Company Registration No. 1665506

IONBOND UK LIMITED

Report and Financial Statements

31 March 2018

REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDING 31 MARCH 2018

CONTENTS

CORPORATE INFORMATION

DIRECTORS

G J van der Kolk
J Ostman
C P Constable

SECRETARY

A G Frost

REGISTERED OFFICE

Unit 36
No.1 Industrial Estate
Medomsley Road
Consett
Co Durham
DH8 6TS

BANKERS

Mizuho Bank Ltd
Mizuho House
30 Old Bailey
London
EC4M 7AU

SOLICITORS

Muckle LLP
Norham House
12 New Bridge Street West
Newcastle upon Tyne
NE1 8AS

AUDITOR

KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne
NE1 3DX

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2018

The directors present their Strategic Report for the 15 months ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the company is the coating of cutting tools, components and decorative parts with a wear resistant coating, the research and development of surface engineering technology and the supply of consultancy services in the field of surface engineering. The company is part of the wider IHI group of companies incorporated in Japan.

REVIEW OF THE BUSINESS

During the 15 months ended 31 March 2018, the company experienced a considerable increase in underlying revenues/profitability from a number of business sectors. Further substantial gains have been achieved following the company's investment in new coating systems during the period. However, the continued uncertainty regarding the final trading relationship between the UK and the EU is still an underlying risk that we continue to be unable to quantify until the trade treaty negotiations have been completed later in 2018.

The company continues to develop products and business opportunities that the directors believe will sustain the long-term growth of the business despite the uncertainties surrounding future trading arrangements with the EU and the rest of the world should membership of the customs union cease.

FINANCIAL RISK MANAGEMENT POLICY

The company's principal financial instruments comprise cash and cash equivalents. Other financial assets and liabilities, such as trade creditors, trade debtors and related party balances, arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below. The company does not undertake any hedging activity.

INTEREST RATE RISK

The company invests surplus cash in short term fixed and variable rate interest yielding deposit accounts or loans surplus cash to other group companies. Therefore, financial assets, interest income and cash flows can be affected by movements in interest rates. However, the directors do not consider there to be any significant exposure.

CREDIT RISK

The company's policy is aimed at minimising such losses. Individual exposures and overdue debts are monitored with each customer and group company to ensure that the company's exposure to bad debts is managed accordingly.

LIQUIDITY RISK

The company aims to mitigate liquidity risk by managing cash generated by its operations. Capital and major repair expenditure is approved by the directors and flexibility is maintained by retaining sufficient surplus cash in readily accessible bank accounts.

FOREIGN CURRENCY RISK

The company's principal transactions in foreign currency arise directly from the company's operating activities. The majority of costs are transacted in sterling therefore the foreign currency risk is minimal. The total exchange losses in the year amounted to £26,884 (2016: loss of £18,938). As a result, the company's cash flows arising from these transactions can be affected by movements in the exchange rates. No hedging activity is undertaken to mitigate this risk as it is not considered to be significant.

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2018

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of potential risks and uncertainties that could have a material impact on the company's long-term performance and could cause actual results to differ materially from expected and historical results.

Issue	Risk	Mitigation
State of the economy	The state of the UK economy in key markets has a significant impact on customer demand for the company's products and services. There is a risk that the economy in several markets could fall into a recession at the same time and in particular there is an exposure within our key customers to the Eurozone countries. Of particular concern is the ongoing volatility of the exchange rates of the main trading areas of the company, those being primarily the Euro and the Swiss Franc. A further significant risk is the UK membership of the single market following the referendum vote to exit the UK from membership of the European Union. Whilst Ionbond UK has a primarily UK focussed customer base, our customers are at risk from the UK exit which would therefore impact on the trading levels of Ionbond UK.	A recession will result in a significant drop in customer demand across the industry. The company mitigates the risk by maintaining significant workforce flexibility and controlling the profitability of the business closely. The impact of the UK vote to exit the European Union continues to be unquantifiable until such time as the final trading relationship between the UK and the EU is ratified. Identifying the factors that could mitigate the impact of such are therefore still not possible.
Competition	The company is in a technologically advantageous position in various market segments. There is a risk that competition will increase. This could result in price pressure and have a negative impact on margins. In addition, it might shorten the lifecycles of the product portfolio and result in a loss of market share.	The company is a member of a market-oriented organisation that consistently monitors changes in market needs and changes in competitor behaviour. The high engineering competence of the company, and the Group of which it is a member, allows it to act quickly in the areas of process and product development and to adapt its products and service portfolio accordingly.
Product liability	There is a risk of product recall and claims for recompense due to failure of the coating, especially in the automotive, aviation and medical sectors.	The company has implemented industry-specific quality systems to ensure the quality of the products and services provided. In addition, the company has insurance coverage for product liability cases.
Operations	The company's manufacturing facilities could be disrupted for reasons beyond the company's control such as fire, work force actions or other issues.	The company, and the Group of which it is a member, prepares detailed recovery plans for the most likely situations so that, at all our facilities, business continuity procedures are in place and staff have been appropriately trained to implement them should these situations occur. In addition, customer orders could

