

Registration number: 10549942

Borchers Additives (UK) Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 31 December 2019



Borchers Additives (UK) Limited

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Borchers Additives (UK) Limited

Company Information

Directors Halsey Moon Cook Jr.
Jeremy Samuel Graham
Martin John Haworth
David Jessee Moody II
David Norbert Smart

Company secretary Martin John Haworth

Registered number 10549942

Registered office Beech Hill Plant
Gidlow Lane
Wigan
England
WN6 8RN

Independent auditors Ernst & Young LLP
1 Colmore Square
Birmingham
United Kingdom
B4 6HQ

Borchers Additives (UK) Limited

Directors' Report

for the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Principal activity

The principal activity of the Group during the year consisted of promoting the use of the FeLT® intellectual property, and development of chemical catalysts, activators and accelerators for customers in industrial applications.

Business Review

On 27 February, 2019, the Directors acquired shares of Borchers Catalyst (UK) Limited (previously known as Catexel Limited), a UK based company for a purchase price of \$4,400,000, which was primarily funded via a capital injection. The Company purchased Borchers Catalyst (UK) Limited to expand its product offering in the coatings market. The acquisition was funded by cash transferred by other group companies in lieu of shares issued. The Directors have prepared consolidated financial statements including results of Borchers Catalyst (UK) Limited (collectively the "Group"), for the first-time for the current year ended 31 December 2019. In order to prepare the consolidated financial statement, the Company transitioned from FRS 101 to FRS 102.

Subsequent to the year-end, the Group was then acquired by the Milliken Group on January 28, 2020.

Results and dividends

The profit of the Group for the year, after taxation, amounted to £147,085, which was primarily due to the acquisition of Borchers Catalyst (UK) and the continued growth of our FeLT® intellectual property.

Directors of the Group

The Directors who held office during the year and up to the date of the signing of the account were as follows:

Halsey Moon Cook Jr. (appointed 21 February 2020)

Jeremy Samuel Graham (appointed 21 February 2020)

Martin John Haworth (appointed 21 February 2020)

David Jessee Moody II (appointed 21 February 2020)

David Norbert Smart (appointed 21 February 2020)

Simon Oram (resigned 28 January 2020)

Devlin Howard Riley (resigned 28 January 2020)

Samir Vora (resigned 28 January 2020)

Principal risks and uncertainty

Credit Risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually.

Foreign exchange

The Group buys and sells goods and services denominated in currencies other than sterling. As a result, the value of the business' non-sterling denominated revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates.

Borchers Additives (UK) Limited

Directors' Report

for the Year Ended 31 December 2019 (continued)

Brexit

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). The progress of current negotiations between the UK Government and the EU will likely determine the future terms of the UK's relationship with the EU, as well as to what extent the UK will be able to continue to benefit from the EU's single market and other arrangements. Until the Brexit negotiation process is completed, it is difficult to anticipate the potential impact on the Group and the wider group's operations.

The Directors have considered the impact of Brexit on the business and will continue to review developments in the area. Brexit is expected to have limited impact on the Group as all of its employees and the majority of its suppliers are based in the United Kingdom. Where goods are purchased in foreign currency, efforts are made to bill customers in the same currency. Indirectly the potential effects of Brexit on the Group in terms of a downturn in the economy have been factored into the short and medium term financial budgets.

Liquidity

Liquidity risk is the risk that a Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by managing cash generation by its operations and applying cash collection targets.

COVID - 19

Since 31 December 2019, the spread of COVID -19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. The Group has continued to trade throughout the pandemic with measures put in place, as required, to minimise the risks of business interruption.

There are no other material exposures of the Group relating to price risk, credit risk, liquidity risk and cash flow risk which is material for the assessment of the assets, liabilities, financial position and profit of the Group.

Future developments

The Group is to continue to promote the use of the FeLT ® intellectual property for customers in industrial applications and do not expect any development in the Group's business in the coming year which is significantly different from its present activities. Refer to post balance sheet events note 21.

