

Chemtura Europe Limited

Directors' report and financial statements

Registered number SC097824

Year ended 31 December 2011

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Company information

Directors

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

Secretary

Arthur Fullerton

Bankers

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

Solicitors

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Auditor

KPMG LLP
St James' Square
Manchester
M2 6DS

Registered office

4th Floor
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

Directors' report

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

Principal activities

The principal activities of the Company is to provide services to other Chemtura group companies in marketing, technical support, research and development of agricultural and industrial chemicals.

Business review

The Company remains committed to removing non-value-added work throughout the organisation as it continues to position itself for the long-term success of the business.

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

	2011 £000	2010 £000
Turnover	14,272	17,007
Operating profit	956	1,548
(Loss) / Profit for the financial year	(2,477)	944

Overall turnover was down 16% due to decreased activities in 2011.

No dividend has been proposed for the current year (2010: £nil).

Directors' report *(continued)*

Risk and Uncertainty

The Directors of the Company are responsible for all risk management. This is accomplished by regular monthly reporting within the Chemtura group.

A risk to the business is additional regulatory requirements in environmental, health and safety and product registration areas. The use of internal employees and external advisers to monitor compliance with specific laws and regulations will mitigate the risk where possible.

Key Performance Indicators

The Ultimate Parent company monitors the business internally with a number of performance indicators. These include for example, an Annual Business Plan and monthly forecasts showing future expenditure and cashflow to help monitor business performance.

Branches

The Company has branches in Hungary, Slovakia, Poland, Czech Republic and a new branch in Greece.

Research and development

During 2011, Chemtura proprietary substances were tested and experiments conducted to generate biological and crop safety data essential for achieving registrations of products. New formulations of existing products were developed and tested for support of factory manufacture as a consequence of withdrawal of supply of key raw materials from suppliers.

The Company has continued its support of existing active substances under EU Directive 91/414/EEC and 98/8/EEC review and Regulation (EC) No 1107/2009. Following successful inclusion of active substances on Annex 1, re-registration at country level is undertaken in the EU and in addition, a number of country (re)registrations and extensions of registrations in Europe, Middle-East and Africa were achieved during this period for various end-use products based on our own active substances, as well as for end-use products from strategic partners.

Substantial shareholding

The Directors have no substantial shareholding in the Company's issued share capital at the date of this report.

Political and charitable contributions

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

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 aware, there is no relevant audit information of which the Company's auditor is unaware; and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to section 487(2) of the Companies Act 2006, the auditor will be deemed to be reappointed and will therefore continue in office.

By order of the board



Anthony J Risino
Director

Tenax Road
Trafford Park
Manchester
M17 1WT

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

The Directors are responsible for preparing the Directors' Report and financial statements in accordance with applicable laws 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 the financial statements, the Directors are required to:

- 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 transaction and disclose with reasonable accuracy at any time the financial position of the Company and to 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

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditor's report to the members of Chemtura Europe Limited

We have audited the financial statements of Chemtura Europe Limited for the year ended 31 December 2011 set out on pages 8 to 21. 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 auditor's 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 Europe 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

26 November 2012

Profit and loss account
for the year ended 31 December 2011

	<i>Note</i>	2011 £000	2010 £000
Turnover	2	14,272	17,007
Cost of sales		(13,316)	(15,459)
Gross profit		956	1,548
Operating profit	3-5	956	1,548
Other interest receivable and similar income	6	15	20
Interest payable and similar charges	7	(91)	(169)
Loss on dissolution of investment		(3,036)	-
(Loss) / Profit on ordinary activities before taxation		(2,156)	1,399
Tax on (loss) / profit on ordinary activities	8	(321)	(455)
(Loss) / Profit on ordinary activities after taxation		(2,477)	944

All results derive from continuing operations.

The notes on page 9-20 are an integral part of the financial statements.

Statement of Total Recognised Gains and Losses
for the year ended 31 December 2011

There were no recognised gains or losses other than those passing through the profit and loss account for the current and preceding financial year.

