

Tennants Fine Chemicals Limited
Directors' report and financial
statements
Registered number 00646784
For the year ended 31 December 2012

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Company Information

Directors

W P Alexander

A C Gingell

K G Jones

K Sharp

Secretary

W Gittins

Auditors

KPMG LLP

8 Princes Parade

Liverpool

L3 1QH

Registered office

Macclesfield Road

Leek

Staffordshire

ST13 8LD

Directors' report

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

Principal activities

The principal activity of the Company during the year was the processing of chemicals

Results and dividends

The profit and loss account and balance sheet, together with appropriate notes, are set out on pages 7 to 17 A dividend of £223,250 was paid in the year (2011 £nil)

Business review

Net Assets increased from £14,493,000 at the end of 2011 to £15,999,000 at the end of 2012

Profit before Tax	£2,280,000	(2011 ~ £1,161,000)
Profit after Tax	£1,729,000	(2011 ~ £893,000)

Key performance indicators

Key performance indicators are used to measure and evaluate company performance against targets and monitor various activities throughout the company The main key performance indicators employed in the company are,

Volume (by product)
Turnover (by product)
Profit/loss (Gross and Net)
Fixed Production and Overhead Costs
Debtor Days

The board monitor these on a monthly basis against budgets

Principal risks and uncertainties

The Company has an exposure to foreign currencies as the majority of customers are outside the UK Various currency contracts are used to minimise this risk

Uncertainty surrounding the global economy is an additional concern for the Company A well established supplier and customer base, along with differing markets for key products help to mitigate this risk

Research and development

The Company advanced its research and development activities primarily in the areas of process and product development The costs of these activities during the year amounted to £245,000 (2011 £262,000)

Employment of disabled persons

Where individuals become disabled whilst in the Company's employment, every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose In dealing with applications for employment and training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available

Employee involvement

A system of departmental and works consultative committees exists at the Leek site Periodically, the Company provides information regarding the financial and economic factors affecting its performance

Directors' report *(continued)*

Donations

Charitable donations of £nil were paid in the year (2011 £2,000) No political donations were made in the year (2011 £nil)

Payment of suppliers

The Company has a general policy to pay suppliers in accordance with the contract terms agreed with them or, in the absence of such contract terms, in accordance with the Company's own standard terms of trading, provided circumstances permit this and that the supplier is also complying with all relevant terms and conditions Trade creditors at 31 December 2012 were equivalent to 39 days purchases (2011 31 days)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be re-appointed and KPMG LLP will therefore continue in office

By order of the board



W Gittins
Secretary

17 April 2013

Statement of directors' responsibilities in respect of the Directors' Report and 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities



KPMG LLP

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of Tennants Fine Chemicals Limited

We have audited the financial statements of Tennants Fine Chemicals Limited for the year ended 31 December 2012 set out on pages 7 to 17. 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 auditors' 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 www.frc.org.uk/auditscopeukprivate

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 UK 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

Independent auditors' report to the members of Tennants Fine Chemicals Limited *(continued)*

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



Will Baker (Senior statutory auditor)
for and on behalf of KPMG LLP, Statutory auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH

1 May 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Turnover	<i>1</i>	43,572	47,705
Cost of sales		(38,220)	(44,103)
		<hr/>	<hr/>
Gross profit		5,352	3,602
Administrative expenses		(1,768)	(1,716)
Selling and distribution expenses		(929)	(873)
		<hr/>	<hr/>
Operating profit	<i>2</i>	2,655	1,013
Other interests receivable and similar income	<i>3</i>	-	162
Interest payable and similar charges	<i>4</i>	(375)	(14)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,280	1,161
Taxation on profit on ordinary activities	<i>5</i>	(551)	(268)
		<hr/>	<hr/>
Profit for the financial year	<i>13</i>	1,729	893
		<hr/> <hr/>	<hr/> <hr/>

All turnover and operating profits in both financial years are derived from continuing operations

There were no recognised gains or losses during the current or preceding year apart from those shown above, and therefore no separate statement of total recognised gains and losses has been presented

Balance sheet
at 31 December 2012

	<i>Note</i>	2012 £000	2011 £000
Fixed assets			
Tangible assets	7	7,048	6,630
Current assets			
Stocks	8	3,163	3,549
Debtors	9	7,878	8,597
Cash at bank and in hand		2,140	923
		<hr/>	<hr/>
Creditors amounts falling due within one year	<i>10</i>	13,181 (4,218)	13,069 (5,100)
		<hr/>	<hr/>
Net current assets		8,963	7,969
		<hr/>	<hr/>
Total assets less current liabilities		16,011	14,599
		<hr/>	<hr/>
Provisions for liabilities	<i>11</i>	(12)	(106)
		<hr/>	<hr/>
Net assets		15,999	14,493
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	<i>12</i>	6,000	6,000
Profit and loss account	<i>13</i>	9,999	8,493
		<hr/>	<hr/>
Shareholders' funds		15,999	14,493
		<hr/>	<hr/>

