

Zeon Chemicals Europe Limited

Report and Financial Statements

31 December 2016

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Company Information

Directors

H Takahashi

Secretary

Secretarial Appointments Limited.

Auditors

Ernst & Young LLP
The Paragon
Counterslip
Bristol BS1 6BX

Bankers

HSBC plc
33 Holton Road
Barry
South Glamorgan CF6 6SR

Mizuho Corporate Bank Limited
Bracken House
One Friday Street
London EC4M 9JA

The Bank of Tokyo – Mitsubishi Limited
Ropemaker Place
25 Ropemaker Street
London EC2Y 9AN

Solicitors

Eversheds LLP
1 Callaghan Square
Cardiff CF10 5BT

Registered Office

16 Churchill Way
Cardiff CF10 2DX

Registered No. 2343599

Strategic Report

As detailed more fully in the Directors report on page 4, on 25 November 2015 there was an announcement by Zeon Corporation that dissolution and liquidation of the company will proceed.

There will be an orderly cessation of the activities of the company concluding with the eventual voluntary liquidation of the company. Accordingly, the financial statements have not been prepared on a going concern basis. Details of the basis of preparation are set out in note 1 on page 12.

The Director presents his strategic report for the year ended 31 December 2016.

Review of the business

The company's principal activities after 31st March 2016 were the sale and distribution of synthetic rubber. Before 31st March 2016 the company's principal activities also included the manufacture of synthetic rubber (as prior year).

The company's key financial performance indicators during the year were as follows:

	2016	2015
	£000	£000
Sale of merchandised goods	17,025	15,878
Sale of manufactured goods	5,689	22,929
Operating profit/(loss) before interest and tax	1,542	(14,082)
Operating profit before exceptional items	2,418	339
Profit/(loss) after tax	1,415	(13,221)
Shareholders' (deficit)/funds	(232)	2,044

The turnover has decreased to £22.7M due to the production site closure in the first quarter of 2016. (2015: £38.8M). Manufactured goods linked to the production site reduced by 75% year on year. However, merchanted turnover increased by 7% to £17.0M (2015: £15.9M).

The operating profit increased by £15.6M to £1.5M (2015: loss £14.1M) but the operating loss for 2015 was masked by the closure cost expenditure. Therefore, the operating profit before exceptional item increased by £2.1M to £2.4M (2015: £0.3M).

Shareholders' funds decreased by the total comprehensive loss for the year of £2.3M (2015 – loss £15.2M).

Principal risks and uncertainties

The decision to close the production facility has meant there are additional risks over and above the normal operational risks. There is uncertainty regarding the nature and extent of closure costs. The parent company has expressed its committed support during the closure process.

The company is also exposed to financial risk. The principal areas to which the company is exposed continue to be in the areas of foreign exchange rate fluctuation and credit.

Foreign exchange risk is primarily managed by the means of purchasing as well as selling in the same foreign currency. The result is an offset rather than a complete elimination of exchange rate risk.

Strategic Report (continued)

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses, and require that payment terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Reference is made to a credit reference agency report before granting credit to new customers and to monitor existing customers. This procedure helps to mitigate this risk. Credit arrangements are reviewed by the directors, as a matter of procedure, to help reduce this risk. Details of the company's debtors are shown in note 11 to the financial statements.

Creditor payment policy and practice

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

On behalf of the Board



H Takahashi
Director

16 June 2017

Registered No. 2343599

Director's report

The Director presents his report for the year ended 31 December 2016.

Director

The director who served the company during the year was as follows:

H Takahashi

Results and dividends

The profit for the year after taxation amounted to £1,415K (2015 – loss of £13,221K). The director does not recommend a final dividend (2015 – £nil).

Going Concern

The financial statements are not prepared on the basis that the company will continue to trade as a going concern. The company will transfer its continuing business to another group company shortly after the signing of the financial statements. Following the business transfer the company intends to realise its assets and meet all its liabilities before voluntary liquidating. The company enjoys the full and committed support of the parent company in Japan for the production facility closure, the orderly cessation of activities of the company and to meet its liabilities as they fall due.

