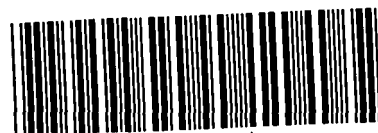


REGISTERED NUMBER: 02301464 (England and Wales)

ADVANEX EUROPE LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2020

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ADVANEX EUROPE LIMITED

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FOR THE YEAR ENDED 31 MARCH 2020**

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ADVANEX EUROPE LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2020

DIRECTORS:

T Ohno (Resigned 22nd June 2020)
T Shibano (Resigned 1st October 2020)
I Beardsmore
M Mullings
A France
S Kato (Appointed 22nd June 2020)
N Shimamura (Appointed 22nd June 2020)

SECRETARY:

M Mullings

REGISTERED OFFICE:

Mill Park Way
Off Station Road
Southwell
Nottingham
NG25 0ET

REGISTERED NUMBER:

02301464 (England and Wales)

INDEPENDENT AUDITOR:

Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derbyshire
DE74 2SA

SOLICITORS:

Freeths
80 Mount Street
Nottingham
NG1 6HH

BANKERS:

Barclays Bank Plc
3rd Floor Office
2 High Street
Nottingham
NG1 2EN

Mizuho Corporate Bank Ltd
Bracken House
One Friday Street
London
EC4M 9JA

Bank of Tokyo-Mitsubishi UFJ Ltd
London Branch
Finsbury Circus House
12-15 Finsbury Circus
London
EC2M 7BT

ADVANEX EUROPE LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2020

PRINCIPAL ACTIVITIES

The group's principal activity continues to be the manufacture and supply of precision parts, metal components, springs and wire shapes. There have not been any significant changes in the company's principal activities in the period under review. A review of the business performance is included.

REVIEW OF BUSINESS

The group has made a profit after tax of £993,000 (2019: £1,120,000) during the period.

As shown on page 8 the group's sales have increased by 13% on the prior period. The balance sheets on pages 9 and 10 of the financial statements show that the group's and company's financial position at the year end has not grown in line with the increase in profits due to the dividend payments made during the year. Details of amounts owed to/ by the parent company are shown in notes 11 and 12.

As noted in the section on future development below, the group made its decision to delay the closure of its Bilborough site. Performance in the UK remains strong, but the overall group results for the year was impacted by a loss before tax of £783,000 (2019: £284,000) attributable to the groups subsidiary company based in the Czech Republic. The Czech facility is almost ready to commence production, but this is now not expected to start until 2021. In view of the ongoing delays, the company's investment in its Czech subsidiary have been impaired to Nil.

KEY PERFORMANCE INDICATORS

The directors utilise various Key Performance Indicators in order to measure the performance of the business against competitors and previous periods.

The main Key Performance Indicators include Turnover £16,533,000 (2019: £14,653,000), Operating profit £1,393,000 (2019: £1,394,000) and Consolidated Assets £11,400,000 (2019: £11,145,000).

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive pressure in the market is a continuing risk for the group and company. The group and company manages this risk by providing high quality innovative products and strong technical support to its customers, ensuring fast response times not only in supplying products but in handling all customer queries and by maintaining strong relationships with customers.

Credit risk arises on financial instruments such as trade receivables. Policies and procedures exist to ensure that the trade debtors have an appropriate credit history.

The group and company is exposed to interest rate changes as all cash held at bank is held at floating rates and to exchange rate risk on foreign currency denominated sales. The company does not hedge its exposure to exchange rate fluctuations or interest rate changes.

The financial and trading position of Advanex Europe Limited is intrinsically linked with that of its parent group Advanex Inc. The directors are in close contact with the parent company to ensure that they are aware of any decisions and events at a group level which could impact the UK based group. This could include the intention to withdraw dividends or loans from the company or to significantly alter the scale of operations in the UK.

