Registered number: 03825057

AGC CHEMICALS EUROPE, LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

COMPANY INFORMATION

Directors	P D Davis D Fujimoto J Inoue (resigned 1 January 2023) H Mori (resigned 4 October 2022) D Nishiyama Y Sumi (resigned 15 December 2022) O Tagashira (appointed 1 January 2023) N Mori (appointed 4 October 2022) K Mori (appointed 15 December 2022)
Company secretary	J S Mills
Registered number	03825057
Registered office	Hillhouse International Fleetwood Road North Thornton-Cleveleys England FY5 4QD
Independent auditor	MHA Peterbridge House The Lakes Northampton NN4 7HB

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their strategic report and financial statements for the year ended 31 December 2022.

Principal activities

The Company's principal activity during the year was the manufacture, sale and resale of fluoropolymers.

Business review

The Profit and Loss account is presented on page 10 and shows the Company's financial performance for the year. Operating profit, the Company's key performance indicator, in 2022 was £10.0m (2021 - profit £4.9m) generated from a turnover of £180.2m (2021 - £137.9m).

The Company's balance sheet is presented on page 11 and shows its financial position at the year end. The Company had net assets of £38.4m (2021 - £25.2m). The Company had net current assets of £15.1m (2021 - £10.2m).

Principal risks and uncertainties

Whilst trading continues to strengthen, the directors consider the principal risks and uncertainties to the business to be :-

i) Continued uncertainty within the global economy which may lead to a decline in economic and market conditions.
ii) Any knock-on effect to supply chains which could impact material availability and prices during 2023.

The directors continue to monitor and mitigate these risks through ongoing discussions with suppliers and customers.

Financial risk management and objectives

The Company's trading operations are primarily financed by bank loans and share capital injection. At the end of the year, the Company had external borrowings of £19.1m (2021 - £16.2m).

Interest rate risk
The Company seeks to deposit cash assets safely to minimise risk whilst maximising interest received. The Group is not reliant on interest income, however, partly finances operations through short term loans.

Liquidity risk
The Company seeks to ensure it has sufficient liquidity available to meet foreseeable needs. Cash reserves from trading activity minimise liquidity risk.

Liquidity is constantly monitored and controlled via budgeting and cashflow forecasting.

Currency risk
The Company is exposed to translation and transaction foreign exchange risks. Cash held in foreign currencies is converted to Sterling at the earliest opportunity to mitigate the potential risks.

Credit risk
All customers who wish to trade on credit terms are subject to credit vetting procedures, and debtors are monitored on an ongoing basis.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Streamlined energy and carbon reporting

In the year to 31 December 2022 the Company used 96,948,428 KWH (2021 - 96,808,526 KWH) of energy, comprising 26,956,055 KWH (2021 - 28,340,659 KWH) of electricity and 69,992,373 KWH (2021 - 68,467,867 KWH) of natural gas.

The Company's energy useage equates to 17,989 tonnes of CO2e (2021 - 18,558 tonnes), or 99.8 tonnes (2021 - 134.6 tonnes) per million of turnover. The tonnes of CO2e has been calculated based on multiplying the usage in KWH by the relevant conversion factors as published in the GHG Reporting.

Electricity and gas figures are based on actual data from our energy providers for the year.

Financial key performance indicators

	2022	**2021**
Return before tax on sales	5.3%	3.3%
Operating profit margin to sales	5.6%	3.5%
Return before tax on net assets	24.9%	18.2%

The key performance indicators show a return to normal trading post pandemic.

Other key performance indicators

Other key performance indicators include supplier payment days and our environmental impact as discussed elsewhere in the Strategic and Directors' Reports.

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

Nobuaki Mori

N Mori
Director

Date: 12th, June, 2023

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £8,193k (2021 - £3,885k).

The directors do not recommend the payment of a dividend (2021 - £Nil).