Risk Management

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to foreign exchange, and credit, risk are described in the Strategic Report on page 2.

Events after the reporting period

During March 2017, the defined benefit pension was sold to a third party at arm's length and a loss of £21.283 million was incurred by Zeon Chemicals Europe Limited. The conditions for the pensioners remain unchanged.

Director's qualifying third party indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the year, the policy of providing employees with information about the company is achieved by means of a monthly newsletter.

Director's report (continued)

Disclosure of information to the auditors

So far as the person who was the director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of the company's auditor, the director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board



H Takahashi
Director

16 June 2017

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. For the reasons set out in note 1 on page 12, these financial statements have not been prepared on a going concern basis.

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Independent Auditor's Report to the Members of Zeon Chemicals Europe Limited

We have audited the financial statements of Zeon Chemicals Europe Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland". As disclosed in note 1, the accounts have been prepared on a basis other than going concern.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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.

Independent Auditor's Report to the Members of Zeon Chemicals Europe Limited (continued)

Opinion on other matter 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Paul Mapleston (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Bristol

21st June 2017

Statement of comprehensive income

or the year ended December 2016

	Note	2016 Continued Operations £000	2016 Discontinued Operations £000	2016 Total £000	2015 Continued Operations £000	2015 Discontinued Operations £000	2015 Total £000
Turnover	2	17,025	5,689	22,714	15,878	22,929	38,807
Cost of sales		(15,569)	(4,031)	(19,600)	(15,257)	(21,016)	(36,273)
Gross Profit		<u>1,456</u>	<u>1,658</u>	<u>3,114</u>	<u>621</u>	<u>1,913</u>	<u>2,534</u>
Distribution costs		(6)	(169)	(175)	(7)	(649)	(656)
Administration expenses		(47)	(474)	(521)	(70)	(1,524)	(1,594)
Exceptional item	3	-	(876)	(876)	-	(14,421)	(14,421)
Other operating income						42	42
Operating profit/ (loss)	4	<u>1,403</u>	<u>139</u>	<u>1,542</u>	<u>544</u>	<u>(14,639)</u>	<u>(14,095)</u>
Interest receivable and similar income	7	4	-	4	2	-	2
Net return on pension scheme	16	(131)	-	(131)	(141)	-	(141)
Profit/(Loss) on ordinary activities before taxation		<u>1,276</u>	<u>139</u>	<u>1,415</u>	<u>405</u>	<u>(14,639)</u>	<u>(14,234)</u>
Taxation	8	-	-	-	-	1,013	1,013
Profit/(Loss) on ordinary activities after taxation for the financial year		<u>1,276</u>	<u>139</u>	<u>1,415</u>	<u>405</u>	<u>(13,626)</u>	<u>(13,221)</u>
Other comprehensive Income							
Actuarial loss relating to pension scheme obligations (note 16)	16			(3,692)			(113)
Deferred tax relating to actuarial loss (note 8(c))	8c			-			(1,823)
Total comprehensive loss for the year				<u>(2,277)</u>			<u>(15,157)</u>

Statement of changes in equity

for the year ended December 2016

	<i>Called up share capital £000</i>	<i>Profit and loss account £000</i>	<i>Total equity £000</i>
At 1 January 2015	23,300	(6,099)	17,201
Loss for the year		(13,221)	(13,221)
Other comprehensive loss		(1,936)	(1,936)
At 31 December 2015	23,300	(21,256)	2,044
At 1 January 2016	23,300	(21,256)	2,044
Profit for the year		1,415	1,415
Other comprehensive loss		(3,692)	(3,692)
At 31 December 2016	23,300	(23,533)	(233)

