

REGISTERED NUMBER: 02680159 (England and Wales)

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2013
for
F2 CHEMICALS LTD

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for the Year Ended 31 December 2013

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F2 CHEMICALS LTD

Company Information
for the Year Ended 31 December 2013

DIRECTORS

Mr W Denison
Mr K Kimura
Mr H Ono
Mr K Morikawa
Dr H Tagoshi
Mr M Miyamura
Mr O Wada

SECRETARY:

Mr W Denison

REGISTERED OFFICE:

Lea Lane
Lea Town
Preston
Lancashire
PR4 0RZ

REGISTERED NUMBER:

02680159 (England and Wales)

SENIOR STATUTORY AUDITOR: Josephine Ecob BA FCA

AUDITORS:

Abrams Ashton
Statutory Auditor
Chartered Accountants
41 St Thomas's Road
Chorley
Lancashire
PR7 1JE

Strategic Report
for the Year Ended 31 December 2013

The directors present their strategic report for the year ended 31 December 2013. The results for the year and financial position of the company are as shown in the annexed financial statements.

REVIEW OF BUSINESS

The company has had another successful year with a trading profit for the year of £1,076m. Although the company has not achieved its expected sales target, it is anticipated that the company will achieve increased sales in 2014.

The company's gross margin has increased from 12% to 16%, this relates to a significant reduction in its raw material costs and an increase in demand for higher margin products. The company has also reduced its administration costs.

The company has expanded its production facilities during the year, which will become fully active in 2014 resulting in increased capacity.

The company continues to receive full support from its parent company, Showa Denko KK.

KEY PERFORMANCE INDICATORS ("KPI")

The directors monitor progress on the company's strategy by reference to the following KPI's:

<u>KPI</u>	<u>2013</u>	<u>2012</u>
Sales growth/(decline) (%)	(19)	27
Gross margin (%)	16	12

Although the sales value in 2013 has decreased from 2012, profitability on products has actually increased due to increased market demand on higher margin products.

ENVIRONMENTAL AND OTHER RISKS

The company continues to closely monitor, and evaluate, environmental, and other, regulatory matters which could have a major impact on its activities.

The company is keen to eliminate all injuries, occupational illnesses, unsafe practices and incidents of environmental harm from our activities. The health and safety of its employees, the local community and the environment is the number one priority of F2 Chemicals Ltd.

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial risks that include the effects of credit risk and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company.

Credit risk

The company has implemented policies that require appropriate credit checks on both potential customers and suppliers before sales/purchases are made.

Liquidity risk

The company actively maintains short term debt finance that is designed to ensure the company has sufficient funds for operations.

Foreign exchange risk

The company operates foreign currency bank accounts and also deals with both buying and selling products in a range of currencies.

Strategic Report
for the Year Ended 31 December 2013

BUSINESS MODEL

The company's business model is to sell speciality fluorochemical products into exclusive niche markets both domestically and internationally Shareholder value for the sole shareholder is generated by the supply of high added value products in a diverse range of markets In 2013, over 84% of the company's sales were for export

ON BEHALF OF THE BOARD



Mr W Denison - Secretary

Date 20th March 2014

Report of the Directors
for the Year Ended 31 December 2013

The directors present their report with the financial statements of the company for the year ended 31 December 2013

PRINCIPAL ACTIVITIES

The Company's principal activities during the twelve months continued to be the manufacture and supply of perfluorocarbon fluids using cobalt fluoride technology and other fluorine containing organic chemicals principally using its selective direct fluorination technology

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2013

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2013 to the date of this report

Mr W Denison
Mr K Kimura
Mr H Ono
Mr K Morikawa
Dr H Tagoshi

Other changes in directors holding office are as follows

Mr H Iwasaki - resigned 4 January 2013
Mr T Yamamoto - resigned 29 April 2013
Mr M Miyamura - appointed 4 January 2013
Mr O Wada - appointed 29 April 2013

Dr H Tagoshi ceased to be a director after 31 December 2013 but prior to the date of this report

Mr M Miyamura ceased to be a director after 31 December 2013 but prior to the date of this report

Mr Y Miyota was appointed as a director after 31 December 2013 but prior to the date of this report

Mr K Sukaurai was appointed as a director after 31 December 2013 but prior to the date of this report

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting estimates that are reasonable and prudent,
- state whether applicable 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Report of the Directors
for the Year Ended 31 December 2013