Directors' indemnities

The Group maintained through the year, and at the date of approval of the financial statements, liability insurance for its Directors and Officers. This is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Borchers Additives (UK) Limited

Directors' Report

for the Year Ended 31 December 2019 (continued)

Going concern

The financial statements have been prepared on a going concern basis. The Directors have concluded that this is an appropriate basis as the Group has sufficient cash and current assets to meet its liabilities as it falls due for the foreseeable future and it is expected that the Group will continue to be cash generative and profitable. At the balance sheet date, the Group had cash of £987,148 (2018: £55,158) and net current assets of £1,424,594 (2018: £221,148). However, whilst the Group expects to be cash generative in the next 12 months, it is reliant operational on other Group companies so the Directors of the Group have also obtained assurance from Milliken Industrial Limited will be able to provide financial support to the Company if required, for a period of at least 12 months from the date of approval of the financial statements. In drawing this conclusion, the Directors, which are common for both Borchers Additives UK Limited and Milliken Industrial Limited ('Milliken'), have assessed the current cash & banking facilities of Milliken and reviewed the profit and cash forecast for the next 12 months which shows that Milliken are able to provide such support if required.

Post balance sheet events

On 11 March 2020, the World Health Organization declared COVID-19 to be a worldwide pandemic. Given this was an event occurring after the balance sheet date, this is considered to be a non-adjusting post balance sheet event. The Company has considered the impact of COVID-19 on the Company's financial statements and due to the nature of the Group & the Company the impact has been limited to date.

Disclosure of information to the auditor

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

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

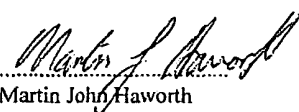
Auditor

The auditors, Ernst & Young LLP, will not be proposed for reappointment. Grant Thornton will be appointed as the auditors for 2020 to align with Milliken Group.

Small companies note

The Directors have taken advantage of the small companies exemptions provided by section 414B of the Companies Act 2006 not to provide a strategic report.

This report was approved by the board on ²⁰²⁰ 11 December and signed on its behalf.


.....
Martin John Haworth
Director

Borchers Additives (UK) Limited

Statement of Directors' Responsibilities

The Directors of the Group are responsible for preparing the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the Directors of the Group to prepare consolidated financial statements for each financial year. Under that law the Directors of the Group have elected to prepare the consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors of the Group must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors of the Group are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors of the Group are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors of the Group are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of Borchers Additives (UK) Limited

Opinion

We have audited the consolidated financial statements of Borchers Additives (UK) Limited (the 'Company') and its subsidiary collectively (the 'Group') for the year ended 31 December 2019, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and the related notes 1 to 22, 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 of the Company's affairs as at 31 December 2019 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

Emphasis of matter

We draw attention to note 2 and 20 of the financial statements, which describes the economic and operational consequences the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

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 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.

Other information

The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' Report thereon. The Directors are responsible for the other information. Our opinion on the Group and Company financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Independent Auditors' Report to the Members of Borchers Additives (UK) Limited

In connection with our audit of the Group and Company 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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Group 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.
- The Directors were not entitled to take advantage of small companies exemption in from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set on page 5, the Directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' 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 consolidated financial statements.

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

Independent Auditors' Report to the Members of Borchers Additives (UK) Limited

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 Auditors' 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.

Ernst & Young LLP

.....
Lorna McNeil (Senior Statutory Auditor)

for and on behalf of

Ernst & Young LLP

Statutory Auditor

Birmingham

Date:

13 December 2020

Borchers Additives (UK) Limited

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2019

	<i>Note</i>	<i>2019</i> £	<i>2018</i> £
Turnover	4	3,498,501	803,433
Cost of sales		<u>(1,530,042)</u>	<u>-</u>
Gross profit		1,968,459	803,433
Administrative expenses		<u>(1,763,407)</u>	<u>(942,745)</u>
Profit/(loss) before tax	5	205,052	(139,312)
Tax on profit/loss	9	<u>(57,967)</u>	<u>(1,168)</u>
Profit/(loss) for the financial year		<u>147,085</u>	<u>(140,480)</u>

There was no other comprehensive income in the year 2019 or 2018.

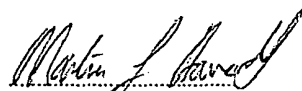
The notes on pages 15 to 27 form an integral part of these financial statements.

