

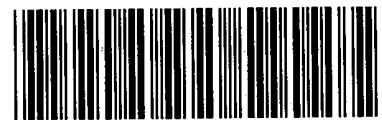
# **Sumika Polymer Compounds (Europe) Ltd**

Annual report and consolidated financial  
statements

Registered number 2594323

31 March 2016

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## **Company Information**

### **Executive directors**

L Seynave (President)

### **Non-executive directors**

K Fuse  
S Goda  
H Hayashi  
Y Kawai  
M Ogiwara  
H Sakai

### **Secretary and registered office**

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

### **Statutory Auditor**

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

### **Bankers**

The Bank of Tokyo-Mitsubishi UFJ., Ltd  
Sumitomo Mitsui Banking Corporation Europe Ltd

## **Strategic Report**

### **Principal activities**

The Company acts principally as an investment holding company. The principal activity of the Group, thermoplastic compounding, remains unchanged from last year.

### **Review of business and future developments**

The group profit before tax for the year was £2.4M, compared with £2.5M profit for the prior year (restated for FRS102). Sales volumes increased but there was some pressure on margins arising from fluctuating raw material costs and foreign exchange rates. The operations of the subsidiary in India developed satisfactorily but its results are not yet material to the group. Net debt increased by £0.6M but this was after capital expenditure of £2.3M. The directors are pleased with these results and with the continuing development of the group's sales and production facilities.

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

Bank borrowings continue to be guaranteed by the Group's Japanese corporate shareholders that support the Group financially and provide additional business opportunities. The shareholders remain committed to the Group 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 Group include volumes and margins. The impact of these on the result for the period is set out above. Another KPI is Operating Profit as shown in the Profit and Loss account on page 9.

### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Group are considered to relate to competition from national and international 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 Group is exposed to a variety of financial risks. The Group's overall risk management programme seeks to minimise potential risks for the group. The Board reviews and agrees policies for managing risks. The most important components of financial risk impacting the Group are price risk, interest rate risk, credit risk, foreign exchange risk and liquidity risk.

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

The Group's income is exposed to changes in interest rates. The Group finances its operations through share capital, factoring, short term bank loans and overdrafts. The Group's borrowings are in sterling and euro with the majority at floating rates of interest. Interest costs are minimised by taking flexible short-term loans and overdrafts to meet fluctuating requirements. Interest rate risk is mitigated by shareholder letters of guarantee to its lending banks.

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

The Group makes 80% (2015:81%) of its sales outside the United Kingdom. Since a portion of purchases are also made in foreign currency, the Group aims to achieve a natural hedge and does not hedge the exposure in any other way. The principal currency to which the Group 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 short-term debt finance. The Board is satisfied that the Company was not subject to significant liquidity risk as at the period-end.

## **Strategic Report (continued)**

### **Business environment**

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

### **Strategy**

The Group 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

A handwritten signature in black ink, appearing to read 'P Claydon', with a long horizontal flourish extending to the right.

**P Claydon**  
*Secretary*

16 August 2016

## Directors' report

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

### Results and dividends

The Group's profit for the year is £1,898,000 (2015: £3,591,000 restated). The directors do not recommend the payment of a dividend.

### Research and development

The Group is committed to research and development activities in order to secure its position in the market. R&D costs expensed in the period are set out in note 3, whilst Development costs capitalised are shown in note 8.

### 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 and the Group that they should continue to provide financial and other support to Sumika Polymer Compounds (Europe) Ltd and its subsidiaries. Further details of this support are set out in note 1 to these financial statements

### Directors

The directors of the Company who held office during the period and up to the date of signing the financial statements were:

#### Executive directors

L Seynave                      President

#### Non-executive directors

K Fuse

S Goda                      (appointed 1 April 2015)

H Hamada                  (resigned 30 June 2016)

H Hayashi                  (appointed 20 April 2015)

Y Kawai

M Ogiwara

M Onishi                      (resigned 20 April 2015)

H Sakai                      (appointed 1 July 2016)

The Company has provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

### Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2015: £nil).

## **Directors' report** *(continued)*

### **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

A handwritten signature in black ink, appearing to read 'P Claydon', written over a horizontal line.

