

Registered number 10269432

Electric Glass Fiber UK, Limited
Annual report and financial statements
for the year ended 31 December 2018

Electric Glass Fiber UK, Limited

Annual report and financial statements for the year ended 31 December 2018

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Electric Glass Fiber UK, Limited

Directors and advisers

Directors
B K Stewart

Registered office
PO Box 132
Leigh Road
Hindley Green
Wigan
Lancashire
WN2 4XZ

Independent auditors
KPMG LLP
Chartered Accountants and Statutory Auditors
8 Princes Parade
Liverpool
L3 1QH

Electric Glass Fiber UK, Limited

Strategic report for the year ended 31 December 2018

The Directors present their strategic report on the company for the year ended 31 December 2018.

Principal activity

The company's principal activity is the manufacture of fibreglass products for sale to third party customers serving the composite materials market.

Review of the business

The Company is a wholly owned subsidiary of Nippon Electric Glass Co., Ltd, a Tokyo stock exchange listed Company with its Head Office at 7-1, Seiran 2-chome, Otsu, Shiga 520-8639, Japan.

Electric Glass Fiber UK Ltd operates as part of the Glass Fibers product group.

Risk management

We monitor the financial position of all our critical suppliers and customers and continue to maintain strong customer credit management procedures to mitigate the risk of any significant loss. We have developed a broad customer base and identified key strategic customers to mitigate credit exposure risks.

Competitive pressure continues to be a risk to the company which resulted in losing sales to its key competitors. Our competitors in Europe experience the same cost pressures from non-European suppliers and help support anti-dumping cases to mitigate these risks. The Company manages this risk by providing high quality products to its customers, whilst continually improving manufacturing and quality processes.

The business successfully rebuilt one of its furnaces during the year, installed an emission control system and upgraded the IT infrastructure in order to secure the business sustainability for the future.

Key Performance Indicators

The business monitors performance using a Plant Performance Indicator Report which includes monthly tracking of EBIT, Plant Yield, Recordable Accidents, Headcount and Inventory days.

Future developments

Moving forward, the business will concentrate on improving product quality and performance, cost reduction, new product development, and steady sustainable improvements in market share.

On behalf of the Board



B K Stewart
Director
27 September 2019

Electric Glass Fiber UK, Limited

Directors' report for the year ended 31 December 2018

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

Results and dividends

The loss for the financial year amounted to £652,000. During the year no dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors of the company who held office during the year and up to the date of signing the financial statements are given below:

B K Stewart

Political and charitable donations

During the year, the Company made contributions to United Kingdom charitable organisations amounting to £2,500 (2017 : £460). There were no political donations in the year.

Financial risk management

Competitive pressure and changing market dynamics continue to be a risk to the company which resulted in losing sales to key competitors and lower sales due to changes in demand. The company manages this risk by focusing on manufacturing high quality products and providing technical support services to maintain strong customer relationships. Rising materials costs, energy costs, and utility cost coupled with reducing market price and surplus capacity puts constant pressure on reducing manufacturing costs to maintain business sustainability. The company continues to identify new technologies to improve process efficiency, labour utilization and energy reduction to help off-set escalating prices. Our competitors in Europe experience the same cost pressures from non-European suppliers and help support anti-dumping cases to mitigate these risks.

We maintain strong relationships with our key suppliers and monitor the financial position to reduce risk of any significance. We are dependent on a few sole suppliers, so need to ensure we maintain healthy professional relationships with these suppliers for the sustainability of the business. The same is true for our customer base as three key customers account for over 50% of the business turnover.

The company required some short-term loans in 2018, primarily due to the expense involved in rebuilding one of the furnaces during the year. The details are laid out under the creditors section of the notes to the financial statements.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The company is part of a group that has strategic objectives focused on long term growth, and has long term contracts with customers in a number of different geographic areas. Consequently, the directors believe that the company and the group have adequate resources to continue in operational existence for the foreseeable future. The impact of a no deal BREXIT and results of anti-dumping claims filed with EU commission will have to be taken into consideration to protect business sustainability. Accordingly, the directors continue to adopt the going concern basis in preparing the report and financial statements.