The notes on pages 9 to 17 form part of the financial statements

These financial statements were approved by the board of directors on 17 April 2013 and were signed on its behalf by



W P Alexander (Director)



K Sharp (Director)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Basis of preparation

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

Under Financial Reporting Standard 1 (revised) the Company is exempt from publishing a cash flow statement because it is a wholly owned subsidiary of Tennants Consolidated Limited, a Company which publishes a consolidated cash flow statement

The Company has taken advantage of the exemption not to disclose related party transactions with the other members of the group under FRS 8 – Related Party Disclosures, as it is a wholly owned subsidiary

Going Concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements

Foreign currencies

Transactions denominated in foreign currencies occurring during the course of the year are translated into sterling at the exchange rates prevailing at the dates of those transactions

Foreign currency assets and liabilities have been translated into sterling at the market rates at the balance sheet date

All translation differences are dealt with through the profit and loss account

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and any provisions for impairment. Depreciation is calculated on a straight line basis so as to write-off the cost of the various assets over the period of their expected useful economic lives, as follows

Freehold buildings	-	10 - 20 years
Plant and machinery, fixtures and fittings, and tools and equipment	-	3 - 15 years

No depreciation is provided on freehold land or capital work in progress

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

Stock valuation

Stocks are stated at the lower of cost and net realisable value. Overheads are absorbed into the cost of finished goods based on average production costs

Notes (continued)

1 Accounting policies (continued)

Research and development

Research and development expenditure is written off in the year in which it is incurred

Operating leases

Operating lease rentals are charged against profits as incurred over the lease term

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

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

Post-retirement benefits

At 31 December 2012, the Company operated a defined contribution scheme. Contributions are charged to the Profit and Loss account as they become payable in accordance with the rules of the scheme.

Prior to the acquisition by Tennants Consolidated Limited on 31 January 2011, the Company operated a defined benefit scheme which will continue to be guaranteed by Tessenderlo Chemie NV.

Turnover

Turnover represents amounts invoiced to third parties and other Tennants group companies, net of value added tax, arising from the sale of chemicals and related products.

The operations of the Company take place wholly in the United Kingdom and as such there are no overseas operations. All assets used by the Company are held in the United Kingdom and therefore no disclosure is required in respect of segmental operations.

Notes (continued)

2 Notes to the profit and loss account

<i>Profit on ordinary activities before taxation is stated after charging</i>	2012	2011
	£000	£000
Operating lease rentals – plant and machinery and motor vehicles	81	55
Depreciation on owned assets	1,622	1,523
Auditors' remuneration		
- audit of these financial statements	27	26
- taxation	4	9
Research and development expenditure	245	262
	<u> </u>	<u> </u>

3 Other interest receivable and similar income

	2012	2011
	£000	£000
Net foreign exchange gains	-	157
Interest receivable	-	5
	<u> </u>	<u> </u>
	-	162
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2012	2011
	£000	£000
Interest payable	-	14
Net foreign exchange losses	375	-
	<u> </u>	<u> </u>
	375	14
	<u> </u>	<u> </u>

Notes (continued)

5 Taxation

	2012 £000	2011 £000
<i>UK Corporation tax</i>		
Current tax on income for the year	632	358
Group relief adjustment in respect of prior years	-	33
Adjustment in respect of prior years	13	(16)
	<hr/>	<hr/>
Total current tax	645	375
	<hr/>	<hr/>
<i>UK deferred tax</i>		
Origination and reversal of timing differences	(94)	(107)
	<hr/>	<hr/>
Total deferred tax (note 11)	(94)	(107)
	<hr/>	<hr/>
Tax on profit on ordinary activities	551	268
	<hr/>	<hr/>

The tax assessed for the period is higher (2011 higher) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	2,280	1,161
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011 26.5%)	559	308
<i>Effects of:</i>		
Expenses not deductible for tax purposes	1	2
Depreciation in excess of capital allowances	84	86
Group relief adjustment in respect of prior years	-	33
Other timing differences	(12)	(38)
Adjustment in respect of prior years	13	(16)
	<hr/>	<hr/>
Total current tax charge (see above)	645	375
	<hr/>	<hr/>