Borchers Additives (UK) Limited
Consolidated Statement of Financial Position
as at 31 December 2019

Registration number: 10549942

	Note	2019 £	2018 £
Fixed Assets			
Intangible assets	10	4,834,134	2,379,495
Current Assets			
Stocks	12	159,827	-
Debtors: amounts falling due within one year	13	683,720	315,447
Cash at bank and in hand	14	987,148	55,158
		<u>1,830,695</u>	<u>370,605</u>
Creditors: amounts falling due within one year	15	<u>(406,101)</u>	<u>(149,457)</u>
Net current assets		<u>1,424,594</u>	<u>221,148</u>
Total assets less current liabilities		<u>6,258,728</u>	<u>2,600,643</u>
Net assets		<u>6,258,728</u>	<u>2,600,643</u>
Capital and reserves			
Called up share capital	16	3,511,002	1
Other reserves	17	-	2,713,816
Share premium	17	2,713,815	-
Profit and loss account	17	<u>33,911</u>	<u>(113,174)</u>
Total equity		<u>6,258,728</u>	<u>2,600,643</u>

The financial statements were approved by the Board of Directors on 11 December 2020 and were signed on its behalf by:


Martin John Haworth

Director

The notes on pages 15 to 27 form an integral part of these financial statements.

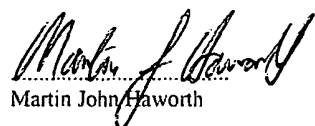
Borchers Additives (UK) Limited
Company Statement of Financial Position
as at 31 December 2019

Registration Number: 10549942

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	10	2,083,262	2,379,495
Investments	11	<u>2,946,238</u>	<u>-</u>
		5,029,500	2,379,495
Current assets			
Debtors: amounts falling due within one year	13	953,395	315,447
Cash at bank and in hand	14	<u>287,855</u>	<u>55,158</u>
		1,241,250	370,605
Creditors: amounts falling due within one year	15	<u>(148,708)</u>	<u>(149,457)</u>
Net current assets		<u>1,092,542</u>	<u>221,148</u>
Total assets less current liabilities		<u>6,122,042</u>	<u>2,600,643</u>
Net assets		<u>6,122,042</u>	<u>2,600,643</u>
Capital and reserves			
Called up share capital	16	3,511,002	1
Other reserves	17	-	2,713,816
Share premium	17	2,713,815	-
Profit and loss account	17	<u>(102,775)</u>	<u>(113,174)</u>
Total equity		<u>6,122,042</u>	<u>2,600,643</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The profit after tax of the Company for the year was £10,399 (2018: loss £140,480).

The financial statements were approved by the Board of Directors on 11 Dec 2020 and were signed on its behalf by:


Martin John Haworth

Director

The notes on pages 15 to 27 form an integral part of these financial statements.

Borchers Additives (UK) Limited

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2019

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£
At 1 January 2018	1	-	2,713,816	27,306	2,741,123
Loss for the year	-	-	-	(140,480)	(140,480)
At 31 December 2018	1	-	2,713,816	(113,174)	2,600,643

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£
At 1 January 2019	1	-	2,713,816	(113,174)	2,600,643
Profit for the year	-	-	-	147,085	147,085
New shares issued on February 12, 2019	1	2,713,815	(2,713,816)	-	-
New shares issued on February 26, 2019	3,511,000	-	-	-	3,511,000
At 31 December 2019	3,511,002	2,713,815	-	33,911	6,496,530

The notes on pages 15 to 27 form an integral part of these financial statements.

Borchers Additives (UK) Limited

Company Statement of Changes in Equity

for the Year Ended 31 December 2019

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£
At 1 January 2018	1	-	2,713,816	27,306	2,741,123
Loss for the year	-	-	-	(140,480)	(140,480)
At 31 December 2018	1	-	2,713,816	(113,174)	2,600,643

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Other reserves</i>	<i>Profit and loss account</i>	<i>Total equity</i>
	£	£	£	£	£
At 1 January 2019	1	-	2,713,816	(113,174)	2,600,643
Profit for the year	-	-	-	10,399	10,399
New shares issued on February 12, 2019	1	2,713,815	(2,713,816)	-	-
New shares issued on February 26, 2019	3,511,000	-	-	-	3,511,000
At 31 December 2019	3,511,002	2,713,815	-	(102,775)	6,122,042

The notes on pages 15 to 27 form an integral part of these financial statements.

