Sumika Polymer Compounds (UK) Ltd

Annual report and financial statements

Registered number 2594313

31 March 2020

Contents

Company Information

Executive directors

L Seynave	(President)
M Schmidt	(Managing Director)
P Claydon	
P Grippon	

Non-executive directors

K. Semba
Y Sasaki

Secretary and registered office

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

Statutory Auditor

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

Bankers

HSBC plc
MUFG Bank, Ltd.
Mizuho Corporate Bank, Ltd.
Sumitomo Mitsui Banking Corporation Europe Ltd
Société Générale

Strategic Report

Principal activities

The principal activity of the Company, thermoplastic compounding, remains unchanged from last year.

Review of business and future developments

Loss before tax for the year was £309,000 (*2019: profit £609,000*). The results were adversely impacted by a small reduction in direct sales, a shift in mix towards sales of tolled-out products and inter-co sales, margin pressure, some additional costs due to Brexit contingency actions and, at the end of the year, impact from the COVID-19 crisis, as mentioned below. Countermeasures have included various cost savings and continued development of the business, including ramping-up benefit from recent investment in new plant and equipment.

The end of the financial year was over-shadowed by the COVID-19 crisis. In March, sales volumes were down, and our plant temporarily closed, following closures at our customers. Our priority is the safety of our people and comprehensive new working practices were developed in response and successfully implemented.

The financial position of the Company remains secure. It is funded by a mix of bank borrowings and loans from the immediate parent company. Bank borrowings continue to be guaranteed by our Group's Japanese corporate shareholders that support the Company financially and also provide additional business opportunities. The shareholders remain committed to the Company and the Group and its operations in Europe, India and Turkey, which form part of a global business supplying high performance plastic compounds to the white goods and automotive sectors.

Since the year-end, activity in our markets collapsed in April due to the COVID-19 pandemic but recovered progressively during the following months. During this period, some government support was taken as described in Note 21, Subsequent events. By the end of our half year to 30 September, our sales volumes had reached above normal levels. The outlook now is much stronger, in the short term at least, but we remain cautious.

We await details of the final arrangements applying after the end of the Brexit transition period on 31 December 2020 but consider the Company to be well positioned, having benefit of support from its fellow group companies in the EU and Turkey.

Key performance indicators

The key performance indicators for the Company are volumes and margins. The impact of these on the result for the year is set out above.

Another KPI for the company is Operating profit and this can be seen in the Profit and Loss account on page 9.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks and uncertainties affecting the Company are considered to be competition from both national and international plastics compounders, and raw material price fluctuation. Brexit is an area of uncertainty regarding the implications of the UK's leaving the EU on 31 January 2020. COVID-19 has had a short-term impact on the business as discussed above and is an area of uncertainty in the longer term regarding the possible wider economic consequences.

Strategic Report (continued)

Financial risk management

The company is exposed to a variety of financial risks. The Company's overall risk management programme seeks to minimise potential risks for the Company. The Board reviews and agrees policies for managing risks. The most important components of financial risk impacting the Company are price risk, interest rate risk, credit risk, foreign exchange risk and liquidity risk.

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

The Company's income is substantially independent of changes in interest rates. The Company finances its operations through share capital, related party loans, bank loans and overdraft. The Company's borrowings are in sterling, at floating rates of interest. Interest costs are minimised by taking flexible short-term loans and overdrafts to meet fluctuating requirements. Competitive rates of financing are achieved by utilising parent company guarantees.

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

The Company makes 84.5% (2019: 83%) of its sales outside the United Kingdom. Since a portion of purchases are also made from foreign companies the Company aims to achieve a natural hedge and does not hedge foreign currency exposure in any other way. The principal foreign currency to which the Company is exposed is the Euro.

Liquidity risk is the risk that cash may not be available to pay obligations when due. This risk is managed centrally by the finance team using a mixture of long-term and short-term debt finance. The Board is satisfied that the Company was not subject to significant liquidity risk as at the year end.

Business Environment

The Company operates within the global plastics business sector. This sector is experiencing long term growth, although volumes and margins in some segments within it are cyclical.

