

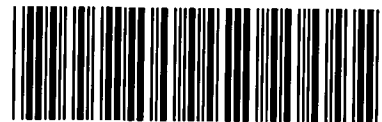
# **Sumika Polymer Compounds (UK) Ltd**

Annual report and financial statements

Registered number 2594313

31 March 2018

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## **Company Information**

### **Executive directors**

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

### **Non-executive directors**

H. Sakai  
K. Manabe

### **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

### **Banker**

HSBC plc  
MUFG Bank, 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**

Profit before tax for the year was £2,172,000 (2017: £3,200,000). Sales volumes increased with growth from new product ranges. The tax charge consisted of deferred tax only as the company continues to use its tax losses brought forward. The profit for the year is considered satisfactory although below the exceptional results of prior year.

Net assets were further increased by the recognition of a pension asset.

Borrowing levels were little changed, with capex investment in factory buildings and equipment renewals.

The directors are pleased with these results and with the continuing development of the business.

Since the year-end to date, results have continued to be profitable and cash generative.

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 and India, 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 8.

### **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.

## **Strategic report (continued)**

### **Financial risk management (continued)**

The Company makes 80% (2017: 78%) 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 foreign 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.

### **Business Environment**

The Company operates within the global plastics business sector. This sector is experiencing long term growth, although volumes and margins in some segments within it are cyclical.

### **Strategy**

The Company is focussed on the automotive and white goods sectors. It also maintains its successful strategy of developing products for applications in other sectors, e.g. electronic and electrical, to take advantage of good opportunities and provide diversification.

By order of the board



**P Claydon**  
*Secretary*

25 September 2018

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2018.

### Results and dividends

The Company's profit after tax for the year is £2,086,000 (2017: £2,366,000). No dividend was paid during the year (2017: Nil) but the Board proposes a final dividend of £71.70 per share, payable on a date to be agreed with the shareholders but before 31 December 2018, to shareholders on the register at 31 October 2018, subject to shareholder approval.

### 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 ultimate 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  
M Schmidt  
P Claydon  
P Grippon  
H Sakai  
K Manabe (Appointed 01 April 2017)

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 (2017: 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.

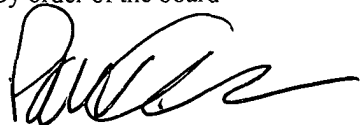
### Other information

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



P Claydon  
Secretary

28 New Lane, Havant, Hampshire, PO9 2NQ

25 September 2018

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements**

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

### **Opinion**

We have audited the financial statements of Sumika Polymer Compounds (UK) Ltd ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

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

### **Basis for opinion**

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

### **Going concern**

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

### **Strategic report and directors' report**

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

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

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

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.



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

### **Directors' responsibilities**

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

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



**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 *27 September 2018*

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 March 2018*

	Note	2018 £000	2017 £000
<b>Turnover</b>	2	63,458	54,737
Cost of sales		(55,619)	(46,846)
<b>Gross profit</b>		7,839	7,891
Distribution costs		(3,051)	(2,412)
Administrative expenses		(2,472)	(2,084)
<b>Operating profit</b>		2,316	3,395
Interest receivable		6	-
Interest payable and similar charges	6	(150)	(195)
<b>Profit on ordinary activities before taxation</b>		2,172	3,200
Tax on profit on ordinary activities	7	(86)	(834)
<b>Profit for the financial year</b>		2,086	2,366
<b>Other comprehensive income</b>			
Remeasurement of the net defined benefit asset		1,680	992
Income tax on other comprehensive income	7	(406)	(273)
<b>Other comprehensive income for the year, net of income tax</b>		1,274	719
<b>Total comprehensive income for the year</b>		3,360	3,085

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

The notes on pages 11 to 26 form an integral part of these financial statements.

## Balance Sheet

at 31 March 2018

	Note	2018 £000	2017 £000	2017 £000
<b>Fixed assets</b>				
Tangible assets	8		9,274	8,894
<b>Current assets</b>				
Stocks	9	9,320	8,300	
Debtors	10	12,302	10,440	
Cash at bank and in hand		859	17	
		<u>22,481</u>	<u>18,757</u>	
Creditors: amounts falling due within one year	11	(20,712)	(18,324)	
<b>Net current assets</b>			1,769	433
<b>Total assets excluding pension asset, less current liabilities</b>			<u>11,043</u>	<u>9,327</u>
<b>Provisions for liabilities</b>				
Deferred tax liability			(644)	(152)
<b>Net assets excluding pension asset</b>			<u>10,399</u>	<u>9,175</u>
Pension asset	14	2,136		-
<b>Net assets</b>			<u>12,535</u>	<u>9,175</u>
<b>Capital and reserves</b>				
Called up share capital	15	5,300	5,300	
Revaluation reserve		2,553	2,553	
Profit and loss account		4,682	1,322	
<b>Shareholders' funds</b>			<u>12,535</u>	<u>9,175</u>