Electric Glass Fiber UK, Limited

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

Environment

Preservation of the global environment is extremely important and indispensable for the prosperity of civilization and humanity in the 21st century. Nippon Electric Glass, upholding the Corporate Philosophy “to build a brighter future for the world by uncovering the unlimited possibilities of glass for more advanced creative manufacturing” and adhering to “consideration for the environment” as one of its essential corporate values, strives to be and remain the world’s leading manufacturer of special glass by ensuring the state-of-the-art technological development, the highest quality standards, efficient production, and steady product supply. Nippon Electric Glass and its group companies are committed to contributing to the preservation of the global environment and realization of a recycling-based society by adopting high-efficiency and environmentally responsible processes. Capital investment was acquired to install, commission and operate an emission control system on the rebuild furnace demonstrating the commitment to protect the environment along with reduced CO2 emission glass melting technologies. Investment was approved to explore recycling of waste glass produced during the manufacturing process and expected to be operational in 2019.

Employees

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors concerning the performance of the company. This is achieved through regular meetings and newsletters. In addition, employee union representatives are consulted on issues affecting their interests on a regular basis.

The company operates non-discriminatory employment policies and does not discriminate on any grounds including age, race, religion, sex or disability. Applications for employment are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that the appropriate training is provided where necessary. It is the policy of the company that the career development of disabled persons should, as far as possible, be identical to that of other employees.

Electric Glass Fiber UK, Limited

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

Statement of directors' responsibilities

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 judgments 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 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 auditors

The auditors, KPMG LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board



B K Stewart
Director
27 September 2019



KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of Electric Glass Fiber UK, Ltd

Opinion

We have audited the financial statements of Electric Glass Fiber UK, Limited ("the company") for the year ended 31 December 2018 which comprise the Statement of 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 December 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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 their operations, and as they have concluded that the group and 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 their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

Independent auditor's report to the members of Electric Glass Fiber UK, Limited (continued)

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

Directors' report

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

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

- we have not identified material misstatements in the strategic report and directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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, 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; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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.

Independent auditor's report to the members of Electric Glass Fiber UK, Limited
(continued)

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.



Hywel Jones (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
27 September 2019

Electric Glass Fiber UK, Limited**Statement of Comprehensive Income for the year ended 31 December 2018**

		2018	2017
			Restated (note 3c)
	Note	£'000	£'000
Turnover	5	50,760	65,608
Cost of sales		(46,006)	(56,050)
Gross profit		4,754	9,558
Selling and distribution costs		(3,344)	(3,286)
Administrative expenses		(3,848)	(3,685)
Other operating income		26	779
Operating (Loss) / Profit	6	(2,412)	3,366
Interest payable and similar expenses		(48)	(1)
(Loss) / profit before taxation		(2,460)	3,365
Tax on (Loss) / profit	8	1,808	(756)
(Loss) / profit for the financial year		(652)	2,609
Other comprehensive income			
Effective portion of changes in fair value of cash flow hedges		(45)	-
Total Comprehensive Income / (Loss) for the Year		(697)	2,609

All items dealt with in arriving at Comprehensive Income for the financial year above relate to continuing operations.

There is no material difference between the Income before taxation and the Income for the financial year stated above and their historical cost equivalents.

Electric Glass Fiber UK, Limited**Balance sheet as at 31 December 2018**

	Note	2018 £'000	2018 £'000	2017 Restated (note 3c) £'000	2017 Restated (note 3c) £'000
Fixed assets					
Intangible assets	9		7,301		8,558
Tangible assets	10		55,278		43,111
			62,579		51,669
Current assets					
Inventories	11	8,500		7,964	
Debtors	12	9,246		7,174	
Cash at bank and in hand		2,714		4,770	
			20,460		19,908
Creditors – amounts falling due within one year	13		(26,212)		(13,179)
Net current (liabilities)/assets			(5,752)		6,729
Total assets less current liabilities			56,827		58,398
Provisions for liabilities	14		(3,893)		(4,768)
Net assets			52,934		53,630
Capital and reserves					
Called up share capital	16		30,077		30,077
Capital contribution			20,944		20,944
Retained Earnings			1,913		2,609
Total equity			52,934		53,630