Strategy

The Company is focussed on the automotive and white goods sectors. It also maintains its successful strategy of developing products for applications in other sectors, e.g. electronic and electrical, to take advantage of good opportunities and provide diversification.

By order of the board

P Claydon
Secretary

4th November 2020

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2020.

Results and dividends

The Company's loss after tax for the year is £337,000 (2019: profit £666,000). No dividend was paid during the year (2019: £71.70 per share). No dividend has been proposed for the year.

Research and development

The Company is committed to research and development activities in order to secure its position in the market. Expenditure in the year is set out in note 3, whilst Development costs capitalised are shown in note 8.

Going concern

The financial statements have been prepared on the going concern basis. Further details, including of the reliance on financial support provided by the ultimate shareholders, are set out in note 1.2 to these financial statements.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

L Seynave
M Schmidt
P Claydon
P Grippon
H Sakai (resigned 4 August 2020)
K Semba (appointed 5 Aug 2020)
K Manabe (resigned 31 March 2020)
Y Sasaki (appointed 01 April 2020)

The directors benefit from qualifying third-party indemnity provisions in place during the financial year and at the date of this report.

Political contributions

The Company made no political donations or incurred any political expenditure during the year *(2019: Nil)*.

Section 172 (1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:
(a) likely consequences of any decisions in the long-term;
(b) interests of the company's employees;
(c) need to foster the company's business relationships with suppliers, customers and others;
(d) impact of the company's operations on the community and environment;
(e) desirability of the company maintaining a reputation for high standards of business conduct;
(f) need to act fairly between members of the Company.

We set out below some examples of how the directors have had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duties in their decision making.

Covid-19 pandemic
The directors have taken a comprehensive approach in responding to the COVID-19 crisis to ensure the safety of staff and security of operations. This has included staff consultation, involvement and awareness training. At the same time, we have ensured that our deliveries to customers were not disrupted but, whilst demand was temporarily supressed, we have closed our factory for short periods. The decision was taken to maintain all staff at 100% of normal salaries, with the Company making up the difference between the government Job Retention Scheme support and full salary for those staff on Furlough. The situation continues to be monitored by a dedicated committee.

Directors' Report (continued)

Covid -19 pandemic (continued)

Likewise, we have maintained normal relationships with suppliers. Supplier payments have been made as normal and we have not sought any changes to supplier payment terms. The directors believe these actions are the right thing to do and are in the long-term interest of the Company.

Dividend Policy
No dividends had been paid for many years but after much stronger performance for several successive years, an exceptional dividend of £3,800,000 was declared in December 2018, as part of a group exercise to transfer reserves up to the parent company. The directors considered this was in the best interests of the Company because it was part of the group policy to concentrate funds in the parent company such that it is better able to financially support the Company, or any other subsidiary, as necessary. The directors took the prudent decision not to declare any dividend for 2019/20 due to the less favourable trading results and the COVID-19 crisis.

Pension Scheme
The Thermofil Polymers defined benefit pension scheme has been closed to all accrual of benefits since 2006 and its funding position has been steadily improving in recent years but it still represents a funding risk to the Company. Although the funding position is in surplus in the Company's balance sheet, there remains a deficit in the scheme's own funding valuation due to the regulatory differences between the two valuations. During the year, the directors took the opportunity to agree a substantial de-risking of the pension scheme's investments. The agreed shift in asset allocation was implemented between December 2019 and January 2020, which has subsequently proved to be beneficial timing. The Directors worked constructively with the scheme trustee and actuary, finding a combination of continued funding level from the Company and a slight increase in the period of the deficit recovery plan that was consistent with this further switch from equities into index-linked and conventional bonds. This action has increased security for all stakeholders of the Company and of the Scheme. The scheme's asset allocation is shown in Note 15 to these accounts.

