

# **Sumika Polymer Compounds (UK) Ltd**

**Annual report and financial statements**

**Registered number 2594313**

**31 March 2022**



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## **Company Information**

### **Executive directors**

L Seynave (President)  
P Claydon  
P Grippon

### **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  
Mizuho Corporate Bank, Ltd.  
SMBC Bank International plc  
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**

The result before tax for the year was a loss of £2,395,000 (2021: loss £90,000). Both global and domestic macro-economic conditions impacted the Company's financial performance during the period and sales volumes were 11% lower than in the previous year. We experienced higher levels of volatility in demand from our customers in response to computer chip shortages and other supply side constraints. High and volatile raw material costs prevailed during the year and combined with fixed costs pressure from salary inflation, utilities and greater logistics costs emanating from Brexit and the COVID-19 pandemic. Margins were 15% down on prior year due to these factors.

Working capital requirements increased due to the impact of higher raw material prices. Short-term creditors increased by £5,215,000 during the year owing to this as well as from additional group funding provided to support the losses generated in the year. This impact was partially offset by higher debtors and stock values as well as an increase in the value of the Company's defined benefit pension scheme asset. There was a net overall decline in net assets of £1,473,000 during the year.

The financial position of the Company at the year-end remained robust with net assets of £7,073,000 and is securely funded by a mix of bank borrowings and loans from the immediate parent company. Bank loans continue to be guaranteed by our Group's Japanese corporate shareholders that support the Company financially and provide additional business opportunities. The shareholders remain committed to the Company and the Group and its operations in Europe and further afield, which form part of a global business supplying high performance plastic compounds to the white goods and automotive sectors.

During the year, the Company sanctioned and commenced capital programmes to both replace and invest in new product manufacturing capacity in the UK as well as a three-year programme of investment in Research and Development facilities and resources.

Post the year-end, raw material prices stabilised, albeit at higher levels, and selling prices increased in July 2022 to recover both raw material prices and fixed costs increases. In the quarter ending 30 September 2022, raw material prices have been declining. In March 2021, the Company's immediate parent, Sumika Polymer Compounds (Europe) Ltd, established a new, 100%-owned subsidiary company in Poland, Sumika Polymer Compounds (Poland) sp. z o.o.. Production at the site commenced successfully in August 2022 and the Company transferred production for its customers in East Europe. The Company will receive an on-going fee and transport costs and related CO2 emissions are expected to be considerably reduced. It is also anticipated that goods in transit will be reduced, and the Group will be able to offer existing and potential new customers in East Europe the security of a shorter supply chain.

Since the year-end, the Company has completed a restructuring programme, achieved principally through voluntary redundancy arrangements, with the aim of increased efficiency and reducing its fixed cost base. It has also finalized a capital programme to invest in solar panels to further reduce its fixed costs base and CO2 emissions. At the time of writing, financial performance has improved compared to the year ended 31 March 2022 and margins and operating profit before restructuring costs are in line with budget.

### **Key performance indicators**

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

## Strategic Report *(continued)*

### 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, together with raw material price fluctuation and availability that is mitigated, in part, by the Company's stock holdings and group purchasing arrangements. Global macro-economic conditions impacting our customers also pose a key risk to demand and sales volumes.

### 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 overdrafts. The Company's borrowings are in sterling and Euros, 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 85% (2021: 89%) 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 and is continuing to improve sustainability through increasing recycled business and reducing energy consumption within its operations.

By order of the board



**P Claydon**  
Secretary

31 October 2022

## Directors' Report

The directors present their report and the audited financial statements for the year ended 31 March 2022.

### Results and dividends

The Company's loss after tax for the year is £2,268,000 (2021: loss £8,000). No dividend was paid during the year (2021: nil). 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  
P Claydon  
P Grippon  
Y Sasaki (resigned 31 May 2021)  
K Semba (resigned 31 Jan 2022)

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 (2021: 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.