STRATEGIC REPORT FOR THE PERIOD ENDED 31 MARCH 2018

		be transferred to other facilities of the company or as a worst-case scenario other facilities of the Group.

Approved by the Board of Directors and signed on behalf of the Board

G J van der Kolk

Director

Date: 13/06/2018

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2018

The directors present their report and financial statements of the company for the 15 month period ended 31 March 2018.

RESULTS AND DIVIDENDS

The profit for the 15 month period, after tax, amounted to £639,652 (year ended 31 December 2016: profit of £286,500). The directors do not recommend the payment of a dividend (2016: £306,713).

FUTURE DEVELOPMENTS

The company is expected to continue in its current capacity as a provider of thin film surface coatings and research and development company for the foreseeable future.

GOING CONCERN

The company meets its day-to-day working capital requirements directly from funds generated by its ongoing operations. The diverse nature of the company's business portfolio and the expansion of its coating portfolio will enable the company to meet its commitments in the future and continue to build the business.

The company manages its cash flow on a wider group basis with amounts due to and from group undertakings detailed in notes 11 and 12. The company has also funded the current fixed asset additions from its own cash flows. The terms of the group's finance arrangements do not permit an overdraft at local level. The company has been able to fully comply with this throughout the period. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company will be able to operate within the current terms for a period of at least 12 months from the signing of these financial statements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

DIRECTORS

The directors who held office during the year were:

G J van der Kolk
J Ostman
C P Constable

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the company has been continued. Regular meetings are held to allow a free flow of information and ideas.

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 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.

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2018

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board

G J van der Kolk

Director

Date: 13/06/2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IONBOND UK LIMITED

Opinion

We have audited the financial statements of Ionbond UK Limited ("the company") for the period ended 31 March 2018 which comprise the profit and loss account and other comprehensive income, statement of changes in equity, balance sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IONBOND UK LIMITED

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
9 July 2018

PROFIT AND LOSS ACCOUNT
For the 15 month period ended 31 March 2018

	Note	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
TURNOVER	2	5,881,681	3,877,400
Cost of sales		(3,511,413)	(2,464,562)
GROSS PROFIT		2,370,268	1,412,838
Selling & Distribution Costs		(604,085)	(436,781)
Administrative Expenses		(1,024,817)	(703,552)
OPERATING PROFIT		741,366	272,505
Interest receivable and similar income	6	-	342
Interest payable and similar expenses	7	(28,361)	(116)
PROFIT BEFORE TAXATION		713,005	272,731
Tax (charge)/credit on profit	8	(73,353)	13,769
PROFIT FOR THE PERIOD		639,652	286,500

All amounts relate to continuing activities.

OTHER COMPREHENSIVE INCOME
For the 15 month period ended 31 March 2018

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
PROFIT FOR THE PERIOD	639,652	286,500
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	639,652	286,500

STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £	Capital contribution £	Profit and loss £	Total £
Balance at 1 January 2016	1,150,000	226,298	1,889,802	3,266,100
Profit for the financial year	-	-	286,500	286,500
Dividends paid (note 16)	-	-	(306,713)	(306,713)
Balance at 1 January 2017	1,150,000	226,298	1,869,589	3,245,887
Profit for the period	-	-	639,652	639,652
Balance at 31 March 2018	**1,150,000**	**226,298**	**2,509,241**	**3,885,539**