Greenhouse Gas reporting

The Company is included in the Greenhouse Gas Reporting in the parent company, Sumika Polymer Compounds (Europe) Ltd, consolidated accounts.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and financial risk management has been included in the Strategic Report on page 2. No significant events have occurred since the end of the financial year, other than those disclosed in the Subsequent events Note 21.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

P Claydon
Secretary

28 New Lane, Havant, Hampshire, PO9 2NQ

4th November 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 estimates that are reasonable and prudent;

• state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

• assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

• use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Sumika Polymer Compounds (UK) Ltd

Opinion

We have audited the financial statements of Sumika Polymer Compounds (UK) Limited ("the company") for the year ended 31 March 2020 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Matters on which we are required to report by exception

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

- 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
- the company 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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

C. J. Griffiths

Caroline Griffiths (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Gateway House
Tollgate
Chandlers Ford
Southampton, SO53 3TG
Date: 5 November 2020

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2020

	Note	2020 £000	2019 £000
Turnover	*2*	56,638	58,596
Cost of sales		(51,541)	(52,296)
Gross profit		5,097	6,300
Distribution costs		(2,996)	(2,993)
Administrative expenses		(2,240)	(2,590)
Operating (loss)/ profit		(139)	717
Interest receivable		80	66
Interest payable and similar expenses	*6*	(250)	(174)
(Loss)/Profit before taxation		(309)	609
Tax (expense)/credit	*7*	(28)	57
(Loss)/Profit for the financial year		(337)	666
Other comprehensive income			
Remeasurement of the net defined benefit asset		1,246	459
Income tax on other comprehensive income	*7*	(397)	(101)
Other comprehensive income for the year, net of income tax		849	358
Total comprehensive income for the year		512	1,024

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

The notes on pages 12 to 30 form an integral part of these financial statements.

Balance Sheet
at 31 March 2020

	Note	2020 £000	£000	2019 £000	£000
Fixed assets					
Intangible Assets	*8*		198		77
Tangible assets	*9*		8,842		9,133
Pension asset	*15*		4,757		2,981
			13,797		12,191
Current assets					
Stocks	*10*	9,313		12,092	
Debtors	*11*	9,072		10,287	
Cash at bank and in hand		34		19	
		18,419		22,398	
Creditors: amounts falling due within one year	*12*	(20,832)		(24,142)	
Net current (liabilities)			(2,413)		(1,744)
Total assets, less current liabilities			11,384		10,447
Provisions for liabilities					
Deferred tax liability	*14*		(1,113)		(688)
Net assets			10,271		9,759
Capital and reserves					
Called up share capital	*16*		5,300		5,300
Revaluation reserve			2,553		2,553
Profit and loss account			2,418		1,906
Shareholders' funds			10,271		9,759

The notes on pages 12 to 30 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 4th November 2020 and were signed on its behalf by:

L Seynave
President

Company registered number: 2594313

Statement of Changes in Equity

	Called up Share capital	Revaluation reserve	Profit & loss account	Total equity
	£000	£000	£000	£000
Balance at 1 April 2018	5,300	2,553	4,682	12,535
Total comprehensive income for the period				
Profit or loss	-	-	666	666
Other comprehensive income	-	-	358	358
Total comprehensive income for the period	-	-	1,024	1,024
Transactions with owners, recorded directly in equity				
Dividends	-	-	(3,800)	(3,800)
Total contributions by and distributions to owners	-	-	(3,800)	(3,800)
Balance at 31 March 2019	**5,300**	**2,553**	**1,906**	**9,759**
Balance at 1 April 2019	5,300	2,553	1,906	9,759
Total comprehensive income for the period				
Profit or loss	-	-	(337)	(337)
Other comprehensive income	-	-	849	849
Total comprehensive income for the period	-	-	512	512
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-
Balance at 31 March 2020	**5,300**	**2,553**	**2,418**	**10,271**

The notes on pages 12 to 30 form an integral part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

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

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Sumika Polymer Compounds (Europe) Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Sumika Polymer Compounds (Europe) Ltd are available to the public and may be obtained from 28 New Lane, Havant, Hampshire, PO9 2NQ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of the parent undertaking include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Notwithstanding net current liabilities of £2,413,000 as at 31 March 2020, and a loss for the year then ended of £337,000, and more recent net liabilities of £2,953,000 at 30 September 2020, the financial statements have been prepared on a going concern basis, which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of severe but plausible scenarios, including the continued impact of COVID-19, the Company will have sufficient funds, through its bank and factoring facilities and, in downside cases, additional funding from its immediate parent company, Sumika Polymer Compounds (Europe) Ltd, to meet its liabilities as they fall due for that period.