#### Restructuring

Following the establishment of the Group's subsidiary in Poland, the directors carried out a review of business operations in the UK and initiated a restructuring programme. The programme is intended to reduce the supply chain for customers in East Europe by re-locating production to Poland and will reduce logistics costs and associated CO2 consumption. The programme includes a restructuring of the Company's workforce to reflect the production capacity in the UK and increase efficiency. The restructuring is completed and, after extensive colleague consultation, was achieved primarily through voluntary redundancy arrangements. The directors also initiated investment in new plant and enhanced R&D capabilities, as part of the plan to restore profitability in the Company. As part of a wider review at Sumika Europe group level, some production is being relocated into Sumika UK, the Company remaining an important part of the group's operations in Europe.

## **Directors' Report** *(continued)*

### **Section 172 (1) statement** *(continued)*

#### *Renewable energy investment*

In accordance with the Company's strategy of increasing sustainability within its operations, the directors sanctioned an investment in solar panels. The panels have been installed across the total roof area of the plant buildings and are planned to generate up to 25% of the Company's energy consumption, resulting in a further reduction in CO2 emissions and associated production costs. The project will also help mitigate the Company's exposure to future energy price increases.

#### **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.

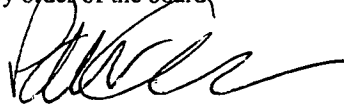
#### **Other information**

An indication of likely future developments in the business and financial risk management has been included in the Strategic Report on page 3. 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

31 October 2022

## **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 2022 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 2022 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Company will continue in operation.

### Fraud and breaches of laws and regulations – ability to detect

#### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, including the Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board/Management/Compliance committee minutes.
- Considering remuneration incentive schemes and performance targets for management/ directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

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

### **Fraud and breaches of laws and regulations – ability to detect (continued)**

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that Group management may be in a position to make inappropriate accounting entries; and
- the risk that revenue is misstated through recording revenues in the wrong period.

We did not identify any additional fraud risks. We performed procedures including:

Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted to revenue and cash accounts for which the other side of the journal was posted to an unexpected account and assessing the revenue recognition around period end.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation, and defined benefit pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, employment law, GDPR compliance, REACH legislation (Registration Evaluation Authorisation and Control of Chemicals), ISO9001 and ISO14001 compliance and certain aspects of company legislation recognising the nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

### *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

### **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

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

**Strategic report and directors' report (continued)**

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.

**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](http://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: 31 October 2022

**Profit and Loss Account and Other Comprehensive Income**  
*for the year ended 31 March 2022*

	Note	2022 £000	2021 £000
<b>Turnover</b>	2	<b>54,437</b>	49,154
Cost of sales		(50,919)	(44,000)
<b>Gross profit</b>		<b>3,518</b>	5,154
Distribution costs		(3,369)	(3,172)
Administrative expenses		(2,452)	(2,124)
<b>Operating (loss)</b>		<b>(2,303)</b>	(142)
Interest receivable		68	112
Interest payable and similar expenses	6	(160)	(60)
<b>(Loss) before taxation</b>		<b>(2,395)</b>	(90)
Tax credit	7	127	82
<b>(Loss) for the financial year</b>		<b>(2,268)</b>	(8)
<b>Other comprehensive income</b>			
Remeasurement of the net defined benefit asset		1,498	(1,990)
Income tax on other comprehensive income	7	(703)	273
<b>Other comprehensive income/(expense) for the year, net of income tax</b>		<b>795</b>	(1,717)
<b>Total comprehensive (loss) for year</b>		<b>(1,473)</b>	(1,725)

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

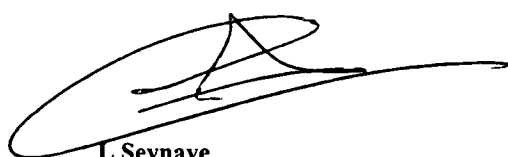
The notes on pages 13 to 31 form an integral part of these financial statements.

