Sumika Polymer Compounds (UK) Ltd

Annual report and financial statements

Registered number 2594313

31 March 2016

Contents

Company Information

Executive directors

L Seynave (Managing Director)
P Claydon
M Schmidt
P Grippon

Non-executive directors

Y. Kawai
H. Sakai

Secretary and registered office

P Claydon
Sumika Polymer Compounds (UK) Ltd
28 New Lane
Havant
Hampshire
PO9 2NQ

Statutory Auditor

KPMG LLP
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton, SO53 3TG

Bankers

HSBC plc
The Bank of Tokyo Mitsubishi UFJ, Ltd
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation Europe Ltd
Société Générale

Strategic Report

Principal activities

The principal activity of the Company, thermoplastic compounding, remains unchanged from last year.

Review of business and future developments

The profit before tax for the year was £1,256,000 (2015: £1,663,000 restated for FRS102). Sales volumes increased but there was some pressure on margins arising from fluctuating raw material costs and foreign exchange rates. Two new machine lines were commissioned during the year, increasing capacity and efficiency. The directors consider these results to be satisfactory and are pleased with the continuing development of the company's products and market segments.

Since the year-end to date, results have continued to be satisfactory.

Our bank borrowings continue to be guaranteed by our Group's Japanese corporate shareholders that support the Company financially and provide additional business opportunities. The shareholders remain committed to the Company and its operations in Europe, which form part of a global business supplying high performance plastic compounds to the white goods and automotive sectors.

Key performance indicators

The key performance indicators for the Company are volumes and margins. The impact of these on the result for the year is set out above.

Another KPI for the company is Operating profit and this can be seen in the Profit and Loss account on page 7.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to be competition from both national and international plastics compounders, and raw material price fluctuation. Brexit is an area of uncertainty regarding the implications of the UK's referendum decision in June 2016 to leave the EU.

Financial risk management

The company is exposed to a variety of financial risks. The Company's overall risk management programme seeks to minimise potential risks for the Company. The Board reviews and agrees policies for managing risks. The most important components of financial risk impacting the Company are price risk, interest rate risk, credit risk, foreign exchange risk and liquidity risk.

The Company is exposed to commodity price risk as a result of its operations. In order to manage this exposure, the Company seeks to match its purchasing contracts to its sales contracts.

The Company's income is substantially independent of changes in interest rates. The Company finances its operations through share capital, related party loans, bank loans and overdraft. The Company's borrowings are in sterling, at floating rates of interest. Interest costs are minimised by taking flexible short term loans and overdrafts to meet fluctuating requirements. Competitive rates of financing are achieved by utilising parent company guarantees.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The Company's policy is to limit counterparty exposures by setting credit limits and credit checks are performed on potential customers before sales are made. Credit insurance is taken where appropriate

The Company makes 72% (2015: 74%) of its sales outside the United Kingdom. Since a portion of purchases are also made from foreign companies the Company aims to achieve a natural hedge and does not hedge foreign currency exposure in any other way. The principal currency to which the Company is exposed is the Euro.

Liquidity risk is the risk that cash may not be available to pay obligations when due. This risk is managed centrally by the finance team using a mixture of long-term and short-term debt finance. The Board is satisfied that the Company was not subject to significant liquidity risk as at the year end.

Strategic report (continued)

Business Environment

The Company operates within the global plastics business sector. This sector is experiencing long term growth but volumes and margins are cyclical.

Strategy

The Company is focused on the automotive and white goods sectors. It also maintains its strategy of developing glass fibre polypropylene for other selected markets to take advantage of good opportunities and provide diversification.

By order of the board

P Claydon
Secretary

16 August 2016

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2016.

Results and dividends

The Company's profit after tax for the year is £1,078,000 (2015: £2,017,000 restated). The directors do not recommend the payment of a dividend.

Research and development

The Company is committed to research and development activities in order to secure its position in the market. Expenditure in the year is set out in note 3.