Borchers Additives (UK) Limited
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2019

	<i>Note</i>	<i>2019</i> £	<i>2018</i> £
<i>Cash flows from operating activities</i>			
Profit/(loss) for the year		147,085	(140,480)
Adjustments to cash flows from non-cash items			
Amortization	5	547,462	296,235
Income tax expense	9	<u>57,967</u>	<u>-</u>
		752,514	155,755
<i>Working capital adjustments</i>			
Decrease in stocks	12	111,502	-
Decrease in debtors	13	128,884	351,946
(Decrease) in creditors	15	(595,124)	(452,543)
Tax paid		<u>(55,060)</u>	<u>-</u>
Net cash flow from operating activities		<u>342,716</u>	<u>55,158</u>
<i>Cash flows from investing activities</i>			
Purchase of subsidiary	11	(2,946,238)	-
Cash acquired on business combination	11	<u>24,512</u>	<u>-</u>
		(2,921,726)	-
<i>Cash flows from financing activities</i>			
Issue of share capital		<u>3,511,000</u>	<u>-</u>
<i>Net increase in cash and cash equivalents</i>			
		931,990	55,158
Cash and cash equivalents at the beginning of the year		<u>55,158</u>	<u>-</u>
<i>Cash and cash equivalents at end of year</i>		<u>987,148</u>	<u>55,158</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

1 General information

The Company is a company limited by shares, incorporated and domiciled in the UK, registered in England & Wales.

The address of the registered office and the registration number is given on page 1. The Group's principal activities are set out in the Directors' Report on page 2.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

In these financial statements, the Company has adopted FRS 102 for the first time. Accordingly, the Group and Company financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. An explanation of how the transition to FRS 102 has affected the reported financial position and financial performance of the Company is provided in note 22.

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies (see note 3).

The presentation currency of these financial statements is sterling (GBP).

All amounts in the financial statements have been rounded to the nearest £.

Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following disclosure exemptions in its individual financial statements:

- the requirements of section 7, preparation of Statement of Cash Flows;
- from the financial instrument disclosures, required under FRS 102 paragraphs, 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A, as the information is provided in the consolidated financial statement disclosures;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included;
- Key Management Personnel compensation has not been included a second time; and
- Transactions with companies within the Borchers Additives group are not disclosed.

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

Going concern

The financial statements have been prepared on a going concern basis. The Directors have concluded that this is an appropriate basis as the Group has sufficient cash and current assets to meet its liabilities as it falls due for the foreseeable future and it is expected that the Group will continue to be cash generative and profitable. At the balance sheet date, the Group had cash of £987,148 (2018: £55,158) and net current assets of £1,424,594 (2018: £221,148).

However, whilst the Group expects to be cash generative in the next 12 months, it is reliant operational on other Group companies so the Directors of the Group have also obtained assurance from Milliken Industrial Limited will be able to provide financial support to the Company if required, for a period of at least 12 months from the date of approval of the financial statements. In drawing this conclusion, the Directors, which are common for both Borchers Additives UK Limited and Milliken Industrial Limited ('Milliken'), have assessed the current cash & banking facilities of Milliken and reviewed the profit and cash forecast for the next 12 months which shows that Milliken are able to provide such support if required.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertaking drawn up to 31 December 2019.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the year are included in the Statement of Comprehensive Income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with those used by the Group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiary by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the Company and its subsidiary, which are related parties, are eliminated in full.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. The functional currency of the Group is sterling (GBP).

At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non monetary items measured at fair value are measured using the exchange rate when fair value was determined. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

Turnover

The Group derives its revenue by sale of goods, charging a commission to the sales made by the wider group's European and US companies and through recharge of cost for services.

Commission

In general the margin is charged once sales are made by the group companies. Revenue from the markup is only recognised when costs are incurred, and services provided.

Sale of goods

Invoiced value of the sales of goods and services after deduction of discounts and sales taxes. Revenue is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer.

Royalty revenue

Royalty revenue derived from holding the IP related to the Company's Borchers ® Oxy Coat product line. The Company recognises a 5% revenue royalty for all sales to external customers of Borchers Germany and Borchers Americas.

Defined Contribution Plans

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

Tax

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. For investment property that is measured at fair value, deferred tax is provided at the rate applicable to the sale of the property except for that part of the property that is depreciable and the Group's business model is to consume substantially all of the value through use. In the latter case the tax rate applicable to income tax is used.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised or that the Group has determined it is appropriate to recognise the deferred tax asset as it is recoverable due to the fact that the Group is part of a UK group for group relief purposes.