**Balance Sheet**  
*at 31 March 2022*

	Note	2022 £000	2021 £000
<b>Fixed assets</b>			
Intangible Assets	8	148	157
Tangible assets	9	7,996	8,269
Pension asset	15	5,337	3,321
		<b>13,481</b>	<b>11,747</b>
<b>Current assets</b>			
Stocks	10	9,529	7,606
Debtors	11	10,444	9,784
Cash at bank and in hand		28	27
		<b>20,001</b>	<b>17,417</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>(25,075)</b>	<b>(19,860)</b>
<b>Net current (liabilities)</b>		<b>(5,074)</b>	<b>(2,443)</b>
<b>Total assets, less current liabilities</b>		<b>8,407</b>	<b>9,304</b>
<b>Provisions for liabilities</b>			
Deferred tax liability	14	(1,334)	(758)
<b>Net assets</b>		<b>7,073</b>	<b>8,546</b>
<b>Capital and reserves</b>			
Called up share capital	16	5,300	5,300
Revaluation reserve		2,553	2,553
Profit and loss account		(780)	693
<b>Shareholders' funds</b>		<b>7,073</b>	<b>8,546</b>

The notes on pages 13 to 31 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 31 October 2022 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 2020	5,300	2,553	2,418	10,271
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	(8)	(8)
Other comprehensive income	-	-	(1,717)	(1,717)
<b>Total comprehensive income for the period</b>	-	-	(1,725)	(1,725)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-
<b>Balance at 31 March 2021</b>	<b>5,300</b>	<b>2,553</b>	<b>693</b>	<b>8,546</b>
Balance at 1 April 2021	5,300	2,553	693	8,546
<b>Total comprehensive income for the period</b>				
Profit or loss	-	-	(2,268)	(2,268)
Other comprehensive income	-	-	795	795
<b>Total comprehensive income for the period</b>	-	-	(1,473)	(1,473)
Transactions with owners, recorded directly in equity				
Dividends	-	-	-	-
<b>Total contributions by and distributions to owners</b>	-	-	-	-
<b>Balance at 31 March 2022</b>	<b>5,300</b>	<b>2,553</b>	<b>(780)</b>	<b>7,073</b>

The notes on pages 13 to 31 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 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 the 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 £5,074,000 as at 31 March 2022, and a loss for the year then ended of £2,268,000, 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 in order to assess going concern, which indicate that, taking account of severe but plausible scenarios, including the continuing impact of supply chain constraints and volatility and higher costs, 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 against budget.

Those forecasts are dependent on Sumika Polymer Compounds (Europe) Ltd not seeking repayment of the amounts currently due to it, which at 31 March 2022 amounted to £5,000,000. Sumika Polymer Compounds (Europe) Ltd, has indicated its intention to make available 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 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.2 Going concern (continued)

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 to 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.

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

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.5 Tangible fixed assets (continued)

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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.10 Employee benefits (continued)

##### *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.

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 projected credit unit 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### 1.13 Expenses (continued)

##### *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.

#### 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 it is 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

	2022 £000	2021 £000
Sale of goods – Thermoplastic compounding	54,437	49,154
Total turnover by activity	54,437	49,154
By geographical market		
United Kingdom	7,939	5,325
Continental Europe	31,794	30,462
Other	14,704	13,367
	54,437	49,154

### 3 Expenses, auditor's remuneration and government grants

Included in profit for the year are the following:

	2022 £000	2021 £000
Depreciation and amortisation on tangible & intangible fixed assets	802	846
Research and development expensed as incurred	821	785
Auditor's remuneration for audit services	105	80
Auditor's remuneration for taxation compliance services	18	11
Auditor's tax advisory services	98	4
Operating leases for hire of plant and machinery	116	114
Loss on foreign currency exchange	26	152
Loss on disposal of fixed assets	21	-
Government grants (received) – Job Retention Scheme	(12)	(194)