CORONAVIRUS

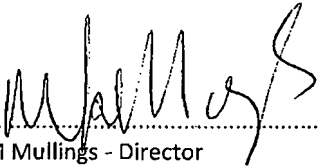
At the date of signing these accounts, Coronavirus represents both a risk to the business and its people. The group is taking active measures to ensure its people remain safe and healthy. Measures include additional education on cleanliness, self-isolation, social distancing and the ability to work from home or in roster patterns where necessary. There are daily business continuity and health and safety meetings to ensure compliance with the measures introduced.

ADVANEX EUROPE LIMITED

FUTURE DEVELOPMENTS

Following an Advanex Inc. group review of its European operations, the company has revised plans for the Bilborough site. Instead of ceasing all production at Bilborough by March 2021, partly due to the coronavirus outbreak, and partly due to delays in the opening of the production facility at the company's Czech Republic subsidiary, production has continued at Bilborough. Production is likely to continue until the end of 2021, after which time the Bilborough site will be used for storage and office facilities.

ON BEHALF OF THE BOARD:



.....
M Mullings - Director

Date: 15 December 2020

ADVANEX EUROPE LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report with the consolidated financial statements for the year ended 31 March 2020.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £993,000 (2019: £1,120,000). During the year dividends of £738,000 (2019: £1,193,000) were paid. The directors do not recommend the payment of any further dividends.

DIRECTORS

The directors who served during the year are noted on the Company information page.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 Standards), 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 the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

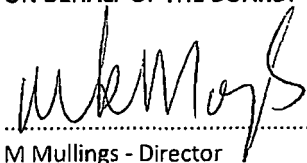
CORONAVIRUS

At the date of signing these financial statements, the directors have considered the effect on the group with the information available to it, and do not believe it will affect the group's ability to continue to trade for the foreseeable future. As with most businesses there will be short term practical difficulties which we have addressed and are managing. However, there are also positive signs from our clients to continue to operate normally, together with winning new potential commercial opportunities where we are well placed. See note 2 for further details.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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 which the company and the group auditors is unaware, and the director has taken all the steps that ought to have been taken as a director in order to make himself aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

ON BEHALF OF THE BOARD:



.....

M Mullings - Director

Date: 15 December 2020

ADVANEX EUROPE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANEX EUROPE LIMITED

Opinion

We have audited the financial statements of Advanex Europe Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated and company 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 group's and the parent company's affairs as at 31 March 2020 and of the group's 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 group 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ADVANEX EUROPE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANEX EUROPE LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 Group Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Group 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 our knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

ADVANEX EUROPE LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ADVANEX EUROPE LIMITED

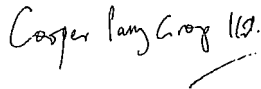
Auditor's responsibilities for the audit of the financial statements

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.

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.

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.



Peter Sterling (Senior Statutory Auditor)
for and on behalf of Cooper Parry Group Limited
Chartered Accountants and Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derbyshire
DE74 2SA

Date: 15 December 2020.....

ADVANEX EUROPE LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED 31 MARCH 2020

		Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
	Notes		
TURNOVER	3	16,533	14,653
Changes in stocks of finished goods and work in progress		<u>(454)</u>	<u>(197)</u>
		16,079	14,456
Other operating income		<u>39</u>	<u>12</u>
		16,118	14,468
Raw materials and consumables		(3,431)	(2,863)
Other external expenses		<u>(3,403)</u>	<u>(3,077)</u>
		9,284	8,528
Staff costs	4	(6,991)	(6,418)
Depreciation		<u>(900)</u>	<u>(716)</u>
OPERATING PROFIT		1,393	1,394
Interest receivable and similar income		<u>-</u>	<u>13</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,393	1,407
Tax on profit on ordinary activities	6	<u>(400)</u>	<u>(287)</u>
PROFIT FOR THE FINANCIAL PERIOD		<u>993</u>	<u>1,120</u>

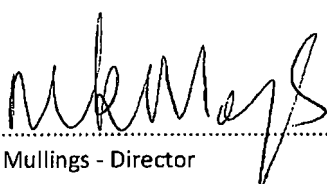
There were no recognised gains and losses for 2020 or 2019 other than those included in the consolidated Profit and Loss Account.