Intangible assets and goodwill

Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives range from 10-14 years for intangible assets held by the Group.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The useful economic life of goodwill is estimated to be 10 years.

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

Valuation of investments

The Company records its investments at historical cost less impairment. The investments are reviewed at each period end for signs of impairment. Should there be evidence of impairment a formal impairment review will be performed.

Financial Instruments

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade creditors are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

Interest payable

Interest payable is recognised in profit or loss as it accrues, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount. Foreign currency gains and losses are reported on a net basis.

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affect only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The Directors do not consider there are critical judgements, other than those involving estimation uncertainty.

Key source of estimation uncertainty

Impairment of intangibles

The financial statements include intangible assets including goodwill, and assumptions have been made, largely around the timing and scale of future profitability, for calculating the value in use of the intangible.

Useful economic lives of intangibles

The useful economic lives of intangible assets including goodwill, would have been appropriate based on assessment on acquisition and subsequent reviews for impairment.

4 Turnover

The analysis of the Group's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Royalty revenue	390,629	217,438
Recharge of services	681,824	585,995
Product sales	<u>2,426,048</u>	<u>-</u>
	<u>3,498,501</u>	<u>803,433</u>

By geographical market

	2019 £	2018 £
United Kingdom	538,414	-
USA	651,556	552,145
Germany	420,896	251,288
Netherlands	<u>1,887,634</u>	<u>-</u>
	<u>3,498,501</u>	<u>803,433</u>

Borchers Additives (UK) Limited
Notes to the Financial Statements
for the Year Ended 31 December 2019

5 Profit before tax

Profit before tax is stated after charging:

	2019	2018
	£	£
Amortisation - Intangibles	309,660	296,235
Amortisation - Goodwill	237,802	-
Net foreign exchange loss	<u>64,787</u>	<u>-</u>

6 Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group:

	2019	2018
	£	£
Fees for the audit of financial statements	33,000	30,000
Fees in relation to tax work (all UK entities)	-	6,860
Fees in relation to other audit services	<u>9,000</u>	<u>5,000</u>
	<u>42,000</u>	<u>41,860</u>

7 Employees

Staff costs, including Directors' remuneration, were as follows:

	2019	2018
	£	£
Wages and salaries	404,342	367,230
Social security costs	45,871	52,891
Cost of defined contribution scheme	<u>32,769</u>	<u>30,001</u>
	<u>482,982</u>	<u>450,122</u>

The average number of persons employed by the Group during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Management	2	2
Sales	<u>1</u>	<u>1</u>
	<u>3</u>	<u>3</u>

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2019 £	2018 £
Directors' emoluments	164,459	147,042
Company pension contribution	11,537	11,028
	<u>175,996</u>	<u>158,070</u>

During the year retirement benefits were accruing to 1 Director (2018: 1) in respect of defined contribution pension schemes. Other Directors are paid on behalf of another role within the group, and that their services to this Company are immaterial.

9 Taxation

Total tax expense recognised in statement of comprehensive income

	2019 £	2018 £
Current taxation		
Corporation tax on profits for the year	58,444	-
Adjustments in respect of previous periods	(477)	1,168
Total current tax	<u>57,967</u>	<u>1,168</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit/(loss) before tax	<u>205,052</u>	<u>(139,312)</u>
Profit/(loss) on multiplied by standard rate of corporation tax in the UK of 19%	38,960	(26,469)
Non-deductible expenses	47,133	-
(Utilized)/unutilized tax losses carried forward	(27,649)	26,469
Adjustments in respect of previous periods	(477)	1,168
Total tax charge for the year	<u>57,967</u>	<u>1,168</u>

Borchers Additives (UK) Limited
Notes to the Financial Statements
for the Year Ended 31 December 2019

9 Taxation (continued)

Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%. In the budget on 11 March 2020, the Chancellor of the Exchequer confirmed that the UK corporation tax rate would remain at 19% as of 1 April 2020 and would no longer reduce to 17%. Given this reduction was not substantively enacted at the balance sheet date, the deferred tax asset continues to be recognised at 17%.

