REGISTERED NUMBER: 02680159 (England and Wales)

Strategic Report, Report of the Directors and

Financial Statements for the Year Ended 31st December 2020

for

F2 CHEMICALS LIMITED

Contents of the Financial Statements
for the Year Ended 31st December 2020

Company Information
for the Year Ended 31st December 2020

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 2020

The directors present their strategic report for the year ended 31st December 2020.

REVIEW OF BUSINESS
The company has experienced a very slight drop in turnover of 0.01% during 2020. The decrease is marginal and reflects turbulence in the market due to the global events and Brexit in 2020.

Despite the levelling out of the trend in turnover, there has been an increase in the company's operating margin to 13%.

The company anticipates that there will be a growth in sales in 2021, as trading normalises after the effects of Covid-19 and Brexit in 2020. 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:

KPI	2020	2019
Sales growth/(decline) (%)	(0.01)	12
Operating margin (%)	13	10

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 2020

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 enacts 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 the repayment of short term debt surplus to the company's working capital requirement.

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:

In both 2020 and 2019 sales to Europe accounted for 41% of turnover. Indications from the customer base in Europe is that demand for the products remains strong. The impact of Brexit has created logistical and administrative complications for both distributing product and importing raw materials. However, this does not appear to have impacted the appetite to trade with Europe.

The company seeks to reduce risk by diversifying and has continued to take advantage of opportunities and partnerships outside the EC. This has been reflected in sales to Asian regions, which have shown a 61% increase. Sales to Asian countries reflect 16.5% of the company's total sales which compares to a 10.2% proportion last year.

Covid-19:

The spread of COVID-19 has severely impacted many local economies around the globe. The company has managed to continue to trade successfully despite the pandemic with overall sales levels in 2020 comparable to those of 2019. This demonstrates that the directors have good plans in place to mitigate the risks and impacts of COVID-19, utilising safety measures to ensure the continuation of business with no major restructuring or downsizing. The company has a healthy balance sheet and the directors are therefore confident the company can continue for the foreseeable future.

BUSINESS MODEL
The company's business model is to sell speciality fluorochemical products into specialist 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 2020, 98% (2019: 88%) of the company's sales were for export.

ON BEHALF OF THE BOARD:

Mr A Penman - Director

19th April 2021

Report of the Directors
for the Year Ended 31st December 2020

The directors present their report with the financial statements of the company for the year ended 31st December 2020.

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 2020.

DIRECTORS
The directors shown below have held office during the whole of the period from 1st January 2020 to the date of this report.

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

Other changes in directors holding office are as follows:

Mr M Yagishita - resigned 6th January 2020
Mr K Yamamasu - appointed 6th January 2020

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 2020

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

19th April 2021

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 2020 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 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the computer component manufacturing and supply sector;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation and data protection, REACH regulations, anti-bribery, employment, environmental regulations and health and safety legislation;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates set out in note 3 were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence with HMRC, relevant regulators including the Health and Safety Executive, and the company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

19th April 2021

t/a Abrams Ashton - Chorley

Income Statement
for the Year Ended 31st December 2020

		31.12.20		31.12.19	
	Notes	£	£	£	£
TURNOVER	3		**10,213,363**		10,315,013
Raw materials and consumables			**4,246,750**		5,071,753
Staff costs	4	**2,158,997**		1,965,796	
Depreciation		**617,640**		588,498	
Other operating expenses		**1,823,389**		1,627,287	
			4,600,026		4,181,581
OPERATING PROFIT	6		**1,366,587**		1,061,679
Interest receivable and similar income	7	**891**		905	
Other finance income	21	**1,000**		-	
Interest payable and similar expenses	8	**(35,360)**		(57,609)	
			(33,469)		(56,704)
PROFIT BEFORE TAXATION			**1,333,118**		1,004,975
Tax on profit	9		**140,853**		284,404
PROFIT FOR THE FINANCIAL YEAR			**1,192,265**		720,571

