

Chugoku Paints (UK) Limited
Annual report and financial statements
for the year ended 31 December 2018

Registered Number 01688185



Chugoku Paints (UK) Limited

Company information

Directors	P Cain N Kunihiro K Akiyama
Registered number	01688185 (England)
Registered office	Godliman House 21 Godliman Street London EC4V 5BD
Independent Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square, 29 Wellington Street Leeds LS1 4DL

Chugoku Paints (UK) Limited

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Chugoku Paints (UK) Limited

Directors' report for the year ended 31 December 2018

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

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Chugoku Paints (UK) Limited

Directors' report for the year ended 31 December 2018 (continued)

Principal activity

The company's principal activity is the sale of specialist marine paints to ship owners in the worldwide market. The company is a subsidiary of the worldwide network of Chugoku Marine Paints Limited, a company registered in Japan.

Chugoku Paints (UK) Limited acts as a sales agent for Chugoku Paints BV, the company's Dutch parent, under an agreement dated 1 July 2003. Chugoku Paints (UK) Limited thereby receives a commission, recognised as turnover in these financial statements, based on a profit sharing arrangement as set out in the agreement.

The company will continue to act as a sales agent for the foreseeable future.

Results and dividends

The loss for the financial year amounted to £59,714 (2017: profit £25,859).

The directors do not recommend the payment of a dividend (2017: £ nil).

Directors

The directors who served during the year were:

P Cain
K Akiyama
N Kunihiro

Small companies provisions

This report has been prepared in accordance with the special provisions relating to small companies within Part 15, Section 415(A) and 414(B) of the Companies Act 2006.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 September 2019 and signed on its behalf.



K Akiyama
Director

Chugoku Paints (UK) Limited

Independent auditors' report to the members of Chugoku Paints (UK) Limited

Report on the audit of the financial statements

Opinion

In our opinion, Chugoku Paints (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note to the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

Chugoku Paints (UK) Limited

Independent auditors' report to the members of Chugoku Paints (UK) Limited (continued)

With respect to the Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 an auditors' report 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Chugoku Paints (UK) Limited

Independent auditors' report to the members of Chugoku Paints (UK) Limited (continued)

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Victoria Coe

Victoria Coe (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
30 September 2019

Chugoku Paints (UK) Limited

Income statement for the year ended 31 December 2018

	Note	2018 £	2017 £
Turnover	4	1,371,500	1,316,500
Gross profit		1,371,500	1,316,500
Administrative expenses		(1,349,892)	(1,254,776)
Exceptional items	20	(89,000)	-
Operating (loss)/profit	5	(67,392)	61,724
Interest receivable and similar income	8	6,000	6,000
Interest payable and similar expenses	9	(52)	(386)
(Loss)/Profit before taxation		(61,444)	67,338
Tax on (loss)/profit	10	1,730	(41,479)
(Loss)/Profit for the financial year		(59,714)	25,859

The notes on page 13 to 26 form part of these financial statements.

Chugoku Paints (UK) Limited

Statement of Comprehensive Income for the year ended 31 December 2018

	2018 £	2017 £
(Loss)/Profit for the financial year	(59,714)	25,859
<i>Other comprehensive income</i>		
Actuarial gain on defined benefit schemes	25,397	57,238
Movement of deferred tax relating to pension deficit	7,790	(9,207)
Total other comprehensive income	33,187	48,031
Total comprehensive (expense)/income for the year	(26,527)	73,890

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Statement of Financial Position as at 31 December 2018

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		16,670		3,946
Current assets					
Debtors	12	1,277,194		1,313,180	
Cash at bank and in hand	13	26,103		10,821	
		1,303,297		1,324,001	
Creditors: amounts falling due within one year	14	(157,377)		(156,270)	
Net current assets			1,145,920		1,167,731
Total assets less current liabilities			1,162,590		1,171,677
Provisions for liabilities					
Deferred taxation	10	(32,110)		(55,670)	
Defined benefit pension scheme asset	16	252,000		293,000	
			219,890		237,330
Net assets			1,382,480		1,409,007
Capital and reserves					
Called up share capital	15		1,000,000		1,000,000
Profit and loss account			382,480		409,007
Total equity			1,382,480		1,409,007

(*) The P&L 2018 includes the one-off loss resulting from GMP equalization of GBP 89K; reference is also made to note 20.

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies' regime.

The financial statements on pages 9 to 26 were approved by the Board of Directors on 30 September 2019 and signed on its behalf by


K Akiyama
Director

The notes on pages 13 to 26 form part of these financial statements.