10 Intangible assets

	<i>Goodwill</i>	<i>Patents</i>	<i>Group</i>	<i>Company</i>
<i>Cost</i>	<i>£</i>	<i>£</i>	<i>Total</i>	<i>Patents</i>
			<i>£</i>	<i>£</i>
At January 2019	-	2,962,335	2,962,335	2,962,335
Acquisition through business combination	2,853,624	148,477	3,002,101	-
At 31 December 2019	2,853,624	3,110,812	5,964,436	2,962,335
<i>Amortisation</i>				
At January 2019	-	582,840	582,840	582,840
Charge for the year	237,802	309,660	547,462	296,233
At 31 December 2019	237,802	892,500	1,130,302	879,073
<i>Net book value</i>				
At December 2019	2,853,624	2,218,312	4,834,134	2,083,262
At December 2018	-	2,379,495	2,379,495	2,379,495

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

11 Investments

<i>Cost</i>	<i>Company</i> £	<i>Total</i> £
At January 2019	-	-
Additions	2,946,238	2,946,238
At December 2019	2,946,238	2,946,238

Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

<i>Name of subsidiary</i>	<i>Registered office</i>	<i>Country of incorporation</i>	<i>Class of share held</i>	<i>Proportion of voting rights and shares held</i>
Borchers Catalyst (UK) Limited	Beech Hill Plant, Gidlow Lane, Wigan, England, WN6 8RN	United Kingdom	Ordinary Shares	100%

On 27 February, 2019, the Company acquired shares of Borchers Catalyst (UK) Limited, a UK based company, for a purchase price of \$4,400,000. The Company entered into the transaction to expand its product offering in the coatings market. The acquisition was funded by cash created from an issue of share capital.

The principal activity of Borchers Catalyst (UK) Limited is development of chemical catalysts, activators and accelerators for customers in industrial applications.

The fair value of assets and liabilities arising on the acquisition of Borchers Catalyst Limited were as follows:

<i>Consideration on 27 February 2019</i>	£
Cash	2,946,238
<i>Recognised amounts of identifiable assets acquired and liabilities assumed</i>	
Intangible assets	148,477
Cash and Cash equivalents	24,512
Stocks	271,328
Debtors	497,157
Creditors	(848,860)
Total identifiable net assets	92,614
Goodwill	2,853,624
	2,946,238

On the date of acquisition, the fair values of assets and liabilities assumed were in line with their respective net book values. Borchers Catalyst (UK) Limited had a pre-acquisition profit of £43,456 in 2019.

Borchers Additives (UK) Limited
Notes to the Financial Statements
for the Year Ended 31 December 2019

12 Stocks

	<i>Group</i> <i>2019</i>	<i>Group</i> <i>2018</i>	<i>Company</i> <i>2019</i>	<i>Company</i> <i>2018</i>
	£	£	£	£
Finished goods	159,827	-	-	-
	<u>159,827</u>	<u>-</u>	<u>-</u>	<u>-</u>

No stock impairment was recorded during the year (2018: £nil).

13 Debtors: amounts falling due within one year

	<i>Group</i> <i>2019</i>	<i>Group</i> <i>2018</i>	<i>Company</i> <i>2019</i>	<i>Company</i> <i>2018</i>
	£	£	£	£
Trade debtors	158,836	-	-	-
Amounts owed by group undertakings	523,958	295,020	953,024	295,020
Other debtors	926	7,242	371	7,242
Tax recoverable	-	13,185	-	13,185
	<u>683,720</u>	<u>315,447</u>	<u>953,395</u>	<u>315,447</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

14 Cash and cash equivalents

	<i>Group</i> <i>2019</i>	<i>Group</i> <i>2018</i>	<i>Company</i> <i>2019</i>	<i>Company</i> <i>2018</i>
	£	£	£	£
Cash at bank and in hand	<u>987,148</u>	<u>55,158</u>	<u>287,855</u>	<u>55,158</u>

Borchers Additives (UK) Limited
Notes to the Financial Statements
for the Year Ended 31 December 2019

15 Creditors: amounts falling due within one year

	<i>Group</i>	<i>Group</i>	<i>Company</i>	<i>Company</i>
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Trade creditors	126,671	34,224	863	34,224
Amounts owed to group undertakings	26,024	-	64,400	-
Corporation tax	80,732	-	-	-
Accruals and deferred income	<u>172,674</u>	<u>115,233</u>	<u>83,445</u>	<u>115,233</u>
	<u>406,101</u>	<u>149,457</u>	<u>148,708</u>	<u>149,457</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Share capital

	<i>2019</i>	<i>2018</i>
	<i>£</i>	<i>£</i>
Authorised, allotted, called up and fully paid		
1 (2018: 1) Ordinary shares of £1 each	1	1
Issued during the year	<u>3,511,001</u>	<u>-</u>
	<u>3,511,002</u>	<u>1</u>

1 ordinary share was issued on incorporation for £1.