Going concern

The financial statements have been prepared on the going concern basis since the shareholders have resolved that it is in the best interest of the Company that they should continue to provide financial and other support to Sumika Polymer Compounds (UK) Ltd. Further details of this support are set out in note 1 to these financial statements.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

L Seynave	
P Claydon	
M Schmidt	
P Grippon	
H Hamada	(resigned 30 June 2016)
Y Kawai	
H Sakai	(appointed 1 July 2016)

The directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2015: Nil)*.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

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

By order of the board

L Seynave
Director

28 New Lane, Havant, Hampshire, PO9 2NQ

16 August 2016

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgments and estimates that are reasonable and prudent;

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of Sumika Polymer Compounds (UK) Ltd

We have audited the financial statements of Sumika Polymer Compounds (UK) Ltd for the year ended 31 March 2016 set out on pages 7 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors'.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion the directors report, strategic report and financial statements:
- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

J Childs-Clarke

James Childs-Clarke (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton, SO53 3TG

Date 31 August 2016

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2016

	Note	2016 £000	Restated 2015 £000
Turnover	*2*	**49,102**	51,145
Cost of sales		**(43,482)**	(44,967)
Gross profit		**5,620**	6,178
Distribution costs		**(2,170)**	(2,210)
Administrative expenses		**(1,976)**	(2,071)
Operating profit		**1,474**	1,897
Interest payable and similar charges	*6*	**(218)**	(234)
Profit on ordinary activities before taxation		**1,256**	1,663
Tax on profit on ordinary activities	*7*	**(178)**	354
Profit for the financial year		**1,078**	2,017
Other comprehensive income			
Remeasurement of the net defined benefit liability		**377**	(964)
Income tax on other comprehensive income	*7*	**(160)**	433
Other comprehensive income for the year, net of income tax		**217**	(531)
Total comprehensive income for the year		**1,295**	1,486

The Profit and Loss account has been prepared on the basis that all operations are continuing operations.

The notes on pages 10 to 27 form an integral part of these financial statements.

Balance Sheet
at 31 March 2016

	Note	2016 £000	£000	Restated 2015 £000	£000
Fixed assets					
Tangible assets	*8*		**9,114**		8,109
Current assets					
Stocks	*9*	**7,034**		8,067	
Debtors (including £953,000 *(2015:£1,287,000)* due after more than one year)	*10*	**11,095**		10,652	
Cash at bank and in hand		**-**		1	
		18,129		18,720	
Creditors: amounts falling due within one year	*11*	**(19,753)**		(19,867)	
Net current liabilities			**(1,624)**		(1,147)
Total assets less current liabilities			**7,490**		6,962
Provisions for liabilities					
Pensions and similar obligations	*14*		**(1,400)**		(2,167)
Net assets			**6,090**		4,795
Capital and reserves					
Called up share capital	*16*		**5,300**		5,300
Revaluation reserve			**2,553**		2,553
Profit and loss account			**(1,763)**		(3,058)
Shareholders' funds			**6,090**		4,795

The notes on pages 10 to 27 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 16 August 2016 and were signed on its behalf by:

L Seynave
Director

Company registered number: 2594313

Statement of Changes in Equity

	Called up Share capital	Revaluation reserve	Restated Profit & loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2014	5,300	2,553	(4,544)	3,309
Total comprehensive income for the period				
Profit or loss	-	-	2,017	2,017
Other comprehensive income	-	-	(531)	(531)
Total comprehensive income for the period	-	-	1,486	1,486
Balance at 31 March 2015	5,300	2,553	(3,058)	4,795
Balance at 1 April 2015	5,300	2,553	(3,058)	4,795
Total comprehensive income for the period				
Profit or loss	-	-	1,078	1,078
Other comprehensive income	-	-	217	217
Total comprehensive income for the period	-	-	1,295	1,295
Balance at 31 March 2016	5,300	2,553	(1,763)	6,090

Notes
(forming part of the financial statements)

1 Accounting policies

Sumika Polymer Compounds (UK) Ltd is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of s400/s401/s402 subject to the small companies' regime of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from Adopted IFRS, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Fair value or revaluation as deemed cost – The fair value at transition date has been used as deemed cost for Freehold Land and Buildings.