**P Claydon**  
*Secretary*

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 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 group and parent company 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its 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 group and to prevent and detect fraud and other irregularities.





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

We have audited the financial statements of Sumika Polymer Compounds (Europe) Ltd for the year ended 31 March 2016 set out on pages 9 to 36. 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 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group and company's affairs as at 31 March 2016 and of its Group's 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

**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.



**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

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

	<i>Note</i>	<b>2016</b> <b>Total</b> <b>£000</b>	Restated 2015 Total £000
<b>Turnover</b>	<b>2</b>	<b>68,883</b>	70,955
Cost of sales		<b>(59,096)</b>	(61,060)
<b>Gross profit</b>		<b>9,787</b>	9,895
Distribution costs		<b>(4,170)</b>	(4,197)
Administrative expenses		<b>(3,118)</b>	(2,968)
<b>Operating profit</b>		<b>2,499</b>	2,730
Non-operating income		<b>168</b>	122
Interest receivable		<b>26</b>	-
Interest payable and similar charges	<b>6</b>	<b>(289)</b>	(311)
<b>Profit on ordinary activities before taxation</b>		<b>2,404</b>	2,541
Tax on profit on ordinary activities	<b>7</b>	<b>(506)</b>	1,050
<b>Profit for the financial year</b>		<b>1,898</b>	3,591
<b>Other comprehensive income</b>			
Foreign exchange differences on translation of foreign operations		<b>736</b>	(940)
Remeasurement of the net defined benefit liability		<b>377</b>	(964)
Income tax on other comprehensive income	<b>7</b>	<b>(160)</b>	433
<b>Other comprehensive income for the year, net of income tax</b>		<b>953</b>	(1,471)
<b>Total comprehensive income for the year</b>		<b>2,851</b>	2,120

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

The notes on pages 15 to 36 form an integral part of these financial statements.

## **Consolidated Balance Sheet**

**at 31 March 2016**

	<i>Note</i>	<b>2016</b> <b>£000</b>	<b>£000</b>	<b>2015</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Intangible assets	8		<b>360</b>		250
Tangible assets	9		<b>14,718</b>		13,441
			<hr/>		<hr/>
			<b>15,078</b>		13,691
<b>Current assets</b>					
Stocks	11	<b>13,563</b>		13,471	
Debtors (including £1,116,000 (2015:£1,379,000) due after more than one year	12	<b>16,074</b>		15,777	
Cash at bank and in hand	13	<b>1,098</b>		388	
			<hr/>	<hr/>	
			<b>30,735</b>	29,636	
<b>Creditors: amounts falling due within one year</b>	14	<b>30,163</b>		31,974	
			<hr/>	<hr/>	
<b>Net current assets/(liabilities)</b>			<b>572</b>		(2,338)
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>15,650</b>		11,353
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(2,549)</b>		(155)	
<b>Provisions for liabilities</b>					
Other provisions	18	-		(181)	
Pensions and similar obligations	19	<b>(1,400)</b>		(2,167)	
			<hr/>	<hr/>	
			<b>(3,949)</b>		(2,503)
			<hr/>		<hr/>
<b>Net assets</b>			<b>11,701</b>		8,850
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	20		<b>11,100</b>		11,100
Revaluation reserve			<b>5,042</b>		5042
Other reserves			<b>649</b>		649
Profit and loss account			<b>(5,090)</b>		(7,941)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>11,701</b>		8,850
			<hr/>		<hr/>

The notes on pages 15 to 36 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: 2594323

**Company Balance Sheet**  
**at 31 March 2016**

	<i>Note</i>	<b>2016</b> <b>£000</b>	<b>£000</b>	<b>2015</b> <b>£000</b>	<b>£000</b>
<b>Fixed assets</b>					
Investments	10		7,724		7,061
<b>Current assets</b>					
Debtors	12	3,442		565	
Cash at bank and in hand		7		94	
		<u>3,449</u>		<u>659</u>	
<b>Creditors: amounts falling due within one year</b>	14	<b>(8,248)</b>		<b>(4,850)</b>	
<b>Net current (liabilities)</b>			<b>(4,799)</b>		<b>(4,191)</b>
<b>Total assets less current liabilities</b>			<b>2,925</b>		<b>2,870</b>
<b>Net assets</b>			<b>2,925</b>		<b>2,870</b>
<b>Capital and reserves</b>					
Called up share capital	20		11,100		11,100
Profit and loss account			(8,175)		(8,230)
<b>Shareholders' funds</b>			<b>2,925</b>		<b>2,870</b>

