# Houghton plc

# Annual report and financial statements

# for the year ended 31 December 2012

**Registered number 00063827**

# Houghton plc

# Annual report and financial statements

# for the year ended 31 December 2012

## Contents

# Houghton plc

## Directors and advisers for the year ended 31 December 2012

**Directors**
S M Taylor
D S P Little
S Mayo
J R Percival
C Jenkinson
B L Smith
E Brotherton

**Company secretary**
P Gosnold

**Independent auditors**
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

**Registered office**
Beacon Road
Trafford Park
Manchester
M17 1AF

# Houghton plc

# Directors' report for the year ended 31 December 2012

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

**Principal activities**

The principal activities of the Company during the year was the manufacture of a wide range of industrial chemicals and lubricants, metal working products, hydraulic fluids and cleaners The Company also supports customers in managing the use of these products by means of individually structured contracts, including undertaking lubrication engineering and the supply of lubrication and other equipment and the provision of waste treatment and disposal solutions and general facilities management services

**Review of business and future developments**

Improvement in market conditions in a number of key sectors in 2012 resulted in a strong business performance in the year A number of new contracts in our offshore business contributed to growth in this sector which continues to offer further opportunity in export markets

During the year, the company experienced much greater stability in raw material prices and this provided greater opportunity for the sales organisation to focus on growth rather than in material cost recovery

Operating income continued to improve as we actively pursued business in our strategic segments and product lines, improving the mix of product and industry resulting in a subsequent margin improvement

In June 2012 the company exited the engineering services business which served the steel market in the UK as we focussed on more core areas of activity

The business will continue to focus our growth in our core value products and services model which has demonstrated a track record of improved margins

External factors continue to dominate our business but, this notwithstanding, the Board continues to be confident in the effectiveness of company initiatives and our highly focused approach to the business

The company operates a defined benefit pension scheme At the year end, the deficit in the scheme has increased to £8 8m (2011 £7 9m) The increase in the deficit is largely due to an actuarial loss before tax of £2m (2011 £2m) on the fund assets during the year

On 20 December 2012 the previous ultimate holding company (HII Holding Corporation) was acquired by GH Holding Inc The impact of this change in ownership on future developments of Houghton plc is still being considered by the management however it is expected that opportunities for both sales growth and cost (both material and operating costs) savings should result in the medium to long term

**Results and dividends**

The directors do not propose a dividend for the year (2011 £nil) The profit for the year, after tax, is £2,631,000 (2011 £2,155,000) which will be transferred to reserves

# Directors' report for the year ended 31 December 2012 (continued)

**Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below

S M Taylor
D S P Little
S Mayo
J Lake (resigned on 14/02/2012)
J R Percival
C Jenkinson
B L Smith
E Brotherton (appointed on 14/02/2012)

**Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of group funding

**Price risk**

The Company is exposed to commodity price risk as a result of its operations However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits The Company has no exposure to equity securities price risk as it holds no listed or other equity investments

**Credit risk**

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically by the board

**Liquidity risk**

The exposure to liquidity risk is considered to be not material If required, group funding is provided by the European holding company, Houghton Europe BV

**Interest rate and cash flow risk**

The Company has very few interest bearing assets and interest bearing liabilities Interest bearing assets include only cash balances, which earn interest at fixed rate The Company has a policy of maintaining group funding at fixed rate to ensure certainty of future interest cash flows The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied

The directors will revisit the appropriateness of these policies should the Company's operations change in size or nature

# Directors' report for the year ended 31 December 2012 (continued)

**Charitable and political contributions**

The Company has made no donations during the year for charitable purposes in the UK (2011 £1,743)

No donations for political purposes were made during the year (2011 £nil)

**Disabled employees**

The Company operates a policy of giving disabled people full and fair consideration for all job vacancies for which they present themselves as suitable applicants having due regard for their particular aptitudes and abilities Whenever feasible the Company endeavours to retain any member of staff who develops a disability during his employment

Training and career development opportunities are made available to all employees

**Employee participation**

A policy is maintained for providing information to employees aimed at achieving a common awareness of the financial and economic factors affecting the Company and its operations and is accomplished through regular informal meetings Employee involvement is actively encouraged at all levels