### 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	
	2022	2021
Production	38	40
Selling and distribution	8	7
Administration	11	14
Research and development	4	5
	61	66

## Notes (continued)

### 4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	2,348	2,859
Social security costs	273	336
Contributions to defined contribution plans	345	429
	<u>2,966</u>	<u>3,624</u>

### 5 Directors' remuneration

	2022 £000	2021 £000
Directors' remuneration	-	68
Company contributions to money purchase pension plans	-	27
Amounts paid to parent company in respect of directors' services	146	141
	<u>146</u>	<u>236</u>

The aggregate remuneration of the highest paid director was £101,000 (2021: £98,000), and Company pension contributions were £nil (2021: £nil) were made to a money purchase scheme on his behalf.

	Number of directors 2022	2021
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	2
Defined benefit schemes	-	-
	<u>1</u>	<u>2</u>

### 6 Interest payable and similar expenses

	2022 £000	2021 £000
Bank overdraft and loans	99	84
Other loans	38	25
Net foreign exchange loss/(gain)	23	(49)
	<u>160</u>	<u>60</u>

## Notes (continued)

### 7 Taxation

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

	2022 £000	£000	2021 £000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Adjustments in respect of prior periods		-		-
Total current tax		-		-
<i>Deferred tax</i>				
Origination and reversal of timing differences	585		(343)	
Adjustments in respect of prior periods	(9)		(12)	
Total deferred tax		576		(355)
Total tax		576		(355)

	£000	2022 £000	£000	£000	2021 £000	£000
	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>	<b>Current tax</b>	<b>Deferred tax</b>	<b>Total tax</b>
Recognised in Profit and loss account	-	(127)	(127)	-	(82)	(82)
Recognised in other comprehensive income	-	703	703	-	(273)	(273)
Total tax	-	576	576	-	(355)	(355)

#### Analysis of current tax recognised in profit and loss

	2022 £000	2021 £000
UK corporation tax	-	-
Total current tax recognised in profit and loss	-	-

#### Reconciliation of effective tax rate

	2022 £000	2021 £000
(Loss) for the year	(2,268)	(8)
Total tax (credit)	(127)	(82)
(Loss) excluding taxation	(2,395)	(90)
Tax using the UK corporation tax rate of 19 % (2021: 19%)	(455)	(17)
(Extra tax deductions)/non-deductible expenses	(92)	(53)
Increase in tax rate on deferred tax balances	(136)	-
Unrecognised deferred tax assets generated	565	-
(Over) provision in prior years	(9)	(12)
Total tax (credit) included in profit or loss	(127)	(82)

## Notes (continued)

### 8 Intangible fixed assets

	Development costs £000	Capital work in progress £000	Total £000
<b>Cost</b>			
Balance at 1 April 2021	201	-	201
Additions	-	35	35
Transfers	35	(35)	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2022</b>	<b>236</b>	<b>-</b>	<b>236</b>
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
Balance at 1 April 2021	44	-	44
Amortisation charge for the year	44	-	44
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 March 2022</b>	<b>88</b>	<b>-</b>	<b>88</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 1 April 2021	157	-	157
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2022</b>	<b>148</b>	<b>-</b>	<b>148</b>
	<hr/>	<hr/>	<hr/>

#### 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
<b>Cost/Deemed cost</b>				
Balance at 1 April 2021	5,623	16,524	218	22,365
Additions	-	-	506	506
Disposals	-	(77)	-	(77)
Transfers	-	386	(386)	-
<b>Balance at 31 March 2022</b>	<b>5,623</b>	<b>16,833</b>	<b>338</b>	<b>22,794</b>
<b>Depreciation</b>				
Balance at 1 April 2021	976	13,120	-	14,096
Depreciation charge for the year	150	608	-	758
Disposals	-	(56)	-	(56)
<b>Balance at 31 March 2022</b>	<b>1,126</b>	<b>13,672</b>	<b>-</b>	<b>14,798</b>
<b>Net book value</b>				
At 1 April 2021	4,647	3,404	218	8,269
<b>At 31 March 2022</b>	<b>4,497</b>	<b>3,161</b>	<b>338</b>	<b>7,996</b>

