Mersen UK Teesside Limited

Directors' report and financial statements

Registered number 03473721

31 December 2011

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Directors' report

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

Principal activity

The principal activity of the company in the year under review was the manufacture and sale of carbon and associated products

Results and review of the business

The year ended 31 December 2011 saw an improvement in sales compared to 2010 this was due to an increase in High Temperature and Chemical Engineering products this situation is expected to continue in 2012 Profitability for the whole Teesside site operation is better compared to 2010

Costs and stock continued to be reduced in 2011 and this trend is set to continue in 2012

Key Performance Indicators

- stock levels are measured in days of stock holdings,
- trade debtors are monitored for being overdue and average days outstanding,
- trade creditors are monitored in relation to the level of purchasing, and
- non trade debtors and creditors are monitored in relation to their impact on cash flow

Business Risks

Business risks are an every day occurrence The Group has in place a risk evaluation monitoring and reduction policy which the Company also adopts The key areas of risk exposure are credit, interest and currency The exposure to these risks is monitored and action taken to reduce the risks where appropriate

Credit Risk

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis Credit evaluations are performed on all customers requiring credit over a pre-determined amount All overdue debts are monitored regularly At the balance sheet date there were no significant areas of credit risk not covered

Interest Rate Risk

The Company's exposure to interest at floating rates is regularly evaluated and action would be taken to mitigate exposure if thought necessary The Company is currently comfortable with the interest rate risk and level of exposure

Foreign Currency Risk

The Company is exposed to foreign currency risk on sales, purchases and intergroup accounts which are denominated in a currency other than sterling The Company continues to monitor exchange rates and arranges cover where considered appropriate to minimise exposure to foreign exchange risk The Company does not speculate on currency rates

Dividends

Interim dividends paid in the year ended 31 December 2011 amounted to *£95,000 (2010 £50,000)* The directors do not recommend the payment of a final dividend *(2010 £nil)*

Future developments

The directors continue to increase and develop the Company's range of products and to develop market opportunities where they exist The directors also place great emphasis on the efficiency of the Company at all levels of its operation

Directors' report *(continued)*

Political and charitable contributions

During the year the company made charitable donations of £243 *(2010 £269)*

Directors and their interests

The directors who served during the year ended 31 December 2011 and up to the date of signing were

M Denyer (Managing Director)
L Themelin

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

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General meeting

By order of the board

M. Denyer
Secretary

South Street
Portslade
Sussex
BN41 2LX

25 September 2012

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 the 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
1 Forest Gate
Brighton Road
Crawley
RH11 9PT
United Kingdom

Independent auditor's report to the members of Mersen UK Teesside Limited

We have audited the financial statements of Mersen UK Teesside Limited for the year ended 31 December 2011 set out on pages 5 to 14 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 website 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 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

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

D.A Bowen (Senior Statutory Auditor)
For and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
1 Forest Gate, Brighton Road,
Crawley, RH11 9PT

27 September 2012

Profit and loss account

for the year ended 31 December 2011

	Note	2011 £	2010 £
Turnover	2	**7,044,675**	5,199,719
Cost of sales		**(5,667,749)**	(4,312,625)
Gross profit		**1,376,926**	887,094
Selling costs		**(609,121)**	(602,454)
Administrative expenses		**(401,703)**	(460,509)
Other operating income		**6,086**	7,883
Operating profit/(loss)		**372,188**	(167,986)
Interest payable	6	**(12)**	(680)
Interest receivable	7	**51**	76
Profit/(loss) on ordinary activities before taxation	3	**372,227**	(168,590)
Tax on profit on ordinary activities	8	**(132,077)**	(27,000)
Profit/(loss) for the financial year	16	**240,150**	(195,590)

The company's turnover and expenses all relate to continuing operations

The company has no recognised gains or losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

There were no material differences between reported profit and historical profits and losses

The notes on pages 7 to 14 form part of these financial statements

Balance sheet
at 31 December 2011

	Note	2011 £	2011 £	2010 £	2010 £
Fixed assets					
Tangible assets	10		**852,946**		886,564
Current assets					
Stocks	11	**859,838**		957,111	
Debtors	12	**8,777,133**		8,291,353	
Cash at bank		**188,195**		82,204	
		9,825,166		9,330,668	
Creditors· amounts falling due within one year	13	**(3,916,545)**		(3,617,815)	
Net current assets			**5,908,621**		5,712,853
Provisions for liabilities and charges	14		**(52,000)**		(35,000)
Net assets			**6,709,567**		6,564,417
Capital and reserves					
Called up share capital	15		**1,000**		1,000
Profit and loss account	16		**6,708,567**		6,563,417
Shareholders' funds	17		**6,709,567**		6,564,417