Directors

The directors who served during the year were:

P D Davis
D Fujimoto
J Inoue (resigned 1 January 2023)
H Mori (resigned 4 October 2022)
D Nishiyama
Y Sumi (resigned 15 December 2022)
N Mori (appointed 4 October 2022)
K Mori (appointed 15 December 2022)

Section 172(1) Companies Act 2006

The directors confirm that they have acted in good faith in the way they consider what would be most likely to promote the success of the Company for the benefit of its members. In doing so they have considered, among other matters, those set out in section 172(1) (a) to (f) of the Companies Act 2006; the likely consequences of any decision in the long term; the interests of the Company’s employees; the need to foster the Company’s business relationships with suppliers, customers and others; the impact of the Company’s operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly as between members of the Company. This statement applies equally to the directors individually and when acting collectively as the Board.

In discharging their duties in relation to section 172 (1), careful consideration is given to the matters set out above. The stakeholders we consider in this regard are primarily employees, suppliers and customers, the communities we operate in, the wider world and environment and shareholders.

Engagement with our shareholders and all stakeholders is of fundamental importance across the business and the directors are focused on building these relationships on a continuous basis.

Supplier payment policy

The Company’s policy is to agree the terms of payment with suppliers at the commencement of the trading or contractual relationship and to operate within such terms subject to satisfactory completion of the suppliers’ obligations.

The average number of days purchases represented by trade creditors at 31 December 2022 was TBC (2021: 60).

Research and development activities

The Company continued research and development in new products and processes with particular emphasis on the delivery of environmental improvements.

Employees

Our people are critical to the success of our company, and we are continuing to invest in making the company a better place to work and become an employer of choice.

Suppliers and customers

We continue to build strong long-term relationships with both our supplier and customer bases. We depend on the capability and performance of our suppliers to assist in delivering the products and services we require for our operations to meet the needs of our customers. We work closely with our customers to understand their evolving needs so that we can continuously improve and adapt to them.

Quality

The directors are committed to the highest quality of products and services, this is achieved by regular quality assurance testing and ensuring that the company s in line with the latest quality standards.

Communities

We are committed to creating sustainable, long-term opportunities in our communities. In addition to aiming to become an employer of choice in our communities.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

Environment

A key objective is to minimise our environmental footprint. Our engagement will continue to this end during the financial year 2022.

Shareholders

The directors regularly engage with our shareholders and feedback matters discussed to senior management.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. The auditor, MHA, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

Nobuaki Mori

N Mori
Director

Date: 12th, June, 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGC CHEMICALS EUROPE, LTD.

Opinion

We have audited the financial statements of AGC Chemicals Europe, Ltd. (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of entity staff to identify any instances of non-compliance with laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness and reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing internal audit reports;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AGC CHEMICALS EUROPE, LTD. (CONTINUED)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.

Guy Hodgkinson BA ACA (Senior Statutory Auditor)

for and on behalf of
MHA

Statutory Auditor

Northampton, United Kingdom

Date: 13 June 2023

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Turnover	3	**180,196**	137,925
Cost of sales		**(156,425)**	(120,385)
Gross profit		**23,771**	17,540
Distribution costs		**(3,431)**	(2,718)
Administrative expenses		**(11,220)**	(9,933)
Other operating income	4	**923**	-
Operating profit	5	**10,043**	4,889
Income from investments in group companies		**-**	29
Interest receivable and similar income	9	**50**	-
Interest payable and similar expenses	10	**(516)**	(338)
Profit before tax		**9,577**	4,580
Tax on profit	11	**(1,384)**	(695)
Profit for the financial year		**8,193**	3,885
Other comprehensive income for the year			
Remeasurement of net defined benefit liability		**7,021**	2,644
Deferred tax on other comprehensive income		**(2,086)**	230
		4,935	2,874
Total comprehensive income for the year		**13,128**	6,759

The notes on pages 16 to 38 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2022