Those forecasts take account of the matters set out in the Strategic report under the headings of Review of business and future developments and Principal risks and uncertainties. Multiple scenarios have been prepared, including a base case scenario of sales volumes being down 17% in 2020/21 full year and down 5% in 2021/22; and a worst case scenario of sales volumes being down 22% in 2020/21 full year and down 10% in 2021/22. All variances are stated compared with budget for the respective periods. On top of these forecasts, an overlay has been prepared of the possible consequences in the event of there not being any trade deal agreed between the UK and EU after 31 December 2020, including the imposition of tariffs on the Company's EU imports and exports, assumed at 6% and 6.5% respectively.

Those forecasts are dependent on Sumika Polymer Compounds (Europe) Ltd not seeking repayment of the amounts currently due to it, which at 31 March 2020 amounted to £4,103,000 and at 30 September 2020 £3,350,000, and providing additional financial support during that period. Those forecasts are further dependent on Sumitomo Chemical Co., Toyo Ink and Itochu providing continuing financial support during that period by way of renewal of their guarantees for the Company's and parent company's bank loans. Sumika Polymer Compounds (Europe) Ltd, Sumitomo Chemical Co., Toyo Ink and Itochu have indicated their intention to make available equivalent necessary funds as are needed by the company, and that they do not intend to seek repayment of the amounts due at the balance sheet date for the period covered by these forecasts. As with any company placing reliance on other group entities for

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern (continued)

financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. The directors consider Sumika Polymer Compounds (Europe) Ltd to be capable of maintaining this financial support, based on the close relationship between the companies, having certain directors and key management personnel in common. The directors also note the strong published credit ratings of Sumitomo Chemical Co., Toyo Ink and Itochu.

Trading to date has been in line with this range of scenarios and progressive recovery has been seen in our markets since April, with sales volume reaching above the base case forecast level in September.

In order to enhance the Company's financial headroom, factoring borrowing facilities have been expanded, as described in note 21, Subsequent events.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency (Sterling) at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost, or deemed cost, less accumulated depreciation and accumulated impairment losses. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation. The company has adopted an accounting policy not transfer any part of revaluation reserve to retained earnings as the asset is depreciated, but rather transfer all of the revaluation reserve to retained earnings on ultimate disposal.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.13 below.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible fixed assets (continued)

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

• freehold buildings (including temporary constructions)	5 - 20 years
• plant and machinery	5 - 15 years
• fixtures, fittings and equipment	5 - 15 years
• computers (included as equipment)	3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.6 Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

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

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

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

1.7 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.10 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net asset in respect of the defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in prior periods before the scheme was closed; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit asset for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit asset taking account of changes arising as a result of contributions and benefit payments.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Employee benefits (continued)

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the scheme's obligations. A valuation is performed annually by a qualified actuary using the attained age method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit asset arising from net interest on net defined benefit asset, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit asset is recognised in other comprehensive income in the period in which it occurs.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.12 Turnover

Turnover, which excludes Value Added Tax and trade discounts, represents the invoiced value of goods supplied. Turnover is recognised when goods have been delivered or otherwise passed over in accordance with our contractual obligations and there is no future performance required and amounts are collectable under normal payments terms.

Where the company carries out tolling for its customers, turnover is recognised when the goods are produced and there are no further performance obligations.

Where the Company subcontracts its own manufacture to another party under a tolling arrangement, any raw materials provided to the toller continue to be recognised.