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

ON BEHALF OF THE BOARD



Mr W Denison - Secretary

Date

20th March 2014

Report of the Independent Auditors to the Members of
F2 Chemicals Ltd

We have audited the financial statements of F2 Chemicals Ltd for the year ended 31 December 2013 on pages seven to twenty three. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Josephine Ecob BA FCA (Senior Statutory Auditor)
for and on behalf of Abrams Ashton
Statutory Auditor
Chartered Accountants
41 St Thomas's Road
Chorley
Lancashire
PR7 1JE



Date 21.3.14

F2 CHEMICALS LTD (REGISTERED NUMBER: 02680159)**Profit and Loss Account
for the Year Ended 31 December 2013**

	Notes	31 12 13 £'000	£'000	31 12 12 £'000	£'000
TURNOVER	2		6,344		7,869
Raw materials and consumables			2,202		3,810
Staff costs	3	1,620		1,770	
Depreciation		304		292	
Other operating charges		1,173		1,045	
			<u>3,097</u>		<u>3,107</u>
OPERATING PROFIT	5		1,045		952
Interest receivable and similar income	6		347		301
Interest payable and similar charges	7		(316)		(308)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,076		945
Tax on profit on ordinary activities	8		-		-
PROFIT FOR THE FINANCIAL YEAR			<u>1,076</u>		<u>945</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

The notes form part of these financial statements

F2 CHEMICALS LTD (REGISTERED NUMBER: 02680159)

Statement of Total Recognised Gains and Losses
for the Year Ended 31 December 2013

	31.12.13	31 12 12
	£'000	£'000
PROFIT FOR THE FINANCIAL YEAR	1,076	945
Actuarial Gains/(Losses) on pension	(606)	45
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES	470	990
RELATING TO THE YEAR	<hr/> <hr/>	<hr/> <hr/>

The notes form part of these financial statements

F2 CHEMICALS LTD (REGISTERED NUMBER: 02680159)**Balance Sheet**
31 December 2013

	Notes	31.12.13 £'000	£'000	31 12 12 £'000	£'000
FIXED ASSETS					
Intangible assets	9		89		9
Tangible assets	10		<u>2,252</u>		<u>1,467</u>
			<u>2,341</u>		<u>1,476</u>
CURRENT ASSETS					
Stocks	11	2,794		2,087	
Debtors	12	681		903	
Cash at bank		<u>1,016</u>		<u>704</u>	
		<u>4,491</u>		<u>3,694</u>	
CREDITORS					
Amounts falling due within one year	13	<u>1,518</u>		<u>618</u>	
NET CURRENT ASSETS			<u>2,973</u>		<u>3,076</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,314</u>		<u>4,552</u>
CREDITORS					
Amounts falling due after more than one year	14		(6)		(10)
PENSION LIABILITY	20		<u>(507)</u>		<u>(211)</u>
NET ASSETS			<u><u>4,801</u></u>		<u><u>4,331</u></u>
CAPITAL AND RESERVES					
Called up share capital	18		11,125		11,125
Profit and loss account	19		<u>(6,324)</u>		<u>(6,794)</u>
SHAREHOLDERS' FUNDS	23		<u><u>4,801</u></u>		<u><u>4,331</u></u>

The financial statements were approved by the Board of Directors on **20th March 2014** and were signed on its behalf by



Mr W Denison - Director

The notes form part of these financial statements

Cash Flow Statement
for the Year Ended 31 December 2013

	Notes	31.12 13 £'000	£'000	31 12 12 £'000	£'000
Net cash inflow from operating activities	1		1,000		1,017
Returns on investments and servicing of finance	2		31		(7)
Capital expenditure	2		(1,165)		(181)
			(134)		829
Financing	2		446		(904)
Increase/(decrease) in cash in the period			312		(75)
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
Increase/(decrease) in cash in the period		312		(75)	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(446)		904	
Change in net funds resulting from cash flows			(134)		829
Movement in net funds in the period			(134)		829
Net funds/(debt) at 1 January			690		(139)
Net funds at 31 December			556		690

Notes to the Cash Flow Statement
for the Year Ended 31 December 2013

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.12.13	31 12 12
	£'000	£'000
Operating profit	1,045	952
Depreciation charges	304	292
(Increase)/decrease in stocks	(707)	206
Decrease/(increase) in debtors	222	(58)
Increase/(decrease) in creditors	446	(248)
Difference between pension charge and cash contributions	(310)	(127)
Net cash inflow from operating activities	1,000	1,017