The Company's ultimate parent undertaking, Sumika Polymer Compounds (Europe) Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Sumika Polymer Compounds (Europe) Ltd are available to the public and may be obtained from 28 New Lane, Havant, Hampshire, PO9 2NQ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Change in accounting policy/prior period adjustment

In these financial statements the Company has changed its accounting policies/prior period adjustments in the following areas:

- Pensions – Entries for the pensions were restated for the year ended 31 March 2015 through the profit & loss and other comprehensive income. Interest cost of £65,000 staying in the profit & loss, with Tax £160,000 and remeasurement of the defined benefit liability £377,000 going to the comprehensive income statement.
- Land and Buildings deemed costs – The revalued land and building were considered to be deemed as cost.

1.2 Measurement convention

The financial statements are prepared on the historical cost basis except that the Land and Buildings are stated at their fair value of deemed cost.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Going concern

The financial statements have been prepared on the going concern basis, notwithstanding the Company's net current liabilities. The Company has received undertakings from its shareholders that for at least 12 months from the date of approval of the financial statements they will make available such funds as are needed by the Company to enable it to continue to trade by meeting its liabilities as and when they become due for payment.

As with any company placing reliance on its shareholders for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of these financial statements, the directors have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result if such funds were not available.

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.6 Tangible fixed assets

Tangible fixed assets are stated at deemed cost less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Tangible fixed assets (continued)

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• freehold buildings (including temporary constructions)	5 - 20 years
• plant and machinery	5 - 15 years
• fixtures, fittings and equipment	5 - 15 years
• computers (included as equipment)	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Revaluation

Freehold Land and Buildings are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in equity/revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in profit or loss.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Due to the transition to FRS 102 revaluation has stopped and the existing values have been taken as deemed cost.

1.7 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.8 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1.10 Impairment excluding stocks and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.12 Turnover

Turnover, which excludes value added Tax and trade discounts, represents the invoiced value of goods supplied. Turnover is recognised where goods have been delivered and there is no future performance required and amounts are collectable under normal payments terms.

Where the company carries out tolling for its customers, turnover is recognised when the goods are produced and there are no further performance obligations.

Turnover relating to sale of goods on a consignment basis is recognised upon notification from the customer of the goods used.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset/are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2016	2015
	£000	£000
Sale of goods – Thermoplastic compounding	**49,102**	51,145
Total turnover by activity	**49,102**	51,145
By geographical market		
United Kingdom	**13,538**	13,558
Continental Europe	**28,518**	30,478
Other	**7,046**	7,109
	49,102	51,145

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016	2015
	£000	£000
Depreciation on tangible assets	**672**	666
Research and development expensed as incurred	**675**	607
Auditor's remuneration for audit services	**40**	39
Auditor's remuneration for Taxation compliance services	**14**	10
Operating leases for hire of plant and machinery	**80**	91
(Gain)/Loss on foreign currency exchange	**(96)**	(53)
(Gain)/Loss on disposal of fixed assets	**29**	6

4 Staff numbers and costs

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

	Number of employees	
	2016	2015
Production	**41**	38
Selling and distribution	**7**	5
Administration	**10**	11
Research and development	**5**	8
	63	62

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**2,251**	2,176
Social security costs	**233**	234
Contributions to defined contribution plans	**265**	249
	2,749	2,659

5 Directors' remuneration

	2016 £000	2015 £000
Directors' remuneration	**79**	89
Company contributions to money purchase pension plans	**17**	14
Amounts paid to parent company in respect of directors' services	**154**	175

The aggregate of remuneration of the highest paid director was £133,000 *(2015: £151,000)*, and company pension contributions of £0 (*2015: £0)* were made to a money purchase scheme on his behalf.