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

CONSOLIDATED BALANCE SHEET
31 MARCH 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Tangible assets	8	<u>7,713</u>	<u>6,040</u>
CURRENT ASSETS			
Stocks	10	1,745	2,199
Debtors	11	3,909	4,274
Cash at bank and in hand		<u>2,583</u>	<u>3,108</u>
		8,237	9,581
CREDITORS			
Amounts falling due within one year	12	<u>(4,169)</u>	<u>(4,290)</u>
NET CURRENT ASSETS		<u>4,068</u>	<u>5,291</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		11,781	11,331
PROVISIONS FOR LIABILITIES	14	<u>(381)</u>	<u>(186)</u>
NET ASSETS		<u>11,400</u>	<u>11,145</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,050	4,050
Profit and loss account		<u>7,350</u>	<u>7,095</u>
		<u>11,400</u>	<u>11,145</u>

The financial statements were approved by the Board of Directors on ----- and were signed on its behalf by:


.....
M Mullings - Director

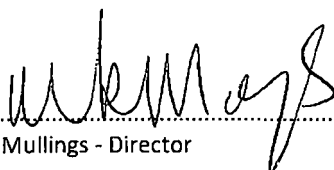
Date: 15 December 2020

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

COMPANY BALANCE SHEET
31 MARCH 2020

	Notes	2020 £'000	2019 £'000
FIXED ASSETS			
Tangible assets	8	6,424	5,802
Investments	9	<u>6</u>	<u>29</u>
		6,430	<u>5,831</u>
CURRENT ASSETS			
Stocks	10	1,727	2,199
Debtors	11	4,248	4,215
Cash at bank and in hand		<u>2,433</u>	<u>2,967</u>
		8,408	9,381
CREDITORS			
Amounts falling due within one year	12	(4,364)	(3,586)
		4,044	<u>5,795</u>
NET CURRENT ASSETS			
		10,474	11,626
TOTAL ASSETS LESS CURRENT LIABILITIES			
		10,474	11,626
PROVISIONS FOR LIABILITIES			
	14	<u>(381)</u>	<u>(186)</u>
		10,093	<u>11,440</u>
NET ASSETS			
		10,093	<u>11,440</u>
CAPITAL AND RESERVES			
Called up share capital	15	4,050	4,050
Profit and loss account		<u>6,043</u>	<u>7,390</u>
		10,093	<u>11,440</u>

The financial statements were approved by the Board of Directors on ----- and were signed on its behalf by:


.....
M Mullings - Director

Date: 15 December 2020

ADVANEX EUROPE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 2 April 2018	4,050	7,168	11,218
Profit for the period	-	1,120	1,120
Dividends	-	(1,193)	(1,193)
Balance at 31 March 2019	<u>4,050</u>	<u>7,095</u>	<u>11,145</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2019	4,050	7,095	11,145
Profit for the period	-	993	993
Dividends	-	(738)	(738)
Balance at 31 March 2020	<u>4,050</u>	<u>7,350</u>	<u>11,400</u>

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

ADVANEX EUROPE LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 2 April 2018	4,050	7,178	11,228
Profit for the period	-	1,405	1,405
Dividends	-	(1,193)	(1,193)
Balance at 31 March 2019	<u>4,050</u>	<u>7,390</u>	<u>11,440</u>

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £'000	Profit and loss account £'000	Total equity £'000
Balance at 1 April 2019	4,050	7,390	11,440
Profit for the year before exceptional costs	-	1,775	1,775
Impairment of investment	-	(2,384)	(2,384)
Dividends	-	(738)	(738)
Balance at 31 March 2020	<u>4,050</u>	<u>6,043</u>	<u>10,093</u>

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

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2020

1. STATUTORY INFORMATION

Advanex Europe Limited is a limited liability company incorporated and domiciled in the United Kingdom. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102), "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" and The Companies Act 2006.

The financial statements are prepared in Sterling (£). The financial statements are for the year ended 31 March 2020 (2019: 52 weeks ended 31 March 2019).

The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed below together with the accounting policies themselves.