The notes on pages 14 to 30 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 27 September 2019 and were signed on its behalf:



B K Stewart

Director

Electric Glass Fiber UK, Limited

Registered number 10269432

Electric Glass Fiber UK, Limited**Statement of Changes in Equity**

	Called up share capital £'000	Capital contribution	Retained Earnings £'000	Total equity £'000
Balance at 1 January 2018	30,077	20,944	2,609	53,630
(Loss) for the financial year	-	-	(652)	(583)
Other comprehensive income / (expense)	-	-	(45)	(114)
Total comprehensive income	-	-	(697)	(667)
Balance at 31 December 2018	30,077	20,944	1,913	52,934

	Called up share capital £'000	Capital contribution	Profit and loss account £'000	Total equity £'000
Share issue	30,077	-	-	30,077
Effect of prior period adjustment (note 3c)		20,944	-	20,944
Profit for the financial period (restated note 3c)	-	-	2,609	2,609
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	2,609	2,609
Balance at 31 December 2017 (restated note 3c)	30,077	20,944	2,609	53,630

Electric Glass Fiber UK, Limited

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

1 General information

Electric Glass Fiber UK, Limited is a manufacturer of fibre glass products for the composite materials market. The company is a private company limited by shares and is incorporated in England. The address of its registered office is PO Box 132 Leigh Road, Hindley Green, Wigan, Lancashire, WN2 4XZ.

2 Statement of compliance

The financial statements of Electric Glass Fiber UK, Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The prior year comparatives represent the 18 month period to 31 December 2017.

a) Basis of Preparation

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

The company is part of a group that has strategic objectives focused on long term growth, and has long term contracts with customers in a number of different geographic areas.

Notwithstanding net current liabilities of £6,108,000 as at 31 December 2018 and a loss for the year then ended of £1,306,000, 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 for a period of 15 (at least 12) months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through current working capital and in downside cases funding from its ultimate company, Nippon Electric Glass Co., Ltd to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Nippon Electric Glass Co., Ltd to meet its obligations in respect of external bank loans by way of bank guarantees and not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £2,316,000, and providing additional financial support during that period. Nippon Electric Glass Co., Ltd has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the 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.

Electric Glass Fiber UK, Limited

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 15 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

b) Exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions, permitted under FRS 102;

- the requirement to disclose a cash flow statement;
- the requirement to disclose a financial instruments note; and
- the requirement to disclose the company's key management personnel compensation.

c) Prior period adjustment

On 1 October 2016, Nippon Electric Glass Co., Ltd, the ultimate parent company, acquired the UK fibreglass business and shares in a Dutch subsidiary of PPG Industries Inc (PPG). The purchase of the UK fibreglass business was effected via Electric Glass Fiber UK (the company). The purchase price allocation for the purchase of the UK fibreglass business and the shares in the Dutch subsidiary was not finalised at the time of the acquisition. Nippon Electric Glass Co., Ltd injected an amount of cash into Electric Glass Fiber UK Limited in the form of share capital and the company used this to pay for the UK fibreglass business acquired from PPG. The fair value of the net assets of the UK fibreglass business acquired was higher than the cash consideration paid by the Electric Glass Fiber UK Limited and the difference of £20.9m was recorded as negative goodwill in the 18 months ended 31 December 2017.

On finalisation of the purchase price allocation in 22 December 2016, it was determined that £20.9m of the overall consideration paid directly by Nippon Electric Glass Co., Ltd was for the purchase of the UK fibreglass business such that the total consideration for the UK fibreglass business was equal to the fair value of net assets of UK fibreglass business acquired in 2016, resulting in nil goodwill balance in the company. The consideration paid directly by Nippon Electric Glass Co., Ltd for the purchase of the UK fibreglass business effectively represented capital contribution into Electric Glass Fiber UK by Nippon Electric Glass Co., Ltd. These were however not reflected in the company's financial statements for the period ended 31 December 2017. The balance sheet as at 31 December 2017 and the profit for the period ended 31 December 2017 have been restated to record the capital contribution, reverse the negative goodwill and related amortisation. The amounts impacted are as follow. The tax impact of these adjustments is not deemed material.