The notes on pages 15 to 36 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: 2594323

## Consolidated Statement of Changes in Equity

	Called up Share capital	Revaluation reserve	Reserve arising on consolidation	Restated Profit & loss account	Total equity
	£000	£000	£000	£000	£000
Balance at 1 April 2014	11,100	5,042	649	(10,061)	6,730
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	3,591	3,591
Other comprehensive income	-	-	-	(1,471)	(1,471)
<b>Total comprehensive income for the period</b>	-	-	-	2,120	2,120
<b>Balance at 31 March 2015</b>	<u>11,100</u>	<u>5,042</u>	<u>649</u>	<u>(7,941)</u>	<u>8,850</u>
Balance at 1 April 2015	11,100	5,042	649	(7,941)	8,850
<b>Total comprehensive income for the period</b>					
Profit or loss	-	-	-	1,898	1,898
Other comprehensive income	-	-	-	953	953
<b>Total comprehensive income for the period</b>	-	-	-	2,851	2,851
<b>Balance at 31 March 2016</b>	<u>11,100</u>	<u>5,042</u>	<u>649</u>	<u>(5,090)</u>	<u>11,701</u>

## Company Statement of Changes in Equity

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 April 2014	11,100	(8,225)	2,875
<b>Total comprehensive income for the period</b>			
Profit or loss	-	(5)	(5)
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	-	(5)	(5)
<b>Balance at 31 March 2015</b>	11,100	(8,230)	2,870
Balance at 1 April 2015	11,100	(8,230)	2,870
<b>Total comprehensive income for the period</b>			
Profit or loss	-	55	55
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	-	55	55
<b>Balance at 31 March 2016</b>	11,100	(8,175)	2,925

**Consolidated Cash Flow Statement**  
*for year ended 31 March 2016*

	<i>Note</i>	<b>2016</b>	<b>2015</b>
		<b>£000</b>	<b>£000</b>
<b>Cash flows from operating activities</b>			
Profit for the year		<b>1,898</b>	3,591
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		1,393	1,368
Foreign exchange losses		97	-
Non-operating income receivable		(168)	(122)
Interest receivable		(26)	-
Interest payable and similar charges		289	311
Gain on sale of tangible fixed assets		35	(14)
Taxation		506	(1,050)
		<hr/>	<hr/>
		4,024	4,084
(Increase)/decrease in trade and other debtors		(651)	(776)
(Increase)/decrease in stocks		306	(2,157)
(Decrease)/increase in trade and other creditors		(1,403)	(800)
(Decrease)/increase in provisions and employee benefits		(645)	(625)
		<hr/>	<hr/>
		1,631	(274)
Non-operating income received		168	122
Interest received		26	-
Interest paid		(229)	(246)
Tax recovered		146	-
		<hr/>	<hr/>
<b>Net cash from operating activities</b>		<b>1,742</b>	<b>(398)</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Proceeds from sale of tangible fixed assets		19	19
Acquisition of tangible fixed assets	9	(2,311)	(1,780)
Acquisition of other intangible assets	8	(91)	(80)
		<hr/>	<hr/>
<b>Net cash from investing activities</b>		<b>(2,383)</b>	<b>(1,841)</b>
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds from new loans	16	2,157	2,698
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		1,516	459
Cash and cash equivalents at 1 April		(3,667)	(4,430)
Effect of exchange rate fluctuations on cash held		(187)	304
		<hr/>	<hr/>
<b>Cash and cash equivalents at 31 March</b>	13	<b>(2,338)</b>	<b>(3,667)</b>
		<hr/>	<hr/>

The notes on pages 15 to 38 form an integral part of these financial statements.



## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

These Group and parent company 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 revaluation at transition date has been used as deemed cost for freehold land and buildings.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

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 Group and Company has changed its accounting policies 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 land and buildings are stated at their fair value of deemed cost.