Coronavirus and going concern

The financial statements show the group had net current assets of £4,068,000 and net assets of £11,400,000 at the balance sheet date. The directors have considered the effect of the Coronavirus pandemic on the group with the information available to it, and do not believe it will affect the group's ability to continue to trade for a period of at least 12 months from the date of signing these accounts.

Management accounts to the end of September 2020 show that the UK entity has traded profitably throughout the first period of lockdown caused by coronavirus, with orders subsequently increasing as the first lockdown restrictions started to ease. The group has made use of the UK Government support available to businesses under the Coronavirus Job Retention Scheme, but due to its strong Balance sheet position, has not considered it necessary to make any applications under any of the government backed loan schemes.

The directors have prepared detailed profit, cashflow and balance sheet forecasts for the group for a period of at least 12 months from the date of signing these financial statements. These forecasts were sensitised under difference scenarios, all of which showed an ability to operate within the funding facilities likely to be available to the group.

On that basis, the directors have prepared these financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements present the results of the group and its own subsidiaries ("the group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of the business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated Profit and Loss Account from the date on which control is obtained. They are deconsolidated from the date control ceases.

The company has taken advantage of the exemption allowed under section 408 of The Companies Act 2006 and has not presented its own Profit and Loss Account in these financial statements.

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES - continued

Exemptions

As permitted by FRS 102 section 1.12, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a cash flow statement and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Advanex Group Inc. The group accounts of Advanex Group Inc. are available to the public and can be obtained as set out in note 19.

Turnover

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

Sales of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the group has transferred the significant risks and rewards of ownership to the buyer;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the group will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Profit and Loss Account during the period in which they are incurred.

Freehold land is not depreciated. No depreciation is charged on assets in the course of construction until the assets are complete.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. Depreciation is provided on the following bases:

Freehold buildings - 2% straight line

Factory refurbishment - 2% straight line

Plant, machinery and tooling - 10% to 33.3% straight line

Fixtures and fittings, motor vehicles and computer equipment - 10% to 33.3% straight line

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 within 'Other operating income' in the Profit and Loss Account.

At each balance sheet date, the group reviews the carrying amounts of its tangible fixed assets equipment to

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES - continued

determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Investments

Investments in subsidiaries are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the Profit and Loss Account and the value of the investment is reduced accordingly.

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 cost 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 the Profit and Loss Account.

Financial instruments

The group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other debtors and creditors and loans to and from related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the group would receive for the asset if it were to be sold at the Balance Sheet date.

Operating leases

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight-line basis over the period of the lease.

Foreign currency translation

Functional and presentational currency

The company's functional and presentational currency is Sterling (£).

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate. Nonmonetary items are measured at historical cost are translated using the exchange rate at the date of the transaction and are not retranslated.

Foreign exchange gains and losses are recognised in the Profit and Loss Account within other external expenses.

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES - continued

Pensions

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

The contributions are recognised as an expense in the Profit and Loss Account 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 group in independently administered funds.

Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated Profit and Loss Account in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

The current tax and deferred tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Dividends

Equity dividends are recognised when they become legally payable.

Judgements in applying accounting policies and key sources of estimation uncertainty

Management make estimates and assumptions concerning the future, they are also required to exercise judgement in the process of applying the group's accounting policies. Estimates and judgement 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 estimates and assumptions that would 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.

In preparing these financial statements, the directors have made the following judgements:

Operating or finance leases

Determining whether leases entered into by the group are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

2. ACCOUNTING POLICIES - continued

Impairment of fixed assets

The group assesses the impairment of fixed assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the use of the acquired assets or the business strategy, and
- Significant negative industry or economic trends.

The following are the group's key sources of estimation uncertainty:

Carrying value of stocks

Management review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. Management use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

Recoverability of trade debtors

Trade and other receivables are recognised to the extent that they are judged recoverable. Management reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

Management makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the Profit and Loss Account.

Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flow at a rate that reflects the time value of money and the risks specific to the liability.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projects disposal values.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and take professional advice where appropriate.