Company Registration No. 1665506

BALANCE SHEET
At 31 March 2018

	Note	31 March 2018 £	31 December 2016 £
FIXED ASSETS			
Tangible assets	9	2,689,674	1,595,797
		2,689,674	**1,595,797**
CURRENT ASSETS			
Stocks	10	203,003	179,114
Debtors	11	1,939,728	1,618,633
Cash at bank		658,047	443,586
		2,800,778	**2,241,333**
CREDITORS: amounts falling due within one year	12	(614,727)	(472,078)
NET CURRENT ASSETS		**2,186,051**	**1,769,255**
TOTAL ASSETS LESS CURRENT LIABILITIES		4,875,725	3,365,052
Creditors: amounts falling due after more than one year	13	(846,028)	-
PROVISIONS FOR LIABILITIES			
Deferred taxation	14	(144,158)	(119,165)
NET ASSETS		**3,885,539**	**3,245,887**
CAPITAL AND RESERVES			
Called-up share capital	15	1,150,000	1,150,000
Capital contribution		226,298	226,298
Profit and loss account		2,509,241	1,869,589
SHAREHOLDERS' FUNDS		**3,885,539**	**3,245,887**

These financial statements were approved and authorised for issue by the board of directors on 13/06/18 and were signed on their behalf by:

G J van der Kolk

Director

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

1. ACCOUNTING POLICIES

Statement of compliance

Ionbond UK Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 1665506 and the registered address is Unit 36, Number 1 Industrial Estate, Medomsley Road, Consett, Co. Durham, DH8 6TS.

The Company is exempt by virtue of S.401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1.

In these financial statements, the company has applied the exemptions available under FRS 102 in respect of the following disclosures:

– the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv)

– the requirements of Section 7 Statement of Cash Flows

– the requirements of Section 11 Basic Financial Instruments paragraphs 11.39 to 11.48A

– the requirements of Section 33.7 Related Party Disclosures

The Company's ultimate parent undertaking, IHI Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of IHI Corporation are prepared in accordance with Japanese Generally Accepted Accounting Practice (JGAAP) and are available to the public and may be obtained from TOYOSU IHI BUILDING., 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan.

Judgement and key sources of estimation and uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that can affect the amounts reported for assets and liabilities at the reporting date and the amounts reported for revenues and expenses during the period under review. The following judgements and estimates have had the most significant impact on the amounts recognised in the financial statements:

- **Taxation**

Judgement is required when determining the provision for taxes. Tax benefits are not recognised unless it is probable that the benefit will be obtained. Tax provisions are made if it is possible that a liability will arise. The company reviews each significant tax liability or benefit to assess the appropriate accounting treatment. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future profits.

- **Depreciation**

Management's estimation of the useful economic life of the Company's tangible fixed assets which is based on the condition of the assets and their experience of the industry and expectation of future developments.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

1. **ACCOUNTING POLICIES (CONTINUED)**

Tangible fixed assets

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less the estimated residual value of each asset on a straight-line basis over its estimated useful economic life as follows:

Improvements to leasehold buildings	-	life of lease
Plant and machinery (research related assets)	-	4 years
Plant and machinery (other)	-	5-20 years
Motor vehicles	-	3-4 years
Fixtures and fittings	-	3-5 years

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

Stock

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Operating lease commitments

The company has entered into commercial property leases as a lessee as it obtains use of various items of property, plant and equipment. The classification of such leases as operating or financing leases requires the company to determine, based on the evaluation of the terms and conditions of the lease agreements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the asset requires an asset and a liability to be recognised in the statement of financial position.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the balance sheet date. Monetary assets and liabilities denominated in foreign currencies are reported at the rates of exchange prevailing at the balance sheet date. All differences are taken to the income statement.

Pension costs

The company contributes to a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The amount charged to the profit and loss account represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Turnover

Turnover represents the amounts derived from the provision of goods and services, stated net of value added tax. Turnover is recognised on all goods that have been shipped on or before the last working day of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

1. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax is provided at amounts expected to be paid using the rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

2. TURNOVER

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Rendering of services	5,881,681	3,877,400
	5,881,681	3,877,400

Turnover by geographical region	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
UK	5,540,655	3,602,972
Rest of Europe	179,212	188,418
Rest of the world	161,814	86,010
Total turnover	5,881,681	3,877,400

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

3. OPERATING PROFIT

This is stated after charging/(crediting):

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Fees payable to the company's auditors for the audit of the company's financial statements	11,400	11,400
Research & development expenses	35,560	69,481

4. DIRECTORS' REMUNERATION

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Aggregate remuneration	122,131	52,644
Company contribution to money purchase pension scheme	7,559	3,899
	129,690	56,543

The remuneration of the highest paid director is shown above.