Statement of Financial Position

at 31 December 2016

	Notes	2016 £000	2015 £000
Fixed assets			
Tangible assets	9	58	117
		<u>58</u>	<u>117</u>
Current assets			
Stocks	10	2,026	5,777
Debtors	11	4,894	9,115
Cash at bank and in hand		<u>6,446</u>	<u>1,567</u>
		13,366	16,459
Creditors: amounts falling due within one year	12	<u>(5,958)</u>	<u>(3,723)</u>
Net current assets		<u>7,408</u>	<u>12,736</u>
Total assets less current liabilities			
Provisions for liabilities	15	-	(6,864)
Pension liabilities	16	<u>(7,699)</u>	<u>(3,945)</u>
Net (liabilities)/ assets		<u>(233)</u>	<u>2,044</u>
Capital and reserves			
Called up share capital	13	23,300	23,300
Profit and loss account		<u>(23,533)</u>	<u>(21,256)</u>
Shareholders' (deficit)/funds		<u>(233)</u>	<u>2,044</u>

The financial statements were approved by the Board of directors for issue on
and signed on its behalf by



H Takahashi

Director

16 June 2017

Notes to the financial statements

at 31 December 2016

1. Accounting policies

Statement of compliance

Zeon Chemicals Europe Ltd is a limited company incorporated in England. The Registered Office is 16 Churchill Way, Cardiff, CF10 2DX. The financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the company for the year ended 31 December 2016.

Basis of preparation

The financial statements of Zeon Chemicals Europe Limited were authorised for issue by the Board of Directors on 16 June 2017. The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. As a consequence of the circumstances outlined below, the accounts have not been prepared on a going concern basis. As liquidation is not imminent and there will be an orderly cessation of activities, the balance sheet at 31 December 2016 has been prepared consistent with circumstances that exist at that date and in accordance with the normal recognition and measurement requirements of FRS 102.

Going concern

The financial statements are not prepared on the basis that the company will continue to trade as a going concern. The company will transfer its continuing business to another group company shortly after the signing of the financial statements. Following the business transfer the company intends to realise its assets and meet all its liabilities before voluntary liquidating. The company enjoys the full and committed support of the parent company in Japan for the production facility closure, the orderly cessation of activities of the company and to meet its liabilities as they fall due.

Statement of cash flows

Zeon Chemicals Europe Limited is a qualifying entity (for the purposes of FRS 102) to take advantage of the disclosure exemption with regards to the requirements of section 7 Statement of Cash Flows and section 3 Financial Statement Presentation paragraph 3.17 (d).

Turnover

Turnover is recognised at the point that the obligations of Zeon Chemicals Europe Ltd to the customer have been satisfied, and the contractual commitments of Zeon Chemicals Europe Ltd in respect of the sale have been completed.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements:

- **Pension and other post-employment benefits** – the actuarial valuation involves making assumptions about discount rates, mortality rates and future pension increases;
- **Taxation** – provisions are based on reasonable estimates for possible consequences of audits by the tax authorities of the respective countries in which it operates. Management estimation is required to determine the amount of deferred tax assets that can be recognised; and
- **Impairment** – due to the plant closure various production assets were impaired and estimates of the recoverable amount for these assets were used.
- **Closure provision** – Several areas were identified by ZCEL whereby a provision would be necessary relating to the plant closure (i.e. Redundancy, Pension, Demolition, Environmental Assessment, Remediation, Lease Surrender and Impairment). An estimation of the cost for each of the areas was assigned by virtue of assumptions provided by third party professional consultants or quotations.

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land and capital work in progress. Depreciation rates are calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	–	over the lease term
Plant and machinery	–	over 3-20 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.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

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

Raw materials and goods for re-sale	–	purchase cost on a first-in, first-out basis
Work in progress and finished goods	–	cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure is written off as incurred.

Deferred taxation

Deferred taxation 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, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- 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 tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

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

Notes to the financial statements

at 31 December 2016

1. Accounting policies (continued)

Operating leases

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

Pensions

Zeon Chemicals Europe Limited operates a defined contribution pension scheme. Contributions are recognised in the profit and loss account in the period in which they became payable.

Zeon Chemicals Europe Limited operates a defined benefit scheme which is closed for future accrual.

In accordance with FRS 102 'Retirement Benefits', the service cost of the pension provision relating to the period, together with the cost of any benefits relating to past service, is charged to the profit and loss account. A charge equal to the increase in the present value of the scheme liabilities (because the benefits are closer to settlement) and a credit equivalent to the company's long-term expected return on assets (based on the market value of the scheme assets at the start of the period), are included in the profit and loss account under "net finance charge on pension scheme obligations".