The notes on pages 11 to 26 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 25 September 2018 and were signed on its behalf by:



L Seynave  
President



M Schmidt  
Managing Director

Company registered number: 2594313

## Statement of Changes in Equity

	Called up Share capital	Revaluation reserve	Profit & loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2016	5,300	2,553	(1,763)	6,090
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	2,366	2,366
Other comprehensive income	-	-	719	719
<b>Total comprehensive income for the period</b>	-	-	3,085	3,085
<b>Balance at 31 March 2017</b>	<b>5,300</b>	<b>2,553</b>	<b>1,322</b>	<b>9,175</b>
Balance at 1 April 2017	5,300	2,553	1,322	9,175
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	2,086	2,086
Other comprehensive income	-	-	1,274	1,274
<b>Total comprehensive income for the period</b>	-	-	3,360	3,360
<b>Balance at 31 March 2018</b>	<b>5,300</b>	<b>2,553</b>	<b>4,682</b>	<b>12,535</b>

The notes on pages 11 to 26 form an integral part of these financial statements.

## 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.

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.

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.

As the consolidated financial statements of the parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

#### 1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

#### 1.2 Going concern

The financial statements have been prepared on the going concern basis. The Company has received undertakings from its ultimate 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 ultimate 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.

#### 1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency (Sterling) 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.

#### 1.4 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.4 Basic financial instruments (continued)

##### *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.

#### 1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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.

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.

#### 1.6 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 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.

#### 1.8 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.

#### 1.9 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.

#### 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 asset 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 asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit 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 asset arising from employee service rendered during the period, net interest on net defined benefit asset, 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 asset is recognised in other comprehensive income in the period in which it occurs.

## Notes (continued)

### 1 Accounting policies (continued)

#### 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.

#### 1.13 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 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.



## Notes (continued)

### 1 Accounting policies (continued)

#### 1.14 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 2 Turnover

	2018 £000	2017 £000
Sale of goods – Thermoplastic compounding	63,458	54,737
Total turnover by activity	63,458	54,737
By geographical market		
United Kingdom	12,449	12,012
Continental Europe	39,781	33,317
Other	11,228	9,408
	63,458	54,737

### 3 Expenses and auditor's remuneration

Included in profit for the year are the following:

	2018 £000	2017 £000
Depreciation on tangible assets	786	782
Research and development expensed as incurred	698	612
Auditor's remuneration for audit services	43	42
Auditor's remuneration for Taxation compliance services	11	12
Operating leases for hire of plant and machinery	92	91
(Gain)/Loss on foreign currency exchange	144	(34)
(Gain)/Loss on disposal of fixed assets	13	(10)

### 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	
	2018	2017
Production	44	41
Selling and distribution	5	5
Administration	13	11
Research and development	7	7
	69	64

## Notes (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	2,389	2,324
Social security costs	276	244
Contributions to defined contribution plans	361	330
	<u>3,026</u>	<u>2,898</u>

### 5 Directors' remuneration

	2018 £000	2017 £000
Directors' remuneration	106	94
Company contributions to money purchase pension plans	31	21
Amounts paid to parent company in respect of directors' services	115	220
	<u>252</u>	<u>335</u>

The aggregate of remuneration of the highest paid director was £106,000 (2017: £193,000), and company pension contributions of £31,000 (2017: £0) were made to a money purchase scheme on his behalf.

	Number of directors	
	2018	2017
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2
Defined benefit schemes	-	-
	<u>2</u>	<u>2</u>

### 6 Interest payable and similar charges

	2018 £000	2017 £000
Bank overdraft and loans	116	120
Other loans	34	33
Net interest expense on net defined benefit liabilities	-	42
	<u>150</u>	<u>195</u>

## Notes (continued)

### 7 Taxation

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

	2018 £000	£000	2017 £000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		2
Total current tax		-		2
<i>Deferred tax</i>				
Origination and reversal of timing differences	492		1,105	
Total deferred tax		492		1,105
Total tax		492		1,107

	£000	2018 £000	£000	£000	2017 £000	£000
	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>
Recognised in Profit and loss account	-	86	86	2	832	834
Recognised in other comprehensive income	-	406	406	-	273	273
Total tax	-	492	492	2	1,105	1,107