Retirement benefits are accruing to 1 (2016: 1) director under a money purchase scheme.

5. STAFF COSTS

Particulars of employees and temporary staff employed through agents are as shown below:	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Employee costs during the year:		
Wages and salaries – permanent staff	2,156,841	1,423,910
Social security costs – permanent staff	205,660	143,196
Other pension costs – permanent staff	119,852	95,317
Wages and salaries - temporary staff	194,300	140,568
	2,676,653	1,802,991

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

5. STAFF COSTS (CONTINUED)

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

	15 months ended 31 March 2018 No.	Year ended 31 December 2016 No.
Management	3	3
Administration	4	4
Sales	2	2
Production	37	33
Research	2	2
Total staff employed	48	44
Temporary staff	7	6
	55	50

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Other interest receivable	-	342

7 INTEREST PAYABLE AND SIMILAR EXPENSES

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Other interest payable	113	116
On amounts due to group undertakings	28,248	-
Total interest payable and similar expenses	28,361	116

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

8 TAX

a. Tax on profit

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Current tax on profit:		
UK corporation tax	45,979	6,741
Adjustments in respect of prior periods	2,381	(5,274)
	48,360	1,467
Deferred tax:		
Origination and reversal of timing differences	24,862	(10,781)
Adjustments in respect of prior years	3,037	1,468
Effect of tax rate change	(2,906)	(5,923)
Total deferred tax	**24,993**	**(15,236)**
Total tax on profit	**73,353**	**(13,769)**

b. The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	15 months ended 31 March 2018 £	Year ended 31 December 2016 £
Profit before taxation	713,005	272,731
Tax at 19.20% (2016: 20.00%) thereon	136,897	54,546
Effects of:		
Expenditure not deductible for tax purposes	6,803	5,364
Adjustment in respect of prior periods current tax	2,381	(5,274)
Adjustment in respect of prior periods deferred tax	3,037	1,468
Group relief received at £nil cost	(72,859)	(63,950)
Difference in tax rates	(2,906)	(5,923)
Total tax on profit	**73,353**	**(13,769)**

c. **Factors that may affect future tax charges**

Finance Act No.2 2015 included provisions to reduce the corporation tax to 19% with effect from 1 April 2017 and Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly, these rates have been applied when calculating deferred tax assets and liabilities as at 31 March 2018.

During the year commencing 1 April 2018, the net reversal of deferred tax assets is expected to increase the corporation tax charge for the year by £56,450. This is primarily due to the reversal of timing differences in relation to fixed assets.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

9 TANGIBLE FIXED ASSETS

	Leasehold improvements	Plant and machinery	Fixtures, fittings and motor vehicles	Assets in the course of Construction	Total
	£	£	£	£	£
Cost					
At 1 January 2017	308,069	7,513,238	156,040	112,672	8,090,019
Additions	-	13,001	25,774	1,686,555	1,725,330
Transfers	68,232	1,569,271	84,234	(1,721,737)	-
Disposals	-	-	(28,580)	-	(28,580)
At 31 March 2018	**376,301**	**9,095,510**	**237,468**	**77,490**	**9,786,769**
Depreciation					
At 1 January 2017	(235,890)	(6,161,409)	(96,923)	-	(6,494,222)
Charge for the period	(56,805)	(511,954)	(54,357)	-	(623,116)
Disposals	-	-	20,243	-	20,243
At 31 March 2018	**(292,695)**	**(6,673,363)**	**(131,037)**	**-**	**(7,097,095)**
Net book value					
At 31 March 2018	**83,606**	**2,422,147**	**106,431**	**77,490**	**2,689,674**
At 31 December 2016	**72,179**	**1,351,829**	**59,117**	**112,672**	**1,595,797**

10 STOCK

	31 March 2018	31 December 2016
	£	£
Raw materials and consumables	193,003	169,114
Work in progress	5,500	5,500
Finished goods	4,500	4,500
	203,003	**179,114**

Raw materials, consumables, changes in finished good and work in progress recognised in cost of sales in the 15 month period ended 31 March 2018 amounted to £ 464,175 (Year Ended 31 December 2016: £314,763).