The difference between the market value of the assets of the scheme and the present value of the accrued pension liabilities is shown as an asset or liability on the balance sheet net of deferred tax. Any difference between the expected return on assets and that actually achieved is recognised in the statement of total recognised gains and losses along with differences arising from experience or assumption changes.

Notes to the financial statements

at 31 December 2016

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

An analysis of turnover by geographical market is given below:

	2016 £000	2015 £000
United Kingdom	10,877	11,811
Other European countries	10,757	19,998
Rest of the world	1,080	6,998
	<u>22,714</u>	<u>38,807</u>

3. Exceptional item

	2016 £000	2015 £000
Fixed asset impairment	-	(6,364)
Stock devaluation	-	(935)
Plant closure expense	(876)	(7,122)
	<u>(876)</u>	<u>(14,421)</u>

Notes to the financial statements

at 31 December 2016

4. Operating profit

This is stated after charging/ (crediting):

	2016	2015
	£000	£000
Auditors' remuneration – audit services	44	50
– non-audit services	15	13
Depreciation of owned assets	43	1,213
Stock included in cost of sales	19,488	29,435
Operating lease rentals	46	50
Foreign exchange (gain)/ loss	(930)	23

5. Director's remuneration

	2016	2015
	£000	£000
Remuneration	194	198

The remuneration relates to the same Director year on year. During 2016, this Director received his salary for January from Zeon group companies and for the remainder of the year Zeon Chemicals Europe Limited paid the Director his remuneration. Whereas in 2015, the director received no remuneration from Zeon Chemicals Europe Ltd, despite the fact all his time was spent working for the company. None of these Zeon group companies imposed any charge on Zeon Chemicals Europe Ltd with regards to the service he provided to Zeon Chemicals Europe Ltd.

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of Zeon Chemicals Europe Limited are considered to be key management personnel. Total remuneration in respect of these individuals is £194K (2015 – £198K).

6. Staff costs

	2016	2015
	£000	£000
Wages and salaries	711	3,263
Social security costs	440	354
Other pension costs	490	395
	1,641	4,012

The average monthly number of employees during the year was made up as follows:

	No.	No.
Office management	7	7
Production	17	69
Technical service	2	4
	26	80

Notes to the financial statements

at 31 December 2016

7. Interest receivable and similar income

	2016	2015
	£000	£000
Bank interest receivable	<u>4</u>	<u>2</u>

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2016	2015
	£000	£000
<i>Current tax:</i>		
UK corporation tax on the profit for the year	-	-
Total current tax (note 8(b))	-	-
<i>Deferred tax:</i>		
Pension scheme deficit shown in OCI (note 8(c))	-	(1,026)
Effect of changes in tax rate	-	13
	-	(1,013)
Tax on profit on ordinary activities/(Tax credit)	<u>-</u>	<u>(1,013)</u>

(b) Factors affecting current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.0% (2015 – 20.25%) The differences are explained below:

	2016	2015
	£000	£000
Profit/(Loss) on ordinary activities before tax	<u>1,415</u>	<u>(14,220)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 – 20.25%)	283	(2,879)
<i>Effects of:</i>		
Disallowed expenses and non-taxable income	-	967
Deferred tax not provided	(283)	2,732
Items charged elsewhere (equity/OCI)	-	(1,846)
Tax rate changes	-	13
Current tax for the year (note 8(a))	<u>-</u>	<u>(1,013)</u>

Notes to the financial statements

at 31 December 2016

8. Tax (continued)

(c) Deferred taxation

Unrecognised Deferred tax assets

	2016 £000	2015 £000
Fixed assets	1,332	1,090
Timing differences – trading	1,309	710
Losses	156	843
	<u>2,797</u>	<u>2,643</u>

(d) Factors that may affect future tax charges

Reductions in the main corporation tax rate have been enacted that will have effect on future tax charges of the Company. The main rate reduces from 20% to 19% on 1 April 2017, and to 17% on 1 April 2020.