	Note		2022 £000		2021 £000
Fixed assets					
Tangible assets	12		**28,963**		29,419
Investments	13		**2,889**		2,887
			31,852		32,306
Current assets					
Stocks	14	**36,276**		26,666	
Debtors: amounts falling due after more than one year	15	**939**		4,206	
Debtors: amounts falling due within one year	15	**34,340**		26,051	
Cash at bank and in hand	16	**5,756**		3,167	
		77,311		60,090	
Creditors: amounts falling due within one year	17	**(62,186)**		(49,756)	
Net current assets			**15,125**		10,334
Total assets less current liabilities			**46,977**		42,640
Creditors: amounts falling due after more than one year	18		**(133)**		(1,229)
Provisions for liabilities					
Deferred tax	21	**(624)**		-	
			(624)		-
Pension liability			**(7,780)**		(16,099)
Net assets			**38,440**		25,312
Capital and reserves					
Called up share capital	21		**-**		-
Share premium account	23		**50,000**		50,000
Profit and loss account	23		**(11,560)**		(24,688)
			38,440		25,312

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Nobuaki Mori

N Mori
Director

Date: 12th, June, 2023

The notes on pages 16 to 38 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share premium account	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2021	**50,000**	**(31,447)**	**18,553**
Comprehensive income for the year			
Profit for the year	**-**	**3,885**	**3,885**
Deferred tax on other comprehensive income	**-**	**230**	**230**
Remeasurement of the net defined benefit liability	**-**	**2,644**	**2,644**
Other comprehensive income for the year	**-**	**2,874**	**2,874**
Total comprehensive income for the year	**-**	**6,759**	**6,759**
Total transactions with owners	**-**	**-**	**-**
At 1 January 2022	**50,000**	**(24,688)**	**25,312**
Comprehensive income for the year			
Profit for the year	**-**	**8,193**	**8,193**
Deferred tax on other comprehensive income	**-**	**(2,086)**	**(2,086)**
Remeasurement of the net defined benefit liability	**-**	**7,021**	**7,021**
Other comprehensive income for the year	**-**	**4,935**	**4,935**
Total comprehensive income for the year	**-**	**13,128**	**13,128**
Total transactions with owners	**-**	**-**	**-**
At 31 December 2022	**50,000**	**(11,560)**	**38,440**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000	2021 £000
Cash flows from operating activities		
Profit for the financial year	**8,193**	3,885
Adjustments for:		
Depreciation of tangible assets	**4,664**	4,558
Government grants	**(923)**	-
Interest paid	**516**	338
Interest and dividends received	**(50)**	(29)
Taxation charge	**1,384**	695
(Increase)/decrease in stocks	**(9,610)**	966
(Increase) in debtors	**(5,520)**	(6,350)
(Increase) in amounts owed by groups	**(1,892)**	(3,585)
Increase/(decrease) in creditors	**2,923**	(2,294)
Increase in amounts owed to groups	**5,525**	9,672
Foreign exchange	**(889)**	(1,162)
Net cash generated from operating activities	**4,321**	6,694
Cash flows from investing activities		
Purchase of tangible fixed assets	**(4,207)**	(2,551)
Purchase of fixed asset investments	**(2)**	-
Interest received	**50**	-
Income from investments in related companies	**-**	29
Net cash from investing activities	**(4,159)**	(2,522)
Cash flows from financing activities		
New secured loans	**4,500**	-
Repayment of loans	**(1,557)**	(8,308)
Interest paid	**(516)**	(338)
Net cash used in financing activities	**2,427**	(8,646)
Net increase/(decrease) in cash and cash equivalents	**2,589**	(4,474)
Cash and cash equivalents at beginning of year	**3,167**	7,641
Cash and cash equivalents at the end of year	**5,756**	3,167
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**5,756**	3,167

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2022

	At 1 January 2022 £000	Cash flows £000	At 31 December 2022 £000
Cash at bank and in hand	**3,167**	**2,589**	**5,756**
Debt due after 1 year	**(1,086)**	**1,086**	**-**
Debt due within 1 year	**(15,096)**	**(4,029)**	**(19,125)**
	(13,015)	**(354)**	**(13,369)**

1. General information

AGC Chemicals Europe, Ltd is a company incorporated, domiciled and registered in England and Wales in the UK. The registered number is 03825057 and the registered address is Hillhouse International, Fleetwood Road North, Thornton Cleveleys, England, FY5 4QD.

