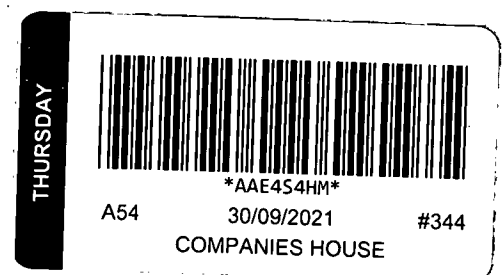


Registered number: 02225761

Euroresins UK Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2020



Euroresins UK Limited

Company Information

Directors	K Johnson B Chaing
Company secretary	K Johnson
Registered number	02225761
Registered office	Cloister Way Bridges Road Ellesmere Port Cheshire CH65 4EL
Independent auditors	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

Euroresins UK Limited

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Euroresins UK Limited

Strategic Report For the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Results and dividends

The company made a loss for the year, after taxation, amounting to £862,928 (2019: £852,568 profit). No dividend has been paid in 2020 (2019: £Nil). The directors do not recommend payment of a final dividend. The retained loss of £862,928 will be transferred from reserves.

Business review

Trading during 2020 was difficult and the company was affected by several external factors. The company has in the past relied on one main supplier for its resin products and this relationship came to an end during 2020. The company has appointed a number of other suppliers and is now able to offer an enhanced portfolio of products. Unfortunately this change in supplier came into effect at the same time as the start of the coronavirus outbreak. The company is committed to ensuring a safe working environment for its staff and customers and, for a period of time, was unable to visit customers. Additionally there has been a shortage of raw materials which has led to shortages of key products from suppliers, although our ability to source from multiple suppliers has helped to manage this particular risk somewhat. These three factors, which arose at the same time, significantly impacted upon turnover and profitability during the year. The company's key financial and performance indicator is turnover and during the year this was as follows £10,816,737 (2019: £18,984,863).

Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly grouped as: competitive, legislative, foreign currency, interest rate, credit and liquidity risk.

Competitive risk

The UK market is at risk from imports from outside Europe at cheaper prices. Changes in technology also can have an effect on the market. Pricing within the commercial and supply chain can be uncertain due to the nature of some of the raw materials.

Legislative risk

Legislative (compliance) risks concern issues such as health and safety, environmental, trade description, consumer protection, employment practices and regulatory issues. The company must identify the risks, assign accountability and allocate the appropriate resources to mitigate the risk. Failure to comply will potentially have a detrimental effect on the company, ranging from additional costs to possible cessation of operations.

Besides UK and European Standards, the company also applies its own strict internal compliance requirements.

Foreign currency risk

The company has operations outside of the UK and it buys and sells goods and services denominated in currencies other than sterling. As a result, the value of the company's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected significantly by movement in exchange rates in general and in the Euro rate in particular. The company's transactional currency exposure arises from sales or purchases in currencies other than its functional currency.

The company has decided not to enter into foreign currency forward contracts during 2020.

Interest rate risk

The company is exposed to interest rate risk on its intercompany loans with other members of the group and in respect of its invoice finance facility.

Credit risk

During 2020 the company continued to focus on reducing overdue amounts and constantly updated the targets set for overdue accounts, debtors' days and doubtful debts expense against which performance is monitored.

Euroresins UK Limited

Strategic Report (continued)
For the Year Ended 31 December 2020

Principal risks and uncertainties (continued)

Liquidity risk

The company mitigates liquidity risk by managing cash generated by its operations, applying cash collection targets and setting authorisation limits for investment.

This report was approved by the board on 30/9/2021 and signed on its behalf.

Kevin Johnson

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K Johnson
Director

Euroresins UK Limited

Directors' Report For the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Principal activity and future developments

The principal activity of the company is the distribution of products to the thermoset industry. The directors foresee no material change in the nature of the company's activities.

Directors

The directors who served during the year were:

K Johnson
B Chaing

Financial instruments

Objectives and policies

The company does not have a formal treasury team. This function is performed by local management and the parent company. Financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Going concern

The directors have considered carefully the appropriateness of adopting the going concern basis for these accounts, particularly in the light of the impact of Covid-19 during the year and continuing since the year end.