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31st December 2020

	Notes	31.12.20 £	31.12.19 £
PROFIT FOR THE YEAR		**1,192,265**	720,571
OTHER COMPREHENSIVE INCOME			
Remeasurements on Pensions scheme		**(51,000)**	(33,000)
Income tax relating to other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**(51,000)**	(33,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,141,265**	687,571

The notes form part of these financial statements

Balance Sheet
31st December 2020

	Notes	31.12.20 £	31.12.20 £	31.12.19 £	31.12.19 £
FIXED ASSETS					
Intangible assets	10		**23,977**		27,412
Tangible assets	11		**5,948,298**		6,373,705
			5,972,275		6,401,117
CURRENT ASSETS					
Stocks	12	**3,967,358**		3,552,047	
Debtors	13	**1,902,646**		779,253	
Cash at bank		**3,141,963**		2,585,755	
		9,011,967		6,917,055	
CREDITORS					
Amounts falling due within one year	14	**3,991,319**		3,461,546	
NET CURRENT ASSETS			**5,020,648**		3,455,509
TOTAL ASSETS LESS CURRENT LIABILITIES			**10,992,923**		9,856,626
PROVISIONS FOR LIABILITIES	18		**182,671**		187,639
NET ASSETS			**10,810,252**		9,668,987
CAPITAL AND RESERVES					
Called up share capital	19		**11,125,000**		11,125,000
Retained earnings	20		**(314,748)**		(1,456,013)
SHAREHOLDERS' FUNDS			**10,810,252**		9,668,987

The financial statements were approved by the Board of Directors and authorised for issue on 25th March 2021 and were signed on its behalf by:

Mr A Penman - Director

Statement of Changes in Equity
for the Year Ended 31st December 2020

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st January 2019	11,125,000	(2,143,584)	8,981,416
Changes in equity			
Total comprehensive income	-	687,571	687,571
Balance at 31st December 2019	11,125,000	(1,456,013)	9,668,987
Changes in equity			
Total comprehensive income	-	1,141,265	1,141,265
Balance at 31st December 2020	11,125,000	(314,748)	10,810,252

The notes form part of these financial statements

Cash Flow Statement
for the Year Ended 31st December 2020

	Notes	31.12.20	31.12.19
		£	£
Cash flows from operating activities			
Cash generated from operations	1	**1,632,419**	2,643,430
Interest paid		**(35,360)**	(57,609)
Pension contribution excess		**(50,000)**	(33,000)
Tax paid		**(125,942)**	(132,510)
Net cash from operating activities		**1,421,117**	2,420,311
Cash flows from investing activities			
Purchase of intangible fixed assets		**(1,583)**	(4,289)
Purchase of tangible fixed assets		**(187,217)**	(724,297)
Sale of intangible fixed assets		-	31,152
Interest received		**891**	905
Net cash from investing activities		**(187,909)**	(696,529)
Cash flows from financing activities			
New loans in year		**1,500,000**	1,893,000
Capital repayments in year		**(2,177,000)**	(2,893,000)
Net cash from financing activities		**(677,000)**	(1,000,000)
Increase in cash and cash equivalents		**556,208**	723,782
Cash and cash equivalents at beginning of year	2	**2,585,755**	1,861,973
Cash and cash equivalents at end of year	2	**3,141,963**	2,585,755

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31st December 2020

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

	31.12.20	31.12.19
	£	£
Profit before taxation	**1,333,118**	1,004,975
Depreciation charges	**617,641**	607,092
Profit on disposal of fixed assets	-	(18,594)
Finance costs	**35,360**	57,609
Finance income	**(1,891)**	(905)
	1,984,228	1,650,177
(Increase)/decrease in stocks	**(415,311)**	149,660
(Increase)/decrease in trade and other debtors	**(1,123,393)**	545,708
Increase in trade and other creditors	**1,186,895**	297,885
Cash generated from operations	**1,632,419**	2,643,430

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 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	**3,141,963**	**2,585,755**

Year ended 31st December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	2,585,755	1,861,973

3. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.1.20	Cash flow	At 31.12.20
	£	£	£
Net cash			
Cash at bank	**2,585,755**	**556,208**	**3,141,963**
	2,585,755	**556,208**	**3,141,963**
Debt			
Debts falling due within 1 year	**(2,177,000)**	**677,000**	**(1,500,000)**
	(2,177,000)	**677,000**	**(1,500,000)**
Total	**408,755**	**1,233,208**	**1,641,963**

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31st December 2020

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 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

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.