#### 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.

## Notes (continued)

### 1.4 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

### 1.5 Foreign currency

Transactions in foreign currencies are translated to the Group companies' 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

The assets and liabilities of foreign operations, including fair value adjustments arising on consolidation, are translated to the Group's presentational currency, sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

### 1.6 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.

#### *Investments in preference and ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.7 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 entity 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 1.15 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.

#### 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.8 Intangible assets

##### *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.

##### *Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of capitalised development costs and are amortised to profit and loss account over the duration of related commercial sales, to a maximum of five years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

#### 1.9 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.

#### 1.10 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.

#### 1.11 Impairment excluding stocks and deferred tax assets

##### *Non-financial assets*

The carrying amounts of the entity'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.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.12 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 entity'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 entity 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 entity's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The entity 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.

#### 1.13 Provisions

A provision is recognised in the balance sheet when the entity 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 parent 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 in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### 1.14 Turnover

Turnover, which excludes value added tax, sales between group companies and trade discounts, represents the invoiced value of goods and services supplied. Turnover is recognised where goods have been delivered and there is no future performance required and amounts are collectable under normal payment terms.

Where the Group 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)

#### 1.15 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.

#### 1.16 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, 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

	2016 £000	2015 £000
Sale of goods – thermoplastic compounding	68,883	70,955
Total turnover by activity	<u>68,883</u>	<u>70,955</u>
By geographical market		
United Kingdom	13,899	13,559
Continental Europe	44,063	47,583
Other	10,921	9,813
	<u>68,883</u>	<u>70,955</u>

### 3 Expenses and auditor's remuneration

*Included in profit/loss are the following:*

	2016 £000	2015 £000
Depreciation on intangible assets & tangible assets	1,393	1,368
Research and development expensed as incurred	826	767
Operating lease expense	161	144
Foreign exchange (gains)/Losses	(71)	(76)
Loss/(Gain) on disposal of tangible fixed assets	35	(14)

*Auditor's remuneration:*

	2016 £000	2015 £000
Audit of these financial statements	20	20
Amounts receivable by the company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the company	64	71
Taxation compliance services	14	10

Amounts receivable by the company's auditor and its associates in respect of the audit of financial statements of associated pension schemes is £nil (2015: £nil).

## Notes (continued)

### 4 Staff numbers and costs

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

	Number of employees	
	2016	2015
Production	69	65
Research and development	8	8
Selling and distribution	19	14
Administration	14	20
	<hr/>	<hr/>
	110	107
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	4,024	3,814
Social security costs	809	778
Contributions to defined contribution plans	265	249
	<hr/>	<hr/>
	5,098	4,841
	<hr/>	<hr/>

### 5 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	266	302
Compensation for loss of office	-	118
	<hr/>	<hr/>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £266,000 (2015: £302,000).

### 6 Interest payable and similar charges

	2016	Restated 2015
	£000	£000
Bank overdrafts and other loans	211	194
Trade credit balances to related parties	18	52
Net interest expense on net defined benefit liabilities	60	65
	<hr/>	<hr/>
Total other interest payable and similar charges	289	311
	<hr/>	<hr/>



## Notes (continued)

### 7 Taxation

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

	2016 £000	£000	2015 £000	£000
<i>Current tax</i>				
Current tax on income for the period		75		57
Overseas tax credit		(121)		(207)
Adjustments in respect of prior periods		4		-
		<hr/>		<hr/>
Total current tax		(42)		(150)
<i>Deferred tax (see note 17)</i>				
Origination and reversal of timing differences	708		(1,333)	
	<hr/>		<hr/>	
Total deferred tax		708		(1,333)
		<hr/>		<hr/>
Total tax		666		(1,483)
		<hr/>		<hr/>

	£000	2016 £000	£000	£000	2015 £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	(42)	548	506	(150)	(900)	(1,050)
Recognised in other comprehensive income	-	160	160	-	(433)	(433)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total tax	(42)	708	666	(150)	(1,333)	(1,483)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

	2016 £000	2015 £000
UK corporation tax	4	-
Foreign tax	(46)	(150)
	<hr/>	<hr/>
Total current tax recognised in profit and loss	(42)	(150)
	<hr/>	<hr/>

