

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31st December 2019
for
F2 CHEMICALS LIMITED

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for the Year Ended 31st December 2019**

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Company Information
for the Year Ended 31st December 2019

DIRECTORS:

Mr A Penman
Mr H Ukita
Mr T Tani
Mr T Usami
Mr K Yamamasu

REGISTERED OFFICE:

Lea Lane
Lea Town
Preston
Lancashire
PR4 0RZ

REGISTERED NUMBER:

02680159 (England and Wales)

SENIOR STATUTORY AUDITOR:

Andrew Carl Caunce FCCA

AUDITORS:

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

Strategic Report
for the Year Ended 31st December 2019

The directors present their strategic report for the year ended 31st December 2019.

REVIEW OF BUSINESS

The company has experienced an increase of 12% in turnover during 2019. The increase is largely due to new customers across the globe.

There has been a significant decrease in the company's operating margin to 10%. This is due to two significant events: increased sales volumes have all come from the company's lower margin products and existing sales includes a reduction in the more profitable products. Secondly, a large increase in direct electricity costs has occurred due to above average price increases.

The company anticipates that sales will remain close to the 2019 level in the next year. 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>2019</u>	<u>2018</u>
Sales growth/(decline) (%)	12	14
Operating margin (%)	10	24.3

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.

Strategic Report
for the Year Ended 31st December 2019

PRINCIPAL RISKS AND UNCERTAINTIES
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. The movement in short term borrowings is largely due to the reclassification of long term borrowings..

Foreign exchange risk:

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

Brexit:

A large proportion of the company's sales are made within the EC. Despite now passing the Brexit date of 31 January 2020, it is still not clear how this will affect these sales.

In order to reduce the risk, the company has continued to take advantage of opportunities and partnerships outside the EC as well as looking to grow within the UK. This has been reflected in sales to Asian regions, which have shown a 139% increase as well as sales made within the UK, which has shown a 190% increase.

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 2019, 88% (2018: 93%) of the company's sales were for export.

ON BEHALF OF THE BOARD:

Mr A Penman - Director

13th July 2020

Report of the Directors
for the Year Ended 31st December 2019

The directors present their report with the financial statements of the company for the year ended 31st December 2019.

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 31st December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1st January 2019 to the date of this report.

Mr A Penman
Mr H Ukita
Mr T Usami

Other changes in directors holding office are as follows:

Mr T Hiro - resigned 4th January 2019
Mr T Tani - appointed 4th January 2019

Mr K Yamamasu was appointed as a director after 31st December 2019 but prior to the date of this report.

Mr M Yagishita ceased to be a director after 31st December 2019 but prior to the date of this report.

ENGAGEMENT WITH EMPLOYEES

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS

STATEMENT OF CORPORATE GOVERNANCE ARRANGEMENTS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 31st December 2019

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 A Penman - Director

13th July 2020

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

Opinion

We have audited the financial statements of F2 Chemicals Limited (the 'company') for the year ended 31st December 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2019 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

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, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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.

Andrew Carl Caunce FCCA (Senior Statutory Auditor)
for and on behalf of Abrams Ecob Limited
Statutory Auditor
Chartered Certified Accountants
41 St Thomas's Road
Chorley
Lancashire
PR7 1JE

20th July 2020

t/a Abrams Ashton - Chorley

Income Statement
for the Year Ended 31st December 2019

	Notes	31.12.19 £'000	£'000	31.12.18 £'000	£'000
TURNOVER	3		10,315		9,208
Raw materials and consumables			5,070		3,321
Staff costs	4	1,965		1,884	
Depreciation		588		488	
Other operating expenses		<u>1,629</u>		<u>1,276</u>	
			<u>4,182</u>		<u>3,648</u>
OPERATING PROFIT	6		1,063		<u>2,239</u>
Interest receivable and similar income	7		1		1
Interest payable and similar expenses	8		(58)		(51)
Other finance costs	22		-		(98)
PROFIT BEFORE TAXATION			<u>1,006</u>		<u>2,091</u>
Tax on profit	9		<u>285</u>		<u>182</u>
PROFIT FOR THE FINANCIAL YEAR			<u><u>721</u></u>		<u><u>1,909</u></u>

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31st December 2019

	Notes	31.12.19 £'000	31.12.18 £'000
PROFIT FOR THE YEAR		721	1,909
OTHER COMPREHENSIVE INCOME			
Remeasurements on Pensions scheme		(33)	(15)
Income tax relating to other comprehensive income		<u>-</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		<u>(33)</u>	<u>(15)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>688</u>	<u>1,894</u>