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 presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

2. Accounting policies

2.1 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less 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.

Investments in subsidiaries, jointly controlled entities and associates

These are separate financial statements of the Company. Investments in subsidiaries, jointly controlled entities and associates are carried at cost less impairment.

2.2 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

2. Accounting policies (continued)

2.3 Critical judgements and estimates in applying accounting policies

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenue and expenses, actual results may differ from these estimates.

Estimates and underlying assumptions that are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations in determining the appropriate discount rate, the Company considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market condition. Additional information is disclosed in note 24.

2.4 Exemption from preparing consolidated financial statements

The results and net assets of each of the subsidiaries of the Company are not material to the Group for the purpose of giving a true and fair view and each subsidiary is therefore exempt from being included in consolidated financial statements for the Group under section 405 of the Companies Act 2006. On this basis the Company is exempt from the requirement to prepare consolidated financial statements under section 402 of the Companies Act 2006.

2. Accounting policies (continued)

2.5 Going concern

The financial statements have been prepared on a going concern basis.

The parent company has provided a letter of support and will continue to provide the necessary financial support to the Company for at least 12 months from the date of signing these financial statements. After making inquiries of the group directors, and inspecting the latest audited financial statements of the group, the directors of the Company are satisfied that COVID-19 has not significantly impacted the intent and ability of the group to be able to provide this support.

On the basis of their assessment of the Company's financial position and current financial projections and facilities available, and the support indicated by the group, the directors of the Company have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the Balance Sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

2. Accounting policies (continued)

2.8 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Land	- Not depreciated
Freehold property	- over 20 years
Plant and machinery	- over 10 years
Engineering spares	- over 10 years
Major plant and infrastructure	- over 15 years
Computer equipment	- over 3 to 4 years
ETFE plant	- over 15 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.9 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2. Accounting policies (continued)

2.10 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 entity's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The entity determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (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 entity's obligations. A valuation is performed by qualified actuary using the projected unit credit method. The entity 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.

Defined benefit plans (continued)

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, 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 liability/asset is recognised in other comprehensive income in the period in which it occurs.

2.11 Provisions

A provision is recognised in the balance sheet when the entity 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 parent 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 in its individual financial statements until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

2. Accounting policies (continued)

2.12 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.

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. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

2. Accounting policies (continued)

2.13 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, 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 charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

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.

2.14 Turnover

Turnover is recognised when the significant risks and rewards of ownership have been transferred to the customer. For the majority of customers, this is when delivery has been made or specifically when title has passed, the point at which title passes varying in accordance with the terms and conditions of trade. Turnover is recognised when the amount of the turnover and related costs can be measured reliably, and the collectability of the related receivables is reasonably assured.

Turnover is measured at the fair value of the amount received or receivable which is arrived at after deducting trade rebates, customer returns and value added tax. Shipping and handling costs, such as freight to our customers’ destination are included in cost of sales.

3. Turnover

An analysis of turnover by class of business is as follows:

	2022	2021
	£000	£000
Sale of goods	**180,196**	137,925

The whole of the turnover is attributable to the principal activity of the Company.

The analysis of turnover by geographical market required by Companies Act 2006 has not been provided as, in the opinion of the directors such disclosure would be seriously prejudical to the interest of the Company.

4. Other operating income

	2022	2021
	£000	£000
Research and development tax credit	**923**	-

5. Operating profit

The operating profit is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible fixed assets	**4,664**	4,558
Other operating lease rentals	**150**	150

6. Auditor's remuneration

	2022 £000	2021 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	**49**	50

Fees payable to the Company's auditor and its associates in respect of:

	2022 £000	2021 £000
Taxation compliance services	**9**	8
Audit of subsidaries	**4**	6
All other services	**5**	-
	18	14

7. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	**12,052**	11,253
Social security costs	**1,208**	1,062
Cost of defined contribution scheme	**818**	763
Cost of defined benefit scheme	**26**	16
	14,104	13,094

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

	2022 No.	2021 No.
Production	**131**	130
Administration	**89**	78
	220	208

8. Directors' remuneration

	2022 £000	2021 £000
Directors' emoluments	**870**	766
Company contributions to defined contribution pension schemes	**15**	14
	885	780

During the year retirement benefits were accruing to 1 director (2021 - 1) in respect of defined contribution pension schemes.