## Notes (continued)

### 7 Taxation (continued)

#### Reconciliation of effective tax rate

	2016 £000	Restated 2015 £000
Profit for the year	1,898	3,591
Total tax expense	506	(1,050)
	<hr/>	<hr/>
Profit excluding taxation	2,404	2,541
Tax using the UK corporation tax rate of 20% (2015: 21%)	481	534
Non-deductible expenses	13	59
Capital allowances (in excess) of depreciation	(102)	(146)
Other Timing Differences	(123)	(98)
Research and development reliefs	(121)	(207)
Unrelieved tax losses	3	12
Utilisation of tax losses	(215)	(325)
Higher tax on overseas	18	21
Under / (over) provided in prior years	4	-
	<hr/>	<hr/>
Total tax expense included in profit or loss	(42)	(150)
	<hr/>	<hr/>

The deferred tax asset at 31 March 2016 has been calculated at 19.5% (2015:20%).

### 8 Intangible Fixed assets

#### Group

	Development costs £000
<b>Cost</b>	
Balance at 1 April 2015	250
Additions	91
Effect of movements in foreign exchange	26
	<hr/>
<b>Balance at 31 March 2016</b>	367
	<hr/>
<b>Amortisation</b>	
Balance at 1 April 2015	-
Amortisation for the year	7
Effect of movements in foreign exchange	-
	<hr/>
<b>Balance at 31 March 2016</b>	7
	<hr/>
<b>Net book value</b>	
At 1 April 2015	360
	<hr/>
<b>At 31 March 2016</b>	250
	<hr/>

#### Amortisation

Amortisation is recognised in cost of sales in the profit and loss account.

## Notes (continued)

### 9 Tangible fixed assets

<i>Group</i>	Freehold land and buildings £000	Plant machinery and Equipment £000	Capital work in progress £000	Total £000
<b>Cost</b>				
Balance at 1 April	7,442	28,972	472	36,886
Additions	-	-	2,311	2,311
Disposals	-	(5,205)	-	(5,205)
Transfers	19	1,686	(1,705)	-
Effect of movements in foreign exchange	198	893	15	1,106
Balance at 31 March	7,659	26,346	1,093	35,098
<b>Depreciation and impairment</b>				
Balance at 1 April	444	23,001	-	23,445
Depreciation charge for the year	211	1,175	-	1,386
Disposals	-	(5,151)	-	(5,151)
Effect of movements in foreign exchange	25	675	-	700
Balance at 31 March	680	19,700	-	20,380
<b>Net book value</b>				
At 1 April 2015	6,998	5,971	472	13,441
<b>At 31 March 2016</b>	<b>6,979</b>	<b>6,646</b>	<b>1,093</b>	<b>14,718</b>

#### Revaluation

Land and buildings were re-valued in September 2012 in the UK to £4,600,000, and in December 2012 in France to EUR 3,450,000 (£2,518,000), being open market value for existing use in each case. These valuations were made by Hellier Langston, a firm of independent Chartered Surveyors in the UK and by Galtier Expertises Immobilières et Financières in France, respectively, 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 Land and Buildings.

	2016 £000	Restated 2015 £000	2015 £000
At cost/deemed cost	7,659	7,442	324
At valuation	-	-	7,118
Total cost/valuation	7,659	7,442	7,442
Historical cost net book value	1,901	1,971	1,971

Depreciation has not been charged on freehold land, which amounts to £4,113,000 (2015: £4,066,000).

There are no assets held under finance leases.

#### Security

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

## Notes (continued)

### 10 Fixed asset investments

#### 10 Fixed asset investments – Company

Company	Shares in group undertakings £000
<i>Cost or valuation</i>	
At beginning of year	7,061
Additions	663
Disposals	-
	<hr/>
<b>At end of year</b>	<b>7,724</b>
	<hr/>
<i>Net book value</i>	
<b>At 31 March 2016</b>	<b>7,724</b>
	<hr/>
At 31 March 2015	7,061
	<hr/>

The undertakings in which the Company's interest at the year-end is more than 20% are as follows.

	Country of incorporation	Principal activity	Class and percentage of shares held  Company
<i>Subsidiary undertakings</i>			
Sumika Polymer Compounds (UK) Ltd	England and Wales	Manufacture & distribute thermoplastic compounds	100% Ordinary £1 shares
Sumika Polymer Compounds (France) SA	France	Manufacture & distribute thermoplastic compounds	100% Ordinary €15 shares
Sumika Polymer Compounds (India) Pvt. Ltd	India	Manufacture & distribute thermoplastic compounds	100% Ordinary 10 Rs. shares

During the year Sumika Polymer Compounds (India) Pvt. Ltd issued 660 ordinary 10 Rs. shares.