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.12.13	31 12 12
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	347	301
Interest paid	(316)	(308)
Net cash inflow/(outflow) for returns on investments and servicing of finance	31	(7)
Capital expenditure		
Purchase of intangible fixed assets	(89)	-
Purchase of tangible fixed assets	(1,080)	(193)
Sale of tangible fixed assets	4	12
Net cash outflow for capital expenditure	(1,165)	(181)
Financing		
New loans in year	450	-
Loan repayments in year	-	(900)
Capital repayments in year	(4)	(4)
Net cash inflow/(outflow) from financing	446	(904)

Notes to the Cash Flow Statement
for the Year Ended 31 December 2013

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.13 £'000	Cash flow £'000	At 31.12.13 £'000
Net cash			
Cash at bank	704	312	1,016
	<u>704</u>	<u>312</u>	<u>1,016</u>
Debt			
Hire purchase	(14)	4	(10)
Debts falling due within one year	-	(450)	(450)
	<u>(14)</u>	<u>(446)</u>	<u>(460)</u>
Total	<u>690</u>	<u>(134)</u>	<u>556</u>

Notes to the Financial Statements
for the Year Ended 31 December 2013

1 ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards

Turnover

Turnover is the value of goods, net of value added tax, provided to customers during the year

Revenue is recognised when the following conditions are satisfied

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods
- the amount of revenue and related costs can be measured reliably

Intangible assets

Intangible assets are depreciated at 10% straight line

Tangible fixed assets

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each assets evenly over its expected useful life, as follows

Flutec plant	-	6 6% straight line
Leasehold Improvements	-	6 6% straight line
Research laboratory	-	10% straight line
Plant and equipment	-	20% straight line
Office equipment, fixtures and fittings	-	10% straight line
Computer equipment	-	33% straight line
Motor vehicles	-	25% straight line

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition and, where appropriate, attributable overheads based on a normal level of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Research and development

Research and development expenditure on projects not specifically recoverable directly from customers is written off as incurred.

Foreign currencies

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

Hire purchase and leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013**1 ACCOUNTING POLICIES - continued****Pensions**

The company operates a defined benefit pension scheme that requires contributions to be made to a separately administered fund. The contributions to this fund are based on independent actuarial valuations designed to secure the benefits as set out in the rule. Contributions are charged in the profit and loss account so as to spread the cost of the employees' working lives with the company. The regular cost is attributed to individual years using a projected unit credit method. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs.

In October 2009 the defined benefit pension scheme was closed to new entrants for new employees eligible for pension contributions and the company makes payments to employees' individual private pension plans. Contributions to the employees' pension plans are charged to the profit and loss account in the period to which they relate.

2 TURNOVER

The turnover and profit before taxation are attributable to the principal activities of the company.

An analysis of turnover by geographical market is given below:

	31.12.13	31.12.12
	£'000	£'000
United Kingdom	1,006	777
Europe	3,021	4,505
United States of America	1,158	1,047
Other	1,159	1,540
	<u>6,344</u>	<u>7,869</u>

3 STAFF COSTS

	31.12.13	31.12.12
	£'000	£'000
Wages and salaries	1,338	1,480
Social security costs	117	126
Other pension costs	165	164
	<u>1,620</u>	<u>1,770</u>

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

	31.12.13	31.12.12
Manufacturing	25	25
Administration	14	14
	<u>39</u>	<u>39</u>

4 DIRECTORS' EMOLUMENTS

	31.12.13	31.12.12
	£'000	£'000
Directors remuneration	97	93

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013**5 OPERATING PROFIT**

The operating profit is stated after charging

	31.12.13	31 12 12
	£'000	£'000
Other operating leases	18	17
Depreciation - owned assets	291	288
Depreciation - assets on hire purchase contracts	4	4
Patents and licences amortisation	9	1
Audit services	6	7
Pension scheme audit services	2	3
	<u> </u>	<u> </u>

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.13	31 12 12
	£'000	£'000
Expected return on pension plan assets	347	301
	<u> </u>	<u> </u>

7 INTEREST PAYABLE AND SIMILAR CHARGES

	31 12 13	31 12 12
	£'000	£'000
Bank loan interest & charges	8	20
Interest on pension obligation	308	288
	<u> </u>	<u> </u>
	<u>316</u>	<u>308</u>

8 TAXATION**Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2013 nor for the year ended 31 December 2012

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	31.12.13	31 12 12
	£'000	£'000
Profit on ordinary activities before tax	1,076	945
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2012 - 18.500%)	215	175
Effects of		
Utilisation of tax losses forward / (Utilisation) of	(215)	(175)
	<u> </u>	<u> </u>
Current tax charge	-	-
	<u> </u>	<u> </u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2013****9 INTANGIBLE FIXED ASSETS**

	Patents and licences £'000
COST	
At 1 January 2013	41
Additions	89
	<hr/>
At 31 December 2013	130
	<hr/>
AMORTISATION	
At 1 January 2013	32
Amortisation for year	9
	<hr/>
At 31 December 2013	41
	<hr/>
NET BOOK VALUE	
At 31 December 2013	89
	<hr/>
At 31 December 2012	9
	<hr/>

The company has reclassified its intangible assets from plant & machinery in the year. The prior year comparatives have also been reanalysed.