The company is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests

**Policy and practice on payment of creditors**

It is the company's policy to agree terms and conditions for its business transactions with its suppliers The company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions

Trade creditor days of the Company at 31 December 2012 were 32 days (2011 45 days) This represents the ratio, expressed in days, between the amounts invoiced to the company by its suppliers in the year and the amounts due, at the end of the year, to trade creditors within one year

**Key performance indicators (KPIs)**

The directors consider the KPIs of the business to be Turnover and Operating Profit which are disclosed on page 8 of the financial statements

**Directors' responsibilities statement in respect of the financial statements**

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 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

# Directors' report for the year ended 31 December 2012 (continued)

**Directors' responsibilities statement in respect of the financial statements (continued)**

- select suitable accounting policies and then apply them consistently,
- make judgements and 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, 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 the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

**Disclosure of information to auditors**

For each person who is a director at the time of approval of this report

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

- He or she has taken all the steps they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

**Independent auditors**

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting

**By order of the Board**

**P Gosnold**
**Secretary**
28 June 2013

# Houghton plc

## Independent auditors' report to the members of Houghton plc

We have audited the financial statements of Houghton plc for the year ended 31 December 2012 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet, the Statement of accounting policies, and the related Notes to the financial statements 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)

**Respective responsibilities of directors and auditors**
As explained more fully in the Directors' Responsibilities Statement set out on pages 5 and 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

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

**Scope of the audit of the financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**
In our opinion the financial statements

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

**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

Benjamin Parrott (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
28 June 2013

## Houghton plc

# Profit and loss account for the year ended 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Turnover** | 1 | **45,927** | 46,536 |
| Cost of sales | | **(32,434)** | (34,331) |
| **Gross profit** | | **13,493** | 12,205 |
| Distribution costs | | **(3,092)** | (3,829) |
| Administrative expenses | | **(6,609)** | (6,077) |
| **Operating profit** | | **3,792** | 2,299 |
| Interest payable and similar charges | 5 | **(8)** | (8) |
| Finance costs | 19 | **(90)** | (94) |
| Dividends receivable | | - | 735 |
| **Profit on ordinary activities before taxation** | | **3,694** | 2,932 |
| Tax on profit on ordinary activities | 6 | **(1,063)** | (777) |
| **Profit for the financial year** | 16/17 | **2,631** | 2,155 |

The results for 2012 and 2011 are wholly for continuing operations

There are no material differences between the profit on ordinary activities before taxation and the retained profit for the financial year stated above and their historical cost equivalents

# Statement of total recognised gains and losses for the year ended 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| Profit for the financial year | | **2,631** | 2,155 |
| Actuarial loss on pension scheme | 19 | **(2,063)** | (1,964) |
| Movement on deferred tax relating to pension deficit | 14 | **474** | 491 |
| **Total recognised gains relating to the year** | | **1,042** | 682 |

The accounting policies and notes on pages 10 to 28 form an integral part of these financial statements

# Houghton plc

## Balance sheet as at 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 7 | **258** | 332 |
| Tangible assets | 8 | **1,881** | 1,272 |
| Investments | | | |
| Subsidiaries | 9 | **430** | 430 |
| Other | 10 | **6** | 6 |
| | | **2,575** | 2,040 |
| **Current assets** | | | |
| Stock | 11 | **3,722** | 4,800 |
| Debtors (including £nil (2011 £75,000) due after one year) | 12 | **14,903** | 11,402 |
| Cash at bank and in hand | | **1,981** | 3,254 |
| | | **20,606** | 19,456 |
| **Creditors amounts falling due within one year** | 13 | **(10,440)** | (10,673) |
| **Net current assets** | | **10,166** | 8,783 |
| **Total assets less current liabilities** | | **12,741** | 10,823 |
| **Net assets excluding pension deficit** | | **12,741** | 10,823 |
| **Pension deficit** | 19 | **(6,805)** | (5,929) |
| **Net assets including pension deficit** | | **5,936** | 4,894 |
| **Capital and reserves** | | | |
| Called up share capital | 15 | **1,850** | 1,850 |
| Profit and loss account | 16 | **4,086** | 3,044 |
| **Total shareholders' funds** | 17 | **5,936** | 4,894 |

The accounting policies and notes on pages 10 to 28 form an integral part of these financial statements