### 11 Stocks

	Group 2016 £000	2016 £000	Company 2016 £000	2015 £000
Raw materials and consumables	4,517	4,826	-	-
Finished goods and goods for resale	9,046	8,645	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>13,563</b>	<b>13,471</b>	<b>--</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>	<hr/>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £52,529,000 (2015: £54,704,000).

## Notes (continued)

### 12 Debtors

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Trade debtors	13,355	11,645	-	-
Amounts owed by group undertakings	-		3,435	565
Amounts owed by related party undertakings	240	374	-	-
Other debtors	1,107	1,726	7	-
Deferred tax assets (see note 18)	1,116	1,812	-	-
Prepayments and accrued income	256	220	-	-
	<u>16,074</u>	<u>15,777</u>	<u>3,442</u>	<u>565</u>
Due within one year	14,958	13,965	3,442	565
Due after more than one year	1,116	1,812	-	-
	<u>16,074</u>	<u>15,777</u>	<u>3,442</u>	<u>565</u>

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

Trade debtors includes £8,423,000 (2015: £6,895,000) subject to with-recourse financing arrangements.

### 13 Cash and cash equivalents/ bank overdrafts

	2016 £000	2015 £000
Cash at bank and in hand	1,098	388
Bank overdrafts	(3,436)	(4,055)
	<u>(2,338)</u>	<u>(3,667)</u>
Cash and cash equivalents per cash flow statement	<u>(2,338)</u>	<u>(3,667)</u>

## Notes (continued)

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

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank overdrafts	3,436	4,055	-	-
Other bank borrowings	13,939	12,079	6,545	4,714
Factoring advances	2,856	4,727	-	-
Trade creditors	6,068	5,558	-	-
Amounts owed to group undertakings	-	-	1,575	-
Amounts owed to related party undertakings	2,442	3,949	-	-
Taxation and social security	302	330	6	6
Other creditors	486	592	-	-
Accruals and deferred income	634	684	122	130
	<u>30,163</u>	<u>31,974</u>	<u>8,248</u>	<u>4,850</u>

The bank overdraft facilities are unsecured and repayable on demand. Other bank borrowings of £13,939,000 (2015: £12,079,000) consist of revolving loan facilities, repayable on demand and unsecured. The respective banks hold Letters of Intent as forms of guarantee from the shareholders. Interest is payable at variable rates close to LIBOR.

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

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

### 15 Creditors: amounts falling after more than one year

	Group 2016 £000	2015 £000	Company 2016 £000	2015 £000
Bank loans (see note 16)	2,362	-	-	-
Other creditors	187	155	-	-
	<u>2,549</u>	<u>155</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 16 Interest-bearing loans and borrowings

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

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Creditors falling due more less than one year</b>				
Bank overdraft	3,436	4,055	-	-
Unsecured other bank borrowings	13,939	12,079	6,545	4,714
Factoring advances	2,856	4,727	-	-
	<u>20,231</u>	<u>20,861</u>	<u>6,545</u>	<u>4,714</u>
<b>Creditors falling due within than one year</b>				
Unsecured bank loans	2,362	-	-	-
	<u>2,362</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### *Terms and debt repayment schedule*

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016	2015
					£000	£000
Unsecured bank loan	Euro	1%	2018	On maturity	2,362	-
					<u>2,362</u>	<u>-</u>

## Notes (continued)

### 17 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2016 £000	2015 £000	Liabilities 2016 £000	2015 £000	Net 2016 £000	2015 £000
Accelerated capital allowances	-	-	(199)	(70)	(199)	(70)
Employee benefits	273	433	-	-	273	433
Unused tax losses	962	1,318	-	-	962	1,318
Other	80	131	-	-	80	131
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets / (liabilities)	1,315	1,882	(199)	(70)	1,116	1,812
Net of tax liabilities/(assets)	(199)	(70)	199	70	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets / (liabilities)	1,116	1,812	-	-	1,116	1,812
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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 £474,000 would arise. The Group has no plans to make such disposals 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.