F2 CHEMICALS LIMITED (REGISTERED NUMBER: 02680159)**Balance Sheet**
31st December 2019

	Notes	31.12.19 £'000	£'000	31.12.18 £'000	£'000
FIXED ASSETS					
Intangible assets	10		27		60
Tangible assets	11		<u>6,374</u>		<u>6,231</u>
			6,401		6,291
CURRENT ASSETS					
Stocks	12	3,552		3,704	
Debtors	13	779		1,325	
Cash at bank		<u>2,586</u>		<u>1,862</u>	
		6,917		6,891	
CREDITORS					
Amounts falling due within one year	14	<u>3,460</u>		<u>3,867</u>	
NET CURRENT ASSETS			3,457		3,024
TOTAL ASSETS LESS CURRENT LIABILITIES			9,858		9,315
CREDITORS					
Amounts falling due after more than one year	15		-		(284)
PROVISIONS FOR LIABILITIES	19		<u>(188)</u>		<u>(49)</u>
NET ASSETS			9,670		8,982
CAPITAL AND RESERVES					
Called up share capital	20		11,125		11,125
Retained earnings	21		<u>(1,455)</u>		<u>(2,143)</u>
SHAREHOLDERS' FUNDS			9,670		8,982

The financial statements were approved by the Board of Directors and authorised for issue on 13th July 2020 and were signed on its behalf by:

Mr A Penman - Director

The notes form part of these financial statements

Statement of Changes in Equity
for the Year Ended 31st December 2019

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1st January 2018	11,125	(4,037)	7,088
Changes in equity			
Total comprehensive income	-	1,894	1,894
Balance at 31st December 2018	<u>11,125</u>	<u>(2,143)</u>	<u>8,982</u>
Changes in equity			
Total comprehensive income	-	688	688
Balance at 31st December 2019	<u>11,125</u>	<u>(1,455)</u>	<u>9,670</u>

The notes form part of these financial statements

Cash Flow Statement
for the Year Ended 31st December 2019

	Notes	31.12.19 £'000	31.12.18 £'000
Cash flows from operating activities			
Cash generated from operations	1	2,644	1,723
Interest paid		(58)	(51)
Other finance costs		-	(98)
Pension contribution excess		(33)	(15)
Tax paid		(134)	-
Net cash from operating activities		<u>2,419</u>	<u>1,559</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(5)	(17)
Purchase of tangible fixed assets		(724)	(634)
Sale of intangible fixed assets		31	-
Interest received		<u>1</u>	<u>1</u>
Net cash from investing activities		<u>(697)</u>	<u>(650)</u>
Cash flows from financing activities			
New loans in year		1,895	2,321
Capital repayments in year		<u>(2,893)</u>	<u>(2,722)</u>
Net cash from financing activities		<u>(998)</u>	<u>(401)</u>
Increase in cash and cash equivalents		<u>724</u>	<u>508</u>
Cash and cash equivalents at beginning of year	2	1,862	1,354
Cash and cash equivalents at end of year	2	<u>2,586</u>	<u>1,862</u>

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31st December 2019**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	31.12.19	31.12.18
	£'000	£'000
Profit before taxation	1,006	2,091
Depreciation charges	607	488
Profit on disposal of fixed assets	(19)	-
Finance costs	58	149
Finance income	(1)	(1)
	1,651	2,727
Decrease/(increase) in stocks	152	(658)
Decrease/(increase) in trade and other debtors	546	(208)
Increase/(decrease) in trade and other creditors	295	(138)
Cash generated from operations	<u>2,644</u>	<u>1,723</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31st December 2019

	31.12.19	1.1.19
	£'000	£'000
Cash and cash equivalents	<u>2,586</u>	<u>1,862</u>

Year ended 31st December 2018

	31.12.18	1.1.18
	£'000	£'000
Cash and cash equivalents	<u>1,862</u>	<u>1,354</u>

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.19	Cash flow	At 31.12.19
	£'000	£'000	£'000
Net cash			
Cash at bank	<u>1,862</u>	<u>724</u>	<u>2,586</u>
	<u>1,862</u>	<u>724</u>	<u>2,586</u>
Debt			
Debts falling due within 1 year	(2,893)	715	(2,178)
Debts falling due after 1 year	(284)	284	-
	<u>(3,177)</u>	<u>999</u>	<u>(2,178)</u>
Total	<u>(1,315)</u>	<u>1,723</u>	<u>408</u>

Notes to the Financial Statements
for the Year Ended 31st December 2019

1. STATUTORY INFORMATION

F2 Chemicals Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

Revenue recognition

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 initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of ten years.