The Company is part of a larger group, headed by Chaing Equities Limited (the Group) and the ability of the Company to continue as a going concern is linked to the health of the Group in general. The Company and Group has three primary sources of funding:

- Cash generated from the profits of the Group;
- Loans from shareholders / directors (which are subordinate to the bank funding described below); and
- Bank facilities provided by HSBC UK Bank plc.

Although each company handles its own cash and bank accounts on a day to day basis, the Group bank facilities and liquidity in general are managed centrally.

In considering the going concern basis, the directors have prepared a forecast model including monthly profit and loss accounts, balance sheets and cash flows for the period to 31 December 2022. The forecast is built on a bottom up basis, company by company, and adopts 2021 as its base year. The results for 2021 are based on six months of actual results (Q1 and Q2) and a forecast for Q3 and Q4. Notwithstanding the successful roll-out of vaccines and subsequent relaxation of Covid restrictions, the forecast for 2021 and 2022 assumes no significant improvement in conditions with regard to the continuing impact of Covid-19. Indeed, no significant growth is assumed generally.

The Group as a whole has different lines of business and operates across several European countries. The effects of Covid-19 have been different across different countries and different business.

Euroresins UK Limited

Directors' Report (continued) For the Year Ended 31 December 2020

In our chemicals and materials business, there was a definite downturn in demand during the initial lockdowns across all territories and turnover fell significantly. Some customers were closed for a period of time and most saw their own customer demand fall, an effect that fed back through the supply chain. Turnover has improved since the tightest restrictions were lifted but remains below historical levels and this is forecast to continue. The operations of these companies have also been affected in 2021 by a worldwide shortage of raw materials and spiralling transport costs. This has been mitigated somewhat by an improvement in sales mix that has generated increased gross margins and our ability to source materials from a wide range of suppliers has also helped.

Our logistics businesses, which operate predominantly in the UK, have benefited from increased consumer demand online. Whilst we anticipate that this may soften slightly as the economy opens up it is expected to remain a focus for us in the future. As a result, this part of the group continues to trade well

All of our companies have to date been able to trade throughout the Covid affected period and it is assumed that this will continue. No structural changes are required in order to achieve this.

With regard to bank facilities, these fall into two main categories:

- Invoice Finance facilities – these provide working capital funding for many of the Group companies, particularly those in the UK.
- Senior debt loan facilities that were used to fund previous acquisitions.

The loan facilities are fully drawn, but the invoice finance facilities are not. Whilst the drawn balance on invoice finance facilities fluctuates according to need, those facilities have never been fully drawn and there is no expectation that they will be. This is supported by the forecasts, which assume no additional draw on these facilities and suggest that considerable headroom will remain available. Cash balances and availability against these facilities are actively monitored by Group management on a weekly basis.

The bank facilities contain certain covenants that need to be met. The principal covenants relate to leverage and debt service, ratios that take a measure of EBITDA divided by debt and a measure of cash flow divided by debt service respectively. Our leverage must remain below 2.75x in 2021 and below 2.50x thereafter. Our cash flows must remain above 1.2x debt service requirements. These covenants have been met throughout 2020 and the forecasts indicate that they will continue to be met.

New and extended facilities on these terms were signed in December 2020 and secure funding for the group until Q1 2025.

In forming their conclusion the directors have also considered various alternative scenarios, principally incorporating unexpected falls in sales into the forecast. In all scenarios the forecasts show continued strong levels of cash and continuing availability against invoice finance facilities. This also ignores any further mitigating actions that management could take if required, for example, further working capital management and/or cost reductions.

As a consequence the directors consider it appropriate to adopt the going concern basis for these accounts.

Euroresins UK Limited

Directors' Report (continued) For the Year Ended 31 December 2020

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the company's financial statements 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; 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 to 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

To the best of our knowledge the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Euroresins UK Limited

**Directors' Report (continued)
For the Year Ended 31 December 2020**

Auditors

The auditors, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30/9/2021 and signed on its behalf.

