Chemtura Manufacturing (UK) Limited

Directors' report and financial statements

Registered number 02624692

For the year ended 31 December 2011

Chemtura Manufacturing (UK) Limited

Contents

Directors and advisers

Directors
Stephen James
Billie S Flaherty
Stephen C Forsyth
Hafeez Mohammed (Resigned 27 September 2012)
Anthony J Risino (Appointed 9 November 2012)

Secretary
Arthur C Fullerton

Auditor
KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Bankers
Royal Bank of Scotland
11 Harrow Market
Langley, Slough
SL3 8EU

Royal Bank of Scotland
250 Bishopsgate
London
EC2M 4AA

Solicitors
Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Registered Office
Tenax Road
Trafford Park
Manchester
M17 1WT

Directors' report

The Directors present their report and financial statements for the year ended 31 December 2011

Results and dividends

The loss for the year, after taxation, amounted to £2,807,000 (*2010 loss of £1,319,000*) No dividends were paid in the year *(2010 £nil)*

Principal activities and business review

The principal activity of the Company is the manufacture of speciality chemicals

Strategy

The business strategy is to generate growth in sales and profitability through technology-led innovation, participating in the growth of the faster growing regions of the world, creating a performance driven culture among its employees and actively managing its business portfolio and costs

Performance during 2011

Overall turnover was up 12% due to increased sales values in 2011 as the company recovered increasing raw material costs

Gross profit decreased by 6% due to change in product mix and a prior year royalty credit included in 2010

	2011 **£000**	2010 £000
Turnover	**77,892**	69,544
Gross profit	**9,279**	9,896
Operating (loss)/profit	**(2,830)**	340
Retained loss for the financial year excluding actuarial gain/loss	**(2,807)**	(1,319)
On time delivery to customers	**86%**	**86%**

Directors' report (continued)

Key risks and uncertainties

Key risks to the business are recognised as

- Additional regulatory requirements in environmental, health and safety and product registration
- Global foreign exchange rate volatility, particularly for the Euro and US dollar
- Availability and pricing of raw materials and energy
- Declining order volumes

To mitigate risk on regulatory requirements both employees and external advisors are used to monitor compliance with specific laws and regulations

- Actions have been taken to reduce fixed costs, adjust plant production rates to meet reduced customer demand and manage working capital
- Whilst we attempt to match raw material or energy prices increases with corresponding product price increases we may not be able to do so immediately Ultimately, our ability to pass on increases depends on market conditions

Key performance indicators

The Company monitors the business internally using a number of performance indicators these include sales, on time delivery to customers and profitability (see page 2)

Production performance is monitored using various productivity indicators, safety, quality, ship to request and stock levels

The Ultimate Parent company produces an annual business plan, plus monthly forecasts showing future sales, profits and cash flow to enable us to monitor ongoing business performance

Acquisitions

On 4 October 2011 the company acquired the trade and certain assets of C C Crumps Ltd for £413,000

Research and development

The Company undertakes research and development on an ongoing basis to enhance its market position

Directors

The Directors of the Company during the year ended 31 December 2011 and to the date of signing of these financial statements were as follows

Stephen James
Billie S Flaherty
Stephen C Forsyth
Hafeez Mohammed (Resigned 27 September 2012)

Employment involvement

During the year the policy of providing employees with information about the Company has been continued through Company journals, notice boards and conferences Regular meetings are held between local management and employees to allow a free flow of information and ideas

Political and charitable contributions

The Company made no political contributions during the year *(2010 £nil)* Donations to UK charities amounted to £nil *(2010 nil)*

Directors' report (continued)

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information

Auditor

Pursuant to section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and will therefore continue in office

On behalf of the board

Anthony J Risino

Director

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Dırectors are responsıble for preparıng the Dırectors' report and financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the Dırectors to prepare financıal statements for each financıal year Under that law they have elected to prepare the financıal statements ın accordance wıth UK Accountıng Standards and applıcable law (UK Generally Accepted Accountıng Practıce)

Under Company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the Company and of the profit or loss of the Company for that perıod In preparıng these financıal statements, the Dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make judgements and estımates that are reasonable and prudent,
- state whether applıcable UK accountıng standards have been followed, subject to any materıal departures dısclosed and explaıned ın the financıal statements, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınapproprıate to presume that the Company wıll contınue ın busıness