The financial statements on pages 8 to 28 were approved by the Board of directors on 28 June 2013 and were signed on its behalf by

E Brotherton

**E Brotherton**
**Director**

**Registered number 63827**

# Houghton plc

## Statement of accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

**Consolidation**

The financial statements contain information about Houghton plc as an individual undertaking and do not contain consolidated financial information as the parent of a group

Under the terms of Financial Reporting Standard 2 "Accounting for Subsidiary Undertakings" and in accordance with Section 401 of the Companies Act 2006, the company has taken an exemption from preparing Group financial statements (see note 20)

**Turnover**

Turnover comprises the invoiced value of goods despatched and services supplied during the year exclusive of value added tax Revenue is recognised when goods are despatched or service is provided

**Intangible assets**

Customer lists are valued at cost on acquisition and are depreciated over their estimated useful economic lives of 5 or 10 years

**Tangible assets**

Tangible assets are valued at cost less any provision for impairment Freehold land is not depreciated The cost of other fixed assets is written off over their expected useful lives as follows

| | |
|---|---|
| Leasehold improvements | shorter of remaining life of the lease and asset life |
| Plant and equipment, consisting of | |
| Plant, machinery, fixtures and fittings | 15% on written down value |
| Motor vehicles | 25% on cost |
| Computer equipment | 20% on cost |
| Fluid management contract plant | over the life of the contract |

Fixed assets are reviewed when adverse economic conditions or other events indicate that they may be impaired The carrying value of the asset is compared to its estimated recoverable amount (being higher of net realisable value and value in use) and any resulting impairment loss is recognised in the profit and loss account

**Investments**

Investments held as fixed assets are stated at cost less any provision for permanent diminution in value Current account balances due to and from subsidiaries are included within current debtors and creditors

**Stocks**

Stocks are valued at the lower of cost or net realisable value on a first in first out basis after making due allowance for any obsolete or slow moving items Cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads

**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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

# Statement of accounting policies (continued)

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

**Foreign currency**
Transactions in foreign currencies are translated into sterling at the rates of exchange prevailing at the dates of the transactions Foreign currency monetary assets and liabilities in the balance sheet are translated into sterling at the rates of exchange ruling at the end of the year Resulting exchange gains and losses are taken to the profit and loss account

**Leases**
Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases

**Pension costs**
The principal fund is that in the United Kingdom where the company operates a pension scheme providing benefits based on final pensionable salary The scheme is funded with the assets being held by the Trustees separately from the assets of the Company The Company also contributes to various defined contribution and state schemes

The most recent valuation was as at 30 September 2010 and updated to 31 December 2012 Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability Pension assets are measured at their year end market values The cost of benefits accruing during the year in respect of current and past service is charged in arriving at operating profit

The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time, are included in other finance income Actuarial gains and losses are recognised in the statement of total recognised gains and losses in the year in which they arise

**Cash flow statement**
The company is a wholly owned subsidiary of a parent whose financial statements are publicly available Consequently, the company is exempt under the terms of FRS 1 "Cash flow Statements" from publishing a cash flow statement

**Related party transactions**
In accordance with the exemption allowed by paragraph 3(c) of FRS8 "Related party disclosures", no disclosure is made of transactions with other member companies of the Houghton International Inc Company and other related parties of the Company

**Research and development**
Research and development costs are written off to the profit and loss account as they are incurred

# Notes to the financial statements for the year ended 31 December 2012

## 1 Turnover

Turnover comprises the invoice value of goods and services supplied exclusive of value added tax The Company continues to trade in a single class of business being the manufacture and service of industrial chemicals and lubricants Turnover may be analysed as follows

| Geographical analysis of turnover by destination | 2012 £'000 | 2011 £'000 |
|---|---|---|
| United Kingdom | **33,706** | 34,490 |
| Europe | **9,864** | 9,841 |
| Rest of the world | **2,357** | 2,205 |
| | **45,927** | 46,536 |

As noted in the directors report, the company disposed of its engineering business to a third party during the year This has not been treated as a discontinued operation within the financial statements as the company do not consider it to represent a key business segment