11 DEBTORS

	31 March 2018	31 December 2016
	£	£
Trade debtors	930,231	619,868
Amounts owed by group undertakings	942,288	928,377
Prepayments and accrued income	67,209	56,010
Corporation tax recoverable	-	10,758
Other receivables	-	3,620
	1,939,728	**1,618,633**

Amounts owed by group undertakings are unsecured and interest free with no fixed repayment date.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2018 £	31 December 2016 £
Trade creditors	72,774	145,032
Amounts owed to group undertakings – trading	39,606	70,118
Other taxation and social security payable	208,412	144,186
Accruals and deferred income	271,765	112,742
Corporation tax payable	22,170	-
	614,727	**472,078**

13 CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

	31 March 2018 £	31 December 2016 £
Amounts owed to group undertakings	846,028	-
The loan is to be repaid as follows:		
In two to five years	846,028	-

The loan is unsecured and incurs interest at a rate of 4.15%. Due date for repayment is 31 March 2021.

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax	**Deferred taxation £**
At 1 January 2017	119,165
Charged to the profit and loss account during the period	24,993
At 31 March 2018	**144,158**

Deferred tax is provided as follows:

	31 March 2018 £	31 December 2016 £
Capital allowances in excess of depreciation	144,158	119,165
Other timing differences	-	-
Total provision for deferred tax	**144,158**	**119,165**

15 CALLED-UP SHARE CAPITAL

Allotted, called-up and fully paid	31 March 2018 £	31 December 2016 £
1,150,000 ordinary shares of £1 each	1,150,000	1,150,000

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

16 DIVIDENDS AND OTHER APPROPRIATIONS

Declared and paid during the year	31 March 2018 £	31 December 2016 £
Equity dividends on ordinary shares:		
Paid for 2018: 0.00p (2016: 26.67123.882p)	-	306,713

17 OTHER FINANCIAL COMMITMENTS

The company's future minimum rentals payable under non-cancellable operating leases were:

	31 March 2018 Land and buildings £	31 March 2018 Plant and machinery £	31 December 2016 Land and buildings £	31 December 2016 Plant and machinery £
Operating leases which expire:				
Within one year	99,013	18,067	53,505	18,499
Between two and five years	396,052	12,107	18,964	16,374
More than five years	404,303	-	-	-
	899,368	**30,174**	**72,469**	**34,873**

During the 15 month period £146,491 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £111,184).

18 PENSION COMMITMENTS

The company contributes to a number of defined contribution pension schemes. The pension charge for the 15 month period represents contributions payable by the company to these funds and amounts to £119,852 (Year ended 31 December 2016: £95,317). Of which £13,828 (2016: £17,251) was outstanding at the year end.

19 CAPITAL COMMITMENTS

At 31 March 2018 the company had capital commitments of £11,840 (2016: £59,383).

20 RELATED PARTY TRANSACTIONS

The company has not disclosed transactions with other Group companies, as it has taken advantage of the exemption contained within FRS 102.33.1A on the grounds that the subsidiaries are wholly owned.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Total remuneration for the 15 month period in respect of these individuals is £367,037 (2016: £233,637).

21 ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of Ionbond UK Limited is Bernex UK Limited, a company incorporated in England and Wales.

NOTES TO THE FINANCIAL STATEMENTS
At 31 March 2018

The parent undertaking and controlling party, for which group financial statements are prepared, is IHI Corporation, a company incorporated in Japan. Copies of the group financial statements of IHI Corporation are available from the registered office TOYOSU IHI BUILDING., 1-1, Toyosu 3-chome, Koto-ku, Tokyo 135-8710, Japan.

22 FINANCIAL INSTRUMENTS

	31 March 2018	31 December 2016
	£	£
Financial assets measured at amortised cost		
Trade debtors	930,231	619,868
Amounts owed by group undertakings	942,288	928,377

	31 March 2018	31 December 2016
	£	£
Financial liabilities measured at amortised cost		
Trade creditors	72,774	145,032
Amounts owed to group undertakings	39,606	70,118
Accruals (excluding deferred income)	245,707	72,388