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

3. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	Year Ended 31/03/20	Period Ended 31/03/19
	£'000	£'000
United Kingdom	4,580	4,334
Americas	5,990	4,290
Rest of the world	<u>5,963</u>	<u>6,029</u>
	<u><u>16,533</u></u>	<u><u>14,653</u></u>

4. EMPLOYEES AND DIRECTORS

	Group		Company	
	Year Ended 31/03/20	Period Ended 31/03/19	Year Ended 31/03/20	Period Ended 31/03/19
	£'000	£'000	£'000	£'000
Wages and salaries	6,033	5,555	5,869	5,452
Social security costs	580	494	516	474
Pension costs	<u>378</u>	<u>369</u>	<u>378</u>	<u>369</u>
	<u><u>6,991</u></u>	<u><u>6,418</u></u>	<u><u>6,763</u></u>	<u><u>6,295</u></u>

The average monthly number of employees during the period was as follows:

	Group		Company	
	Year Ended 31/03/20	Period Ended 31/03/19	Year Ended 31/03/20	Period Ended 31/03/19
	No.	No.	No.	No.
Production	110	113	107	113
Sales	18	18	17	17
Distribution	<u>39</u>	<u>39</u>	<u>37</u>	<u>38</u>
	<u><u>167</u></u>	<u><u>170</u></u>	<u><u>161</u></u>	<u><u>168</u></u>

	Year Ended 31/03/20	Period Ended 31/03/19
	£'000	£'000
Directors' remuneration	412	615
Directors' pension contributions to defined contribution schemes	<u>85</u>	<u>82</u>

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

4. EMPLOYEES AND DIRECTORS - continued

The number of directors to whom retirement benefits were accruing was as follows:

	Year Ended 31/03/20 No.	Period Ended 31/03/19 No.
Defined contribution pension schemes	<u>3</u>	<u>4</u>

Information regarding the highest paid director is as follows:

	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Emoluments	169	169
Pension contributions to defined contribution pension scheme	<u>28</u>	<u>28</u>

5. PROFIT BEFORE TAXATION

The profit is stated after charging/(crediting):

	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Operating lease charges	60	80
Depreciation on tangible fixed assets	900	716
Profit on disposal of fixed assets	(29)	-
Auditors' remuneration	32	32
Foreign exchange differences	<u>(72)</u>	<u>(19)</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit for the period was as follows:

	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Current tax:		
UK corporation tax for the period	293	301
Adjustment in respect of previous periods	(89)	(20)
Total current tax	204	281
Deferred tax:		
Origination and reversal of timing differences	148	29
Adjustments in respect of previous periods	23	(23)
Effect of tax rate change on opening balance	25	-
Taxation on profit on ordinary activities	<u>400</u>	<u>287</u>

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

6. TAXATION - continued

Reconciliation of total tax charge included in the Profit and Loss Account

The tax assessed for the period is higher than (2019: higher than) the standard rate of corporation tax in the UK. The difference is explained below:

	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Profit on ordinary activities before tax	<u>1,393</u>	<u>1,407</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)		
Tax on UK operations	265	267
Tax on overseas subsidiaries	<u>-</u>	<u>-</u>
	265	267
Effects of:		
Expenses not deductible for tax purposes	5	-
Capital allowances in excess of depreciation	9	(16)
Adjustments to tax charge in respect of previous periods	(66)	(20)
Changes in provisions leading to an increase in the tax charge	162	(4)
Other tax adjustments, reliefs & transfers	<u>25</u>	<u>60</u>
Total tax charge	<u>400</u>	<u>287</u>

7. DIVIDENDS

Dividends paid during the period amounted to £738,000 (2019: £1,193,000).