As no deferred tax items are recognised, the rate reductions will have no impact on the financial statements.

9. Tangible fixed assets

	Short leasehold £000	Plant and machinery £000	Capital work in progress £000	Total £000
Cost:				
At 1 January 2016	4,262	33,532	210	38,004
Additions	-	53	6	59
Disposals	-	-	-	-
Transfers	-	216	(216)	-
At 31 December 2016	4,262	33,801	-	38,063
Depreciation:				
At 1 January 2016	4,262	33,415	210	37,887
Provided during the year	-	43	-	43
Impairment loss	-	285	(210)	75
At 31 December 2016	4,262	33,743	-	38,005
Net book value:				
At 31 December 2016	-	58	-	58
At 1 January 2016	-	117	-	117

The fixed assets of the company will be transferred to a group company prior to liquidation for consideration that is not less than their current book value.

Notes to the financial statements

at 31 December 2016

10. Stocks

	2016	2015
	£000	£000
Raw materials	-	324
Work in progress	-	33
Finished goods	2,026	5,420
	<u>2,026</u>	<u>5,777</u>

11. Debtors

	2016	2015
	£000	£000
Trade debtors	2,829	3,191
Amounts owed by group undertakings	1,965	5,774
VAT recoverable	64	0
Prepayments and accrued income	36	150
	<u>4,894</u>	<u>9,115</u>

12. Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank overdraft	-	73
Trade creditors	175	863
Amounts owed to group undertakings	3,461	2,126
Other taxes and social security costs	55	102
Provision for liabilities (note 15)	2,036	-
Accruals and other creditors	231	559
	<u>5,958</u>	<u>3,723</u>

13. Issued share capital

		2016		2015
	No.	£000	No.	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	23,300,000	<u>23,300</u>	23,300,000	<u>23,300</u>

14. Capital commitments

The company had capital commitments contracted for but not provided for in the financial statements of £nil at 31 December 2016 (2015 – £nil).

Notes to the financial statements

at 31 December 2016

15. Closure provision

A provision was created during the year for the plant closure costs which include the present value of the most up to date estimates of the following costs: redundancy, real estate, purging, demolition, environmental and legal costs. Production ceased during March 2016 and the estimated value of the provision for the closure is £2.0M.

	<i>Closure Provision £000</i>
At 1 January 2016	6,864
Created	388
Utilisation	(5,216)
At 31 December 2016 (note 12)	<u>2,036</u>

16. Pensions

The company operates a defined benefit scheme. In May 2010 a decision was made to close the defined benefit scheme to future accruals with effect from 1 October 2010. The scheme has been replaced with a defined contribution scheme.

The valuation for FRS 102 disclosures has been based on the most recent actuarial valuation as at 31 December 2016. Scheme assets are stated at their market value at the respective balance sheet dates. The major assumptions used by the actuary were:

	<i>2016 %</i>	<i>2015 %</i>
Rate of increase in pensions in payment	3.4	3.2
Rate of increase in deferred pensions	3.4	3.2
Discount rate for scheme liabilities	2.6	3.7
Inflation assumption	3.5	3.3
Rate of salary increases	not applicable	not applicable
Post-retirement mortality (non-pensioners)	SIPA	SIPA
	Year of birth	Year of birth
	With future improvement on CMI 2012 projections with long term trend rate of 1% pa	With future improvement on CMI 2012 projections with long term trend rate of 1% pa
Post retirement mortality males	86.2	87.0
Post retirement mortality females	88.3	89.4
Pre-retirement mortality (currently age 40) males	87.6	88.5
Pre-retirement mortality (currently age 40) females	89.9	91.0

Notes to the financial statements

at 31 December 2016

16. Pensions (continued)

The assets in the scheme and the expected rate of return were:

	<i>Long-term rate of return expected at 2016 %</i>	<i>Value at 2016 £000</i>	<i>Long-term rate of return expected at 2015 %</i>	<i>Value at 2015 £000</i>
Global Absolute Return Strategy	6.5	18,464	6.5	22,152
Diversified Growth Fund	6.5	-	6.5	-
Cash	2.0	289	2.0	6
Fair value of assets		18,753		22,158
Present value of scheme liabilities		(26,452)		(26,103)
Deficit in scheme		(7,699)		(3,945)
Net pension liability		<u>(7,699)</u>		<u>(3,945)</u>

Further contributions of £462,000 per annum are being made to eliminate the deficiency in the scheme. The total contributions to be paid by the company to the defined benefit plan in the next year are estimated to be £115,500 to the end of March 2017.