The Dırectors are responsıble for keepıng adequate accountıng records, that are suffıcıent to show and explaın the Company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the Company and enable them to ensure that ıts financıal statements comply wıth the Companıes Act 2006 They have general responsıbılıty for takıng such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other ırregularıtıes

KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent Auditor's report to the members of Chemtura Manufacturing (UK) Limited

We have audited the financial statements of Chemtura Manufacturing (UK) Limited for the year ended 31 December 2011 set out on pages 8 to 25 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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 Auditor's report to the members of Chemtura Manufacturing (UK) 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

Richard Evans (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James Square
Manchester
M2 6DS
United Kingdom

26 November 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	*2011* *£000*	*2010* *£000*
Turnover	2	**77,892**	69,544
Cost of sales	3	**(68,613)**	(59,648)
Gross profit		**9,279**	9,896
Distribution costs	3	**(1,641)**	(1,477)
Administrative expenses	3	**(10,468)**	(8,079)
Operating (loss)/profit		**(2,830)**	340
(Loss)/Profit before interest and tax		**(2,830)**	340
Interest receivable and similar income	6	**7,712**	6,324
Interest payable and similar charges	7	**(7,714)**	(7,999)
Loss on ordinary activities before taxation		**(2,832)**	(1,335)
Tax on loss on ordinary activities	8	**25**	16
Loss on ordinary activities after taxation		**(2,807)**	(1,319)

The notes on pages 11-25 are an integral part of the financial statements

Statement of total recognised gains and losses

for the year ended 31 December 2011

	Notes	*2011* *£000*	*2010* *£000*
Loss for the financial year		**(2,807)**	(1,319)
Actuarial (loss)/gain recognised in the pension scheme		**(151)**	4,117
Deferred tax arising on (loss)/gain in the pension scheme		**40**	(1,153)
Total recognised (loss)/gain relating to the financial year		**(2,918)**	1,645

Balance Sheet
at 31 December 2011

	Notes	*2011* *£000*	*2010* *£000*
Fixed assets			
Intangible assets	10	**213**	-
Tangible assets	9	**18,962**	20,032
Investments	11	**43,307**	43,307
		62,482	63,339
Current assets			
Stocks	12	**7,109**	8,287
Debtors	13	**82,267**	105,313
Cash at bank and in hand		**884**	254
		90,260	113,854
Creditors: amounts falling due within one year	14	**(8,894)**	(12,232)
Net current assets		**81,366**	101,622
Total assets less current liabilities		**143,848**	164,961
Creditors: amounts falling due after one year	15	**(390)**	(402)
Provisions for liabilities and charges	16	**-**	(2,305)
Net assets excluding pension liabilities		**143,458**	162,254
Pension liabilities	21	**(17,884)**	(33,762)
Net assets including pension liabilities		**125,574**	128,492
Capital and reserves			
Share capital	17	**100,310**	100,310
Share premium account	18	**25,000**	25,000
Profit and loss account	18	**264**	3,182
Total shareholder's funds - equity		**125,574**	128,492

The notes on pages 11-25 are an integral part of the financial statements

These financial statements were approved by the board of directors on the 20 November 2012 and were signed on its behalf by

Anthony J Risino

Director

Registered number 02624692

Reconciliation of movements in shareholder's funds
at 31 December 2011

	2011	*2010*
	£000	*£000*
Loss for the year	**(2,807)**	(1,319)
Issuance of Ordinary Shares	-	100,310
Net (reduction in)/ addition to shareholder's funds	**(2,807)**	98,991
Opening shareholder's funds	**128,492**	26,537
Other recognised (loss)/gain relating to the year (net)	**(111)**	2,964
Closing shareholder's funds	**125,574**	128,492

On 25 February 2010 the Company owed the net sum of £100,309,973 to its parent Great Lakes Europe Unlimited The directors concluded that to promote the success of Chemtura Manufacturing UK Limited, the Company would issue new ordinary shares of £1 each in the share capital of Chemtura Manufacturing (UK) Limited at an aggregate subscription price of £100,309,973 being equal to the full net amount owed to Great Lakes Europe Unlimited

The notes on pages 11-25 are an integral part of the financial statements

Notes to the accounts

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

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards

Basis of preparation

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

The Company is exempt from the requirement to prepare group accounts under Section 400 of the Companies Act 2006 These financial statements present information about the company as an individual undertaking, and not about it's group