Turnover relating to sale of goods on a consignment basis is recognised upon notification from the customer of the goods used.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use are expensed as incurred.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.14 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, associates, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax expense or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.15 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

2 Turnover

	2020 £000	2019 £000
Sale of goods – Thermoplastic compounding	**56,638**	58,596
Total turnover by activity	**56,638**	58,596

By geographical market		
United Kingdom	**8,759**	9,965
Continental Europe	**35,742**	38,258
Other	**12,137**	10,373
	56,638	58,596

3 Expenses and auditor's remuneration

Included in profit for the year are the following:

	2020 £000	2019 £000
Depreciation and amortisation on tangible & intangible fixed assets	**836**	802
Research and development expensed as incurred	**727**	789
Auditor's remuneration for audit services	**51**	45
Auditor's remuneration for Taxation compliance services	**11**	11
Operating leases for hire of plant and machinery	**102**	109
(Gain)/Loss on foreign currency exchange	**(110)**	65
(Gain)/Loss on disposal of fixed assets	**3**	10

4 Staff numbers and costs

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

	Number of employees 2020	2019
Production	**41**	44
Selling and distribution	**7**	5
Administration	**13**	14
Research and development	**6**	6
	67	69

Notes *(continued)*

4 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	**2,609**	2,533
Social security costs	**312**	297
Contributions to defined contribution plans	**428**	430
	3,349	3,260

5 Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration	**86**	104
Company contributions to money purchase pension plans	**40**	37
Amounts paid to parent company in respect of directors' services	**117**	129
	243	270

The aggregate of remuneration of the highest paid director was £86,000 *(2019: £104,000)*; and company pension contributions of £40,000 *(2019: £37,000)* were made to a money purchase scheme on his behalf.

	Number of directors 2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**2**	2
Defined benefit schemes	**-**	-

6 Interest payable and similar expenses

	2020 £000	2019 £000
Bank overdraft and loans	**135**	125
Other loans	**79**	49
Net foreign exchange loss	**36**	-
Net interest expense on net defined benefit liabilities	**-**	-
Total other interest payable and similar expenses	**250**	174

Notes *(continued)*

7 Taxation

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

	2020 £000	£000	2019 £000	£000
Current tax				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		-
Total current tax		-		-
Deferred tax				
Origination and reversal of timing differences	341		62	
Adjustments in respect of prior periods	84		(18)	
Total deferred tax		425		44
Total tax		425		44

	£000 Current tax	2020 £000 Deferred tax	£000 Total tax	£000 Current tax	2019 £000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	-	28	28	-	(57)	(57)
Recognised in other comprehensive income	-	397	397	-	101	101
Total tax	-	425	425	-	44	44

Analysis of current tax recognised in profit and loss

	2020 £000	2019 £000
UK corporation tax	-	-
Total current tax recognised in profit and loss	-	-

Reconciliation of effective tax rate

	2020 £000	2019 £000
(Loss)/Profit for the year	(337)	666
Total tax expense/(credit)	28	(57)
(Loss)/Profit excluding taxation	(309)	609
Tax using the UK corporation tax rate of 19 % (2019: 19%)	(59)	116
Non-deductible expenses/(extra tax deductions)	(41)	(46)
Group relief received for nil consideration	-	(5)
Reduction in tax rate on deferred tax balances	44	(104)
Other deferred tax adjustments	-	-
Under/(over) provision in prior years	84	(18)
Total tax expense/(credit) included in profit or loss	28	(57)

Notes *(continued)*

8 Intangible fixed assets

	Development costs £000	Capital work in progress £000	Total £000
Cost			
Balance at 1 April 2019	77	-	77
Additions	-	124	124
Transfers	124	(124)	-
Balance at 31 March 2020	**201**	-	**201**
Amortisation			
Balance at 1 April 2019	-	-	-
Amortisation charge for the year	3	-	3
Balance at 31 March 2020	**3**	-	**3**
Net book value			
At 1 April 2019	77	-	77
At 31 March 2020	**198**	-	**198**

Amortisation

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

Notes *(continued)*

9 Tangible fixed assets

	Freehold Land and buildings £000	Plant and Equipment £000	Capital work in progress £000	Total £000
Cost/Deemed cost				
Balance at 1 April 2018	5,505	15,941	163	21,609
Additions	-	-	546	546
Disposals	-	(22)	-	(22)
Transfers	99	328	(427)	-
Balance at 31 March 2019	**5,604**	**16,247**	**282**	**22,133**
Depreciation				
Balance at 1 April 2018	684	11,792	-	12,476
Depreciation charge for the year	143	690	-	833
Disposals	-	(18)	-	(18)
Balance at 31 March 2019	**827**	**12,464**	-	**13,291**
Net book value				
At 1 April 2019	4,821	4,149	163	9,133
At 31 March 2020	**4,777**	**3,783**	**282**	**8,842**

Depreciation has not been charged on freehold land, which amounts to £3,475,000 (2019: £3,475,000).