Electric Glass Fiber UK, Limited**Notes to the financial statements for the year ended 31 December 2018 (continued)**

Financial statement caption	31 Dec 17 £000s	Prior period adjustment £000s	31 Dec 17 restated £000s
Cost of negative goodwill	(20,944)	20,944	-
Amortisation c/f	2,618	(2,618)	-
Negative goodwill (Balance Sheet)	(18,326)	18,326	-
Net assets (Balance Sheet)	35,304	18,326	53,630
Capital contribution (Balance Sheet)	-	(20,944)	(20,944)
Retained earnings (Balance Sheet)	(5,227)	2,618	(2,609)
Amortisation of negative goodwill (Profit and loss account)	(2,618)	2,618	-
Profit / (loss) for the period	5,227	(2,618)	2,609

d) Foreign currency

The financial statements are presented in pounds sterling. The company's functional and presentation currency is the pound sterling. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the date of transactions.

At each year end foreign currency monetary items are translated into sterling using the closing rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts, rebates and value added taxes.

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance.

f) Employee benefits

The company provides a range of benefits to employees including paid holiday arrangements and a stakeholder pension scheme. All costs associated with these benefits are recognised as an expense in the year in which the service is received.

Electric Glass Fiber UK, Limited

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

g) Taxation

Taxation expense for the year comprises current and deferred tax recognised in the reporting year. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other

comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the year end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in years different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

h) Intangible assets

Other intangible assets acquired on acquisition of a business are stated at their fair value at the date of acquisition less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight line basis at the following rates: -

Customer relationships	10 years
Software	10 years
Licences	5 years

The carrying value of intangible assets is reviewed for impairment whenever events indicate that the carrying value may not be recoverable.

Electric Glass Fiber UK, Limited

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

i) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bring the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation on assets is calculated using the straight-line method to allocate the depreciable amount to their residual values over their estimated useful lives as follows: -

Freehold property	10 - 30 years
Plant and machinery	2 - 22 years
Fixtures and fittings	2 - 7 years
Assets under construction	Not depreciated

Land is not depreciated. On completion, assets under construction are transferred to their relevant category and depreciated over their useful economic life as shown above.

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

j) Leased assets

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

k) Finance leased assets

Leases that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the Group's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

(i) Operating leased assets.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

l) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to sell. At the end of each reporting period inventories are assessed for impairment.

Electric Glass Fiber UK, Limited

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

m) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts when applicable are shown within borrowings in current liabilities.

n) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

Electric Glass Fiber UK, Limited

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

3 Summary of significant accounting policies (continued)

o) Financial instruments

The company has adopted Section 11 of FRS 102 in respect of financial instruments. The Company currently has no complex financial instruments under Section 12 of FRS 102.

p) Financial assets and liabilities

(i) Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows of the estimated cash flows discounted at the assets original effective interest rate. The impairment loss is recognised in the profit and loss account.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another part or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and where there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

(iv) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in Other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

q) Share Capital

Ordinary shares are classified as equity.

r) Related Party Transactions

The Company discloses transactions with related parties outside of the consolidated group. It has taken the exemption from disclosing transactions with its parent or fellow wholly owned group companies as afforded by FRS 102 paragraph 33.1A.

s) Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

4 Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Useful economic lives of intangible assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives. The useful economic lives are re-assessed annually and are amended when necessary to reflect current estimates, based on the Company's financial performance and position and actual experience of the performance of those assets. See note 10 for the net carrying amount of intangible assets.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

Electric Glass Fiber UK, Limited

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

They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the net carrying amount of tangible assets.

(iii) Inventory provisioning

It is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of inventory items. See note 12 for the net carrying amount of the inventory and associated provision.

(iv) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the aging profile of debtors and historical experience. See note 13 for the net carrying amount of the debtors and associated impairment provision.