Kevin Johnson

.....
K Johnson
Director

Euroresins UK Limited

Independent Auditors' Report to the Members of Euroresins UK Limited

Opinion

We have audited the financial statements of Euroresins UK Limited (the 'company') for the year ended 31 December 2020, which comprise Statement of Income and Retained Earnings, the Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Euroresins UK Limited

Independent Auditors' Report to the Members of Euroresins UK Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

Euroresins UK Limited

Independent Auditors' Report to the Members of Euroresins UK Limited (continued)

Responsibilities of directors for the financial statements

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

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Euroresins UK Limited

Independent Auditors' Report to the Members of Euroresins UK Limited (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (UK GAAP and the Companies Act 2006).
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues; and
 - potential management bias in manual journals, determining accounting estimates and any significant transactions outside of the normal conduct of business operations.
- Our audit procedures involved:
 - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those that reclassified costs from the income statement to the balance sheet;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates.

Euroresins UK Limited

Independent Auditors' Report to the Members of Euroresins UK Limited (continued)

Use of our report

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.

Grant Thornton UK LLP

Marc Summers BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LONDON
Date: 30/9/2021

Euroresins UK Limited**Statement of Income and Retained Earnings
For the Year Ended 31 December 2020**

	Note	2020 £	2019 £
Turnover	4	10,816,737	18,984,863
Cost of sales		(9,787,207)	(16,434,645)
Gross profit		1,029,530	2,550,218
Distribution costs		(862,669)	(949,047)
Administrative expenses		(960,744)	(795,436)
Other operating income		27,841	-
Operating (loss)/profit	6	(766,042)	805,735
Interest receivable and similar income	7	166,628	166,593
Interest payable and expenses	8	(109,020)	(108,532)
(Loss)/profit before tax		(708,434)	863,796
Tax on profit	10	(154,494)	(11,228)
(Loss)/profit after tax		(862,928)	852,568
Retained earnings at the beginning of the year		6,652,919	5,800,351
(Loss)/profit for the year		(862,928)	852,568
Retained earnings at the end of the year		5,789,991	6,652,919

The notes on pages 14 to 27 form part of these financial statements.

Euroresins UK Limited
Registered number: 02225761

Balance Sheet
As at 31 December 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	11	32,333	38,851
Current assets			
Stocks	12	1,607,959	2,339,392
Debtors: amounts falling due within one year	13	10,798,075	15,721,853
Bank and cash balances		1,293,621	233,921
		<u>13,699,655</u>	<u>18,295,166</u>
Creditors: amounts falling due within one year	14	(3,641,995)	(7,381,096)
Net current assets		<u>10,057,660</u>	<u>10,914,070</u>
Total assets less current liabilities		<u>10,089,993</u>	<u>10,952,921</u>
Net assets		<u>10,089,993</u>	<u>10,952,921</u>
Capital and reserves			
Called up share capital	16	4,300,002	4,300,002
Profit and loss account	17	5,789,991	6,652,919
		<u>10,089,993</u>	<u>10,952,921</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Kevin Johnson

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K Johnson
Director
30/9/2021

The notes on pages 14 to 27 form part of these financial statements.

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

1. General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office and principal place of business is:

Cloister Way
Bridges Road
Ellesmere Port
Cheshire
CH65 4EL

2. Accounting policies

2.1 Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.2 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and the Companies Act 2006.

2.3 Basis of preparation of financial statements

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are presented in Sterling which is the functional currency of the company and rounded to the nearest £.

2.4 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b), 12.29A and 12.30;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Cathay Investments Limited and Chaing Equities Limited as at 31 December 2020 and these financial statements may be obtained from 43 Friends Road, Croydon, United Kingdom, CR0 1ED.

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.5 Going concern

The directors have considered carefully the appropriateness of adopting the going concern basis for these accounts, particularly in the light of the impact of Covid-19 during the year and continuing since the year end.