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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.

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Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

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:

	31.12.20	31.12.19
	£	£
United Kingdom	240,466	1,279,800
Europe	4,231,428	4,224,391
United States of America	2,433,059	2,295,555
Other	3,308,410	2,515,267
	10,213,363	10,315,013

4. EMPLOYEES AND DIRECTORS

	31.12.20	31.12.19
	£	£
Wages and salaries	1,817,720	1,654,112
Social security costs	179,555	155,265
Other pension costs	161,722	156,419
	2,158,997	1,965,796

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

	31.12.20	31.12.19
Manufacturing	29	27
Administration	16	14
	45	41

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Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

5. DIRECTORS' EMOLUMENTS

	31.12.20	31.12.19
	£	£
Directors remuneration	113,376	105,667

6. OPERATING PROFIT

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

	31.12.20	31.12.19
	£	£
Other operating leases	21,219	16,819
Depreciation - owned assets	612,624	582,100
Profit on disposal of fixed assets	-	(18,594)
Patents and licences amortisation	5,018	25,990
Audit services	6,900	6,650
Pension scheme audit services	2,675	2,600
Foreign exchange differences	30,128	49,924

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.20	31.12.19
	£	£
Deposit account interest	891	905

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.20	31.12.19
	£	£
Bank loan interest & charges	35,360	57,609

9. TAXATION

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

	31.12.20	31.12.19
	£	£
Current tax:		
UK corporation tax	257,102	145,576
Tax credit from prior year	(111,282)	-
Total current tax	145,820	145,576
Deferred tax	(4,967)	138,828
Tax on profit	140,853	284,404

UK corporation tax has been charged at 19% .

continued...

**Notes to the Financial Statements - continued
for the Year Ended 31st December 2020**

9. **TAXATION - continued**

Reconciliation of total tax charge included in profit and loss

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

	31.12.20	31.12.19
	£	£
Profit before tax	1,333,118	1,004,975
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	253,292	190,945
Effects of:		
Expenses not deductible for tax purposes	(9,095)	(5,364)
Capital allowances in excess of depreciation	-	(103,821)
Depreciation in excess of capital allowances	12,905	-
Adjustments to tax charge in respect of previous periods	(111,282)	19,824
Deferred tax	(4,967)	138,638
Transfer pricing adjustment y/e 31 December 2019	-	47,715
Profit on sale of intangible	-	(3,533)
Total tax charge	140,853	284,404

Tax effects relating to effects of other comprehensive income

	31.12.20		
	Gross	Tax	Net
	£	£	£
Remeasurements on Pensions scheme	(51,000)	-	(51,000)

	31.12.19		
	Gross	Tax	Net
	£	£	£
Remeasurements on Pensions scheme	(33,000)	-	(33,000)

continued...

Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

10. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1st January 2020	129,599
Additions	1,583
At 31st December 2020	131,182
AMORTISATION	
At 1st January 2020	102,187
Amortisation for year	5,018
At 31st December 2020	107,205
NET BOOK VALUE	
At 31st December 2020	23,977
At 31st December 2019	27,412

11. TANGIBLE FIXED ASSETS

	Long leasehold £	Plant & equipment and office equipment £	Totals £
COST			
At 1st January 2020	1,498,562	17,990,958	19,489,520
Additions	-	187,217	187,217
At 31st December 2020	1,498,562	18,178,175	19,676,737
DEPRECIATION			
At 1st January 2020	927,323	12,188,492	13,115,815
Charge for year	34,761	577,863	612,624
At 31st December 2020	962,084	12,766,355	13,728,439
NET BOOK VALUE			
At 31st December 2020	536,478	5,411,820	5,948,298
At 31st December 2019	571,239	5,802,466	6,373,705

continued...

Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

12. STOCKS

	31.12.20	31.12.19
	£	£
Raw materials and consumables	1,585,662	1,451,441
Work-in-progress	948,141	511,212
Finished goods	1,433,555	1,589,394
	3,967,358	3,552,047

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

	31.12.20	31.12.19
	£	£
Trade debtors	1,711,041	600,579
Other debtors	129,215	96,464
Prepayments and accrued income	62,390	82,210
	1,902,646	779,253

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20	31.12.19
	£	£
Bank loans and overdrafts (see note 15)	1,500,000	2,177,000
Trade creditors	1,613,321	696,799
Tax	166,264	146,386
Social security and other taxes	84,583	71,038
Accruals and deferred income	627,151	370,323
	3,991,319	3,461,546

15. LOANS

An analysis of the maturity of loans is given below:

	31.12.20	31.12.19
	£	£
Amounts falling due within one year or on demand:		
Bank loans	1,500,000	2,177,000

16. LEASING AGREEMENTS

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

	31.12.20	31.12.19
	£	£
Within one year	30,722	7,901
Between one and five years	54,972	12,725
	85,694	20,626

continued...

17. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.20	31.12.19
	£	£
Bank loans	1,500,000	2,177,000

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

18. PROVISIONS FOR LIABILITIES

	31.12.20	31.12.19
	£	£
Deferred tax	182,671	187,639

	Deferred tax
	£
Balance at 1st January 2020	187,639
Credit to Income Statement during year	(4,968)
Balance at 31st December 2020	182,671

19. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.20	31.12.19
			£	£
11,125,000	Ordinary	£1	11,125,000	11,125,000

20. RESERVES

	Retained earnings
	£
At 1st January 2020	(1,456,013)
Profit for the year	1,192,265
Pension reserve	(51,000)
At 31st December 2020	(314,748)

21. 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 28 January 2021.

continued...

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Current service cost	**-**	-
Net interest from net defined benefit asset/liability	**(1,000)**	-
Past service cost	**-**	-
	(1,000)	-
Actual return on plan assets	**1,854,000**	2,102,000

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

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Opening defined benefit obligation	**11,453,000**	10,091,000
Interest cost	**275,000**	317,000
Actuarial losses/(gains)	**2,433,000**	1,182,000
Benefits paid	**(156,000)**	(137,000)
	14,005,000	11,453,000

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

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Opening fair value of scheme assets	**11,453,000**	10,091,000
Contributions by employer	**50,000**	33,000
Asset Ceiling	**804,000**	(636,000)
Expected return	**276,000**	317,000
Actuarial gains/(losses)	**1,578,000**	1,785,000
Benefits paid	**(156,000)**	(137,000)
	14,005,000	11,453,000

continued...

Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

21. EMPLOYEE BENEFIT OBLIGATIONS - continued

The amounts recognised in other comprehensive income are as follows:

	Defined benefit pension plans	
	31.12.20	31.12.19
	£	£
Remeasurements	**(50,000)**	(33,000)
	(50,000)	(33,000)

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

	Defined benefit pension plans	
	31.12.20	31.12.19
Equities & cash	**76.52%**	81.25%
Gilts	**23.48%**	18.75%
	100.00%	100.00%

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

	31.12.20	31.12.19
Discount rate	**1.35%**	2.10%
Price inflation rate (CPI)	**2.05%**	1.90%
Price inflation rate (RPI)	**2.85%**	2.90%
Pensions-in-payment increase rate 5%	**2.80%**	2.85%
Pensions-in-payment increase rate 2.5%	**2.05%**	2.10%

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.

	31.12.20	31.12.19
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	2.85%	3.05%

22. ULTIMATE PARENT COMPANY

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

23. 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.

continued...

Notes to the Financial Statements - continued
for the Year Ended 31st December 2020

24. 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.