## 2 Directors' emoluments

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Emoluments (excluding pension contributions) | **1,805** | 1,190 |
| Compensation for cancellation of share options | **2,575** | - |
| Aggregate emoluments (excluding pension contributions) | **4,380** | 1,190 |
| Compensation in respect of loss of office | **28** | 92 |
| Company contributions to money purchase arrangements | **60** | 52 |

Included within directors emoluments are the costs for 7 directors which have been recharged onto other group undertaking (2011 5 directors) The aggregate of the emoluments recharged to other group companies (including compensation for cancellation of share options) is £3,901,566 (2011 £934,504) and company contributions for money purchase arrangements £43,649 (2011 £36,969)

Pre-existing share option arrangements which were conditional on the sale of the company's previous ultimate parent undertaking (HII Holding Corporation) were cancelled immediately prior to the sale of HII Holding Corporation to GH Holding Inc Six directors received compensation for cancellation of share options, relating to their services to the company, amounting to £2,575,000

Retirement benefits are accruing to 1 (2011 1) directors under a defined benefit scheme

# Notes to the financial statements for the year ended 31 December 2012

## 2 Directors' emoluments (continued)

| | Number | Number |
|---|---|---|
| Number of directors who are members of a defined benefit pension scheme | **1** | 1 |
| Number of directors who receive contributions to money purchase arrangements | **7** | 7 |
| | **£'000** | £'000 |
| Highest paid directors' emoluments | | |
| Aggregate of emoluments (excluding pension contributions) | **641** | 384 |
| Compensation for cancellation of share options | **1,090** | - |
| Aggregated emoluments (excluding pension contribitions) | **1,731** | 384 |
| Company contributions to money purchase arrangements | **15** | - |

The amount of accrued pension of the highest paid director at 31 December 2012 is £nil (2011 £nil)

## 3 Employee information

| By activity | 2012 Number | 2011 Number |
|---|---|---|
| Production | **167** | 189 |
| Selling, distribution and technology | **60** | 71 |
| Administration | **40** | 21 |
| | **267** | 281 |

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Staff costs during the year (including directors)** | | |
| Wages and salaries (net of recharge to other group companies) | **6,847** | 7,220 |
| Social security costs | **692** | 579 |
| Pension costs (note 19) | **437** | 479 |
| | **7,976** | 8,278 |

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 4 Operating profit

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Operating profit is after charging/(crediting):** | | |
| Depreciation of tangible fixed assets | | |
| Owned assets (note 8) | **292** | 208 |
| **Operating lease charges:** | | |
| -Plant and machinery | **550** | 520 |
| -Other | **92** | 22 |
| Charge/(credit) for bad and doubtful debts | **25** | (34) |
| **Services provided by the company's auditor:** | | |
| -Fees payable for the audit and its subsidiaries | **58** | 54 |
| -Fees payable for other services – quarterly reporting | **-** | 18 |
| Amortisation | **74** | 74 |
| Relocation and redundancy costs | **311** | 660 |

## 5 Interest payable and similar charges

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Interest payable | | |
| Interest payable to Group undertakings | **8** | **8** |
| | **8** | **8** |

# Notes to the financial statements
# for the year ended 31 December 2012 (continued)

## 6 Tax on profit on ordinary activities

| a) **Analysis of charge for year** | **2012** **£'000** | 2011 £'000 |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 24 5% | **607** | - |
| Foreign tax credit | **(10)** | - |
| Adjustments in respect of prior years | **7** | - |
| Tax on branch profits | **-** | 7 |
| **Total current tax** | **604** | 7 |
| **Deferred taxation** | | |
| Origination and reversal of timing differences (note 14) | **297** | 758 |
| Effect of change in tax rate | **162** | 12 |
| **Total deferred tax charge** | **459** | 770 |
| **Tax on profit on ordinary activities** | **1,063** | 777 |

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 6 Tax on ordinary activities (continued)

### b) Factors affectıng the tax charge for the year

The tax assessed for the year dıffers from the standard rate of corporatıon tax ın the UK of 24 5% (2011 26 5%) The dıfferences are explaıned below