	Number of directors 2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
Defined benefit schemes	-	-

6 Interest payable and similar charges

	2016 £000	2015 £000
Bank overdraft and loans	**117**	113
Other loans	**41**	56
Net interest expense on net defined benefit liabilities	**60**	65
Total other interest payable and similar charges	**218**	234

Notes *(continued)*

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016		2015	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period		**-**		-
Adjustments in respect of prior periods		**4**		-
Total current tax		**4**		-
Deferred tax				
Origination and reversal of timing differences	**334**		(787)	
Total deferred tax		**334**		(787)
Total tax		**338**		(787)

		2016			2015	
	£000	**£000**	**£000**	£000	£000	£000
	Current tax	**Deferred tax**	**Total tax**	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	**4**	**174**	**178**	-	(354)	(354)
Recognised in other comprehensive income	**-**	**160**	**160**	-	(433)	(433)
Total tax	**4**	**334**	**338**	-	(787)	(787)

Analysis of current tax recognised in profit and loss

	2016	2015
	£000	£000
UK corporation tax	**4**	-
Total current tax recognised in profit and loss	**4**	-

Reconciliation of effective tax rate

		Restated
	2016	2015
	£000	£000
Profit for the year	**1,078**	2,017
Total tax expense	**178**	(354)
Profit excluding taxation	**1,256**	1,663
Tax using the UK corporation tax rate of 20 % (2015 : 21%)	**251**	349
Non-deductible expenses	**1**	65
Capital allowances in excess of depreciation	**(120)**	(167)
Other timing differences	**(82)**	(117)
Utilisation of past losses	**(50)**	(130)
Under / (over) provided in prior years	**4**	-
Total tax expense included in profit or loss	**4**	-

Notes *(continued)*

8 Tangible fixed assets

	Freehold Land and buildings £000	Plant and Equipment £000	Capital work in progress £000	Total £000
Cost				
Balance at 1 April 2015	4,931	17,319	176	22,426
Acquisitions	-	-	1,720	1,720
Disposals	-	(4,265)	-	(4,265)
Transfers	19	1,026	(1,045)	-
Balance at 31 March 2016	**4,950**	**14,080**	**851**	**19,881**
Depreciation				
Balance at 1 April 2015	211	14,106	-	14,317
Depreciation charge for the year	104	568	-	672
Disposals	-	(4,222)	-	(4,222)
Balance at 31 March 2016	**315**	**10,452**	-	**10,767**
Net book value				
At 1 April 2015	4,720	3,213	176	8,109
At 31 March 2016	**4,635**	**3,628**	**851**	**9,114**

Leased plant and machinery

There are no assets held under finance leases.

Revaluation

Land and buildings were re-valued in September 2012 in the UK to £4,600,000, being open market value for existing use. These valuations were made by Hellier Langston, a firm of independent Chartered Surveyors in the UK, in accordance with the RICS Appraisal and Valuation Manual or equivalent.

The Directors considered this valuation of land and buildings as included in the financial statements, under FRS102, deemed to be the cost value and are to continue to be depreciated.

The following information relates to Freehold Land and Buildings.

	2016	Restated 2015	2015
	£000	£000	£000
Cost/deemed cost	**4,950**	4,931	331
At valuation	-	-	4,600
Total cost/ valuation	**4,950**	4,931	4,931
Historical cost net book value	**1,901**	1,731	1,731

Security

There is a charge over the freehold land & buildings in favour of the Thermofil Polymers Pension Scheme; the charge is for a value equalling the scheme deficit.

Notes *(continued)*

9 Stocks

	2016 £000	2015 £000
Raw materials and consumables	**2,764**	3,340
Finished goods	**4,270**	4,727
	7,034	8,067

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £39,531,000 *(2015: £41,094,000)*.

10 Debtors

	2016 £000	Restated 2015 £000
Trade debtors	8,518	7,511
Amounts owed by group undertakings	729	531
Amounts owed by related parties	196	372
Other debtors	476	724
Deferred tax assets (see note 13)	953	1,287
Prepayments and accrued income	223	227
	11,095	10,652
Due within one year	10,142	9,365
Due after more than one year	953	1,287
	11,095	10,652

Debtors include deferred tax of £953,000 *(2015: £1,287,000)* due after more than one year.

Amounts owed by group undertakings are unsecured, interest bearing and have no fixed date of payment.