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 asset 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

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019

2. ACCOUNTING POLICIES - continued

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments' of FRS 102 to all its financial instruments. Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets:

Basic financial assets, which include debtors, loans to common controlled companies and cash and bank balances, are initially measured at transaction price including transaction costs. They are subsequently carried at amortised cost using the effective interest method, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets:

All the company's financial assets fall to be classified as basic financial assets under Section 11 of FRS 102 and the company therefore holds no other financial assets.

Financial liabilities:

Basic financial liabilities, including creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities:

All the companies financial liabilities fall to be classified as basic financial liabilities under Section 11 of FRS 102 and the company therefore has no other financial instruments.

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 31st December 2019**2. 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. On the 31st December 2015, the pension scheme was closed with the remaining liability to be paid off by the company in the subsequent years.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held with banks, and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

3. 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:

	31.12.19	31.12.18
	£'000	£'000
United Kingdom	1,280	672
Europe	4,224	4,027
United States of America	2,296	2,572
Other	2,515	1,937
	<u>10,315</u>	<u>9,208</u>

4. EMPLOYEES AND DIRECTORS

	31.12.19	31.12.18
	£'000	£'000
Wages and salaries	1,654	1,617
Social security costs	155	149
Other pension costs	156	118
	<u>1,965</u>	<u>1,884</u>

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

	31.12.19	31.12.18
Manufacturing	27	29
Administration	14	14
	<u>41</u>	<u>43</u>

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2019****5. DIRECTORS' EMOLUMENTS**

	31.12.19	31.12.18
	£'000	£'000
Directors remuneration	105	105

6. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.19	31.12.18
	£'000	£'000
Other operating leases	17	17
Depreciation - owned assets	581	476
Profit on disposal of fixed assets	(19)	-
Patents and licences amortisation	26	12
Audit services	7	7
Pension scheme audit services	3	3
Foreign exchange differences	<u>50</u>	<u>(152)</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.19	31.12.18
	£'000	£'000
Deposit account interest	<u>1</u>	<u>1</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.19	31.12.18
	£'000	£'000
Bank loan interest & charges	<u>58</u>	<u>51</u>

9. TAXATION**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	31.12.19	31.12.18
	£'000	£'000
Current tax:		
UK corporation tax	146	133
Deferred tax	<u>139</u>	<u>49</u>
Tax on profit	<u>285</u>	<u>182</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019**9. TAXATION - continued****Reconciliation of total tax charge included in profit and loss**

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

	31.12.19 £'000	31.12.18 £'000
Profit before tax	<u>1,006</u>	<u>2,091</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	191	397
Effects of:		
Expenses not deductible for tax purposes	(5)	(2)
Capital allowances in excess of depreciation	(104)	(48)
Utilisation of tax losses	-	(214)
Adjustments to tax charge in respect of previous periods	20	-
Deferred tax	139	49
Transfer pricing adjustment y/c 31 December 2019	48	-
Profit on sale of intangible	(4)	-
Total tax charge	<u>285</u>	<u>182</u>

Tax effects relating to effects of other comprehensive income

	31.12.19 Gross £'000	Tax £'000	Net £'000
Remeasurements on Pensions scheme	<u>(33)</u>	<u>-</u>	<u>(33)</u>
	31.12.18 Gross £'000	Tax £'000	Net £'000
Remeasurements on Pensions scheme	<u>(15)</u>	<u>-</u>	<u>(15)</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019

10. INTANGIBLE FIXED ASSETS

	Patents and licences £'000
COST	
At 1st January 2019	155
Additions	5
Disposals	(30)
At 31st December 2019	<u>130</u>
AMORTISATION	
At 1st January 2019	95
Amortisation for year	26
Eliminated on disposal	(18)
At 31st December 2019	<u>103</u>
NET BOOK VALUE	
At 31st December 2019	<u>27</u>
At 31st December 2018	<u>60</u>

11. TANGIBLE FIXED ASSETS

	Long leasehold £'000	Plant & equipment and office equipment £'000	Totals £'000
COST			
At 1st January 2019	1,486	17,280	18,766
Additions	13	711	724
At 31st December 2019	<u>1,499</u>	<u>17,991</u>	<u>19,490</u>
DEPRECIATION			
At 1st January 2019	894	11,641	12,535
Charge for year	33	548	581
At 31st December 2019	<u>927</u>	<u>12,189</u>	<u>13,116</u>
NET BOOK VALUE			
At 31st December 2019	<u>572</u>	<u>5,802</u>	<u>6,374</u>
At 31st December 2018	<u>592</u>	<u>5,639</u>	<u>6,231</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019**12. STOCKS**