10 TANGIBLE FIXED ASSETS

	Long leasehold £'000	Plant & equipment and office equipment £'000	Motor vehicles £'000	Totals £'000
COST				
At 1 January 2013	1,242	12,085	7	13,334
Additions	-	1,080	-	1,080
Disposals	-	(15)	(7)	(22)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	1,242	13,150	-	14,392
	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION				
At 1 January 2013	819	11,041	7	11,867
Charge for year	24	271	-	295
Eliminated on disposal	-	(15)	(7)	(22)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2013	843	11,297	-	12,140
	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE				
At 31 December 2013	399	1,853	-	2,252
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2012	423	1,044	-	1,467
	<hr/>	<hr/>	<hr/>	<hr/>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2013****10 TANGIBLE FIXED ASSETS - continued**

Fixed assets, included in the above, which are held under hire purchase contracts are as follows

	Plant & equipment and office equipment £'000
COST	
At 1 January 2013 and 31 December 2013	19
DEPRECIATION	
At 1 January 2013	5
Charge for year	4
At 31 December 2013	9
NET BOOK VALUE	
At 31 December 2013	10
At 31 December 2012	14

11 STOCKS

	31.12.13 £'000	31 12 12 £'000
Raw materials and consumables	831	517
Work-in-progress	1,156	951
Finished goods	807	619
	<u>2,794</u>	<u>2,087</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

12 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.13 £'000	31 12 12 £'000
Trade debtors	548	747
Other debtors	65	94
Prepayments and accrued income	68	62
	<u>681</u>	<u>903</u>

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.13 £'000	31 12 12 £'000
Bank loans and overdrafts (see note 15)	450	-
Hire purchase contracts (see note 16)	4	4
Trade creditors	519	304
Social security and other taxes	64	68
Accruals and deferred income	481	242
	<u>1,518</u>	<u>618</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013**14 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.13	31 12 12
	£'000	£'000
Hire purchase contracts (see note 16)	6	10
	=====	=====

15 LOANS

An analysis of the maturity of loans is given below

	31.12.13	31 12 12
	£'000	£'000
Amounts falling due within one year or on demand		
Bank loans	450	-
	=====	=====

16 OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	31.12.13	31 12 12
	£'000	£'000
Gross obligations repayable		
Within one year	5	5
Between one and five years	7	11
	=====	=====
	12	16
	=====	=====
Finance charges repayable		
Within one year	1	1
Between one and five years	1	1
	=====	=====
	2	2
	=====	=====
Net obligations repayable		
Within one year	4	4
Between one and five years	6	10
	=====	=====
	10	14
	=====	=====

The following operating lease payments are committed to be paid within one year

	Other operating leases	
	31.12.13	31 12 12
	£'000	£'000
Expiring		
Within one year	-	6
Between one and five years	12	6
In more than five years	6	-
	=====	=====
	18	12
	=====	=====

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013**17 SECURED DEBTS**

The following secured debts are included within creditors

	31.12.13	31.12.12
	£'000	£'000
Bank loans	450	-
Hire purchase contracts	10	14
	<u>460</u>	<u>14</u>

Hire purchase creditors are secured on the assets to which the contract relates

The bank loan is secured via a cross company guarantee relating to its parent company

18 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid			31.12.13	31.12.12
Number	Class	Nominal value	£'000	£'000
11,125,000	Ordinary	£1	<u>11,125</u>	<u>11,125</u>

19 RESERVES

	Profit and loss account £'000
At 1 January 2013	(6,794)
Profit for the year	1,076
Pension reserve	(606)
At 31 December 2013	<u>(6,324)</u>
Profit and loss account excluding pension liability	(5,817)
Pension deficit	(507)
Profit and loss account	<u>(6,324)</u>

20 EMPLOYEE BENEFIT OBLIGATIONS

The company operates a defined benefit pension scheme for its employees. The assets of the schemes are held in a separate trustee-administered fund.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2013****20 EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in the balance sheet are as follows