Chugoku Paints (UK) Limited

Statement of Changes in Equity for the year ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2017	1,000,000	335,117	1,335,117
Profit for the financial year	-	25,859	25,859
Other comprehensive income	-	48,031	48,031
Total comprehensive income for the year	-	73,890	73,890
At 31 December 2017	1,000,000	409,007	1,409,007
(Loss)/Profit for the financial year	-	(59,714)	(59,714)
Other comprehensive income	-	33,187	33,187
Total comprehensive expense for the year	-	(26,527)	(26,527)
At 31 December 2018	1,000,000	382,480	1,382,480

The notes on pages 13 to 26 form part of these financial statements.

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018

1. General information

The company's principal activity is the sale of specialist marine paints to ship owners in the worldwide market. The company is a subsidiary of the worldwide network of Chugoku Marine Paints Limited, a company registered in Japan. The address of the registered office is Tokyo Club Building, 2-6, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, 100-0013, Japan.

Chugoku Paints (UK) Limited is a private company limited by shares, incorporated and domiciled in England. Chugoku Paints (UK) Limited acts as a sales agent for Chugoku Paints BV, the company's Dutch parent, under an agreement dated 1 July 2003. Chugoku Paints (UK) Limited thereby receives a commission, recognised as turnover in these financial statements, based on a profit sharing arrangement as set out in the agreement.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 consistently.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also 'requires management' to exercise judgment in applying the Company's accounting policies (see note 3).

IFRS 16 'Leases' will be effective for the year ended 31 December 19. As such, the Company has not yet undertaken an impact assessment and will do so in the coming year.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 -reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

2.3 Going concern

The financial statements which have been prepared on a going concern basis, after making appropriate enquiries, including a review of forecasts, budgets and banking facilities, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

2.4 Revenue

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognized.

Chugoku Paints (UK) Limited acts as a sales agent for Chugoku Paints B.V, the Netherlands under an agreement dated 1 July 2003. Chugoku Paints (UK) Limited thereby receives a commission recognised as turnover in these financial statements based on a profit sharing arrangement as set out in the agreement.

IFRS15 supersedes IAS18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The company has a single revenue stream which is the intercompany transfers of funds to cover expenses incurred while making sales on behalf of the parent company Chugoku Paints B.V., which represents our only contractual obligation to our parent. This revenue stream carries a single performance obligation, being the facilitation of sales in the UK market on behalf of the parent. Due to the straight forward nature of the company's revenue stream and performance obligations all of the revenue attributed to a contract is recognised at the point of receipt of intercompany funds, which is entirely consistent with how revenue was accounted for under IAS 18 and therefore the company presents no differences upon transition.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	10 – 20%
Computer equipment	20-50%

Chugoku Paints (UK) Limited

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Income statement.

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.7 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.8 Financial instruments

The company's financial instruments comprise cash at bank, currency account balances held with the parent undertaking and trade payables. These financial instruments are classified as loans and receivables, and non-derivative and are measured at fair value through profit and loss. Loans and receivable financial instruments are initially recognised at fair value, net of transaction costs incurred and are subsequently held at amortised cost.

IFRS9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The company has applied IFRS9 retrospectively with initial application date of 1 January 2018. There is no material impact of applying of IFRS9 in the current period. The comparative information for the period beginning 1 January 2017 has not been adjusted.

2.9 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.10 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

2. Accounting policies (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

2.11 Finance costs

Finance costs are charged to the Income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Chugoku Paints (UK) Limited

2. Accounting policies (continued)

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Income statement on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

The Group has taken advantage of the optional exemption available on transition to FRS 101 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Pensions

The company participates in the 'Camrex Chugoku Limited Retirement Benefit Scheme' a defined benefit pension scheme for the benefit of its employees, the assets of which are held separately from those of the company in independently administered funds. The scheme is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary.

The regular service cost of providing retirement benefits to employees during the year is charged to operating profit in the year. The full cost of providing amendments to benefits in respect of past service is also charged to operating profit in the year.

Income representing the expected return on assets of the scheme during the year is included within interest receivable/payable. This is based on the market value of the assets of the scheme at the start of the financial year. A cost representing the interest on the liabilities of the scheme during the year is included within interest receivable/payable. This arises from the liabilities of the scheme being one year closer to payment.