Leased plant and machinery

There are no assets held under finance leases.

Security

There is a charge over the freehold land & buildings in favour of the Thermofil Polymers Pension Scheme; the charge is for a value equalling the deficit under the Scheme's own valuation for funding purposes.

10 Stocks

	2020 £000	2019 £000
Raw materials and consumables	3,497	5,468
Finished goods	5,816	6,624
	9,313	12,092

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £46,807,000 *(2019: £47,893,000)*. The write-down of stocks to net realisable value has resulted in a charge to Cost of sales of £16,000 (2019: £56,000).

Notes *(continued)*

11 Debtors

	2020 £000	2019 £000
Trade debtors	8,272	7,722
Amounts owed by group undertakings	332	982
Amounts owed by related parties	110	497
Other debtors	174	904
Prepayments and accrued income	184	182
	9,072	10,287
Due within one year	9,072	10,287
Due after more than one year	-	-
	9,072	10,287

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

Trade debtors includes £5,037,000 *(2019: £5,506,000)* subject to with-recourse financing arrangements

12 Creditors: amounts falling due within one year

	2019 £000	2019 £000
Bank loans	7,000	7,000
Bank overdrafts	1,538	1,856
Factoring advances	3,771	3,093
Trade creditors	1,860	3,720
Amounts owed to group undertakings	5,207	5,388
Amounts owed to related parties	930	2,360
Taxation and social security	86	78
Other creditors	289	342
Accruals and deferred income	151	305
	20,832	24,142

The bank overdraft facilities are unsecured and repayable on demand. The bank loans are revolving facilities and unsecured. The respective banks hold Letters of Intent as forms of guarantee from the shareholders of the parent company. Interest on the bank loans is payable at variable rates close to LIBOR.

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

The amounts owed to related parties consists mainly of trade credit balances due to Itochu, a shareholder in the parent company, in respect of raw material purchases. These balances are interest bearing at variable rates.

Notes *(continued)*

13 Interest-bearing loans and borrowings

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

	2020 £000	2019 £000
Creditors falling due within less than one year		
Unsecured bank overdraft	1,538	1,856
Unsecured other bank borrowings	7,000	7,000
Factoring advances	3,771	3,093
	12,309	11,949

14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2020 £000	2019 £000	Liabilities 2020 £000	2019 £000	Net 2020 £000	2019 £000
Accelerated capital allowances	-	-	540	270	540	270
Employee benefits	-	-	904	507	904	507
Unused tax losses	(331)	(89)	-	-	(331)	(89)
Tax (assets) / liabilities	(331)	(89)	1,444	777	1,113	688
Netting of tax liabilities/(assets)	331	89	(331)	(89)	-	-
Net tax (assets) / liabilities	-	-	1,113	688	1,113	688

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020, and the deferred tax liability as at 31 March 2020 has been calculated at 19% accordingly *(2019: 19% or 17% depending on the expected timing of utilisation of each item)*. This rate change cancellation had not been substantively enacted at the balance sheet date but the decrease in the deferred tax liability that would have resulted from using 17% instead of 19%, at £117,000, is not considered to be material.

Notes *(continued)*

15 Employee benefits

The assets of the defined benefit occupational pension scheme are held in a separate trustee administered fund. The scheme was closed from 6 October 2006 to all future accrual of benefits. Accrued benefits are no longer linked to future salary increases.

The information disclosed below is in respect of the whole of the plans for which the Company is either legally responsible or has been allocated a share of cost under an agreed group policy throughout the periods shown.