Depreciation has not been charged on freehold land, which amounts to £3,475,000 (2021: £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

	2022 £000	2021 £000
Raw materials and consumables	4,054	2,712
Finished goods	5,475	4,894
	<b>9,529</b>	<b>7,606</b>

Raw materials, consumables and changes in finished goods recognised as cost of sales in the year amounted to £46,175,000 (2021: £39,242,000). The write-down of stocks to net realisable value has resulted in a net charge to cost of sales of £68,000 (2021: gain £54,000).

## Notes (continued)

### 11 Debtors

	2022 £000	2021 £000
Trade debtors	7,931	7,442
Amounts owed by group undertakings	1,651	1,155
Amounts owed by related parties	16	213
Other debtors	639	756
Prepayments and accrued income	207	218
	<u>10,444</u>	<u>9,784</u>
Due within one year	10,444	9,784
Due after more than one year	-	-
	<u>10,444</u>	<u>9,784</u>

Amounts owed by group undertakings are unsecured, interest bearing and have no planned fixed date of payment but are expected to be recovered within 12 months. All loans are repayable on demand.

Trade debtors includes £7,781,000 (2021: £6,316,000) subject to with-recourse financing arrangements.

### 12 Creditors: amounts falling due within one year

	2022 £000	2021 £000
Bank loans	7,000	7,000
Bank overdrafts	1,038	837
Factoring advances	5,407	4,671
Trade creditors	3,371	2,225
Amounts owed to group undertakings	6,741	2,852
Amounts owed to related parties	308	1,614
Taxation and social security	101	102
Other creditors	576	276
Accruals and deferred income	533	283
	<u>25,075</u>	<u>19,860</u>

The bank overdraft facilities are unsecured and repayable on demand. The bank loans are revolving facilities and are 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 SONIA.

Factoring advances are secured on trade debtors. Together with a fellow group company Sumika Polymer Compounds (France) SA., the Company has a cross guarantee with the provider under which the two companies guarantee the factoring debts of each other. During the year ended 31 March 2022, the cross guarantee arrangement was extended to include the factoring debts of Sumika Polymer Compounds (Poland) sp. z o.o.. Interest is payable 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.

	2022 £000	2021 £000
<b>Creditors falling due within less than one year</b>		
Unsecured bank overdraft	1,038	837
Unsecured other bank borrowings	7,000	7,000
Factoring advances	5,407	4,671
	<u>13,445</u>	<u>12,508</u>

### 14 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2022 £000	2021 £000	Liabilities 2022 £000	2021 £000	Net 2022 £000	2021 £000
Accelerated capital allowances	-	-	826	612	826	612
Employee benefits	-	-	1,334	631	1,334	631
Unused tax losses	(826)	(485)	-	-	(826)	(485)
	<u>(826)</u>	<u>(485)</u>	<u>2,160</u>	<u>1,243</u>	<u>1,334</u>	<u>758</u>
Tax (assets) / liabilities	(826)	(485)	2,160	1,243	1,334	758
Netting of tax liabilities/(assets)	826	485	(826)	(485)	-	-
	<u>-</u>	<u>-</u>	<u>1,334</u>	<u>758</u>	<u>1,334</u>	<u>758</u>
Net tax (assets) / liabilities	-	-	1,334	758	1,334	758

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. The UK deferred tax asset/(liability) as at 31 March 2022 was calculated at 25% (2021: 19%).

In addition to the deferred tax asset above, the Company has additional unrecognised gross tax losses of £2,260,000 (2021: nil).