Differences between actual and expected returns on assets during the year are recognised in the statement of comprehensive income in the year, together with differences arising from changes in the assumptions underlying the present value of scheme liabilities and experience gains and losses arising on scheme liabilities.

The company also participates in a defined contribution scheme for employees. The costs are included in the profit and loss account during the period to which they relate.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.15 Interest income

Interest income is recognised in the Income statement using the effective interest method.

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

a). Pension benefits

The Company operates a defined benefit pension scheme. In producing an estimated year end position for the scheme the directors use a series of assumptions related to, for example, mortality, inflation and discount rates. In setting these assumptions the directors rely on advice given to them by the scheme actuary although the final decision as to what assumptions are to be used rests with the directors. Details of the assumptions used in the financial statements can be found in Note 16.

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Notes to the financial statements for the year ended 31 December 2018 (continued)

4. Turnover

	2018 £	2017 £
Commission income	1,371,500	1,316,500
	1,371,500	1,316,500

All turnover arose within the United Kingdom.

5. Operating profit

	2018 £	2017 £
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	3,154	6,483
Defined contribution pension costs	53,572	46,938
Other operating lease payments	134,121	90,170

6. Auditors' remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the company:

	2018 £	2017 £
Fees for the audit of the Company	17,000	16,200

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group financial statements of the parent company.

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	620,335	595,275
Social security costs	93,999	87,906
Other pension costs – cost of defined contribution scheme	53,572	46,938
	767,906	730,119

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

	2018 No.	2017 No.
Sales and administration	10	10

8. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	6,000	6,000

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	52	386

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10. Tax on (loss)/profit

	2018 £	2017 £
Corporation tax		
Current tax on result for the year	807	41,497
Adjustments in respect of previous periods	(2,537)	-
Total current tax	(1,730)	41,497
Deferred tax		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Tax on loss/(profit)	(1,730)	41,479

Factors affecting taxation for the year

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
(Loss)/Profit before tax	(61,444)	67,338
(Loss)/Profit multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(11,674)	13,618
Effects of:		
Expenses not deductible for tax purposes	12,481	27,861
Change in tax rates	-	-
Adjustments in respect of previous periods	(2,537)	-
Total tax charge for the year	(1,730)	41,479

Deferred taxation

The deferred tax liability of £ 32,110 (2017: £ 55,670) is calculated over the pension liability at the applicable tax rate of the year 19% (2017: 19.25%).

Factors that may affect future tax charges

In 2016 changes to the UK main corporation tax rate were enacted. The tax rate has fallen to 19% in 2018 and will further fall to 17% in 2020.

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11. Tangible assets

	Fixtures and fittings £	Computer equipment £	Total £
Cost			
At 1 January 2018	38,874	14,115	52,989
Additions	-	15,878	15,878
Disposals	-	-	-
At 31 December 2018	38,874	29,993	68,867
Depreciation			
At 1 January 2018	36,067	12,976	49,043
Charge for year on owned assets	57	3,097	3,154
Disposals	-	-	-
At 31 December 2018	36,124	16,073	52,197
Net book value			
At 31 December 2018	2,750	13,920	16,670
At 31 December 2017	2,807	1,139	3,946

12. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	1,206,378	1,260,658
Other debtors	18,146	7,521
Prepayments and accrued income	52,670	45,001
	1,277,194	1,313,180

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

13. Cash at bank and in hand

	2018 £	2017 £
Cash at bank and in hand	26,103	10,821

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

14. Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	5,862	9,248
Corporation tax	32,347	6,296
Taxation and social security	34,316	61,013
Accruals and deferred income	84,852	79,713
	157,377	156,270

15. Called up share capital

	2018 £	2017 £
Shares classed as equity		
Allotted, called up and fully paid:		
1,000,000 (2017: 1,000,000) Ordinary shares of £1 each	1,000,000	1,000,000

16. Pension commitments

The company operates a defined contribution scheme and participates in the 'Camrex Chugoku Limited Retirement Benefit Scheme', a defined benefit pension scheme operated by Scottish Widows. The Scheme was closed to future accruals on 31 December 2008.

An actuarial valuation for FRS 101 purposes was carried out at 31 December 2018 using the projected unit method by Scottish Widows.