The notes on pages 7 to 14 form part of these financial statements

These financial statements were approved by the board of directors on 25 September 2012 and were signed on its behalf by

M. Denyer
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 under the historical cost convention and in accordance with applicable accounting standards

Under Financial Reporting Standard No 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

The company is exempt under Financial Reporting Standard No 8, from the requirement to disclose related party transactions with subsidiaries and other group companies, as it is a wholly owned subsidiary of Mersen S A (formerly Le Carbone Lorraine S A), whose financial statements are publicly available (refer note 21)

Going Concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Directors' Report on pages 1 to 2

The company participates in the group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries The directors, having assessed the responses of the directors of the company's parent Mersen S A to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt upon the ability of the Mersen group to continue as a going concern

On the basis of their assessments of the company's financial position and of the enquiries made of the directors of Mersen S A , the company's directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statement

Turnover

Turnover represents invoiced sales of goods, excluding value added tax Sales are recognised on despatch when there has been a right to consideration in exchange for performance

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives The rates used are as follows

Freehold buildings	-	2 5% p a
Plant and machinery	-	10% p a
Office equipment	-	10% p a
Computer equipment	-	33% p a

No depreciation is provided on freehold land

Stocks and work in progress

These are valued at the lower of cost and estimated net realisable value including, in the case of work in progress and finished goods, an appropriate proportion of overhead expenditure

The cost is computed using the average unit cost method

Notes *(continued)*

Foreign currency

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

Pension costs

The company operates defined contribution pension schemes The assets of the schemes are held separately from those of the company in independently administered funds Contributions payable to the scheme are charged to the profit and loss account in the year to which they relate

Taxation

The charge for taxation is based on the results 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 start date, except as otherwise required by Financial Reporting Standard 19

2 Turnover

Turnover and the results before taxation arise solely from the company's principal activities Turnover analysis by geographical area was as follows

	2011	2010
	£	£
United Kingdom	**3,865,086**	3,020,909
Other members of the EU	**2,831,977**	2,000,788
The rest of the world	**347,612**	178,022
	7,044,675	5,199,719

3 Profit on ordinary activities before taxation

This is stated after charging

	2011	2010
	£	£
Auditors' remuneration – audit of these financial statements	**17,756**	9,963
Depreciation on tangible fixed assets	**62,971**	64,400
Exchange loss	**20,887**	24,004
Staff costs (see note 4)	**1,910,144**	1,724,330
Rental costs relating to operating leases – other	**9,893**	22,916

Notes *(continued)*

4 Staff costs

Staff costs, including directors' remuneration (note 5) were as follows

	2011 £	2010 £
Wages and salaries	**1,667,763**	1,507,058
Social security costs	**166,838**	146,956
Other pension costs	**75,543**	70,316
	1,910,144	1,724,330

The average number of persons employed by the company (including directors) during the year was as follows

	2011 No.	2010 No
Production	**34**	30
Other	**29**	31
	63	61

5 Directors' emoluments

	2011 £	2010 £
Emoluments, including benefits in kind	**48,491**	55,915
Pensions costs	**8,655**	8,146
	57,146	64,061

6 Interest payable

	2011 £	2010 £
Bank overdrafts	**12**	680
	12	680

Notes *(continued)*

7 Interest receivable

	2011 £	2010 £
Bank credits	**51**	76
	51	76

8 Tax on loss on ordinary activities

Analysis of (credit)/charge in the year

	2011 £	2010 £
Corporation tax		
- current year	**82,261**	-
- previous year	**32,816**	-
Total current tax	**115,077**	-
Deferred taxation	**17,000**	27,000
Tax on profit/loss on ordinary activities	**132,077**	27,000

Factors affecting the tax charge for the year

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

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	**372,227**	(168 590)
Current tax at 26 5% *(2010 28%)*	**98,615**	(47,205)
Effect of		
Disallowed expenses and non taxable income	**30,077**	4,448
Depreciation (less than) / in excess of capital allowances	**(22,736)**	913
Other timing differences	**2,569**	(799)
Group relief surrendered	**-**	42,643
Utilisation of tax losses	**(26,264)**	-
Current tax charge	**82,261**	-