Trade debtors includes £4,578,000 *(2015: £2,267,000)* subject to with-recourse financing arrangements

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank loans	7,000	7,000
Bank overdrafts	1,078	1,686
Factoring advances	2,208	2,634
Trade creditors	3,257	3,084
Amounts owed to group undertakings	3,001	966
Amounts owed to related parties	2,425	3,451
Taxation and social security	74	78
Other creditors	426	590
Accruals and deferred income	284	378
	19,753	19,867

The bank overdraft facilities are unsecured and repayable on demand. The bank loans are revolving facilities and unsecured. The respective banks hold Letters of Intent as forms of guarantee from the shareholders of the parent company. Interest on the bank loans is payable at variable rates close to LIBOR.

Factoring advances are secured on trade debtors. Interest is payable at variable rates.

The amounts owed to related parties consists mainly of trade credit balances due to Itochu in respect of raw material purchases. These balances are interest bearing at variable rates.

12 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016	2015
	£000	£000
Creditors falling due within less than one year		
Unsecured bank overdraft	**1,078**	1,686
Unsecured other bank borrowings	**7,000**	7,000
Factoring advances	**2,208**	2,634
	10,286	11,320

Notes *(continued)*

13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Accelerated capital allowances	**-**	-	**194**	68	**194**	68
Employee benefits	**(273)**	(433)	**-**	-	**(273)**	(433)
Unused tax losses	**(874)**	(922)	**-**	-	**(874)**	(922)
Tax (assets) / liabilities	**(1,147)**	(1,355)	**194**	68	**(953)**	(1,287)
Net of tax liabilities/(assets)	**194**	68	**(194)**	(68)	**-**	-
Net tax (assets) / liabilities	**(953)**	(1,287)	**-**	-	**(953)**	(1,287)

No provision has been made for deferred taxation on gains recognised on the revaluation of land and buildings. If the freehold were sold at re-valued book value, then an estimated tax liability of £92,000 would arise. The Company has no plans to make such a disposal and therefore no such tax is expected to arise in the foreseeable future. Deferred tax assets and liabilities have not been discounted.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2016 has been calculated based on these rates.

Notes *(continued)*

14 Employee benefits

The assets of the defined benefit occupational pension scheme are held in a separate trustee administered fund. The scheme was closed from 6 October 2006 to all future accrual of benefits. Accrued benefits are no longer linked to future salary increases.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension (liability)/asset

	2016 £000
Defined benefit obligation	(20,680)
Plan assets	19,280
Net pension (liability)/asset	(1,400)

Movements in present value of defined benefit obligation

	2016 £000
At 1 April 2015	22,168
Interest expense	674
Remeasurement: actuarial gains/(losses)	(1,310)
Benefits paid	(852)
At 31 March 2016	20,680

Movements in fair value of plan assets

	2016 £000
At 1 April 2015	20,001
Interest income	614
Remeasurement: return on plan assets less interest income	(933)
Contributions by employer	450
Benefits paid	(852)
At 31 March 2016	19,280

Expense recognised in the profit and loss account

	2016 £000	Restated 2015 £000
Net interest on net defined benefit liability	60	65
Total expense recognised in profit or loss	60	65

Notes *(continued)*

14 Employee benefits *(continued)*

The fair value of the plan assets was as follows:

	2016	2015
	Fair value	Fair value
	£000	£000
Equities	**11,575**	11,855
Gilts	**5,737**	6,090
Corporate bonds	**1,918**	1,933
Cash	**50**	123
	19,280	20,001
Actual (deficit)/ return on plan assets	**(319)**	3,040

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2016	2015
	%	%
Discount rate	**3.5**	3.1
Inflation (RPI)	**3.2**	3.2
Pension increases in deferment	**2.4**	2.4
Pension increases in payment (lessor of RPI and 5% pa)	**3.2**	3.2

Last full actuarial valuation was performed on 6 April 2013 and updated to 31 March 2016.

The valuations were prepared by an independent qualified actuary using the Attained Age method.

In valuing the liabilities of the pension fund at 31 March 2016, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 62-year old to live for a number of years as follows:

- Current pensioner aged 62: 24.3 years (male), 26.7 years (female).
- Future retiree aged 52 upon reaching 62: 25 years (male), 27.6 years (female).

