

Albemarle Chemicals UK Limited
Annual report
for the year ended 31 December 2012

Registered number 04778866



Albemarle Chemicals UK Limited

Annual report

for the year ended 31 December 2012

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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 activity

Prior to the cessation of the business, the principal activity of the company was the manufacture, marketing and selling of phosphorous based polyurethane flame retardants for use in the manufacture of rigid and flexible foams, as well as textiles, coatings and other industries.

Review of business

On 16th May 2012 it was announced by the company that the Albemarle Corporation would be closing its UK operations as the Group intended to leave the Phosphorus flame retardant market. This resulted in the UK company no longer meeting the criteria of a going concern. Production of phosphorus flame retardants ceased in December 2012.

The operating results for 2012 show a decrease in revenue primarily due to lower sales volumes, as products were phased out through the year.

Principal risks and uncertainties

Since the announcement of the closure of the business in May 2012, it is considered that the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principal risks and uncertainties of Albemarle Corporation, which include those of the company, are discussed in the group's annual report, which does not form part of this report.

Key performance indicators

Since the announcement of the closure of the business and the cessation of production in December 2012, the company's directors believe that analysis using key performance indicators for the company other than the financial measures below, is not necessary or appropriate for an understanding of the development, performance or position of the business of Albemarle Chemicals UK Limited.

Results and dividends

The company's revenue for the year was £10,553k (2011 £12,956k) and the company's loss after tax for the year was £5,827k (2011 loss £29,232k). No dividend was paid in the year (2011 £nil).

Financial risk management policies

As a result of the announcement to close the business, and the preparation of the accounts on the break up basis, management considers that it is not necessary to consider financial risks on an individual company basis. The financial risk management policies of Albemarle Corporation, the group, are discussed in the group's annual report, which does not form part of this report (see note 18 for details of where copies of the group annual report can be obtained).

Directors

The directors who held office during the year, unless stated otherwise, are given below:

K Narwold

N Daniel

Y Absil (Appointed April 2013)

Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

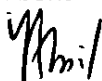
In the case of each of the persons who are directors at the time when the report is approved, the following applies

- so far as the director is aware, there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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. A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the annual general meeting.

On behalf of the board



Y Absil

Director

16th July 2013

Independent auditors' report to the members of Albemarle Chemicals UK Limited

We have audited the financial statements of Albemarle UK Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet, the Statement of accounting policies and the related notes. 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 page 2, 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 loss 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.

Emphasis of matter

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the basis of accounting note within the Statement of accounting policies, which describes the announcement made on 16 May 2012 to close the business. Consequently, the going concern basis of accounting is no longer appropriate and the financial statements have been prepared on a break up basis. Adjustments have been made in these financial statements to reduce assets to their realisable values, to provide for liabilities arising from the decision and to reclassify long term assets and liabilities as current.

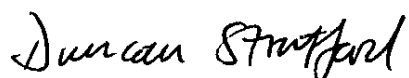
Opinion on other matter prescribed by the Companies Act 2006

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



Duncan Stratford (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
16th July 2013

Profit and loss account for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Turnover	1	10,553	12,956
Cost of sales		(8,833)	(11,133)
Gross profit		1,720	1,823
Administrative expenses		(1,250)	(2,309)
Operating Profit before exceptional expenses	2	470	(486)
Exceptional closure costs	3	(6,456)	(28,648)
Operating loss		(5,986)	(29,134)
Interest receivable and similar income	6	62	31
Foreign exchange losses		(26)	(6)
Loss on ordinary activities before taxation		(5,950)	(29,109)
Tax on loss on ordinary activities	7	-	(123)
Loss for the financial year	15	(5,950)	(29,232)

All of the activities of the company relate to discontinued operations

There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above and their historical cost equivalents

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of recognised gains and losses has been presented

Balance sheet as at 31 December 2012

			2012	2011
	Note	£'000	£'000	£'000
Current assets				
Stocks	8	150		1,645
Debtors	9	4,737		4,196
Cash at bank and in hand		5,092		4,035
			9,978	9,876
Creditors Amounts falling due within one year	10		(1,447)	(1,356)
Provisions	11		(5,961)	-
Net current assets			2,570	8,520
Net assets			2,570	8,520
Capital and reserves				
Called up share capital	14		-	-
Share premium	15		42,856	42,856
Profit and loss account	15		(40,286)	(34,336)
Total shareholders' funds	16		2,570	8,520

Registered company number 04778866

The financial statements on pages 5 to 16 were approved by the board of directors on 16th July 2013 and were signed on its behalf by



Y Absil
Director

Statement of accounting policies

Basis of accounting

These financial statements are prepared on the break up basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. This is following the announcement of the Group's decision to close its UK operations in May 2012. Production ceased in December 2012 and management have estimated the likely closure costs in note 3. The principal accounting policies, which have been applied consistently throughout the year are set out below.

Turnover

Turnover represents the value of goods and services that have been provided to customers in the year, net of value added tax. Turnover is recognised on the date goods have been despatched to customers and the risks and rewards have transferred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition comprises:

Raw materials	-	purchase cost
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on normal level of activity

Where slow moving/obsolete stock has been identified an appropriate provision has been created.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the date of the transaction. All differences are taken to the profit and loss account.

Share based payments

The company operates an Inland Revenue approved share matching scheme which is accounted for as a "cash settled" scheme in accordance with FRS 20. The company matches the cash contributions of the employee each month up to a maximum of £125 per employee per month. Each month the scheme administrators purchase shares in Albemarle Corporation Inc on the open market with the contributions for the month.

The shares vest with the employees on purchase and there are no vesting conditions attached to the shares, therefore there is no difference between the cash cost and the FRS20 fair value. The company recognises the matching cash cost plus the scheme administration costs as they are incurred through the P&L with the matching cost disclosed in the note 5.