	Defined benefit pension plans	
	31.12.13	31.12.12
	£'000	£'000
Present value of funded obligations	(7,849)	(6,461)
Fair value of plan assets	7,342	6,250
	<u>(507)</u>	<u>(211)</u>
Present value of unfunded obligations	-	-
Deficit	<u>(507)</u>	<u>(211)</u>
Net liability	<u><u>(507)</u></u>	<u><u>(211)</u></u>

The amounts recognised in profit or loss are as follows

	Defined benefit pension plans	
	31.12.13	31.12.12
	£'000	£'000
Current service cost	158	147
Interest cost	308	288
Expected return	(347)	(301)
Past service cost	-	-
	<u>119</u>	<u>134</u>
Actual return on plan assets	<u><u>631</u></u>	<u><u>552</u></u>

Changes in the present value of the defined benefit obligation are as follows

	Defined benefit pension plans	
	31.12.13	31.12.12
	£'000	£'000
Opening defined benefit obligation	6,461	5,791
Current service cost	158	147
Contributions by scheme participants	79	76
Interest cost	308	288
Actuarial losses/(gains)	890	206
Benefits paid	(47)	(47)
	<u>7,849</u>	<u>6,461</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2013****20 EMPLOYEE BENEFIT OBLIGATIONS - continued**

Changes in the fair value of scheme assets are as follows

	Defined benefit pension plans	
	31.12.13	31 12 12
	£'000	£'000
Opening fair value of scheme assets	6,250	5,408
Contributions by scheme participants	508	337
Expected return	347	301
Actuarial gains/(losses)	284	251
Benefits paid	(47)	(47)
	<u>7,342</u>	<u>6,250</u>

The amounts recognised in the statement of recognised gains and losses are as follows

	Defined benefit pension plans	
	31.12.13	31 12 12
	£'000	£'000
Actuarial gains/(losses)	(606)	45
	<u>(606)</u>	<u>45</u>
Cumulative amount of actuarial gains/(losses)	<u>(507)</u>	<u>(211)</u>

The major categories of scheme assets as a percentage of total scheme assets are as follows

	Defined benefit pension plans	
	31 12.13	31 12 12
Equities & cash	60.75%	60 01%
Gilts	29.75%	29 91%
Bonds	9.50%	10 08%
	<u>100.00%</u>	<u>100 00%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages)

	31.12.13	31 12 12
Discount rate	4.55%	4 70%
Rate of price inflation	3.45%	3 00%
Future salary increases	3.45%	3 00%
Post 6th April 1988 GMP	3 25%	2 90%

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013**20 EMPLOYEE BENEFIT OBLIGATIONS - continued**

Amounts for the current and previous four periods are as follows

	31.12 13 £'000	31 12 12 £'000	31 12 11 £'000	31 12 10 £'000	31 12 09 £'000
Defined benefit pension plans					
Defined benefit obligation	(7,849)	(6,461)	(5,791)	(5,111)	(4,393)
Fair value of scheme assets	7,342	6,250	5,408	5,086	4,294
Deficit	(507)	(211)	(383)	(25)	(99)
Experience adjustments on scheme liabilities	(4)	(31)	(17)	55	76
Experience adjustments on scheme assets	(606)	45	(496)	71	11

21 RELATED PARTY DISCLOSURES**Showa Denko KK**

The parent company

During the year the company bought and sold goods and services to its parent company Showa Denko KK, the value of these transactions were

	31 12 13 £'000	31 12 12 £'000
Sales	688	879
Purchases	-	97
	31.12.13 £'000	31 12 12 £'000
Amount due from related party at the balance sheet date	133	124

Shanghai Showa Chemicals Co Ltd

A subsidiary of the parent company

During the year the company bought goods from Shanghai Showa Chemicals Co Ltd which is a subsidiary of Showa Denko KK. The value of the transactions was £105,000 (2012 £1,223,000). No balances were outstanding at the year end.

Showa Denko Europe

A subsidiary of the parent company

During the year, the company incurred management charges from Showa Denko Europe. The value of these charges were £85,000 (2012 £nil).

22 ULTIMATE CONTROLLING PARTY

The Company's immediate holding company is Showa Denko KK.

Copies of its group accounts, which include the Company, are available from Showa Denko KK, 13-9, Shiba Daimon 1-Chome, Minato-ku, Tokyo, 105-8518, Japan.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2013

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	31.12.13	31 12 12
	£'000	£'000
Profit for the financial year	1,076	945
Other recognised gains and losses relating to the year (net)	(606)	45
Net addition to shareholders' funds	470	990
Opening shareholders' funds	4,331	3,341
Closing shareholders' funds	4,801	4,331