Balance sheet
at 31 December 2011

	<i>Note</i>	2011 £000	2011 £000	2010 £000	2010 £000
Fixed assets					
Intangible fixed assets	9		5,280		3,725
Tangible fixed assets	10		400		288
Investments	11		20,580		30,718
			<u>26,260</u>		<u>34,731</u>
Current assets					
Debtors	12	4,031		13,691	
Cash at bank and in hand		1,050		764	
		<u>5,081</u>		<u>14,455</u>	
Creditors: amounts falling due within one year	13	<u>(2,757)</u>		<u>(18,125)</u>	
Net current assets/(liabilities)			<u>2,324</u>		<u>(3,670)</u>
Net assets			<u>28,584</u>		<u>31,061</u>
Capital and reserves					
Called up share capital	15		1,697		1,697
Capital contribution account	16		24,780		24,780
Profit and loss account	17		2,107		4,584
Shareholders' equity	18		<u>28,584</u>		<u>31,061</u>

The notes on page 9-20 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

Company number SC097824

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 Company's financial statements.

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 preparing group accounts under s401 of the Companies Act 2006 since the Company is a wholly owned subsidiary of another company. The financial statements present information about the Company as an individual undertaking and not about its 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 Financial Reporting Standard 8 "Related Party Disclosures" and has, therefore, not disclosed transactions with fellow member of the Chemtura Corporation group.

Under Financial Reporting Standard 1 (revised 1996) the Company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Going Concern

The financial statements have been prepared under the going concern assumption. The company's business activities, together with the factors likely to affect 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.

Notes (continued)

1 Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are included in the balance sheet at cost less accumulated depreciation and any provisions for impairment.

Depreciation is not provided on freehold land or assets in the course of construction. Depreciation is provided on other assets to write off cost less the estimated residual value in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold buildings	-	4% per annum
Machinery, equipment, fixtures and fittings	-	6½% - 30% per annum

Investments and dissolutions

During the year the Company implemented a rationalisation programme in order to promote costs savings through lower compliance costs and allowing more time to focus on value-added business activities. The Company dissolved its wholly owned subsidiary Chemtura Corporation UK Limited on 25 November 2011. Subsequently, the Company acquired the remaining shares of its associate Baxenden Chemicals Limited and now it is wholly owned. See note 11.

Investments in subsidiary undertakings are included in the balance sheet at cost less any provision for impairment.

Intangible assets and amortisation

Licences obtained are stated on a historic cost basis. Amortisation is provided to write off the cost in equal instalments over a period of ten years once the licence has been brought into use.

Impairment

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

Turnover

Turnover in Chemtura Europe Limited is a management recharge from Chemtura Europe Limited to other group companies for administrative services and research and development work provided, which is recognised net of VAT at the point at which the services have been rendered.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Rental costs under operating leases are charged to the profit and loss account on a straight line basis over the periods of the leases.

Post-retirement benefits

The Company operates a defined contribution pension scheme, which are open to all eligible employees. The assets of the scheme are held separately from those of the Company, by Scottish Widows and Standard Life. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the loss 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.

Research and development

Expenditure on research and development is capitalised where it meets the requirements of SSAP 13 'Research and Development'. Other expenditure on research and development it is written off as incurred.

Notes (continued)

2 Turnover

	2011 £000	2010 £000
By business sector		
Provision of services	14,272	17,007
	<u>14,272</u>	<u>17,007</u>
By geographical area		
Rest of Europe	10,785	11,045
America	3,487	5,962
	<u>14,272</u>	<u>17,007</u>

3 (Loss) / Profit on ordinary activities before taxation

	2011 £000	2010 £000
<i>(Loss)/Profit on ordinary activities before taxation is stated after charging :</i>		
Depreciation and other amounts written off tangible fixed assets – owned	77	91
Amortisation on intangible assets	446	126
Hire of plant and machinery - rentals payable under operating leases	306	396
Hire of other assets - operating leases	371	310
Research and development expenditure	2,761	4,867
Loss on dissolution of investment	3,036	-
Exchange loss	145	216
	<u>14,272</u>	<u>17,007</u>

Auditor's remuneration:

	2011 £000	2010 £000
Amounts receivable by auditor and their associates in respect of:		
Audit of these financial statements	10	10
	<u>10</u>	<u>10</u>

The non-audit services supplied to the Company by the external auditors, KPMG during the year amounted to £nil (2010: £nil).