Analysis of the amount charged to operating profit

	<i>2016 £000</i>	<i>2015 £000</i>
Current service cost	-	-
Settlements	390	-
Total operating charge	<u>390</u>	<u>-</u>

Analysis of the amount charged to other finance costs

	<i>2016 £000</i>	<i>2015 £000</i>
Expected return on pension scheme assets	792	788
Interest on pension scheme liabilities	(923)	(929)
Net return (before settlements)	<u>(131)</u>	<u>(141)</u>

Notes to the financial statements

at 31 December 2016

16. Pensions (continued)

Analysis of the amount recognised in statement of total recognised gains and losses (STRGL)

	2016	2015
	£000	£000
Actual return on scheme assets	548	631
Less: expected return on scheme assets	(792)	(788)
	(244)	(157)
Experience gains arising on the scheme liabilities		
Changes in assumptions underlying the present value of the scheme liabilities	(3,448)	44
	(3,692)	(113)

The cumulative amount of actuarial gains and losses recognised since 1 January 2002 in the STRGL is a net loss of £13,366,000 (2015 –loss of £9,674,000).

Changes in the present value of the defined benefit obligations are analysed as follows:

	2016	2015
	£000	£000
As at 1 January	26,103	26,382
Interest cost	923	929
Benefits paid	(1,950)	(1,164)
Settlements	(2,072)	-
Actuarial loss/(gain)	3,448	(44)
Obligations in scheme at end of year	26,452	26,103

Changes in the present fair value of plan assets are analysed as follows:

	2016	2015
	£000	£000
As at 1 January	22,158	22,232
Expected return on plan assets	792	788
Employer contributions	459	459
Benefits paid	(1,950)	(1,164)
Settlements	(2,462)	-
Actuarial gain	(244)	(157)
Assets in scheme at end of year	18,753	22,158

Notes to the financial statements

at 31 December 2016

16. Pensions (continued)

	2016	2015	2014	2013	2012
	£000	£000	£000	£000	£000
Fair value of scheme assets	18,753	22,158	22,232	21,419	20,598
Present value of defined benefit obligation	(26,452)	(26,103)	(26,282)	(23,844)	(24,111)
Deficit in the scheme	(7,699)	(3,945)	(4,050)	(2,425)	(3,513)
Experience adjustments arising on plan liabilities			–	2,277	–
Experience adjustments arising on plan assets	(244)	(157)	234	(8)	526

Pension contributions

The company operates a defined contribution pension scheme. Payments are made monthly and are accounted for in the month in which the liability arises.

17. Other financial commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016	2015
	£000	£000
Operating leases which expire:		
Not later than one year	75	19
Later than one year but not later than five years	186	1
Later than five years	138	–
	<u>399</u>	<u>20</u>

18. Related party transactions

The company has taken advantage of the exemption within FRS 102 which allows related party transactions with other group companies not to be disclosed on the basis that the company is wholly-owned within the group and that group financial statements are publicly available.

19. Ultimate parent undertaking and controlling party

The directors regard Zeon Corporation, a company incorporated in Japan, as being the immediate and ultimate parent undertaking and controlling party.

Group financial statements are prepared by Zeon Corporation, copies of which can be obtained from Zeon Corporation Shin Marunouchi Center Building, 1-6-2 Marunouchi, Tokyo 100-8246, Japan.

20. Events after the reporting period

During March 2017, the defined benefit pension was sold to a third party at arm's length and a loss of £21.283 million was incurred by Zeon Chemicals Europe Limited. The conditions for the pensioners remain unchanged.