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Profit on ordınary actıvıtıes before taxatıon | **3,694** | **2,932** |
| Profit on ordınary actıvıtıes multıplıed by standard rate ın the UK (2011, 24 5%, 2011 26 5%) | **905** | **777** |
| Effects of | | |
| Expenses/(Income) not chargeable/deductıble to tax | **50** | **(154)** |
| Utılısatıon of tax losses | **(38)** | **(367)** |
| Movement ın short term tımıng dıfferences | **(279)** | **(268)** |
| Adjustments ın respect to prevıous years | **7** | **-** |
| Capıtal allowances ın excess of depreciatıon | **(31)** | **12** |
| Tax on branch profits | **(10)** | **7** |
| Current tax charge for the year | **604** | **7** |

**Tax on recognısed gaıns and losses not included ın the profit and loss account**

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Movement on deferred tax relatıng to the pensıon deficıt (note 14) | **474** | 491 |

### c) Factors whıch may affect future tax charges

Changes to the UK Corporatıon tax system were announced ın the March 2012 UK Budget Statement A resolutıon passed by Parlıament on 26 March 2012 reduced the maın rate of corporatıon tax to 24% from 1 Aprıl 2012 Legıslatıon to reduce the maın rate of corporatıon tax from 24% to 23% from 1 Aprıl 2013 was ıncluded ın the Fınance Act 2012 The ımpact of the rate reductıon has been reflected ın the calculatıon of the UK deferred tax recognızed at 31 December 2012

A further reductıon to the maın rate ıs also proposed to reduce the rate to 21% from 1 Aprıl 2014 As at the balance sheet date thıs further proposed change to rates had not been substantıvely enacted and, therefore, ıs not recognısed ın these financıal statements The ımpact of the proposed changes ıs not expected to be materıal to the balance sheet

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 7 Intangible assets

| | Customer lists £'000 |
|---|---|
| **Cost** | |
| At 1 January 2012 | 406 |
| Additions | - |
| **At 31 December 2012** | 406 |
| **Accumulated amortisation** | |
| At 1 January 2012 | 74 |
| Charge for the year | 74 |
| **At 31 December 2012** | **148** |
| **Net book value** | |
| **At 31 December 2012** | **258** |
| At 31 December 2011 | 332 |

## 8 Tangible assets

| | Leasehold improvements £'000 | Plant and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2012 | 773 | 2,854 | 3,627 |
| Additions | 182 | 719 | 901 |
| **At 31 December 2012** | **955** | **3,573** | **4,528** |
| **Accumulated depreciation** | | | |
| At 1 January 2012 | 191 | 2,164 | 2,355 |
| Charge for the year | 67 | 225 | 292 |
| **At 31 December 2012** | **258** | **2,389** | **2,647** |
| **Net book value** | | | |
| **At 31 December 2012** | **697** | **1,184** | **1,881** |
| At 31 December 2011 | 582 | 690 | 1 272 |

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 9 Investments – subsidiaries

| | Shares £'000 |
|---|---|
| **Cost and net book value** | |
| At 1 January and 31 December 2012 | 430 |

The principal subsidiaries at 31 December 2011 and 2012 are

| | Year end | Proportion held ordinary shares | Country of incorporation | Status |
|---|---|---|---|---|
| Houghton Danmark A/S* | 31 December | 100% | Denmark | Trading |
| Houghton Sverige AB* | 31 December | 100% | Sweden | Trading |
| Houghton Oils & Chemicals (Ireland) Limited* | 31 December | 100% | Ireland | Non trading |
| Houghton Oils & Chemicals (Northern Ireland) Limited* | 31 December | 100% | Northern Ireland | Non trading |
| Houghton Norge AS | 31 December | 100% | Norway | Trading |

All trading companies are engaged in the main activities as disclosed in the directors' report

* owned directly by Houghton plc

The directors believe that the carrying value of the investments is supported by their underlying net assets

## 10 Investments – other

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| **Cost** | | |
| At 1 January 2012 and 31 December 2012 | 6 | 6 |

The directors are of the opinion that the market value of this investment is not less than cost

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 11 Stock

| | **2012** **£'000** | 2011 £'000 |
|---|---|---|
| Raw materials and consumables | **1,262** | 1,882 |
| Work in progress | **123** | 161 |
| Finished goods | **2,337** | 2,757 |
| | **3,722** | 4,800 |

There is no significant difference between the replacement cost and the values shown for all stock categories