A hybrid rate of 24.5% has been used to calculate the charge in the year

Notes *(continued)*

6 Directors and employee information

	2012	2011
	£000	£000
<i>Staff costs</i>		
Wages and salaries	3,154	3,043
Social security costs	356	312
Other pension costs (note 15)	327	342
	<u>3,837</u>	<u>3,697</u>

The average monthly number of persons employed by the Company during the year was

	2012	2011
	Number	Number
<i>By activity</i>		
Production	64	66
Selling and distribution	17	16
Administration	11	9
	<u>92</u>	<u>91</u>

Directors' emoluments in the year amounted to £164,766 (2011 £166,202)

The emoluments of the highest paid director were £164,766 (2011 £166,202) and Company contribution of £18,042 (2011 £17,187) were made to a defined contribution pension scheme on his behalf

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Capital work in progress	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of year	1,184	19,016	2,167	970	23,337
Additions	-	-	-	2,040	2,040
Reclassifications	229	2,341	213	(2,783)	-
At end of year	1,413	21,357	2,380	227	25,377
<i>Depreciation</i>					
At beginning of year	181	14,359	2,167	-	16,707
Charge for the year	8	1,547	67	-	1,622
Reclassifications	-	-	-	-	-
At end of year	189	15,906	2,234	-	18,329
<i>Net book value</i>					
At 31 December 2012	1,224	5,451	146	227	7,048
At 31 December 2011	1,003	4,657	-	970	6,630

Included within freehold land and buildings is land amounting to £500,000 (2011 £500,000) which is not depreciated

8 Stocks

	2012 £000	2011 £000
Raw materials and consumables	1,188	1,381
Work in progress	211	231
Finished goods and goods for resale	1,764	1,937
	3,163	3,549

9 Debtors

	2012 £000	2011 £000
Trade debtors	7,470	7,748
Prepayments and accrued income	212	138
Other taxation and social security	173	459
Other debtors	23	252
	7,878	8,597

Notes (continued)

10 Creditors, amounts falling due within one year

	2012 £000	2011 £000
Trade creditors	3,442	4,160
Other taxation and social security	207	211
Other creditors and accruals	205	297
Corporation tax payable	364	432
	<u>4,218</u>	<u>5,100</u>

11 Provisions for liabilities

	Deferred tax £000
At the beginning of year	106
Utilised during the year	-
Charge to the profit and loss for the year	(94)
	<u>12</u>

The elements of deferred taxation are as follows

	2012		2011	
	Potential £000	Actual £000	Potential £000	Actual £000
Accelerated capital allowances	35	35	125	125
Short term timing differences	(23)	(23)	(19)	(19)
	<u>12</u>	<u>12</u>	<u>106</u>	<u>106</u>

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 liability 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 liability accordingly.

Notes (continued)

12 Called up share capital

	2012 £000	2011 £000
<i>Allocated, called up and fully paid</i>		
6,000,000 (2011 6,000 000) Ordinary shares of £1 each	<u>6,000</u>	<u>6,000</u>

13 Reconciliation of movement in shareholders' funds

	Share capital £000	Profit and loss account £000	Total £000
At 1 January 2012	6,000	8,493	14,493
Profit for the year	-	1,729	1,729
Dividend paid in year	-	(223)	(223)
At 31 December 2012	<u>6,000</u>	<u>9,999</u>	<u>15,999</u>

14 Operating leases – plant and machinery and motor vehicles

	2012 £000	2011 £000
Annual commitments payable under non-cancellable operating leases expiring		
Within one year	-	4
Between two and five years	58	69
Greater than five years	27	-
	<u>85</u>	<u>73</u>

Notes *(continued)*

15 Pension arrangements

At 31 December 2012, the Company operated a defined contribution scheme

The cost of the Company's contributions to the defined contribution scheme amounted to £327,305

Previously, the Company operated a defined benefit scheme providing benefits based on final pensionable pay. This pension scheme was held within Tessengerlo Holding UK Limited. Because the Company was unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

Following the acquisition by Tennants Consolidated Limited on 31 January 2011, the Company has entered into a withdrawal arrangement in respect of the defined benefit scheme. Under the terms of the withdrawal arrangement the defined benefit scheme will be guaranteed by Tessengerlo Chemie NV and this releases the Company from any further liability under the scheme. The Company will provide for post employment benefits under a stakeholder scheme.

16 Ultimate parent Company and parent undertaking of larger group of which the Company is a member

The ultimate parent and controlling Company is Tennants Consolidated Limited, a Company incorporated in the United Kingdom. The address of the registered office of the parent Company is 12 Upper Belgrave Street, London SW1X 8BA.