Notes *(continued)*

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

Factors that may affect future tax changes

As a UK resident company in the Mersen SA group, the company is eligible to surrender UK group relief to, or claim UK group relief from, other UK tax resident Mersen SA group companies These claims and/or surrenders may be made with or without charge

9 Dividends

	2011 £	2010 £
Interim dividends approved in respect of the current year	**95,000**	50,000

10 Tangible fixed assets

	Freehold property £	Plant and machinery £	Office equipment £	Computer equipment £	Total £
Cost					
At 1 January 2011	893,452	2,050,845	99,102	43,382	3,086,781
Additions	-	27,863	-	1,490	29,353
At 31 December 2011	893,452	2,078,708	99,102	44,872	3,116,134
Depreciation					
At 1 January 2011	251,299	1,808,790	98,550	41,578	2,200,217
Charge for the year	18,140	42,604	189	2,038	62,971
At 31 December 2011	269,439	1,851,394	98,739	43,616	2,263,188
Net book value					
At 31 December 2011	**624,013**	**227,314**	**363**	**1,256**	**852,946**
At 31 December 2010	642,153	242,055	552	1,804	886,564

The cost of freehold land included in freehold property amounted to £167,850 *(2010 £167,850)*

11 Stocks

	2011 £	2010 £
Raw materials	**241,789**	559,018
Work in progress	**150,933**	93,438
Finished goods	**467,116**	304,655
	859,838	957,111

Notes *(continued)*

12 Debtors

	2011 £	2010 £
Trade debtors	**1,255,613**	764,454
Amounts due from group undertakings	**7,452,560**	7,467,935
Prepayments	**68,960**	11,961
Corporation Tax	**-**	32,816
	8,777,133	8,291,353

13 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	**673,423**	40,124
Amount due to group undertakings	**2,977,148**	3,330,664
Other taxation and social security	**-**	127,186
Accruals	**183,713**	119,841
Corporation tax	**82,261**	-
	3,916,545	3,617,815

14 Provisions for liabilities and charges

	2011 £	2010 £
Deferred taxation		
At 1 January	**35,000**	8,000
Profit and loss account	**17,000**	27,000
At 31 December	**52,000**	35,000

The deferred taxation asset comprises

	2011 £	2010 £
Accelerated capital allowances	**59,392**	39 931
Other timing differences	**(7,392)**	(4,931)
At 31 December	**52,000**	35,000

Notes *(continued)*

15 Share capital

	2011 £	2010 £
Authorised, allotted, issued, called up and fully paid		
1,000 ordinary shares of £1 each	**1,000**	1,000

16 Profit and loss account

	2011 £	2010 £
Opening profit and loss reserve	**6,563,417**	6,809,007
Profit/(loss) for the year	**240,150**	(195,590)
Dividends (Note 9)	**(95,000)**	(50,000)
Closing profit and loss reserve	**6,708,567**	6,563,417

17 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Opening shareholders' funds	**6,564,417**	6,810,007
Retained profit/(loss) for the year	**240,150**	(195,590)
Dividends (Note 9)	**(95,000)**	(50,000)
Closing shareholders' funds	**6,709,567**	6,564,417

18 Pension commitments

The company operates defined contribution schemes The assets of the schemes are held separately from those of the company in independently administered funds held by trustees The pension cost charge represents contributions payable by the company to the fund and amounted to £55,040 *(2010 £22,021)* At 31 December 2011 contributions amounting to £nil *(2010 £nil)* were payable to the fund

Notes *(continued)*

19 Leasing commitments

Operating leases

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	2011 Other £	2010 Other £
Operating leases which expire		
Within one year	**15,266**	11,436
In two to five years	**13,877**	11,480
	29,143	22,916

20 Contingent liabilities

Contingent liabilities at the year end were as follows

	2011 Other £	2010 Other £
Guarantees	**68,389**	91,888
	68,389	91,888

This relates to Performance Guarantees for large contracts

21 Ultimate parent undertaking

The immediate parent undertaking is Le Carbone (Holdings) Limited

The ultimate parent undertaking is Mersen S A , incorporated in France This is also both the largest and smallest group which includes the company and for which consolidated financial statements are prepared Copies of Mersen S A group's financial statements may be obtained from Immeuble La Fayette, 2-3 place des Vosges, La Defense 5, 92400 Courbevoie, France