Notes (continued)

4 Directors' emoluments

The emoluments of Directors of the Company are as stated below:

	2011 £000	2010 £000
Emoluments	91	85
Members of group defined contribution pension schemes	No. 1	No. 1

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

	2011 £000	2010 £000
Emoluments	91	85

The other Directors are employees of other Chemtura group companies and do not receive specific compensation for being directors of the Company.

5 Staff numbers and costs

The average number of persons employed (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2011	2010
Selling and distribution	38	36
Administration	10	10
Research, development and technical advice	47	47
	95	93

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Wages and salaries	4,888	5,263
Social security costs	750	682
Other pension costs	229	269
	5,867	6,214

Notes (continued)

6 Other interest receivable and similar income

	2011 £000	2010 £000
Amounts receivable from group undertakings	10	15
Bank interest	5	5
	<u>15</u>	<u>20</u>

7 Interest payable and similar charges

	2011 £000	2010 £000
Amounts payable to group undertakings	91	169
	<u>91</u>	<u>169</u>

8 Taxation

a) Analysis of the tax charge for the year

	2011 £000	2010 £000
<i>UK Corporation Tax</i>		
Current tax on (loss)/profit for the year	238	405
Adjustment in respect of prior years	39	13
Double taxation relief	(15)	(54)
<i>Foreign tax</i>		
Current tax on (loss)/profit for the year	43	58
Total current tax charge	<u>305</u>	<u>422</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences (see note 14)	16	33
Tax on (loss)/profit on ordinary activities	<u>321</u>	<u>455</u>

Notes (continued)

8 Taxation (continued)

b) Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2010: higher) than the standard rate of taxation in the UK of 26.5% (2010: 28%). The differences are explained below.

	2011 £000	2010 £000
<i>Current tax reconciliation</i>		
(Loss) / Profit on ordinary activities before tax	(2,156)	1,399
Current tax at 26.5% (2010: 28%)	(571)	391
<i>Effects of:</i>		
Expenses not deductible for tax purposes	836	35
Other foreign tax adjustments	(10)	(8)
Capital allowances for period in excess of depreciation	(17)	(21)
Higher taxes on overseas earnings	28	12
Adjustments to tax charge in respect of previous periods	39	13
Total current tax charge (see above)	305	422

c) Factors that may affect future current and total tax charge

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 £8,000.

Notes (continued)

9 Intangible fixed assets

	Licences £000
<i>Cost</i>	
At beginning of financial year	4,138
Additions	2,001
	<hr/>
At end of financial year	6,139
	<hr/>
<i>Amortisation</i>	
At beginning of financial year	413
Charged in financial year	446
	<hr/>
At end of financial year	859
	<hr/>
<i>Net book value</i>	
At 31 December 2011	5,280
	<hr/> <hr/>
At 31 December 2010	3,725
	<hr/> <hr/>

10 Tangible fixed assets

	Freehold land and buildings £000	Machinery, equipment, fixtures and fittings £000	Total £000
<i>Cost</i>			
At beginning of financial year	846	4,025	4,871
Additions	143	46	189
	<hr/>	<hr/>	<hr/>
At end of financial year	989	4,071	5,060
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>			
At beginning of financial year	686	3,897	4,583
Charge for year	15	62	77
	<hr/>	<hr/>	<hr/>
At end of financial year	701	3,959	4,660
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>			
At 31 December 2011	288	112	400
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2010	160	128	288
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