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £237k (2021 - £215k).

9. Interest receivable

	2022 £000	2021 £000
Interest receivable on financial assets	**50**	-

10. Interest payable and similar expenses

	2022 £000	2021 £000
Bank interest payable	**240**	68
Net interest on net defined benefit liability	**276**	270
	516	338

11. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on profits for the year	**46**	-
Adjustments in respect of previous periods	**(467)**	-
Foreign tax		
Foreign tax on income for the year	**-**	17
Total current tax	**(421)**	17
Deferred tax		
Origination and reversal of timing differences	**1,805**	678
Total deferred tax	**1,805**	678
Taxation on profit on ordinary activities	**1,384**	695

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 **£000**	2021 £000
Profit on ordinary activities before tax	**9,577**	4,580
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	**1,820**	870
Effects of:		
Effect of tax rates in foreign jurisdictions	**-**	17
Fixed asset difference	**(150)**	(99)
Capital allowance for year in excess of depreciation	**(619)**	207
Other permanent differences	**1**	(3)
Non-deductible expenses	**-**	20
Group Income	**-**	(29)
Amounts (charged)/credited directly to STRGL or otherwise transferred	**-**	506
Additional deduction for land remediation expenses	**(1)**	(10)
Remeasurement of deferred tax for changes in tax rates	**333**	(784)
Total tax charge for the year	**1,384**	695

Factors that may affect future tax charges

The Finance Bill 2021 had its third reading on 24 May 2021 and was then considered to be substantively enacted; the Finance Act 2021 receiving Royal Assent on 10 June 2021. This included 25% as the main rate of corporation tax relevant for periods on or after 1 April 2023 to be reflected in gains on any asset sales or timing differences expected to reverse after that date.

12. Tangible fixed assets

	Freehold property £000	Plant and machinery £000	Engineering spares £000	Total £000
Cost or valuation				
At 1 January 2022	**1,660**	**82,987**	**2,876**	**87,523**
Additions	**-**	**3,940**	**267**	**4,207**
Transfers between classes	**-**	**(2,813)**	**-**	**(2,813)**
At 31 December 2022	**1,660**	**84,114**	**3,143**	**88,917**
Depreciation				
At 1 January 2022	**1,241**	**56,141**	**722**	**58,104**
Charge for the year on owned assets	**26**	**4,577**	**60**	**4,663**
Transfers between classes	**-**	**(2,813)**	**-**	**(2,813)**
At 31 December 2022	**1,267**	**57,905**	**782**	**59,954**
Net book value				
At 31 December 2022	**393**	**26,209**	**2,361**	**28,963**
At 31 December 2021	419	26,846	2,154	29,419

Included in land and buildings is freehold land of £174k (2021 - £174k).

Included in plant and equipment is plant shutdown costs amounting to £1,276k (2021 - £352k).

Included in plant and equipment is assets under construction amounting to £3,792k (2021 - £6,749k).

Included in engineering spares additions is the net movement in the year of spare parts which are used across Company plant.

13. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	**2,887**
Additions	**2**
At 31 December 2022	**2,889**

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Fenix Fluor Limited	Hillhouse International Fleetwood Road North, Thornton-Cleveleys, England, FY5 4QD.	Manufacture of chemicals	Ordinary	100%
AGC Chemicals RUS L.L.C.	Sosnoyy bor Street 36, Moscow region, Klin District, S. Spas-Zaulok, 141667, Russia.	Resale of fluoropolymers	Ordinary	100%
AGHOCO 1491 Ltd	Victrex, Hillhouse International, Thornton-Cleverleys, Lancashire, England, FY5 4QD.	Maintain the electric substation for AGCCE and Victrex PLC	Ordinary	50%

The carrying value of the investment at 31 December 2022 in Fenix Fluor Limited is supported by the value of the net assets of Fenix Fluor Limited.