On 12 February 2019, 1 ordinary share was allocated for a nominal value of £1, creating share premium which reduces the other reserve.

On 26 February 2019, 3,511,000 ordinary shares were allocated for a nominal value of £3,511,000 for cash consideration.

17 Reserves

Profit and loss account

The profit and loss is the cumulative profit and loss of the Group.

Other reserves

The other reserves include the contribution made by the immediate parent company.

Share premium

The share premium was created by transfers from other reserves, for allotment of 1 ordinary share in furtherance to contribution made by parent company.

Borchers Additives (UK) Limited
Notes to the Financial Statements
for the Year Ended 31 December 2019

18 Financial instruments

Group

Categorisation of financial instruments

	<i>Note</i>	<i>2019</i> £	<i>2018</i> £
Cash		987,148	55,158
Financial assets that are debt instruments measured at amortised cost	13	<u>683,720</u>	<u>302,262</u>
		<u>1,670,868</u>	<u>357,420</u>
Financial liabilities measured at amortised cost	15	<u>152,695</u>	<u>34,224</u>
		<u>1,518,173</u>	<u>323,176</u>

The amount of £683,720 (2018: £302,262) in financial assets that are debt instruments measured at amortised cost is made up of trade debtors £158,836 (2018: £nil), amounts owed by group undertakings £523,958 (2018: £295,020) and other debtors £926 (2018: £7,242).

The amount of £152,695 (2018: £34,224) in financial liabilities measured at amortised cost is made up of trade creditors £126,671 (2018: £34,224) and amounts owed to group undertakings £26,024 (2018: £nil).

19 Related party transactions

Group

Amounts owed by group undertakings

	<i>2019</i> £	<i>2018</i> £
Borchers Americas	256,058	139,164
Borchers Germany	<u>267,900</u>	<u>155,856</u>
	<u>523,958</u>	<u>295,020</u>

Amounts owed to group undertakings

	<i>2019</i> £	<i>2018</i> £
Borchers Germany	<u>26,024</u>	<u>-</u>

During the year, the Company recognised income of £648,149 (2018: £552,145) from Borchers Americas and £420,896 (2018: £251,288) from Borchers Germany, on account of royalties and intercompany recharge of service costs.

Company

The Company has taken advantage of the exemption in FRS 102.33.1A Related Parties Transactions for standalone financial statements, not to disclose transactions with wholly owned subsidiary undertakings of the Company consolidated within the Group.

See note 9 for disclosure of the Directors' remuneration and key management compensation.

Borchers Additives (UK) Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

20 Post balance sheet events

On 11 March 2020, the World Health Organization declared COVID-19 to be a worldwide pandemic. Given this was an event occurring after the balance sheet date, this is considered to be a non-adjusting post balance sheet event. The Company has considered the impact of COVID-19 on the Company's financial statements and due to the nature of the Group & the Company the impact has been limited to date.

21 Transition to FRS 102

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council.

For the year ended 31 December 2018, the Company prepared its financial statements in accordance with FRS 101.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2018, the Company's date of transition to FRS 102, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 102. As such, this note explains the principal adjustments made by the Company in restating its balance sheet as at 1 January 2018 prepared under FRS 101 and its previously published FRS 101 financial statements for the year ended 31 December 2018.

Under FRS 102 paragraphs 35.3 to 35.7, the Company is not required to present its opening balance sheet.

On transition to FRS 102, no adjustments were required to the previous FRS 101 reported statement of profit and loss, and opening balance sheet position as at 1 January 2018.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations - business combinations that took place prior to 1 January 2018 have not been restated.

22 Controlling party

At the year end, the Company's immediate parent company was Borchers Coatings (UK) Limited, which is incorporated in United Kingdom.

As of 31 December 2019, Company's ultimate parent company and controlling party was Borchers Group Limited, incorporated in the Cayman Islands.

On January 28, 2020, the Company was acquired by Milliken & Company, a company incorporated in the United States of America, which is the current ultimate parent and controlling party and subsequently Milliken Industrial Limited became the company's immediate parent.