### 18 Provisions

Group	Other Provision £000	Total £000
Balance at 1 April 2015	181	181
Provisions used during the year	(181)	(181)
	<hr/>	<hr/>
<b>Balance at 31 March 2016</b>	<b>--</b>	<b>-</b>
	<hr/>	<hr/>

Other provisions related to employee settlements which were resolved in the year.



## **Notes (continued)**

### **19 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 of the Group, for which the parent Company is legally responsible.

#### *Net pension (liability)/asset*

	<b>2016</b> <b>£000</b>
Defined benefit obligation	<b>(20,680)</b>
Plan assets	<b>19,280</b>
	<hr/>
Net pension (liability)/asset	<b>(1400)</b>
	<hr/> <hr/>

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

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

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

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

**Notes** *(continued)*

**19 Employee benefits** *(continued)*

*Expense recognised in the profit and loss account*

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

The fair value of the plan assets and the return on those assets were as follows:

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

## **Notes (continued)**

### **19 Employee benefits (continued)**

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

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

#### *Group*

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £248,000 (2015: £249,000).

### **20 Capital and reserves**

#### **Share capital**

	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>
<i>Allotted, called up and fully paid</i>		
11,100,100 ordinary shares of £1 each	<b>11,100</b>	11,100

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.

## Notes (continued)

### 21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	<b>Group</b>	Restated	<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Less than one year	162	114	-	-
Between one and five years	330	211	-	-
More than five years	-	-	-	-
	<hr/> 492	<hr/> 325	<hr/> -	<hr/> -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year £161,000 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £144,000).

### 22 Commitments

#### *Capital commitments*

Contractual commitments to purchase tangible fixed assets at the year-end were £610,000 (2015: £164,000).

### 23 Related parties

#### *Group*

#### *Identity of related parties with which the Group has transacted*

- (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 Plastic Colorant S.A.S. is a subsidiary of Toyo Ink SC Holdings Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

## Notes (continued)

### 23 Related parties (continued)

#### *Related party transactions*

	Sales to		Purchases & Administrative expenses incurred from	
	2016	2015	2016	2015
	£000	£000	£000	£000
Entities with control, joint control or significant influence over the Group				
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	-	-	5,724	4,191
Sumika Polymer North America, Inc.	48	5	381	135
Itochu Europe PLC	212	-	5,407	12,529
Itochu Deutschland GmbH	23	376	-	-
Plastribution Ltd	1,024	1,009	-	4
Toyo Ink Europe Plastic Colorant S.A.S.	732	898	1,278	1,387
	<u>2,102</u>	<u>2,368</u>	<u>14,661</u>	<u>19,813</u>

	Receivables outstanding		Creditors outstanding	
	2016	2015	2016	2015
	£000	£000	£000	£000
Entities with control, joint control or significant influence over the Group				
Sumitomo Chemical Co., Ltd	-	-	61	240
Sumitomo Chemical Europe S.A. / N.V.	-	-	-	1
Sumitomo Chemical Asia Pte	-	-	20	936
Sumika Polymer North America, Inc.	-	2	-	76
Itochu Europe PLC	20	-	2,133	2,453
Itochu Deutschland GmbH	23	-	-	-
Plastribution Ltd	77	30	-	-
Toyo Ink Europe Plastic Colorant S.A.S.	120	342	228	243
	<u>240</u>	<u>374</u>	<u>2,442</u>	<u>3,949</u>

## Notes (continued)

### 23 Related parties (continued)

#### *Company*

#### *Identity of related parties with which the Company has transacted*

Itochu Europe PLC is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

#### *Related party transactions*

	<b>Administrative expenses incurred from 2016 £000</b>	<b>2015 £000</b>
Entities with control, joint control or significant influence over the Company		
Itochu Europe PLC	<b>50</b>	<b>50</b>

### 24 Ultimate parent company and parent company of larger group

The Company'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 to consolidate the results of the Company is Sumitomo Chemical Co., Ltd. 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.

### 25 Accounting estimates and judgements

#### *Key sources of estimation uncertainty*

Pension liabilities, as disclosed in the balance sheet and in Note 19, 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 17, 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.