## 12 Debtors: amounts falling due within one year

| | **2012** **£'000** | 2011 £ 000 |
|---|---|---|
| Trade debtors | **6,166** | 6,536 |
| Amounts owed by Group undertakings | **8,168** | 4,090 |
| Group loans | - | 61 |
| Other debtors | **28** | 119 |
| Prepayments and accrued income | **528** | 467 |
| Corporation tax recoverable | - | 75 |
| Deferred tax asset (note 14) | **13** | 54 |
| | **14,903** | 11,402 |

Interest is not charged or accrued in respect of amounts receivable from Company or subsidiary undertakings and the amounts are subject to the normal trading terms and conditions of the company which are 30 days end of month Debtors includes £nil (2011 £75,000) falling due after one year

# Notes to the financial statements
# for the year ended 31 December 2012 (continued)

## 13 Creditors: amounts falling due within one year

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Trade creditors | **2,859** | 4,204 |
| Amounts owed to Group undertakings | **3,429** | 4,433 |
| Group loans | **436** | 253 |
| Other taxation and social security | **2,684** | 485 |
| Corporation tax liability | **220** | 7 |
| Other creditors | **128** | 320 |
| Accruals and deferred income | **684** | 971 |
| | **10,440** | 10,673 |

The group loan is from Houghton Sverige and is granted for a rolling period of 6 months with one month's notice from either party Interest charges are variable It is defined as the "Lending rate" for Swedish Krona (as published by the Sveriges Riksbank), currently 2% plus an additional 0 5%, this therefore being initially 2 5%

Interest is not charged or accrued in respect of amounts payable to Company or subsidiary undertakings and the amounts are subject to the normal trading terms and conditions of the company which are 30 days end of month

## 14 Deferred tax asset

**Deferred tax asset**

| | £'000 |
|---|---|
| At 1 January 2012 | 54 |
| Charged to profit and loss account | (41) |
| **At 31 December 2012** | **13** |

The above amounts at 31 December 2012 are disclosed as debtors (note 12)

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 14 Deferred tax asset (continued)

**The deferred tax asset comprises.**

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Other timing differences | **13** | 16 |
| Losses | **-** | 38 |
| **Deferred tax asset** | **13** | 54 |
| Deferred tax asset on pension liability (note 19) | **2,032** | 1,976 |
| **Total deferred tax asset** | **2,045** | 2,030 |

The amount of unrecognised deferred tax as at 31 December 2012 was £586,671 (2011 £752,479) and relates to trading losses, capital losses and depreciation in excess of capital allowances The reduction in unrecognised deferred tax relates to the impact of the rate change and the recognition of previously unrecognised trading losses and capital allowances The full deferred tax asset continues to not be recognised in the year on the basis that the directors don't consider the likelihood of deriving future benefit from the asset to be virtually certain

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| At 1 January | **2,030** | 2,309 |
| Charged to profit and loss account (note 6) - excluding pension | **(41)** | (402) |
| Charged to profit and loss account (note 6) - pension | **(418)** | (368) |
| Credited to statement of total recognised gains and losses - pension | **474** | 491 |
| **At 31 December** | **2,045** | 2,030 |

## 15 Called up share capital

| | 2012 £'000 | 2011 £ 000 |
|---|---|---|
| **Allotted and fully paid** | | |
| 1,850,000 (2011 1,850,000) Ordinary shares of £1 each | **1,850** | 1,850 |

# Houghton plc

## Notes to the financial statements for the year ended 31 December 2012 (continued)

## 16 Reserves

| **Profit and loss account** | **2012 £'000** | 2011 £'000 |
|---|---|---|
| At 1 January | **3,044** | 2,362 |
| Actuarial loss (note 19) | **(2,063)** | (1,964) |
| Tax relating to actuarial loss (note 14) | **474** | 491 |
| Profit for the financial year | **2,631** | 2,155 |
| **At 31 December (including pension liability)** | **4,086** | 3,044 |
| Pension deficit (note 19) | **6,805** | 5 929 |
| **At 31 December (excluding pension liability)** | **10,891** | 8,973 |

## 17 Reconciliation of movements in shareholders' funds

| | **2012 £'000** | 2011 £'000 |
|---|---|---|
| Profit for the financial year | **2,631** | 2,155 |
| Actuarial loss on pension scheme (note 19) | **(2,063)** | (1,964) |
| Tax relating to actuarial loss (note 14) | **474** | 491 |
| **Net addition in shareholders' funds** | **1,042** | 682 |
| Opening shareholders' funds | **4,894** | 4,212 |
| **Closing shareholders' funds** | **5,936** | 4,894 |