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 deferred tax asset is regarded 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 from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted. 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.

Related party transactions

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Albemarle Corporation, whose accounts are publicly available

Operating leases

Operating lease costs are charged to the profit and loss account when incurred

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge disclosed in note 15 represents contributions payable by the company to the fund.

Cash flow statement

The company is a wholly-owned subsidiary of Albemarle Corporation and is included in the consolidated financial statements of that company, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (revised 1996)

Exceptional Closure Costs

In accordance with the accounting standard FRS 3 (Reporting Financial Performance), Any costs in the year relating to the expected closure of the site are disclosed separately

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

1 Turnover

An analysis of turnover by geographical market is given below

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Europe	9,481	11,130
North America	255	914
Asia	817	912
Total	10,553	12,956

2 Operating profit/ (loss) before exceptional expenses

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Operating profit before exceptional expenses (2011 loss) is stated after charging		
Services provided by the companies auditors		
- fees payable for the audit	30	30
Depreciation of tangible fixed assets	-	1,013
Amortisation of intangible fixed assets	-	1,153
Operating lease charges	84	74
Loss on foreign exchange on trading	26	6

3 Exceptional Closure Costs

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Exceptional Closure costs comprise		
Impairment of Intangible Fixed Assets	-	20,135
Impairment of Tangible Fixed Assets	-	7,917
Impairment of Stocks	-	596
Environmental Provision	3,590	
Severance	1,097	
Other closure costs	1,769	

4 Directors' emoluments

None of the directors received any remuneration either in the current or prior year. All directors are remunerated through other group companies.

5 Staff costs

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Wages and salaries	1,802	1,920
Share based payment costs	68	83
Social security costs	219	219
Other pension costs (note 15)	174	186
	2,263	2,408

The average monthly number of employees (including the directors) during the year was as follows

By Activity	Year ended 31 December 2012 Number	Year ended 31 December 2011 Number
Office and management	17	19
Plant operatives	30	33
	47	52

6 Interest receivable and similar income

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Bank interest	37	31

7 Tax on loss on ordinary activities

(a) Analysis of charge in the year

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax		
UK corporation tax on losses for the year	-	123
Deferred tax (note 14)		
Current year deferred tax charge	-	-
	-	123

(b) Factors affecting the charge in the year

The tax assessed for the year is higher (2011 higher) than the standard rate of corporation tax in the UK 24.5% (2011 26%). The differences are explained below

	2012	2011
	£'000	£'000
Loss on ordinary activities before tax	(5,950)	(29,110)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26%)	(1,458)	(7,711)
Effects of		
Expenses not deductible for tax purposes	1,479	7,498
Adjustments to tax charge in respect of previous periods	-	123
Depreciation in excess of capital allowances	10	(186)
Other short term timing differences	300	-
Timing differences on intangible assets	(331)	53
Unrelieved tax losses and other deductions arising in the period	-	346
	-	123

(c) Factors that may affect future tax charges:

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 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. These changes had not been substantively enacted at the balance sheet date and therefore any impact has not been included in these financial statements.

8 Stocks

	2012	2011
	£'000	£'000
Raw materials and consumables	60	262
Finished goods and goods for resale	90	1,383
	150	1,645

9 Debtors

	2012	2011
	£'000	£'000
Trade debtors	775	1,612
Amounts owed by group undertakings	2,623	2,406
Other debtors	1,271	60
Prepayments and accrued income	68	118
	4,737	4,196

10 Creditors: amounts falling due within one year

	2012	2011
	£'000	£'000
Trade creditors	440	934
Amounts owed to group undertakings	16	56
Tax and social security	47	57
Accruals	944	309
	1,447	1,356

11 Provisions: amounts falling due within one year

	2012	2011
	£'000	£'000
Provisions	5,961	-

The provisions amount above includes £3 6million for environmental closure costs, £1 4million for severance costs and approximately £1 0million for other closure related costs All amounts are considered current as a result of the accounts being prepared on the break up basis

12 Deferred tax

There are the following un-provided deferred tax assets due to uncertainty over the existence of future profits against which the assets may be offset

	2012	2011
	£'000	£'000
Trading losses carried forward	7,532	1,305
Total unrecognised deferred tax	7,532	1,305

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.

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13 Pension and similar obligations

The company operates a defined contribution pension scheme open to all employees. The total cost of company contributions to the scheme for the year was £174k (2011: £186k). As at the 31 December 2012 and 2011, there were no outstanding amounts owed to any pension scheme.

14 Called up share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
1 (2010: 1) ordinary share of £1	3	3

15 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2012	42,856	(34,336)	8,520
Loss for the financial year	-	(5,950)	(5,950)
At 31 December 2012	42,856	(40,286)	2,570

16 Reconciliation of movements in shareholders' funds

	2012 £'000	2011 £'000
Loss for the financial year	(5,950)	(29,232)
Net (decrease) in shareholders' funds	(5,950)	(29,232)
Opening shareholders' funds	8,520	37,752
Closing shareholders' funds	2,570	8,520

17 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows

	2012 Plant and machinery £'000	2011 Plant and machinery £'000
Commitments expiring		
Within 1 year	40	52

18 Ultimate parent undertaking

The immediate parent undertaking is Albemarle Netherlands BV. The ultimate parent undertaking and controlling party is Albemarle Corporation, a company incorporated in the United States of America.

Albemarle Corporation is the ultimate parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 31 December 2012. The consolidated financial statements of Albemarle Corporation are available from Albemarle Corporation, 451 Florida Street, Baton Rouge, Louisiana 70801.