The Company is part of a larger group, headed by Chaing Equities Limited (the Group) and the ability of the Company to continue as a going concern is linked to the health of the Group in general. The Company and Group has three primary sources of funding:

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The Group as a whole has different lines of business and operates across several European countries. The effects of Covid-19 have been different across different countries and different business.

In our chemicals and materials business, there was a definite downturn in demand during the initial lockdowns across all territories and turnover fell significantly. Some customers were closed for a period of time and most saw their own customer demand fall, an effect that fed back through the supply chain. Turnover has improved since the tightest restrictions were lifted but remains below historical levels and this is forecast to continue. The operations of these companies have also been affected in 2021 by a worldwide shortage of raw materials and spiralling transport costs. This has been mitigated somewhat by an improvement in sales mix that has generated increased gross margins and our ability to source materials from a wide range of suppliers has also helped.

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All of our companies have to date been able to trade throughout the Covid affected period and it is assumed that this will continue. No structural changes are required in order to achieve this.

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.5 Going concern (continued)

With regard to bank facilities, these fall into two main categories:

- Invoice Finance facilities – these provide working capital funding for many of the Group companies, particularly those in the UK.
- Senior debt loan facilities that were used to fund previous acquisitions.

The loan facilities are fully drawn, but the invoice finance facilities are not. Whilst the drawn balance on invoice finance facilities fluctuates according to need, those facilities have never been fully drawn and there is no expectation that they will be. This is supported by the forecasts, which assume no additional draw on these facilities and suggest that considerable headroom will remain available. Cash balances and availability against these facilities are actively monitored by Group management on a weekly basis.

The bank facilities contain certain covenants that need to be met. The principal covenants relate to leverage and debt service, ratios that take a measure of EBITDA divided by debt and a measure of cash flow divided by debt service respectively. Our leverage must remain below 2.75x in 2021 and below 2.50x thereafter. Our cash flows must remain above 1.2x debt service requirements. These covenants have been met throughout 2020 and the forecasts indicate that they will continue to be met.

New and extended facilities on these terms were signed in December 2020 and secure funding for the group until Q1 2025.

In forming their conclusion the directors have also considered various alternative scenarios, principally incorporating unexpected falls in sales into the forecast. In all scenarios the forecasts show continued strong levels of cash and continuing availability against invoice finance facilities. This also ignores any further mitigating actions that management could take if required, for example, further working capital management and/or cost reductions.

As a consequence the directors consider it appropriate to adopt the going concern basis for these accounts.

2.6 Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns and discounts.

The company recognises revenue when:
The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Turnover from sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. This is usually at the point that the goods have been dispatched to the customer.

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.7 Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

2.8 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102.

Grants of a revenue nature are recognised in the Statement of Income and Retained Earnings in the same period as the related expenditure.

2.9 Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

2.10 Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is charged so as to write off the cost of assets less estimated residual value, over their estimated useful lives, as follows:

Short leasehold land and buildings	- 10% per annum straight line
Other property, plant and equipment	- 25-33% per annum straight line
Furniture, fittings and equipment	- 10% per annum straight line

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.11 Trade debtors

Trade debtors are amounts due from customers for merchandise sold in the ordinary course of business.

Trade debtors with no stated interest rate and receivable within one year are recorded at transaction price. Any losses arising from impairment are recognised in profit or loss in other administrative expenses.

2.12 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the weighted-average cost method.

2.13 Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors with no stated interest rate and payable within one year are recorded at transaction price.

2.14 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

2.15 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

2.16 Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

2.17 Financial instruments

Classification

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

2. Accounting policies (continued)

2.17 Financial instruments (continued)

Recognition and measurement

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when, there exists a legally enforceable right to set off the recognised amounts and the company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions set out by FRS 102 to be classified as basic financial instruments are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

2.18 Other employee benefits

When employees have rendered a service to the company, short-term employee benefits to which the employees are entitled are recognised as the undiscounted amount expected to be paid in exchange for that service.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period if the revision and future periods of the revision affects both current and future periods.