5 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

A geographical analysis of turnover is analysed as follows:

Geographical market	2018 £'000	2017 £'000
UK	2,949	4,208
Rest of World	1,733	0
Europe	46,078	61,400
	50,760	65,608

6 Operating profit

	2018 £'000	2017 Restated (note 3c) £'000
Operating profit is stated after charging/(crediting):		
Operating lease charges	953	1,186
Amortisation of intangible assets:		
- Other assets	1,257	1,527

Electric Glass Fiber UK, Limited

	2018	2017
	£'000	Restated (note 3c) £'000
Depreciation of tangible fixed assets:		
- Owned by the company	3,720	4,882
Fees payable to the company's auditors in respect of:		
- Audit of the financial statements	50	31
- Tax compliance (PWC)	-	5
- Other non-audit services	-	5

Electric Glass Fiber UK, Limited

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

7 Employee information

The average monthly number of employees (including directors) employed by the company during the year was as follows:

Headcount	2018 No.	2017 No.
Production	191	179
Sales and distribution	4	4
Administrative and management	46	47
	241	230
Staff Costs	2018 £'000	2017 £'000
Wages and salaries	7,713	11,030
Social security costs	790	1,192
Other pension costs	867	791
Total Staff costs	9,370	13,013

Directors' remuneration

	2018 £'000	2017 £'000
Aggregate emoluments	272	429

The highest paid director received aggregate remuneration of £272k during the year.

The company made contributions to a defined contribution pension scheme on behalf of 1 director in the year totalling £23k.

Electric Glass Fiber UK, Limited

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

8 Tax on profit

a) Tax expense included in profit or loss

	2018 £'000	2017 £'000
Current tax:		
UK corporation tax on profit for the financial year	(371)	1,482
Adjustments in respect of prior periods	(562)	0
Total current tax	(933)	1,482
Deferred tax		
Origination and reversal of timing differences	(161)	(726)
Adjustments in respect of prior periods	(714)	
Total deferred tax (note 14)	(875)	(726)
Tax on profit for the year	(1,808)	756

b) Reconciliation of tax charge

The tax assessed for the year is lower than the standard effective rate of the corporation tax in the UK for the year ended 31 December 2018 of 19%. The differences are explained as below:

	2018 £'000	2017 Restated (note 3c) £'000
(Loss) / Profit before taxation	(2,460)	3,365
Tax on profit at standard UK corporation tax rate of 19% (2017: 19.4%)	(467)	653
Effects of:		
Income not taxable	(74)	103
(Over) provided in prior years	(1,267)	
Tax on profit on ordinary activities	(1,808)	756

Electric Glass Fiber UK, Limited

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

8 Tax on profit (continued)

Tax rate changes

The rate of UK main corporation tax changed to from 20% to 19% from 1 April 2017, so a rate of 19% has been utilised for the year ended 31 December 2018.

A change to the UK corporation tax was announced in the Chancellor's Budget in Summer 2016. The change announced is to reduce the main rate to 17% effective from 1 April 2020. As these changes had been substantively enacted at the balance sheet date their effects are included in these financial statements. Specifically, deferred tax balances are carried forward at 17%, on the assumption that these will predominantly unwind after 1 April 2020.

9 Intangible assets

	Software £'000	Licences £'000	Customer relationships £'000	Other intangible assets £'000	Total £'000
Cost					
At 31 December 2017	211	2,272	7,515	87	10,085
Additions in Year	-	-	-	-	-
At 31 December 2018	211	2,272	7,515	87	10,085
Accumulated depreciation					
At 31 December 2017	11	568	939	9	1,527
Charge for the year	42	454	752	9	1,257
At 31 December 2018	53	1,022	1,691	18	2,784
Net book value					
At 31 December 2018	158	1,250	5,824	69	7,301
At 31 December 2017	200	1,704	6,576	78	8,558