## 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. Accordingly, 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

	2022 £000	2021 £000
Defined benefit obligation	(21,054)	(23,079)
Plan assets	26,391	26,400
Net pension asset	5,337	3,321

#### Movements in present value of defined benefit obligation

	2022 £000	2021 £000
At 1 April	23,079	20,169
Past service cost	-	8
Interest expense	431	446
Remeasurement: actuarial (gains)/losses	(1,686)	3,174
Benefits paid	(770)	(718)
At 31 March	21,054	23,079

#### Movements in fair value of plan assets

	2022 £000	2021 £000
At 1 April	26,400	24,926
Interest income	499	558
Remeasurement: return on plan assets less interest income	(188)	1,184
Contributions by employer	450	450
Benefits paid	(770)	(718)
At 31 March	26,391	26,400

#### Expense recognised in the profit and loss account

	2022 £000	2021 £000
Net interest on net defined benefit asset	(68)	(112)
Past service cost	-	8
Total (income) recognised in profit or loss	(68)	(104)

## Notes (continued)

### 15 Employee benefits (continued)

The fair value of the plan assets was as follows:

	2022 Fair value £000	2021 Fair value £000
Equities	4,226	5,471
Gilts	17,376	17,594
Corporate bonds	3,311	3,226
Sterling Liquidity Fund	1,345	-
Cash	133	109
	<b>26,391</b>	<b>26,400</b>
Actual return on plan assets	<b>311</b>	<b>1,742</b>

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

	2022 %	2021 %
Discount rate	2.65	1.90
Inflation (RPI)	4.00	3.55
Inflation (CPI)	3.50	2.95
Pension increase (RPI capped at 5% pa)	3.55	3.25
Pension increase (CPI capped at 3% pa)	2.45	2.20
Commutation	Members are assumed to take 15% of their pension as tax free cash using the 2020 commutation factors.	Members are assumed to take 15% of their pension as tax free cash using the 2020 commutation factors.
Proportion married	70% of male members 60% of female members	70% of male members 60% of female members
Post-retirement mortality	108% of the S3NA tables with CMI 2021 projections using a long-term improvement rate of 1.25% p.a. The initial addition is 0.25% p.a. the 2020 weight parameter is 15% and the 2021 weight parameter is 15%.	108% of the S3NA tables with CMI 2020 projections using a long-term improvement rate of 1.25% p.a. The initial addition is 0.25% p.a. and the 2020 weight parameter is 25%.
Life expectancy of a current pensioner aged 62		
- Male	24.1	24.2
- Female	26.9	26.9
Life expectancy of a future retiree aged 62, 10 years after the balance sheet date		
- Male	24.6	24.7
- Female	27.6	27.7

Last full actuarial valuation was performed on 6 April 2019 and updated to 31 March 2022.

The valuations were prepared by an independent qualified actuary using the Projected Credit Unit Method.

Notes (continued)

**15 Employee benefits (continued)**

In valuing the liabilities of the pension fund at 31 March 2022, assumptions have been made as indicated above. 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 impact of more recent mortality experience has been considered, as it has been heavily affected by the Covid-19 pandemic, and a joint weighted parameter of 15% has been applied in relation to 2020 and 2021 as a best estimate for the purposes of the updated valuation at 31 March 2022. This assumption will be reviewed in more detail as part of the Scheme's triennial funding valuation as at 6 April 2022.

Based on the result of the last full actuarial valuation, the Company will continue to contribute £450,000 per annum into the scheme until 31 December 2025 under the Recovery Plan dated 28 February 2020.

**Defined contribution plans**

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £458,000 (2021: £429,000). Amounts outstanding at the year-end were £41,000 (2021: £36,000).

**16 Capital and reserves**

**Share capital**

	2022 £000	2021 £000
<i>Allotted, called up and fully paid</i>		
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:

	2022 £000	2021 £000
Less than one year	111	112
Between one and five years	194	159
More than five years	-	16
	305	287

During the year £116,000 was recognised as an expense in the profit and loss account in respect of operating leases (2021: £114,000).