Judgements

Stock valuation - Stocks are stated at the lower of cost and net realisable value. The determination of stock provisions requires significant judgement. In making this judgement the company evaluates amongst other factors the age and physical condition of stock and its expected saleability based on forecast demand for the products taking into account expected trading conditions.

Euroresins UK Limited**Notes to the Financial Statements
For the Year Ended 31 December 2020****4. Turnover**

An analysis of turnover by class of business is as follows:

	2020 £	2019 £
Sale of goods	10,390,797	18,958,115
Rendering of services	425,940	26,748
	<u>10,816,737</u>	<u>18,984,863</u>

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	10,259,962	18,013,738
Europe	157,427	691,430
Rest of world	399,348	279,695
	<u>10,816,737</u>	<u>18,984,863</u>

5. Other operating income

	2020 £	2019 £
Government grants receivable	27,841	-

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020 £	2019 £
Foreign exchange losses/(gains)	313,415	(335,517)
Depreciation expense	6,518	3,573
Auditors remuneration for audit services	18,000	22,500
Auditors remuneration for tax services	4,000	4,000
Operating lease expense - property	98,750	98,750
Operating lease expense - plant and machinery	74,316	61,141

Euroresins UK Limited**Notes to the Financial Statements
For the Year Ended 31 December 2020****7. Interest receivable**

	2020 £	2019 £
Interest receivable from group companies	166,517	166,517
Other interest receivable	111	76
	<u>166,628</u>	<u>166,593</u>

8. Interest payable and similar expenses

	2020 £	2019 £
Interest payable on loans from group undertakings	84,751	63,024
Other finance costs	24,260	45,494
Other interest payable	9	14
	<u>109,020</u>	<u>108,532</u>

9. Employees

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	553,843	516,956
Social security costs	50,404	49,515
Cost of defined contribution scheme	18,916	18,342
	<u>623,163</u>	<u>584,813</u>

During the year, the company received grants for the Coronavirus Job Retention Scheme (CJRS) totalling £27,841 which are included within other income in the statement of comprehensive income. The staff costs are shown gross of the CJRS grants received.

The average monthly number of employees, including the directors, during the year was as follows:

	2020 No.	2019 No.
Administration and support	7	6
Sales	7	6
Distribution	5	5
	<u>19</u>	<u>17</u>

Euroresins UK Limited

Notes to the Financial Statements
For the Year Ended 31 December 2020

10. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	-	32,888
Adjustments in respect of previous periods	148,762	(29,460)
Total current tax	148,762	3,428
Deferred tax		
Origination and reversal of timing differences	5,732	7,800
Total deferred tax	5,732	7,800
Taxation on profit on ordinary activities	154,494	11,228

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	(708,434)	863,796
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(134,602)	164,121
Effects of:		
Expenses not deductible for tax purposes	509	378
Utilisation of tax losses	37,380	-
Adjustments to tax charge in respect of prior periods	148,762	(29,460)
Deferred tax expense relating to changes in tax rates or laws	(675)	(917)
Deferred tax not recognised	103,120	-
Group relief	-	(122,894)
Total tax charge for the year	154,494	11,228

Euroresins UK Limited**Notes to the Financial Statements
For the Year Ended 31 December 2020****11. Tangible assets**

	Short leasehold land and buildings £	Other property, plant and equipment £	Furniture, fittings and equipment £	Total £
Cost or valuation				
At 1 January 2020	304,692	137,565	115,395	557,652
At 31 December 2020	304,692	137,565	115,395	557,652
Depreciation				
At 1 January 2020	304,692	98,714	115,395	518,801
Charge for the year on owned assets	-	6,518	-	6,518
At 31 December 2020	304,692	105,232	115,395	525,319
Net book value				
At 31 December 2020	-	32,333	-	32,333
At 31 December 2019	-	38,851	-	38,851

12. Stocks

	2020 £	2019 £
Finished goods and goods for resale	1,607,959	2,339,392

Euroresins UK Limited**Notes to the Financial Statements
For the Year Ended 31 December 2020****13. Debtors**