In February 2017 the Company invested £1 in AGHOCO 1491 Ltd. a joint venture with Victrex Plc for execution and maintenance of the Electrical Substation. In February 2017 AGCCE provided AGHOCO 14191 LTD a non-interest bearing loan of £1,537,273 to AGHOCO 1491 with the annual repayments. In December 2019 an additional £446,619 was recorded as an increase in the investment in AGHOCO 1491 LTD as a capital contribution under FRS 102 section 11. The loan receivable is paid annually each year from AGHOCO 1491 LTD to the Company and the final payment will be made in 2037.

14. Stocks

	2022 £000	2021 £000
Raw materials and consumables	**10,570**	6,103
Finished goods and goods for resale	**25,706**	20,563
	36,276	26,666

15. Debtors

	2022 £000	2021 £000
Due after more than one year		
Long term receivable from AGHOCO 1491 Ltd	**939**	939
Deferred tax asset	**-**	3,267
	939	4,206

	2022 £000	2021 £000
Due within one year		
Trade debtors	**19,945**	15,170
Amounts owed by group undertakings	**10,758**	8,866
Other debtors	**3,507**	1,459
Prepayments and accrued income	**130**	556
	34,340	26,051

16. Cash and cash equivalents

	2022 £000	2021 £000
Cash at bank and in hand	**5,756**	3,167

17. Creditors: Amounts falling due within one year

	2022 £000	2021 £000
Bank loans	**19,125**	15,096
Trade creditors	**3,860**	2,232
Amounts owed to group undertakings	**35,256**	29,731
Other taxation and social security	**218**	218
Other creditors	**21**	-
Accruals and deferred income	**3,706**	2,479
	62,186	49,756

The bank loans have been guarenteed by the ultimate parent company, AGC Inc.

18. Creditors: Amounts falling due after more than one year

	2022 £000	2021 £000
Bank loans	**-**	1,086
Other - pension provision	**133**	143
	133	1,229

19. Loans

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

The current short-term loan facility of £24,000k from Bank of Tokyo @ 0.500% per annum is available until 3 January 2023 and which is renewable on yearly basis. The amount drawn down at the year-end is £18,000k.

Secured bank long term loans are £360k from Mizuho Bank @1.215% per annum and €865k (£765k) from Bank of Tokyo @ 0.500%. All loans are secured on bank guarantees from the parent company AGC Inc. The repayments are due in February and August each year with the final repayments due in February 2023.

	2022 **£000**	2021 £000
Amounts falling due within one year		
Bank loans	**19,125**	15,096
Amounts falling due 1-2 years		
Bank loans	**-**	1,086
	19,125	16,182

20. Financial instruments

Financial instruments explanations of the objectives and policies for holding or issuing financial instruments are disclosed in the Strategic Report on page 2. Except for the purposes of currency disclosure, the Company does not treat its short-term debtors and creditors as financial instruments. The Company does not enter into derivative financial instruments. The book value of financial instruments is not materially different to their fair value.

21. Deferred taxation

	2022 £000	2021 £000
At beginning of year	**3,267**	3,715
Charged to profit or loss	**(1,805)**	(678)
Charged to other comprehensive income	**(2,086)**	230
At end of year	**(624)**	3,267

The deferred tax asset is made up as follows:

	2022 £000	2021 £000
Accelerated capital allowances	**(3,190)**	(2,805)
Tax losses carried forward	**586**	2,007
Employee benefits	**1,980**	4,065
	(624)	3,267

22. Share capital

	2022 £000	2021 £000
Authorised		
1,000 Ordinary shares of £1 each	**1,000**	1,000
Alloted, called up and fully paid		
Ordinary shares of £1 each	**15**	15

23. Reserves

Share premium account

Records the premium above the nominal value on shares issued.

Profit and loss account

Includes all current period retained profits and losses.

24. Capital commitments

At 31 December 2022, the Company had entered into contractual agreements with suppliers to purchase tangible fixed assets for the quantum of £782k (2021 - £427k).