Net pension asset

	2020	2019
	£000	£000
Defined benefit obligation	(20,169)	(20,953)
Plan assets	24,926	23,934
Net pension asset	4,757	2,981

Movements in present value of defined benefit obligation

	2020	2019
	£000	£000
At 1 April	20,953	20,985
Past service cost	-	125
Interest expense	516	536
Remeasurement: actuarial (gains)/losses	(659)	42
Benefits paid	(641)	(735)
At 31 March	20,169	20,953

Movements in fair value of plan assets

	2020	2019
	£000	£000
At 1 April	23,934	23,121
Interest income	596	597
Remeasurement: return on plan assets less interest income	587	501
Contributions by employer	450	450
Benefits paid	(641)	(735)
At 31 March	24,926	23,934

Expense recognised in the profit and loss account

	2020	2019
	£000	£000
Net interest on net defined benefit asset	(80)	(61)
Total (income)/expense recognised in profit or loss	(80)	(61)

Notes *(continued)*

15 Employee benefits *(continued)*

The fair value of the plan assets was as follows:

	2020 Fair value £000	2019 Fair value £000
Equities	**5,137**	12,016
Gilts	**16,645**	8,851
Corporate bonds	**3,069**	2,903
Cash	**75**	164
	24,926	23,934
Actual return on plan assets	**1,183**	1,098

Principal actuarial assumptions (expressed as weighted averages) at the yearend were as follows:

	2020 %	2019 %
Discount rate	**2.25**	2.5
Inflation (RPI)	**2.8**	3.5
Inflation (CPI)	**1.9**	2.5
Pension increase (RPI capped at 5% pa)	**2.6**	3.3
Pension increase (CPI capped at 3% pa)	**1.5**	2.1

Last full actuarial valuation was performed on 6 April 2019 and updated to 31 March 2020.

The valuations were prepared by an independent qualified actuary using the Attained Age method.

In valuing the liabilities of the pension fund at 31 March 2020, assumptions have been made as indicated below.

The methodology for calculating the discount rate changed from the spot approach used last year to a yield curve approach. The previous methodology produced a discount rate assumption that no longer adequately reflected the shape of the corporate bond yield curve because of changes to the shape of this curve over the year. Accordingly, the methodology was changed such that the discount rate was set explicitly to take account of the full corporate bond yield curve. The effect of the change was an increase in liabilities of £1.1M compared with the previous method.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 62-year old to live for a number of years as follows:

- Current pensioner aged 62: 24.6 years (male), 27.2 years (female).
- Future retiree aged 52 upon reaching 62: 25.2 years (male), 27.9 years (female).

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £428,000 *(2019: £430,000)*. Amounts outstanding at the year-end were £35,000 *(2019: £34,000)*

Notes *(continued)*

16 Capital and reserves

Share capital

	2020	2019
	£000	£000
Allotted, called up and fully paid		
5,300,002 ordinary shares of £1 each	**5,300**	5,300

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Revaluation reserve

Where tangible fixed assets were revalued the cumulative increase in the fair value of the property at the date of reclassification in excess of any previous impairment losses is included in the revaluation reserve.

17 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020	2019
	£000	£000
Less than one year	**89**	87
Between one and five years	**187**	96
More than five years	**16**	26
	292	209

During the year £102,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2019: £109,000).*

18 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £103,000 *(2019: £63,000).*

The contractual commitments for the acquisition of intangible assets at the year-end were £nil (2019: £116,000)

Notes *(continued)*

19 Related parties

The Company is controlled by its parent company, Sumika Polymer Compounds (Europe) Ltd. The following disclosures are with parties related to the shareholders of Sumika Polymer Compounds (Europe) Ltd:

(i) Sumitomo Chemical Co., Ltd is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(ii) Sumitomo Chemical Europe S.A. / N.V. is a subsidiary of Sumitomo Chemical Co Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(iii) Sumitomo Chemical America, Inc. is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(iv) Sumitomo Chemical Asia Pte is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(v) Sumika Polymer North America, Inc. is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(vi) Zhuhai Sumika Polymer Compounds is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

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

(viii) Itochu Deutschland GmbH is a subsidiary of Itochu Europe PLC, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(ix) Plastribution Ltd is a subsidiary of Itochu Europe PLC, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

(x) Toyo Ink Europe Speciality Chemicals S.A.S. is a subsidiary of Toyo Ink SC Holdings Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.

In addition, the Thermofil Polymers Pension Scheme is a related party and the transactions with it are given in note 15.