#### Analysis of current tax recognised in profit and loss

	2018 £000	2017 £000
UK corporation tax	-	2
Total current tax recognised in profit and loss	-	2

#### Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit for the year	2,086	2,366
Total tax expense	86	834
Profit excluding taxation	2,172	3,200
Tax using the UK corporation tax rate of 19 % (2017 : 20%)	413	640
Non-deductible expenses/(extra tax deductions)	(67)	(82)
Group relief received for nil consideration	(2)	-
Reduction in tax rate on deferred tax balances	-	(34)
Other deferred tax adjustments	-	293
(Over)/under provision in prior years	(258)	17
Total tax expense included in profit or loss	86	834

## Notes (continued)

### 8 Tangible fixed assets

	Freehold Land and buildings £000	Plant and Equipment £000	Capital work in progress £000	Total £000
<b>Cost</b>				
Balance at 1 April 2017	5,080	14,841	264	20,185
Acquisitions	-	-	1,174	1,174
Disposals	-	(384)	-	(384)
Transfers	409	743	(1,152)	-
<b>Balance at 31 March 2018</b>	<b>5,489</b>	<b>15,200</b>	<b>286</b>	<b>20,975</b>
<b>Depreciation</b>				
Balance at 1 April 2017	422	10,869	-	11,291
Depreciation charge for the year	128	658	-	786
Disposals	-	(376)	-	(376)
<b>Balance at 31 March 2018</b>	<b>550</b>	<b>11,151</b>	<b>-</b>	<b>11,701</b>
<b>Net book value</b>				
At 1 April 2017	4,658	3,972	264	8,894
<b>At 31 March 2018</b>	<b>4,939</b>	<b>4,049</b>	<b>286</b>	<b>9,274</b>

#### Leased plant and machinery

There are no assets held under finance leases.

#### 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.

### 9 Stocks

	2018 £000	2017 £000
Raw materials and consumables	4,005	3,355
Finished goods	5,315	4,945
	<b>9,320</b>	<b>8,300</b>

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £51,131,000 (2017: £42,731,000).

## Notes (continued)

### 10 Debtors

	2018 £000	2017 £000
Trade debtors	9,250	8,375
Amounts owed by group undertakings	813	687
Amounts owed by related parties	472	228
Other debtors	1,588	1,002
Prepayments and accrued income	179	148
	<u>12,302</u>	<u>10,440</u>
Due within one year	12,302	10,440
Due after more than one year	-	-
	<u>12,302</u>	<u>10,440</u>

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

Trade debtors includes £6,061,000 (2017: £5,678,000) subject to with-recourse financing arrangements

### 11 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans	7,000	7,000
Bank overdrafts	-	525
Factoring advances	4,451	3,096
Trade creditors	4,234	2,872
Amounts owed to group undertakings	2,160	2,420
Amounts owed to related parties	2,184	1,801
Taxation and social security	77	70
Other creditors	326	330
Accruals and deferred income	280	210
	<u>20,712</u>	<u>18,324</u>

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, a shareholder in the parent company, in respect of raw material purchases. These balances are interest bearing at variable rates.

## Notes (continued)

### 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.

	2018 £000	2017 £000
<b>Creditors falling due within less than one year</b>		
Unsecured bank overdraft	-	525
Unsecured other bank borrowings	7,000	7,000
Factoring advances	4,451	3,096
	<u>11,451</u>	<u>10,621</u>

### 13 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	2017 £000	Liabilities 2018 £000	2017 £000	Net 2018 £000	2017 £000
Accelerated capital allowances	-	-	319	520	319	520
Employee benefits	-	-	406	-	406	-
Unused tax losses	(81)	(368)	-	-	(81)	(368)
	<u>(81)</u>	<u>(368)</u>	<u>725</u>	<u>520</u>	<u>644</u>	<u>152</u>
Tax (assets) / liabilities	(81)	(368)	725	520	644	152
Net of tax liabilities/(assets)	81	368	(81)	(368)	-	-
	<u>81</u>	<u>368</u>	<u>(81)</u>	<u>(368)</u>	<u>-</u>	<u>-</u>
Net tax (assets) / liabilities	-	-	644	152	644	152

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was 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, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2018 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 asset*

	2018	2017
	£000	£000
2017		
Defined benefit obligation	(20,985)	(23,114)
Plan assets	23,121	23,114
	<hr/>	<hr/>
Net pension asset	2,136	-
	<hr/>	<hr/>