The Company's consolidated accounts are included in those of the Ultimate Parent company, Chemtura Corporation, which is incorporated in the USA

As a wholly owned subsidiary the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions with fellow members of the Chemtura Corporation group

The Company has not prepared a cash flow statement as it has taken advantage of the exemption conferred by Financial Reporting Standard 1 (revised 1996)

Going concern

The financial statements have been prepared under the going concern assumption The company's business activities, together with the factors likely to affects its future development, performance and position, are noted in the directors' report and the accounts, which show that the company has considerable levels of cash and liquidity As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After reviewing the forecasts for the next 12 months the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and meet commitments as they fall due

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or 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

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

Notes to the accounts

Forming part of the financial statements

1. Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less the estimated residual value, by equal instalments over their estimated useful economic lives as follows

Buildings	-	Between 7 and 40 years
Plant and machinery	-	Between 3 and 15 years

Freehold land is not depreciated

Goodwill and amortisation

On 4th October 2011 the company acquired the trade and certain assets of C C Crumps Ltd Goodwill of £224,000 arose from the acquisition

The goodwill is to be amortised over a 5 year period on a straight line basis, taking into account estimated useful economic life of the assets and contractual obligations

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows

Raw materials and goods for resale	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on a normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal

Post retirement benefits

The Company pension scheme has a defined contribution section and a defined benefit section The latter section provides benefits based on final pensionable pay and was closed to future accruals at 31st May 2008 The assets of the scheme are held separately from those of the Company

The defined benefit section liabilities are measured using the projected unit method and relate to past service only as members are not accruing any benefits in the scheme

The defined benefit section deficit is recognised in full The movement in the scheme deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19 Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered

Notes to the accounts (continued)

Forming part of the financial statements

1. Accounting policies (continued)

Classification of financial instruments issued by the company

Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholder's funds) only to the extent that they meet the following two conditions

a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company, and

b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholder's funds

Turnover

Turnover excludes value added taxes The Company generates revenue through sales of specialty chemicals and related services in the open market, through raw material conversion agreements and supply and development contracts Revenue is recognised when significant risks and rewards in respect of ownership of the products are passed to the customer or when services have been rendered

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate

2. Turnover and segmental analysis

Turnover is attributable to one business segment, the manufacture and sale of speciality chemicals Analysis of turnover by geographical market is as follows

	2011	*2010*
	£000	*£000*
Continuing operations		
Europe	**63,966**	58,009
Americas	**13,926**	11,535
	77,892	69,544

Notes to the accounts (continued)

Forming part of the financial statements

3. Operating Profit

This is stated after charging/(crediting)	*2011*	*2010*
	£000	*£000*
Auditor's remuneration - audit of these financial statements	**27**	24
Depreciation of owned fixed assets	**2,352**	2,333
Goodwill amortisation	**11**	-
Research and development costs	**1,335**	794
Equalisation provision	**5,652**	-
Operating lease rentals – plant and machinery	**367**	360
Government grants	**(13)**	(13)

4. Directors' emoluments

The emoluments of Directors of the Company are as stated below

	2011	*2010*
	£000	*£000*
Emoluments	**152**	144
	No	*No*
Members of group defined benefit pension schemes	**1**	1

The emoluments of the highest paid Director of the Company are as stated below

	2011	*2010*
	£000	*£000*
Emoluments	**152**	144

5. Staff costs

	2011	*2010*
	£000	*£000*
Wages and salaries	**7,784**	6,310
Social security costs	**861**	697
Other pension costs (including Pension Equalisation charge of £5 6m (2010 £nil))	**7,242**	2,162
	15,887	9,169

Notes to the accounts (continued)

Formıng part of the financial statements

5. Staff costs *(contınued)*

The average monthly number of employees durıng the year was as follows

	2011 No	2010 No
Admınıstratıon	**78**	71
Manufacturıng	**131**	107
	209	178

6. Interest receivable and similar income

	2011 £000	2010 £000
Tax refund ınterest	**-**	9
Expected return on pensıon scheme assets	**7,140**	5,721
Group undertakıngs	**572**	594
	7,712	6,324

7. Interest payable and similar charges

	2011 £000	2010 £000
Interest on pensıon scheme lıabılıtıes	**7,714**	7,999
	7,714	7,999

Notes to the accounts (continued)