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

8. TANGIBLE FIXED ASSETS

Group

	Land and buildings £'000	Long Leasehold £'000	Factory refurbishment £'000	Plant, machinery and tooling £'000	Fixtures and fittings, Motor vehicles and Computer equipment £'000	Construction in progress £'000	Totals £'000
COST							
At 1 April 2019	1,534	-	356	8,255	1,927	580	12,652
Additions	-	824	-	1,165	206	387	2,582
Disposals	-	-	-	(86)	(40)	-	(126)
Reclassification/transfer	-	-	-	307	-	(307)	-
At 31 March 2020	1,534	824	356	9,641	2,093	660	15,108
DEPRECIATION							
At 1 April 2019	424	-	215	4,579	1,394	-	6,612
Charge for the period	39	46	7	645	163	-	900
Eliminated on disposal	-	-	-	(77)	(40)	-	(117)
At 31 March 2020	463	46	222	5,147	1,517	-	7,395
NET BOOK VALUE							
At 31 March 2020	1,071	778	134	4,494	576	660	7,713
At 1 April 2019	1,110	-	141	3,676	533	580	6,040

Included in Land and buildings is Freehold land and buildings of £527,000 (2019: £527,000) and Leasehold land and buildings of £544,000 (2019: £583,000).

Included in the Freehold land and buildings is land valued at £320,000 (2019: £320,000) which is not depreciated.

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

Company

	Land and buildings £'000	Factory refurbishment £'000	Plant, machinery and tooling £'000	Fixtures and fittings, Motor vehicles and Computer equipment £'000	Construction in Progress £'000	Totals £'000
COST						
At 1 April 2019	1,534	356	8,255	1,688	580	12,413
Additions	-	-	931	137	387	1,455
Disposals	-	-	(86)	(40)	-	(126)
Reclassification/transfer	-	-	307	-	(307)	-
At 31 March 2020	1,534	356	9,407	1,785	660	13,742
DEPRECIATION						
At 1 April 2019	424	215	4,579	1,393	-	6,611
Charge for the period	39	7	645	133	-	824
Eliminated on disposal	-	-	(77)	(40)	-	(117)
At 31 March 2020	463	222	5,147	1,486	-	7,318
NET BOOK VALUE						
At 31 March 2020	1,071	134	4,260	299	660	6,424
At 1 April 2019	1,110	141	3,676	295	580	5,802

Included in Land and buildings is Freehold land and buildings of £527,000 (2019: £527,000) and Leasehold land and buildings of £544,000 (2019: £583,000).

Included in the Freehold land and buildings is land valued at £320,000 (2019: £320,000) which is not depreciated.

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

9. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £'000
COST	
At 1 April 2019	1,585
Additions	<u>2,361</u>
At 31 March 2020	3,946
PROVISIONS	
At 1 April 2019	1,556
Provision during the year	<u>2,384</u>
At 31 March 2020	3,940
NET BOOK VALUE	
At 31 March 2020	<u>6</u>
At 1 April 2019	<u>29</u>

The investment includes a 100% shareholding of the ordinary shares of Kato-Entex Limited, a dormant company which is incorporated in the United Kingdom. The registered address of the company is Glaisdale Drive, Bilborough, Nottingham, NG8 4JY.

Advanex Europe Limited owns 100% of the issued share capital of Advanex Deutschland, a company incorporated in Germany. The principal activity of Advanex Deutschland is sales support to the other Advanex Group Companies. The registered address of the company is Schifferstrasse 210, 47059 Duisberg, Germany.

Advanex Europe Limited owns 100% of the issued share capital of Advanex Czech Republic, a company incorporated in the Czech Republic. The principal activity of Advanex Czech Republic is the manufacture and supply of precision parts, metal components, springs and wire shapes. The registered office of the company is U Tabulky 3085, Horni Pocernice, 193 00 Prague, Czech Republic. The directors have undertaken a review of the investment carrying value and considering the delays affecting Advanex Czech's business plans, in part due to the Coronavirus pandemic, considers it appropriate at this stage to impair the investment.

10. STOCKS

	Group		Company	
	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Raw materials	675	886	658	886
Work-in-progress	700	953	699	953
Finished goods	<u>370</u>	<u>360</u>	<u>370</u>	<u>360</u>
	<u>1,745</u>	<u>2,199</u>	<u>1,727</u>	<u>2,199</u>

The stock expense recognised in the Profit and Loss Account during the period was £9,400,000 (2019: £8,896,000).