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £248,000 *(2015: £249,000)*. Amounts outstanding at the year end were £24,000 *(2015: £20,000)*

Notes *(continued)*

16 Capital and reserves

Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
5,300,002 ordinary shares of £1 each	**5,300**	5,300

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

Where tangible fixed assets were revalued or reclassified as investment property, the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 £000	Restated 2015 £000
Less than one year	**76**	81
Between one and five years	**122**	185
More than five years	**-**	-
	198	266

During the year £80,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £91,000)*.

18 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £78,000 *(2015: 69,000)*.

Notes *(continued)*

19 Related parties

The Company is controlled by its parent company, Sumika Polymer Compounds (Europe) Ltd. The following disclosures are with parties related to the shareholders of Sumika Polymer Compounds (Europe) Ltd, showing transactions.

Related party transactions

	Sales to 2016 £000	2015 £000	**Purchases & Administrative expenses incurred from 2016 £000**	2015 £000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	**63**	80	**1,268**	529
Sumitomo Chemical Europe S.A. / N.V.	-	-	**603**	530
Sumitomo Chemical America, Inc.	-	-	-	508
Sumitomo Chemical Asia Pte	-	-	**4,797**	2,549
Sumika Polymer North America, Inc.	-	-	**381**	135
Itochu Europe PLC	-	-	**5,357**	12,429
Plastribution Ltd	**1,024**	1,009	-	4
Toyo Ink Europe Plastic Colorant S.A.S.	**732**	897	**1,035**	1,291
	1,819	1,986	**13,441**	17,975

	Receivables outstanding 2016 £000	2015 £000	**Creditors outstanding 2016 £000**	2015 £000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	-	-	**61**	240
Sumitomo Chemical Europe S.A. / N.V.	-	-	-	1
Sumitomo Chemical Asia Pte	-	-	**20**	452
Sumika Polymer North America, Inc.	-	-	-	76
Itochu Europe PLC	-	-	**2,133**	2,453
Plastribution Ltd	**77**	30	-	-
Toyo Ink Europe Plastic Colorant S.A.S	**119**	342	**211**	229
	196	372	**2,425**	3,451

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Sumika Polymer Compounds (Europe) Ltd. Sumika Polymer Compounds (Europe) Ltd.'s shareholders are Sumitomo Chemical Co., Ltd, Toyo Ink SC Holdings Co., Ltd, Itochu Corporation and Itochu Europe plc. The directors regard Sumitomo Chemical Co., Ltd, a company registered in Japan, as the ultimate parent company and ultimate controlling party.

The largest group in which the results of the Company are consolidated is that headed by Sumitomo Chemical Co., Ltd, incorporated in Japan. Copies of the consolidated financial statements can be requested from Sumitomo Chemical Co., Ltd's registered office at 27-1, Shinkawa 2-Chome, Chuo-ku, Tokyo 104-8260, Japan. The smallest group in which they are consolidated is that headed by Sumika Polymer Compounds (Europe) Ltd incorporated in England and Wales. The consolidated financial statements can be obtained from the Company Secretary at Sumika Polymer Compounds (Europe) Ltd, 28 New Lane, Havant, Hampshire, PO9 2NQ, England

Notes *(continued)*

21 Accounting estimates and judgements

Key sources of estimation uncertainty

Pension liabilities, as disclosed in the balance sheet and in Note 14, are based on various assumptions in respect of future decades covering the remaining lifetimes of the members. The assumptions are made with the advice of an independent professional actuary and are consistent with current norms.

Deferred tax balances, as disclosed in the balance sheet and in note 13, are based on our estimates of future profitability, the source of which are the operating budgets and forecasts that are used for management purposes.

Useful lives for property, plant and equipment, as disclosed in Note 1, are estimated using our historical experience and our judgement regarding future expectations.

Provisions for doubtful debts are based on our judgement of the evidence on a case-by-case basis. At the year end there were no provisions for doubtful debts.

Critical accounting judgements in applying the Company's accounting policies

The Going Concern assumption, as disclosed in Note 1, is based on our judgement of positive future prospects for the business, our deep relationship with our lenders and the assurances of support that we have received from our shareholders.