Forming part of the financial statements

8. Tax on profit on ordinary activities

(a) Analysis of (credit)/charge in period	***2011***	*2010*
	£000	*£000*
Current tax		
UK Corporation tax on profits of the period	**(285)**	251
Adjustments in respect of previous periods	**36**	273
Total current tax (note 8b)	**(249)**	524
Deferred tax		
Origination & reversal of timing differences	**(826)**	(971)
Reversal of provision on Industrial Buildings Allowance	**-**	(31)
Adjustment in respect of change in deferred tax rate	**1,126**	462
Adjustment in respect of prior periods	**(76)**	-
Total deferred tax	**224**	(540)
Total tax charge	**(25)**	(16)

(b) Factors affecting tax (credit)/charge for year

The tax (credit)/charge for the year is higher (*2010 higher*) than the standard rate of corporation tax in the UK of 26 5% (*2010 28 0%*) The differences are explained below

	2011	*2010*
	£000	*£000*
Loss on ordinary activities before tax	**(2,832)**	(1,335)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 26 5% (*2010 28 0%*)	**(750)**	(373)
Effects of		
Disallowable expenses	**(9)**	15
Capital allowances less than depreciation	**54**	13
Adjustments to tax charge in respect of previous periods	**36**	273
Unrelieved tax losses carried forward	**865**	-
Difference in tax rates on losses carried back	**(15)**	-
Pension adjustment	**(430)**	596
Total current tax (note 8a)	**(249)**	524

Notes to the accounts (continued)

Forming part of the financial statements

8 Tax on profit on ordinary activities *(continued)*

(c) Factors that may affect future tax charges

The 2012 Budget on 23 March 2012 announced that the UK corporation tax rate will reduce to 22% by 2014 A reduction in the 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 and further reduce the deferred tax asset at 31 December 2011 (which has been calculated based on the rate of 25% substantively enacted at the balance sheet date) by £435,000

9. Tangible fixed assets

	Freehold land and buildings	*Plant and machinery*	*Total*
	£000	*£000*	*£000*
Cost:			
At 1 January 2011	5,744	52,179	57,923
Acquisitions	-	189	189
Additions	33	1,060	1,093
Disposals	-	(6)	(6)
At 31 December 2011	**5,777**	**53,422**	**59,199**
Depreciation:			
At 1 January 2011	1,818	36,073	37,891
Charge for the year	124	2,228	2,352
Disposals	-	(6)	(6)
At 31 December 2011	**1,942**	**38,295**	**40,237**
Net book value:			
At 31 December 2011	**3,835**	**15,127**	**18,962**
At 31 December 2010	3,926	16,106	20,032

Notes to the accounts (continued)

Forming part of the financial statements

10. Goodwill

On 4 October 2011 the company acquired the trade and certain assets of CC Crump Ltd

Details of the net assets acquired are as follows

	Book value £000	*Adj £000*	*Fair Value £000*
Tangible Fixed Assets	189	-	189
Net Assets at acquisition			189
Consideration			413
Goodwill at acquisition			**224**
Amortisation			
At 1 January 2011			-
Charge for the year			(11)
Goodwill at 31 December 2011			**213**

The goodwill of £224,000 arose on the transfer of trade and certain assets from C C Crump Ltd on 4th October 2011 and is amortised over 5 years on a straight line basis

The acquisition, which primarily maintains bromine isotanks, contributed £246,000 loss to the Company's overall operating profit

11. Investments

	Subsidiary undertakings £000
Cost and net book value	
At 1 January 2011 and 31 December 2011	**43,307**

Details of the investments in which the Company holds more than 20% of the nominal value of any class of share capital are as follows

Name of company	*Country of incorporation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
G L Development Ltd	Cayman Islands	Ordinary shares	52 1%	Investment Company

Notes to the accounts (continued)

Forming part of the financial statements

12. Stocks

	2011 £000	2010 £000
Raw materials and consumables	**1,783**	1,976
Work in progress	**119**	225
Finished goods	**5,207**	6,086
	7,109	8,287

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

13. Debtors

	2011 £000	2010 £000
Trade debtors	**61**	69
Amounts owed by group undertakings	**77,280**	103,764
Prepayments and accrued income	**388**	634
Corporation tax	**285**	-
Deferred tax asset (see note 16)	**4,036**	-
Other	**217**	846
	82,267	105,313

14. Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	**4,740**	5,230
Amounts owed to group undertakings	**3,332**	5,605
Accruals and deferred income	**713**	1,134
Corporation tax	**-**	104
Other tax and social security	**96**	146
Government grants	**13**	13
	8,894	12,232