25. Pension commitments

Defined contibution plan

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from thoses of the Company in an independantly administered fund. Contributions totalling £4k (2021 - £Nil) were payable to the fund at the reporting date.

Defined benefit plan

For some employees, the Company operates a Defined Benefit Pension Scheme providing benefits based on final pensionable pay. The assets of the plan are held in a seperate trustee administered fund.

Reconciliation of present value of plan liabilities:

	2022	2021
	£000	£000
Reconciliation of present value of plan liabilities		
At the beginning of the year	**71,264**	71,733
Current service cost	**17**	7
Interest cost	**1,267**	991
Actuarial gains/losses	**(25,828)**	495
Contributions	**9**	9
Benefits paid	**(1,809)**	(1,971)
At the end of the year	**44,920**	71,264

Reconciliation of present value of plan assets:

	2022	2021
	£000	£000
At the beginning of the year	**55,165**	51,703
Interest income	**991**	721
Contributions by members	**9**	9
Actuarial gains/losses	**(18,807)**	3,159
Contributions by employer	**1,986**	1,544
Administrative expenses	**(395)**	-
Benefits paid	**(1,809)**	(1,971)
At the end of the year	**37,140**	55,165

25. Pension commitments (continued)

	2022 £000	2021 £000
Fair value of plan assets	**37,140**	55,165
Present value of plan liabilities	**(44,920)**	(71,264)
Net pension scheme liability	**(7,780)**	(16,099)

The amounts recognised in profit or loss are as follows:

	2022 £000	2021 £000
Current service cost	**17**	7
Net interest on net defined benefit liability	**276**	270
Total	**293**	277

Reconciliation of fair value of plan assets were as follows:

	2022 £000	2021 £000
Equity instruments	**6,730**	22,723
Gilts	**-**	1,019
Property	**4,049**	4,288
Diversified Growth Funds	**6,434**	7,340
LDI	**16,380**	16,724
Cash	**1,476**	568
Other	**2,071**	2,136
	37,140	54,798

25. Pension commitments (continued)

None of the assets of the Scheme are directly invested in the Company's own financial instruments or in any property occupied by the Company.

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

	2022 %	2021 %
Discount rate	**5.00**	1.80
Future salary increases	**Nil**	Nil
Price inflation measured by RPI	**3.25**	3.45
Price inflation measured by CPI	**2.85**	3.05
Future pension increases (5.0% LPI) - RPI Linked	**3.00**	3.30
Future pension increases (2.5% LPI) - RPI Linked	**2.00**	2.20
Future pension increases (5.0% LPI) - CPI Linked	**2.70**	2.90
Future pension increases (3.0% LPI) - CPI Linked	**2.20**	2.30
Future pension increases (2.5% LPI) - CPI Linked	**1.90**	2.10

Last full actuarial valuation was performed as at 30 November 2021. To measure the defined benefit oblgiation as at 31 December 2022 the Company utilised an independant qualified actuary to update the calculations in accordance with FRS 102.

In valuing the liabilties of the pension fund at 31 December 2022, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilties 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 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 26 years (male), 28 years (female).
- Future retiree upon reaching 65: 28 years (male), 30 years (female)

26. Commitments under operating leases

At 31 December 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 **£000**	2021 £000
Not later than 1 year	**198**	150
Later than 1 year and not later than 5 years	**248**	-
	446	150

27. Related party transactions

The Company has taken advantage of the exemption contained within section 33.7 of FRS 102 not to disclose transactions with fellow group undertakings that are 100% subsidaries. Such exemption is taken on the grounds that AGC Chemicals Europe, Ltd. is a wholly owned subsidary of AGC Inc., whose accounts are available for public inspection.

During the year the Company made purchases of £49k (2021 - £102k) from a 50% owned joint venture company. At the reporting date the Company was owed £939k (2021 - £939k) by this company.

28. Ultimate parent company and parent company of larger group

The Company is a subsidary undertaking of AGC Inc. The ultimate controlling party is AGC Inc.

The largest group in which the results of the Company are consolidated is that headed by AGC Inc. incorporated in Japan. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from the Company Secretary at the registered office, 1-5-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8405, Japan.