An impairment loss of £334,000 (2019: £162,000) was recognised in the Profit and Loss Account during the period due to movements on slow-moving and obsolete stock.

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	Year Ended	Period Ended	Year Ended	Period Ended
	31/03/20	31/03/19	31/03/20	31/03/19
	£'000	£'000	£'000	£'000
Trade debtors	3,427	2,397	3,422	2,396
Amounts owed by group undertakings	63	1,542	436	1,538
Amounts owed by ultimate parent company	97	68	97	68
Other debtors	159	143	145	108
Prepayments and accrued income	<u>163</u>	<u>124</u>	<u>148</u>	<u>105</u>
	<u>3,909</u>	<u>4,274</u>	<u>4,248</u>	<u>4,215</u>

An impairment loss of £37,000 (2019: £18,000 gain) was recognised in other operating charges against trade debtors.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	Year Ended	Period Ended	Year Ended	Period Ended
	31/3/20	31/3/19	31/3/20	31/3/19
	£'000	£'000	£'000	£'000
Trade creditors	932	844	869	844
Amounts owed to group undertakings	24	982	519	347
Amounts owed to ultimate parent company	62	156	62	156
Corporation tax	207	157	207	157
Social security and other taxes	204	137	161	130
Other creditors	94	119	36	57
Accruals and deferred income	<u>2,646</u>	<u>1,895</u>	<u>2,510</u>	<u>1,895</u>
	<u>4,169</u>	<u>4,290</u>	<u>4,364</u>	<u>3,586</u>

13. LEASING AGREEMENTS

As at 31 March 2020 the group and the company had future minimum lease payments under non-cancellable operating leases fall due as follows:

Group	Year	Period
	Ended	Ended
	31/03/20	31/03/19
	£'000	£'000
Within one year	53	63
Between one and five years	<u>132</u>	<u>144</u>
	<u>185</u>	<u>207</u>

ADVANEX EUROPE LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

14. PROVISIONS FOR LIABILITIES

	Group		Company	
	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Deferred tax				
Accelerated capital allowances	414	192	414	192
Other timing differences	<u>(33)</u>	<u>(6)</u>	<u>(33)</u>	<u>(6)</u>
	<u>381</u>	<u>186</u>	<u>381</u>	<u>186</u>
Group				
			Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Balance at 1 April 2019			186	180
Charge to the Consolidated Profit and Loss Account			<u>195</u>	<u>6</u>
Balance at 31 March 2020			<u>381</u>	<u>186</u>
Company				
			Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
Balance at 1 April 2019			186	180
Charge to the Profit and Loss Account			<u>195</u>	<u>6</u>
Balance at 31 March 2020			<u>381</u>	<u>186</u>

ADVANEX EUROPE LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020**

15. CALLED UP SHARE CAPITAL

Allotted issued and fully paid:

Number:	Class:	Nominal value:	Year Ended 31/03/20 £'000	Period Ended 31/03/19 £'000
4,050,000	Ordinary	£1	<u>4,050</u>	<u>4,050</u>

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £378,000 (2019: £369,000). Contributions totalling £24,000 (2019: £25,000) were payable to the fund at the balance sheet date and are included within creditors.

17. POST BALANCE SHEET EVENTS

Since the year end, Advanex Europe Limited has loaned its parent company, Advanex Inc, a sum of £1m at an interest rate of 2% per annum. This is due for repayment by 31 March 2021.

18. RELATED PARTY DISCLOSURES

As the company is a wholly owned subsidiary of a company whose consolidated accounts include the results of the subsidiary and are publicly available, the company has taken advantage of FRS 102 section 33.1A exemption from disclosing transactions with group undertakings.

19. ULTIMATE CONTROLLING PARTY

The company's immediate and ultimate parent company is Advanex Group Inc. which is incorporated in Japan. Copies of the group's financial statements can be obtained from Advanex Group Inc., 6-1-1 Tabata, kita-ku, Tokyo, Japan 114-8581.