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 18 Operating lease commitments

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Operating lease commitments for next year | | | | |
| Leases expiring | | | | |
| Within one year | **-** | - | **70** | 29 |
| Within two to five years | **29** | - | **430** | 401 |
| After five years | **325** | 310 | **103** | 35 |
| | **354** | 310 | **603** | 465 |

## 19 Pension scheme

The company operates a pension scheme in the United Kingdom which provides both pensions in retirement and death benefits to members Pension benefits are related to the member's final pensionable salary at retirement and their length of service

The participating employers' contributions made to the scheme during the year were £1,561,000 (2011 £1,369,000) Since 20 February 2008 the Scheme has been closed to new members The company currently contributes 12 6% of Pensionable Salaries in respect of future accrual plus £1,334,778 per year in respect of the shortfall in funding Members are expected to continue their contributions at the rate of 6% of Pensionable Salaries

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 19 Pension scheme (continued)

The assets and liabilities have been calculated in accordance with the requirements of FRS 17 The last full actuarial valuation was performed on 30 September 2010 and updated to 31 December 2012 by Punter Southall Limited, independent consulting actuaries The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions (in nominal terms)

| | **2012** % | 2011 % | 2010 % |
|---|---|---|---|
| Rate of increase of salaries | **3.15** | 3 30 | 4 65 |
| Rate of increase in pensions in payment | | | |
| Pension accrued pre April 1997 (3% fixed) | **3.00** | 3 00 | 3 00 |
| Pension accrued from April 1997 to April 2005 (CPI up to 5%) | **2.15** | 2 30 | 2 65 |
| Pension accrued post April 2005 (CPI up to 2 5%) | **1.75** | 1 80 | 2 00 |
| Discount rate | **4.25** | 4 70 | 5 50 |
| Inflation assumption CPI | **2.15** | 2 30 | 2 70 |
| Inflation assumption RPI | **2.85** | 3 00 | 3 40 |

| **Assumed life expectancies on retirement at age 65 are.** | | **2012** Years | 2011 Years |
|---|---|---|---|
| Retiring today | Males | **21.0** | 21 0 |
| | Females | **23.0** | 23 0 |
| Retiring in 20 years | Males | **23.0** | 23 0 |
| | Females | **24.5** | 24 5 |

The assumptions used in determining the overall return of the Scheme have been set with reference to yields available on Government Bonds and appropriate risk margins

| **Long term rate of return expected as at:** | **31 December 2012** % | 31 December 2011 % | 31 December 2010 % |
|---|---|---|---|
| Risk seeking assets | **6.25** | 6 25 | 7 18 |
| Matching assets | **2.75** | 2 75 | 4 18 |
| Dynamic asset allocation | **6.25** | 6 25 | 4 50 |
| Net current assets | **0.50** | 0 50 | 0 50 |

# Notes to the financial statements
# for the year ended 31 December 2012 (continued)

## 19 Pension scheme (continued)

| Market value as at: | 31 December 2012 | 31 December 2011 | 31 December 2010 |
|---|---|---|---|
| | £'000 | £ 000 | £'000 |
| Risk seeking assets | 27,194 | 25,027 | 23,531 |
| Matching assets | 9,207 | 9,015 | 7,434 |
| Dynamic asset allocation | 2,839 | 2,693 | 2,654 |
| Net current assets | 24 | 5 | 275 |
| Total market value of assets | 39,264 | 36,940 | 33,891 |

All assets are at bid value

The following amounts at 31 December 2010, 31 December 2011, and 31 December 2012 were measured in accordance with the requirements of FRS17

| | 2012 £'000 | 2011 £'000 | 2010 £ 000 |
|---|---|---|---|
| Total market value of assets | 39,264 | 36 740 | 33,894 |
| Present value of scheme liabilities | (48,101) | (44,645) | (40,758) |
| Deficit in the scheme | (8,837) | (7,905) | (6,864) |
| Related deferred tax asset | 2,032 | 1,976 | 1,853 |
| **Net deficit** | (6,805) | (5,929) | (5,011) |