Electric Glass Fiber UK, Limited

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

10 Tangible assets

	Freehold land & buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
Cost					
At 31 December 2017	26,729	19,855	107	1,302	47,993
Additions in Year		1,200	-	15,415	16,615
Transfers	39	16,678	-	(16,717)	-
At 31 December 2018	26,768	37,733	107	-	64,608
Accumulated depreciation					
At 31 December 2017	1,260	3,568	54	-	4,882
Charge for the year	1,009	3,422	18	-	4,449
At 31 December 2018	2,269	6,990	72	-	9,331
Net book value					
At 31 December 2018	24,499	30,743	35	-	55,278
At 31 December 2017	25,469	16,287	53	1,302	43,111

11 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	2,237	2,508
Work in progress	197	156
Finished goods	6,066	5,300
	8,500	7,964

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £12,032k (2017: £15,089k). The write-down of stocks to net realisable value amounted to £0 (2017: £0). The reversal of write-downs amounted to £0 as discussed below (2017: £0). The write-down and reversal are included in cost of sales.

There is no significant difference between the replacement cost of work in progress and their carrying amounts.

Inventories are stated after provisions for impairment of £496k (2017 : £612k).

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

12 Debtors

	2018 £'000	2017 £'000
Trade debtors	5,855	5,322
Amounts owed from fellow group companies	286	-
Other debtors	2,552	1,316
Prepayments and accrued income	553	536
	9,246	7,174

Trade debtors are stated after provisions for impairment of £63,000.

13 Creditors - amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	9,578	5,684
Other creditors	757	353
Amounts owed to fellow group companies	2,316	265
Corporation tax	549	1,482
Other taxation and social security	340	184
Short Term Loans	8,890	-
Accruals and deferred income	3,782	5,211
	26,212	13,179

Amounts owed to group undertakings at 31st December 2018 included short term loans, interest being charged at commercial rates.

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

Terms & Debt Repayment Schedule

	Currency	Nominal Interest Rate	Date Of Maturity	2018 £000	2017 £000
MUFG Bank (1)	GBP	1.10%	31/01/2019	850	-
MUFG Bank (2)	GBP	1.10%	14/02/2019	250	-
MUFG Bank (3)	GBP	1.10%	15/02/2019	200	-
MUFG Bank (4)	GBP	1.11%	07/03/2019	1,500	-
MUFG Bank (5)	GBP	1.11%	27/03/2019	1,650	-
SMBC Bank (1)	GBP	1.05%	05/04/2019	2,000	-
SMBC Bank (2)	GBP	1.29%	28/05/2019	1,500	-
SMBC Bank (3)	GBP	1.30%	14/06/2019	940	-
Total Banks				8,890	-
From Associates	EUR	0.80%	20/06/2019	1,977	-
Total Loans				10,867	-

14 Provisions for liabilities

The company had the following deferred tax positions during the year:

	Deferred tax liability £'000
At 31 December 2017	4,768
Deferred tax credit to income statement for the year	(875)
At 31 December 2018	3,893

The deferred tax provision consists of the following deferred tax liabilities:

	2018 £'000
Tangible asset timing differences	2,903
Intangible asset timing differences	990
Total provision	3,893

Electric Glass Fiber UK, Limited

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

£161,000 of the deferred tax liability is expected to reverse within the next 12 months. All other deferred tax amounts are expected to reverse after more than 12 months.

15 Financial commitments

At 31 December 2018 the company was committed to future minimum lease payments as follows:

	Other 2018 £'000	Other 2017 £'000
Within one year	139	542
Between two and five years	411	589
In over five years	-	-
	550	1,131

16 Called up share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
30,077,433 ordinary shares of £1 each	30,077	30,077

17 Related party transactions

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the Group.

18 Ultimate parent undertaking

The immediate and ultimate parent undertaking is Nippon Electric Glass Co., Ltd, a company registered in Japan, by virtue of its 100% shareholding which is the smallest and largest group to consolidate these financial statements. Copies of the Nippon Electric Glass Co., Ltd consolidated financial statements can be obtained from 7-1, Seiran 2-chrome, Otsu, Shiga 520-8639, Japan.

19 Subsequent events

Subsequent to the balance sheet date, the loans in note 13 were renewed, with the exception of the MUFG (2) loan which was fully repaid.