	2020 £	2019 £
Trade debtors	1,583,910	2,777,067
Amounts owed by related parties	8,929,963	12,739,030
Other debtors	11,968	1,329
Prepayments and accrued income	151,368	67,078
Income tax asset	120,866	131,617
Deferred tax asset	-	5,732
	<u>10,798,075</u>	<u>15,721,853</u>

14. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,373,044	1,769,565
Amounts owed to related parties	15,434	3,594,599
Other taxation and social security	809,750	283,253
Other creditors	1,411,438	1,718,048
Accruals	32,329	15,631
	<u>3,641,995</u>	<u>7,381,096</u>

Included within the other creditors balance is an amount of £1,375,217 (2019: £1,700,698) in respect of the company's invoice discounting facility. This amount is secured by fixed and floating charges over the company's assets.

Euroresins UK Limited**Notes to the Financial Statements
For the Year Ended 31 December 2020****15. Deferred taxation**

	2020 £
At beginning of year	5,732
Charged to profit or loss	(5,732)
At end of year	-

The deferred tax asset is made up as follows:

	2020 £	2019 £
Decelerated capital allowances	-	5,732
	-	5,732

16. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
4,300,002 (2019 - 4,300,002) Ordinary shares shares of £1.00 each	4,300,002	4,300,002

17. Reserves**Profit and loss account**

Includes all current and prior period retained profits and losses.

Called up share capital - ordinary shares

Represents the nominal value of the shares that have been issued.

18. Contingent liabilities

The company has given cross guarantees to Cathay Investments Limited's group bankers in respect of borrowings by certain group companies. The amount guaranteed is £30,689,314 (2019: £30,296,442).

The company has given cross guarantees in respect of borrowings by Cathay Investments 2 Limited (a fellow group company) and certain of its subsidiaries. The total amount of contingencies not included in the balance sheet is £12,134,440 (2019: £12,301,075).

Euroresins UK Limited**Notes to the Financial Statements
For the Year Ended 31 December 2020****19. Commitments under operating leases**

At 31 December 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	173,066	159,891
Later than 1 year and not later than 5 years	391,325	335,881
Later than 5 years	93,068	194,485
	<u>657,459</u>	<u>690,257</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £173,066 (2019: £159,891).

20. Related party transactions**Summary of transactions with other related parties**

Amethyst Group Limited
(Group company)

During the year the company was invoiced for services totalling £140,822 (2019: £169,570) by Amethyst Group Limited. At the balance sheet date the amount due to Amethyst Group Limited was £16,213 (2019: £13,375).

Perkins Group Services Limited
(Group company)

During the year the company was invoiced for services totalling £90 (2019: £2,430) by Perkins Group Services Limited. At the balance sheet date the amount due to Perkins Group Services Limited was £Nil (2019: £348).

Amethyst Global Freight Limited
(Group company)

During the year the company was invoiced for services totalling £90,009 (2019: £183,956) by Amethyst Global Freight Limited. At the balance sheet date the amount due to Amethyst Global Freight Limited was £7,282 (2019: £3,428).

Rhys Davies & Sons Limited
(Group company during the year)

During the year the company was invoiced for services totalling £24,059 (2019: £Nil) by Rhys Davies & Sons Limited. At the balance sheet date the amount due to Rhys Davies & Sons Limited was £Nil (2019: £Nil).

The company has taken advantage of the exemption in Section 33 of FRS 102 'Related Party Disclosures' from disclosing transactions with other wholly owned members of the group.

Euroresins UK Limited

Notes to the Financial Statements For the Year Ended 31 December 2020

21. Controlling party

The company's immediate parent is Euroresins International GmbH, incorporated in Germany.

The ultimate parent is Chaing Equities Limited, incorporated in England and Wales.

The ultimate controlling party is B Chaing and members of his close family, who control, directly or indirectly, 100% of the share capital in Chaing Equities Limited.

The most senior parent entity producing publicly available financial statements is Chaing Equities Limited. The immediate parent producing publicly available financial statements is Cathay Investments Limited. These financial statements are available upon request from Cathay Investments Ltd, 43 Friends Road, Croydon, United Kingdom, CR0 1ED.