The following amounts have been recognised in the performance statements in the year to 31 December 2012 and 31 December 2011 under the requirements of FRS17

| Analysis of the amount charged to operating profit | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Current service cost | (340) | (352) |
| **Total operating charge** | (340) | (352) |

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 19 Pension scheme (continued)

| Analysis of the amount charged to other finance costs | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Expected return on pension scheme assets | 1,973 | 2,109 |
| Interest on pension scheme liabilities | (2,063) | (2,203) |
| **Net return** | **(90)** | (94) |

| Statement of total recognised gains and losses (STRGL) | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Actual return less expected return on pension scheme assets | **849** | 1,126 |
| Experience gains and losses arising on the scheme liabilities | **(312)** | (118) |
| Changes in assumptions underlying the present value of the scheme liabilities | **(2,600)** | (2,972) |
| **Actuarial loss recognised in STRGL** | **(2,063)** | (1,964) |

| Movement in deficit during the year | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Deficit in scheme at beginning of the year | **(7,905)** | (6,864) |
| **Movement in year:** | | |
| Current service cost | **(340)** | (352) |
| Contributions | **1,561** | 1,369 |
| Net other finance income/charges | **(90)** | (94) |
| Actuarial (loss)/gain | **(2,063)** | (1,964) |
| **Deficit in scheme at the end of the year** | **(8,837)** | (7,905) |

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 19 Pension scheme (continued)

Reconciliation of opening and closing balances of the present value of Scheme liabilities

| | 2012 £'000 | 2011 £'000 |
|---|---|---|
| Liabilities at beginning of the year | **44,645** | 40,758 |
| Current service cost | **340** | 352 |
| Interest cost | **2,063** | 2,203 |
| Contributions by Scheme participants | **121** | 137 |
| Actuarial loss | **2,912** | 3,090 |
| Benefits paid | **(1,980)** | (1,895) |
| | **48,101** | 44,645 |

Reconciliation of opening and closing balances of the fair value of Scheme assets

| | 2012 £'000 | 2011 £ 000 |
|---|---|---|
| Fair value of Scheme assets at beginning of year | **36,740** | 33,894 |
| Expected return on Scheme assets | **1,973** | 2,109 |
| Actuarial gain | **849** | 1,126 |
| Contributions by employers | **1,561** | 1,369 |
| Contributions by Scheme participants | **121** | 137 |
| Benefits paid | **(1,980)** | (1 895) |
| | **39,264** | 36,740 |

During the year the Company also made contributions into defined contribution schemes of £98,000 (2011 £127,000)

# Notes to the financial statements for the year ended 31 December 2012 (continued)

## 19 Pension scheme (continued)

| History of experience gains and losses | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Difference between the expected and actual return on scheme assets:** | | | | | |
| Amount (£'000s) | **849** | 1,126 | 1,575 | 2,670 | (6,051) |
| Percentage of scheme assets | **2.2%** | 3 1% | 4 6% | 8 5% | (21 5)% |
| **Experience gains and losses on scheme liabilities:** | | | | | |
| Amount (£'000s) | **(312)** | (118) | 242 | 204 | (569) |
| Percentage of the present value of the scheme liabilities | **(0.65)%** | (0 3)% | 0 6% | 0 5% | (1 6)% |
| **Total amount recognised in the statement of total recognised gains and losses:** | | | | | |
| Amount (£'000s) | **2,063** | 1,964 | 1,103 | (623) | (3,015) |
| Percentage of the present value of the scheme liabilities | **4.3%** | 4 4% | 2 7% | (1 6)% | (8 5)% |

## 20 Ultimate parent company and controlling party

The immediate parent undertaking is Houghton Holdings Limited, which is incorporated in the UK

On 20 December 2012 the previous ultimate parent company (HII Holding Corporation) was acquired by GH Holding Inc As a result of the change in ownership, the ultimate parent undertaking and controlling party is now GH Holding Inc , a company incorporated in the United States of America GH Holding Inc is the largest and smallest Company of undertakings to consolidate these financial statements at 31 December 2012

The consolidated financial statements of GH Holding Inc can be obtained from the Chambers of Commerce, t a v Handelsregister, Postbus 2852, 1000 CW Amsterdam