Amounts owed to group undertakings are shown as due within one year as they are repayable on demand

Notes to the accounts (continued)

Forming part of the financial statements

15. Creditors: amounts falling due after one year

	2011	*2010*
	£000	*£000*
Deferred Grants	**47**	59
Other	**343**	343
	390	402

16. Provisions

	Deferred Tax Provision £000
At 1 January 2011	2,305
Credited to the income statement in the year	(6,466)
Adjustment in respect of prior periods	(76)
Effect of change in deferred tax rate	201
At 31 December 2011	**(4,036)**

The elements of deferred taxation (shown in debtors) are set out below

	2011 Provided £000	*2010 Provided £000*
Capital allowances in advance of depreciation	**2,025**	2,317
Pension adjustment	**(5,233)**	-
Other timing differences	**(828)**	(12)
	(4,036)	2,305

17. Share Capital

	2011		*2010*	
	No.	***£***	*No*	*£*
Allotted, called up and fully paid				
Ordinary shares of £1 each	**100,310,025**	**100,310,025**	100,310,025	100,310,025

Notes to the accounts (continued)

Forming part of the financial statements

18. Reserves

	Share Capital £000	*Share premium £000*	*Profit and loss £000*	*Total £000*
At 1 January 2011	100,310	25,000	3,182	128,492
Loss for the year	-	-	(2,807)	(2,807)
Other recognised loss relating to year	-	-	(111)	(111)
At 31 December 2011	**100,310**	**25,000**	**264**	**125,574**

19. Capital commitments

	2011 £000	*2010 £000*
Contracted, not provided	**68**	60

20. Other financial commitments

At 31 December 2011, the Company had annual commitments under non-cancellable operating leases, none of which related to land and buildings, as set out below

	2011 £000	*2010 £000*
Operating leases which expire		
Within one year	**5**	8
In two to five years	**125**	17
	130	25

To underpin its obligations to the pension scheme, the Ultimate Parent company has guaranteed up to $25 million of the agreed cash contribution and the Company has granted the Trustees a lien over a loan it had made to its ultimate parent company, Chemtura Corporation, with a value of £34,816,777 and interest that accrues under the loan, until the liabilities in respect of all members' pensions or other benefits have been discharged in full by the purchase of annuities of the kind described in section 74(3)(c) of the Pensions Act 1985

Notes to the accounts (continued)

Forming part of the financial statements

21. Pension commitments

The Company pension scheme (Great Lakes (UK) Limited Pension Plan) has a defined contribution section and a defined benefit section The latter section provides benefits based on final pensionable pay as at 31st December 2008

The Company made contributions to the defined contribution scheme in 2011 of £370,000 (2010 £314,000) matching the employee contribution rate up to a maximum of 7%

The latest full actuarial valuation of the defined benefit scheme was carried out at 31 December 2008 and updated for FRS17 purposes to 2011 by a qualified independent actuary

The assets of the scheme are held separately from those of the Company in Trustee administered funds

Movement in defined benefit obligation

	2011	*2010*
	£000	*£000*
At beginning of year	**147,866**	142,497
Interest cost	**7,714**	7,999
Actuarial loss	**(1,041)**	1,692
Benefits paid from Plan/Company	**(4,661)**	(4,322)
Past service costs – Equalisation provision	**5,652**	-
Benefit obligation at end of year	**155,530**	147,866

Movement in scheme assets

	2011	*2010*
	£000	*£000*
Fair value of Plan assets at beginning of year	**101,617**	94,357
Expected return on Plan assets	**7,140**	5,721
Actuarial gain on Plan assets	**(1,192)**	5,809
Employer contributions	**30,000**	1,900
Benefits paid from Plan/Company	**(4,661)**	(4,322)
Current service cost paid	**(1,220)**	(1,848)
Fair value of Plan assets at end of year	**131,684**	101,617

Amounts recognised in the Balance Sheet

	2011	*2010*
	£000	*£000*
Present value of wholly or partly funded obligations	**155,530**	147,866
Fair value of Plan assets	**131,684**	101,617
Deficit	**23,846**	46,249
Related deferred tax asset	**(5,962)**	(12,487)
Net liability	**17,884**	33,762

Notes to the accounts (continued)

