        |
|                              | <u>134,589</u>                | <u>25,560</u> | <u>134,589</u>                | <u>15,492</u> |

### 16. Related party transactions

As a wholly owned subsidiary of Ashland Inc. the company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' from disclosing transactions with other wholly owned members of the group headed by Ashland Inc. The group financial statements of Ashland Inc, within which this company is included, can be obtained from the address given in note 17.

## Notes to the financial statements for the year ended

30 September 2013

### 17. Ultimate parent undertaking and controlling party

The company is a subsidiary undertaking of ISP Holdings (UK) Limited, incorporated in England and Wales.

The largest and smallest group into which the results of the company are consolidated is that headed by Ashland Inc. a company registered in United States of America, and the controlling party of the company.

The consolidated financial statements of Ashland Inc. are available to the public and may be obtained from:

Ashland Inc.  
50 E. RiverCenter Blvd  
P.O. Box 391  
Covington  
KY 41012-0391 USA