	31.12.19	31.12.18
	£'000	£'000
Raw materials and consumables	1,451	1,349
Work-in-progress	512	336
Finished goods	1,589	2,019
	<u>3,552</u>	<u>3,704</u>

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

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£'000	£'000
Trade debtors	601	1,101
Other debtors	96	148
Prepayments and accrued income	82	76
	<u>779</u>	<u>1,325</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.19	31.12.18
	£'000	£'000
Bank loans and overdrafts (see note 16)	2,178	2,893
Trade creditors	697	440
Tax	146	133
Social security and other taxes	71	61
Accruals and deferred income	368	340
	<u>3,460</u>	<u>3,867</u>

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.19	31.12.18
	£'000	£'000
Bank loans (see note 16)	-	284

16. LOANS

An analysis of the maturity of loans is given below:

	31.12.19	31.12.18
	£'000	£'000
Amounts falling due within one year or on demand:		
Bank loans	<u>2,178</u>	<u>2,893</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	<u>-</u>	<u>284</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019**17. LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.19	31.12.18
	£'000	£'000
Within one year	8	12
Between one and five years	<u>13</u>	<u>6</u>
	<u>21</u>	<u>18</u>

18. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.19	31.12.18
	£'000	£'000
Bank loans	<u>2,178</u>	<u>3,177</u>

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

19. PROVISIONS FOR LIABILITIES

	31.12.19	31.12.18
	£'000	£'000
Deferred tax	<u>188</u>	<u>49</u>

**Deferred
tax**
£'000
49
139
188

Balance at 1st January 2019
Charge to Income Statement during year
Balance at 31st December 2019

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.19	31.12.18
			£'000	£'000
11,125,000	Ordinary	£1	<u>11,125</u>	<u>11,125</u>

21. RESERVES

	Retained earnings £'000
At 1st January 2019	(2,143)
Profit for the year	721
Pension reserve	<u>(33)</u>
At 31st December 2019	<u>(1,455)</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019**22. 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. The pension scheme has been closed to future accruals on the 31/12/2015.

The latest actuarial valuation report was completed on 29 January 2020.

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£'000	£'000
Current service cost	-	-
Net interest from net defined benefit asset/liability	-	(2)
Past service cost	-	-
	<u>-</u>	<u>(2)</u>
Actual return on plan assets	<u>2,102</u>	<u>(242)</u>

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

	Defined benefit pension plans	
	31.12.19	31.12.18
	£'000	£'000
Opening defined benefit obligation	10,091	11,127
Interest cost	317	286
Actuarial losses/(gains)	1,182	(1,126)
Benefits paid	(137)	(296)
Curtailments	-	100
	<u>11,453</u>	<u>10,091</u>

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£'000	£'000
Opening fair value of scheme assets	10,091	11,127
Contributions by employer	33	113
Asset Ceiling	(636)	(611)
Expected return	317	288
Actuarial gains/(losses)	1,785	(530)
Benefits paid	(137)	(296)
	<u>11,453</u>	<u>10,091</u>

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019**22. EMPLOYEE BENEFIT OBLIGATIONS - continued**

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.19	31.12.18
	£'000	£'000
Remeasurements	(33)	(15)
	<u>(33)</u>	<u>(15)</u>

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

	Defined benefit pension plans	
	31.12.19	31.12.18
Equities & cash	81.25%	68.04%
Gilts	18.75%	23.09%
Bonds	-	8.87%
	<u>100.00%</u>	<u>100.00%</u>

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

	31.12.19	31.12.18
Discount rate	2.10%	2.85%
Price inflation rate (CPI)	1.90%	2.15%
Price inflation rate (RPI)	2.90%	3.15%
Pensions-in-payment increase rate 5%	2.85%	3.05%
Pensions-in-payment increase rate 2.5%	2.10%	2.15%

The above percentages relate to the weighted-average assumptions to determine defined benefit obligations.

The following percentages relate to the weighted-average assumptions to determine cost relating to defined benefit plans.

	31.12.19	31.12.18
Discount rate	2.85%	2.50%
Price inflation rate (CPI)	2.15%	2.05%
Price inflation rate (RPI)	3.15%	3.05%
Pensions-in-payment increase rate 5%	3.05%	3.00%
Pensions-in-payment increase rate 2.5%	2.15%	2.15%

23. ULTIMATE PARENT COMPANY

The Company's ultimate parent company is Showa Denko KK, registered in Japan.

24. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

Notes to the Financial Statements - continued
for the Year Ended 31st December 2019

25. 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.