Forming part of the financial statements

21. Pension Cost *(continued)*

Expense recognised in Profit and Loss Account

	2011 *£000*	*2010* *£000*
Current service cost	**1,220**	1,848
Past service cost – Equalisation provision	**5,652**	-
Interest cost	**7,714**	7,999
Expected return on scheme assets	**(7,140)**	(5,721)
Total	**7,426**	4,126

Amounts recognised in Statement of Total Recognised Gains and Losses

	2011 *£000*	*2010* *£000*
Actuarial losses/(gains) immediately recognised	**151**	(4,117)
Total	**151**	(4,117)
Cumulative losses recognised	**20,894**	20,743

Principal actuarial assumptions

	2011	2010
Weighted average assumption to determine benefit obligations		
Discount rate	**4.70%**	5 30%
Expected long term rate of return on plan assets	**6.08%**	6 27%
Rate of price inflation (RPI)	**3.10%**	3 70%
Rate of price inflation (CPI)	**2.60%**	3 20%
Rate of pension increases *	**3.00%**	3 00%
'* or as otherwise guaranteed by the Plan rules		
Assumed life expectations on retirement at age 65		
Retiring today (member age 65)	**22.6**	22 5
Retiring in 20 years (member age 45 today)	**24.6**	24 5

Notes to the accounts (continued)

Forming part of the financial statements

21. Pension Cost *(contınued)*

Plan assets

Percentage of Plan assets by asset allocatıon

Equıty securıtıes	**45.9%**	64 80%
Debt securıtıes	**54.1%**	33 60%
Other	**0.0%**	1 60%

Expected return on assets by asset allocatıon

Equıty securıtıes	**6.00%**	7 20%
Debt securıtıes	**3.00%**	4 20%
Property	**6.00%**	7 20%
Cash	**0.50%**	0 50%
Weıghted average	**4.38%**	6 08%

To develop the expected long term rate of return on assets assumptıon, the Company consıdered the current level of expected returns on rısk free ınvestments (prımarıly government bonds), the hıstorıcal level of the rısk premıum assocıated wıth the other asset classes ın whıch the portfolıo ıs ınvested and the expectatıons for future returns of each asset class The expected return for each asset class was then weıghted based on the actual asset allocatıon at the start of the year to develop the expected long term rate of return on assets assumptıon for the portfolıo Thıs resulted ın the selectıon of an assumptıon of 6 08% per annum at 31 December 2010 and 4 38% at 31 December 2011

History of experience gains and losses

	2011 £000	*2010 £000*	*2009 £000*	*2008 £000*	*2007 £000*
Defined benefit oblıgatıon	**149,878**	147,866	142,497	118,443	129,257
Faır value of plan assets	**131,684**	101,617	94,357	84,911	103,727
Deficıt	**18,194**	46,249	48,140	33,532	25,530

Experıence adjustments

	2011 £000/%	2010 £000/%	2009 £000/%	2008 £000/%	2007 £000/%
Dıfference between the expected and actual return on plan assets	**1,192**	(5,809)	(9,662)	23,391	142
As a percentage of plan assets	**1%**	(6 0%)	(10 0%)	28 0%	0 0%
Experıence adjustments on plan lıabılıtıes	-	-	3,559	-	(5,658)
As a percentage of present value of plan lıabılıtıes	-	-	2 0%	-	(4 0%)

In May 2011 the Company entered ınto a recovery plan and made a cash contrıbutıon of £30,000,000 ın the 2011 financıal year A cash contrıbutıon of £15,000,000 ıs expected to be made ın 2012 wıth further contrıbutıons of £7,500,000 ın 2013 and 2014

Notes to the accounts (continued)

Forming part of the financial statements

22. Parent undertaking and controlling party

The ımmedıate parent undertakıng ıs Great Lakes Europe Unlımıted, a company regıstered ın England and Wales Copıes of Great Lakes Europe Unlımıted's accounts can be obtaıned from the regıstered office at Tenax Road, Trafford Park, Manchester, M17 1WT

The ultımate parent undertakıng and controllıng party ıs Chemtura Corporatıon whıch ıs ıncorporated ın the USA The accounts of that Company may be obtaıned from 199 Benson Road, Mıddlebury, Connectıcut, CT 06749, USA

23. Post Balance Sheet Events

On 1 January 2012, the company acquıred the assets and undertakıngs, comprısıng the trade ın specıalıty chemıcals of Chemtura UK Ltd for the sum of £1,502,000