The major assumptions used by the actuary were:

	2018 %	2017 %
Inflation (CPI)	2.3	2.3
Inflation (RPI)	3.3	3.3
Rate of increase in salaries	2.3	2.3
Rate of increase for pensions	3.1	3.1
Discount rate for liabilities	2.8	2.4

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

16. Pension commitments (continued)

The mortality assumptions used were as follows:

	2018 years	2017 years
Longevity at age 65 for current pensioners:		
Men	17.3	17.3
Women	21.7	21.7
Longevity at age 65 for future pensioners aged 45:		
Men	17.9	17.3
Women	22.4	21.7

The scheme invests in with-profits deferred annuity contracts, the underlying assets of which and the expected rates of return were:

	2018 £	2017 £
Total market value of assets	2,180,000	2,201,000
Present value of scheme liabilities	(1,928,000)	(1,908,000)
Surplus in scheme	252,000	293,000
Deferred tax liability	(32,110)	(55,670)
Net pension asset	219,890	237,330

The movement in the present value of the defined benefit obligation over the year is as follows:

	2018 £	2017 £
Opening defined benefit obligation	1,908,000	1,792,000
Interest cost	43,000	47,000
Actuarial (losses)/gains recognised in the year	229,000	69,000
Benefits paid	(344,000)	(3,000)
Past service cost	89,000	
Expenses	3,000	3,000
Closing defined benefit obligation	1,928,000	1,908,000

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

16. Pension commitments (continued)

The movement in the fair value of plan assets over the year is as follows:

	2018 £	2017 £
Opening fair value of plan assets	2,201,000	2,035,000
Interest income	49,000	53,000
Contributions paid	10,000	10,000
Actuarial (losses)/gains recognised in the year	264,000	106,000
Benefits paid	(344,000)	(3,000)
Closing fair value of plan assets	2,180,000	2,201,000

The amount recognised in the profit and loss account are as follows:

	2018 £	2017 £
GMP equalisation	(89,000)	-
Interest income	6,000	6,000
Total defined benefit income	(83,000)	6,000

In October 2018, the UK High Court ruled that Lloyds Banking Group must equalise the impact of GMP for men and women who had been contracted-out of the top-up state earnings-related pension scheme between 1990 and 1997. The case ruling has widespread repercussions, as it means schemes need to equalise for the effect of relevant unequal GMPs between men and women in relation to pensions dating back 30-plus years.

Factors which have a bearing on GMP equalisation (revaluation rates, sex, date of leaving, age, retirement age, rates of increase once in payment and Normal Retirement Age), and in particular it is the differences between how GMPs and non-GMPs are treated within a pension scheme drive the cost of GMP equalisation.

The impact of these accounts is disclosed in P&L as GMP equalisation totalling to GBP 89,000 of which approx. 50% relates to pensioner members who are no longer in the accounted liability.

The current service cost for the year ended 31 December 2018 is nil (2017: £Nil) because there is no further accrual of benefits under the scheme and the expenses incurred for running the scheme are met by the company. The employer expects to contribute £10,000 (2017: £10,000) to the defined benefit pension plan in the year to 31 December 2018.

Chugoku Paints (UK) Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

17. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than one year	124,491	14,203
Later than one year and not later than five years	258,143	14,004
	382,634	28,207

18. Employee information

The average number of employees including management during the year was 10 (2017: 10).

19. Remuneration

The remuneration, including retirement benefits, of current and former members of the Board of Management charged to the company in the year under review amounted to £313,038 (2017: £286,416). The directors did not receive any shares or are entitled to right on shares under long-term incentive schemes.

Emoluments of the highest paid director were £171,000 (2017: £157,000).

20. Exceptional items

	2018 £	2017 £
Guaranteed Minimum Pension adjustment	(89,000)	-
	(89,000)	-

On 26 October 2018, the High Court of Justice of England and Wales issued a judgement in a claim by Lloyds Banking Group Pension Trustees Limited as claimant to Lloyds Bank plc and others as defendants regarding the rights of female members of certain pension schemes to equality of treatment in relation to pension benefits. The judgement concluded that the claimant is under a duty to amend the schemes in order to equalise benefits for men and women in relation to the Guaranteed Minimum Pension (GMP) benefits. The estimated increase in IAS 19 liabilities as a result of the High Court judgement has been recorded as a past service cost of £89,000.

21. Ultimate parent undertaking

The directors regard Chugoku Paints B.V. to be the immediate parent undertaking. At 31 December 2018, the ultimate parent undertaking, largest and smallest group of undertakings to consolidate these statements and controlling party is a company incorporated in Japan; Chugoku Marine Paints Limited. The consolidated financial statements of Chugoku Marine Paints Limited are available from Tokyo Club Building, 2-6, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, 100-0013, Japan.