Related party transactions

	Sales to		**Purchases & Administrative expenses incurred from**	
	2020	2019	**2020**	2019
	£000	£000	**£000**	£000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	**81**	129	**517**	842
Sumitomo Chemical Europe S.A. / N.V.	**-**	-	**842**	700
Sumitomo Chemical Asia Pte	**-**	-	**2,013**	3,165
Sumika Polymer North America, Inc.	**-**	9	**69**	113
Zhuhai Sumika Polymer Compound	**2**	-	**-**	-
Itochu Europe PLC	**-**	-	**3,199**	4,476
Plastribution Ltd	**751**	989	**-**	-
Toyo Ink Europe Specialty Chemicals S.A.S.	**720**	1,245	**1,374**	1,564
	1,554	2,372	**8,014**	10,860

Notes *(continued)*

19 Related parties (continued)

	Receivables outstanding 2020 £000	2019 £000	Creditors outstanding 2020 £000	2019 £000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	-	-	46	42
Sumitomo Chemical Europe S.A. / N.V.	-	-	-	1
Sumitomo Chemical Asia Pte	-	-	25	208
Sumika Polymer North America, Inc.	-	-	-	-
Zhuhai Sumika Polymer Compound	-	-	-	-
Itochu Europe PLC	-	-	579	1,756
Plastribution Ltd	41	64	-	-
Toyo Ink Europe Specialty Chemicals S.A.S	69	433	280	353
	110	497	930	2,360

Transactions with key management personnel
Key management personnel comprise the directors only. There were no transactions with the directors other than their remuneration, as shown in note 5.

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Sumika Polymer Compounds (Europe) Ltd. Sumika Polymer Compounds (Europe) Ltd.'s shareholders are Sumitomo Chemical Co., Ltd, Toyo Ink SC Holdings Co., Ltd, Itochu Corporation and Itochu Europe plc. The directors regard Sumitomo Chemical Co., Ltd, a company registered in Japan, as the ultimate parent company and ultimate controlling party.

The largest group in which the results of the Company are consolidated is that headed by Sumitomo Chemical Co., Ltd, incorporated in Japan. Copies of the consolidated financial statements can be requested from Sumitomo Chemical Co., Ltd's registered office at 27-1, Shinkawa 2-Chome, Chuo-ku, Tokyo 104-8260, Japan. The smallest group in which they are consolidated is that headed by Sumika Polymer Compounds (Europe) Ltd, incorporated in England and Wales. The consolidated financial statements can be obtained from the Company Secretary at Sumika Polymer Compounds (Europe) Ltd, 28 New Lane, Havant, Hampshire, PO9 2NQ, England.

21 Subsequent events

COVID-19 pandemic

The COVID-19 pandemic has had impact on the new financial year to date, as described in the Strategic report. The Company has utilised the government Job Retention Scheme. This has provided circa £196,000 benefit for the period from April to September 2020 inclusive.

Borrowings facilities

Sales invoice factoring facilities were increased in terms of scope and limits, at the same time reducing the pro-rata cost, with effect from 2 November 2020. This provides additional borrowing facilities of £3,750,000. The provider of these facilities also provides similar facilities to a fellow group company, Sumika Polymer Compounds (France) SA., and on 3 September 2020 the companies entered into cross guarantees with the provider under which the two companies guarantee the factoring debts of each other.

Notes *(continued)*

22 Accounting estimates and judgements

Key sources of estimation uncertainty

Pension assets and liabilities

As disclosed in the balance sheet and in Note 15, pension assets and liabilities are based on various assumptions in respect of future decades covering the remaining lifetimes of the members. The assumptions are made with the advice of an independent professional actuary and are consistent with current norms.

Useful lives for property, plant and equipment

As disclosed in Note 1, useful lives are estimated using our historical experience and our judgement regarding future expectations.

Critical accounting judgements in applying the Company's accounting policies

The Going Concern assumption

As disclosed in Note 1, the going concern assumption is based on our judgement of positive future prospects for the business, our deep relationship with our lenders and the assurances of support that we have received from both our immediate and ultimate shareholders.