#### *Movements in present value of defined benefit obligation*

	2018	2017
	£000	£000
At 1 April	23,114	20,680
Interest expense	576	709
Remeasurement: actuarial (gains)/losses	(1,440)	2,606
Benefits paid	(1,265)	(881)
	<hr/>	<hr/>
At 31 March	20,985	23,114
	<hr/>	<hr/>

#### *Movements in fair value of plan assets*

	2018	2017
	£000	£000
At 1 April	23,114	19,280
Interest income	613	667
Remeasurement: return on plan assets less interest income	209	3,598
Contributions by employer	450	450
Benefits paid	(1,265)	(881)
	<hr/>	<hr/>
At 31 March	23,121	23,114
	<hr/>	<hr/>

#### *Expense recognised in the profit and loss account*

	2018	2017
	£000	£000
Net interest on net defined benefit asset	(6)	42
	<hr/>	<hr/>
Total (income)/expense recognised in profit or loss	(6)	42
	<hr/>	<hr/>



## Notes (continued)

### 14 Employee benefits (continued)

The fair value of the plan assets was as follows:

	2018 Fair value £000	2017 Fair value £000
Equities	13,752	13,931
Gilts	7,028	6,845
Corporate bonds	2,243	2,219
Cash	98	119
	<hr/>	<hr/>
	23,121	23,114
	<hr/>	<hr/>
Actual return on plan assets	822	4,265
	<hr/>	<hr/>

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

	2018 %	2017 %
Discount rate	2.6	2.7
Inflation (RPI)	3.3	3.4
Pension increases in deferment	2.3	2.4
Pension increases in payment (lessor of RPI and 5% pa)	3.2	3.3
	<hr/>	<hr/>

Last full actuarial valuation was performed on 6 April 2016 and updated to 31 March 2018.

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 2018, 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), 26.5 years (female).
- Future retiree aged 52 upon reaching 62: 25.0 years (male), 27.3 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 £361,000 (2017: £330,000). Amounts outstanding at the year-end were £30,000 (2017: £25,000)

## Notes (continued)

### 15 Capital and reserves

#### Share capital

	2018 £000	2017 £000
<i>Allotted, called up and fully paid</i>		
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 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.

### 16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2018 £000	2017 £000
Less than one year	93	75
Between one and five years	110	137
More than five years	-	-
	203	212

During the year £92,000 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £91,000).

### 17 Commitments

#### Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £163,000 (2017: 175,000).

## Notes (continued)

### 18 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:

- (i) Sumitomo Chemical Co., Ltd is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (ii) Sumitomo Chemical Europe S.A. / N.V. is a subsidiary of Sumitomo Chemical Co Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (iii) Sumitomo Chemical America, Inc. is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (iv) Sumitomo Chemical Asia Pte is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (v) Sumika Polymer North America, Inc. is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (vi) Itochu Europe PLC is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (vii) Itochu Deutschland GmbH is a subsidiary of Itochu Europe PLC, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (viii) Plastribution Ltd is a subsidiary of Itochu Europe PLC, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (ix) Toyo Ink Europe Speciality Chemicals S.A.S. is a subsidiary of Toyo Ink SC Holdings Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

#### Related party transactions

	Sales to		Purchases & Administrative expenses incurred from	
	2018	2017	2018	2017
	£000	£000	£000	£000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	130	74	754	1,024
Sumitomo Chemical Europe S.A. / N.V.	-	-	1,065	835
Sumitomo Chemical Asia Pte	-	-	1,597	557
Sumika Polymer North America, Inc.	99	11	180	92
Itochu Europe PLC	-	-	3,842	3,676
Plastribution Ltd	1,137	1,076	-	-
Toyo Ink Europe Specialty Chemicals S.A.S.	1,252	830	1,815	1,230
	<u>2,618</u>	<u>1,991</u>	<u>9,253</u>	<u>7,414</u>

**Notes (continued)**

	Receivables outstanding		Creditors outstanding	
	2018	2017	2018	2017
	£000	£000	£000	£000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	-	-	117	107
Sumitomo Chemical Europe S.A. / N.V.	-	-	39	40
Sumitomo Chemical Asia Pte	-	-	152	-
Sumika Polymer North America, Inc.	-	-	24	-
Itochu Europe PLC	-	-	1,476	1,495
Plastribution Ltd	212	106	-	-
Toyo Ink Europe Specialty Chemicals S.A.S	260	122	376	159
	<u>472</u>	<u>228</u>	<u>2,184</u>	<u>1,801</u>

**19 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

**20 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 ultimate shareholders.