**18 Commitments**

*Capital commitments*

The Company contractual commitments to purchase tangible fixed assets at the year-end were £647,000 (2021: £93,000).

The contractual commitments for the acquisition of intangible assets at the year-end were £nil (2021: £32,000)

## 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 Asia Pte is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (iv) Sumika Polymer North America, Inc. is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (v) Zhuhai Sumika Polymer Compounds is a subsidiary of Sumitomo Chemical Co., Ltd, which is a shareholder in Sumika Polymer Compounds (Europe) Ltd.
- (vi) Itochu Europe PLC was a shareholder in Sumika Polymer Compounds (Europe) Ltd until 31 January 2022.
- (vii) Plastrubution Ltd is a subsidiary of Itochu Europe PLC, which was a shareholder in Sumika Polymer Compounds (Europe) Ltd until 31 January 2022.
- (viii) 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 shown in note 15.

#### Related party transactions

	Sales to		Purchases & Administrative expenses incurred from	
	2022	2021	2022	2021
	£000	£000	£000	£000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	116	94	44	334
Sumitomo Chemical Europe S.A. / N.V.	-	-	2,776	1,672
Sumitomo Chemical Asia Pte	-	-	81	381
Sumika Polymer North America, Inc.	-	-	-	3
Zhuhai Sumika Polymer Compounds	63	-	-	-
Itochu Europe PLC	-	-	1,680	1,963
Plastrubution Ltd	1,478	639	-	-
Toyo Ink Europe Specialty Chemicals S.A.S.	-	758	-	745
	<u>1,657</u>	<u>1,491</u>	<u>4,581</u>	<u>5,098</u>

## Notes (continued)

### 19 Related parties (continued)

	Receivables outstanding		Creditors outstanding	
	2022	2021	2022	2021
	£000	£000	£000	£000
Entities with control, joint control or significant influence				
Sumitomo Chemical Co., Ltd	1	-	-	(4)
Sumitomo Chemical Europe S.A. / N.V.	-	-	308	714
Zhuhai Sumika Polymer Compounds	15	-	-	-
Itochu Europe PLC	-	-	-	787
Plastribution Ltd	-	104	-	-
Toyo Ink Europe Specialty Chemicals S.A.S	-	109	-	117
	<u>16</u>	<u>213</u>	<u>308</u>	<u>1,614</u>

#### Terms and conditions of related party transactions

All related party transactions were conducted on an arms-length basis and on normal commercial, unsecured, credit terms.

#### 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, and Toyo Ink SC Holdings Co., Ltd,. Effective 31 January 2022, Itochu Corporation and Itochu Europe plc ceased to be shareholders of Sumika Polymer Compounds (Europe) Ltd. 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 Tokyo Nihombashi Tower, 2-7-1, Nihonbashi, Chuo-ku, Tokyo 103-6020, 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

#### Production transfer

The Company has a large production facility at its Havant site but for many years it has also sub-contracted certain production, both to fellow group companies and to trusted third party partners, in cases where production has advantage in being localised nearer to the customer. The same applies the other way around where the Company manufactures for other group companies. On 19 March 2021, the Company's immediate parent, Sumika Polymer Compounds (Europe) Ltd, established a new, 100%-owned subsidiary company in Poland, Sumika Polymer Compounds (Poland) sp. z o.o., with the intention that certain production in the UK for customers in East Europe be transferred to Poland in due course. The rationale is to reduce transport costs and related CO2 emissions, reduce goods in transit and be able to offer existing and potential new customers in East Europe the security of a shorter supply chain. The new plant in Poland began trial production in July 2022 and achieved sign off in August 2022. Production for a key customer was transferred at this time and the Company will receive an ongoing fee in relation to the sales transferred.

## Notes (continued)

### 21 Subsequent events (continued)

#### *Borrowing facilities*

In July 2022, the Company increased its factoring facilities by 1M EUR in order to provide additional headroom to cover the higher cost of raw materials within its working capital.

### 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.