11 Fixed asset investment

	2011 £000	2010 £000
At beginning of financial year	30,718	30,718
Dissolution	(17,480)	-
Additions	7,342	-
At end of financial year	20,580	30,718

Name of investment	Country of incorporation	Type of shares held	Total % of shares held	Principal activity
Baxenden Chemicals Limited	England and Wales	Ordinary £1	100	Manufacture and sale of speciality chemicals

Name of dissolution	Country of incorporation	Type of shares held	Total % of shares dissolved	Principal activity
Chemtura Corporation UK Limited	England and Wales	Ordinary £1	100	Holding company

On 25 November 2011 Chemtura Europe Limited dissolved its wholly owned subsidiary Chemtura Corporation UK Limited. Upon dissolution the Company received dividends in specie as follows: It acquired the remaining 53.5% share capital of Baxenden Chemicals Limited (£7,342,000), a Company registered in England and Wales, and intercompany receivables of £7,102,000. The Company recognised a loss on dissolution of £3,036,000.

Notes (continued)

12 Debtors

	2011 £000	2010 £000
Trade debtors	9	49
Amounts owed by group undertakings	3,137	12,988
Other debtors	271	243
Prepayments and accrued income	614	411
	<u>4,031</u>	<u>13,691</u>

All debtors fall due within one year.

13 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Trade creditors	984	1,765
Amounts owed to group undertakings	1,122	15,515
Corporation tax	249	351
Other creditors including taxation and social security	169	198
Accruals and deferred income	233	296
	<u>2,757</u>	<u>18,125</u>

14 Provisions for liabilities and charges

	Deferred Taxation £000
At 31 December 2010	(119)
Released during the year	16
	<u>(103)</u>
At 31 December 2011 (deferred tax within other debtors)	<u>(103)</u>

The elements of deferred taxation are set out below:

	2011 £000	2010 £000
Differences between accumulated depreciation and amortisation and capital allowances	(103)	(119)
Deferred tax asset	<u>(103)</u>	<u>(119)</u>

Notes (continued)

15 Called up share capital

	2011 £000	2010 £000
<i>Allotted, called up and fully paid</i>		
1,697,373 ordinary shares of £1 each	1,697	1,697

16 Capital contribution account

	2011 £000	2010 £000
<i>Fully paid</i>		
24,779,999 Paid in capital	24,780	24,780

17 Profit and loss reserve

	2011 £000	2010 £000
At start of year	4,584	3,640
(Loss) / Profit for the year	(2,477)	944
At 31 December 2011	2,107	4,584

18 Reconciliation of movements in shareholders' funds

	2011 £000	2010 £000
(Loss) / Profit for the financial year	(2,477)	944
Net (reduction)/addition to shareholders' fund	(2,477)	944
Opening shareholders' fund	31,061	30,117
Closing shareholders' fund	28,584	31,061

Notes (continued)

19 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2011 Plant and machinery £000	2011 Land and buildings £000	2010 Plant and machinery £000	2010 Land and buildings £000
Operating leases which expire:				
Within one year	61	-	28	-
In the second to fifth years inclusive	44	66	72	157
	<u>105</u>	<u>66</u>	<u>100</u>	<u>157</u>

20 Pension scheme

The Company operates a defined contribution pension scheme. The pension cost for the year represents contributions paid by the Company to the scheme and amounts to £229,000 (2010: £269,000).

There were no prepaid or outstanding contributions at the end of the financial year (2010: £nil).

21 Ultimate parent Company and parent undertaking of larger group

At the year end the Company's ultimate parent Company and controlling party was Chemtura Corporation, a Company incorporated in the United States of America. Chemtura Manufacturing Co. Inc., a Company incorporated in the United States of America, is the immediate parent undertaking of Chemtura Europe Limited and prepares consolidated accounts. The largest group in which the results of the Company and its subsidiary are consolidated is that headed by Chemtura Corporation. Copies of the consolidated financial statements of these groups are available from The Securities Exchange Commission, Washington D.C. 20549.