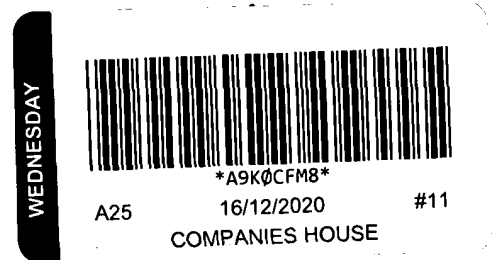


Company Registration No. 00532158 (England and Wales)

BELZONA INTERNATIONAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2019



jwpcreeers llp
CHARTERED ACCOUNTANTS

BELZONA INTERNATIONAL LIMITED

COMPANY INFORMATION

Directors	Mr R Campbell Mr J C Svendsen
Company number	00532158
Registered office	Claro Road Harrogate HG1 4AY
Auditor	JWPCreers LLP Genesis 5 Church Lane Heslington York North Yorkshire YO10 5DQ

BELZONA INTERNATIONAL LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2 - 3
Independent auditor's report	4 - 5
Group statement of comprehensive income	6
Group statement of financial position	7
Company statement of financial position	8
Group statement of changes in equity	9
Company statement of changes in equity	10
Group statement of cash flows	11
Notes to the financial statements	12 - 24

BELZONA INTERNATIONAL LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The strategic report has been prepared by the directors in accordance with section 414(a) to (d) of the Companies Act 2006 and sets out a balanced and comprehensive analysis of the developments and performance of the group's business during the financial year and the position of the group at the end of the financial period, consistent with the size and complexity of the group's business.

Principle Activity

The principle activity of the group consists of the manufacture and sale of products for the conservation and extension of asset life for machinery and equipment and buildings and structures.

Fair review of the business

Overall, 2019 was another year of turnover and profit growth, continuing the long-term upward growth trend expected by the directors.

Year-on-year revenue growth (ongoing operations) was 11.6%, with a small decline in the UK market of 1.4% being offset by growth of 14.5% in the groups export markets.

Although overheads in the year were 5.5% lower than 2018, the group continued to invest in new technology as well as product and market development in order to support the long-term growth plans of the group.

Group profit after taxation increased by 53.6% on the prior year, due to a combination of increased sales leading to higher gross profits and overhead savings.

During the year, the group took the decision to form Belzona Molecular Technology Nanjing, a wholly owned subsidiary company in China that commenced trading in 2020. This entity essentially replaced that of Belzona Hong Kong which was wound up and de-registered at the end of 2019.

Principal risks and uncertainties

As noted in previous years, the single biggest area of uncertainty remains Brexit and the outcome over trade deal negotiations. The group continues to monitor guidance issued by the Government and relevant statutory bodies to ensure the group is prepared for the deadline of 1st January 2021.

The board continues to believe that the global spread of the group's revenue will balance out regional shortfalls caused by higher tariffs or trading uncertainty post Brexit.

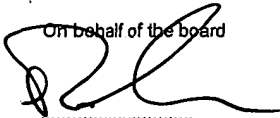
The group employs strict financial controls on expenditure, including rigorous budgeting and reporting procedures to minimise risk, whilst allowing for investment in assets, people and ongoing research and development.

The group remains committed to strong health and safety policies which are reviewed both internally and externally by a range of third party accredited organisations.

Outlook

Whilst Covid-19 has caused trading uncertainty during 2020, demand for the Belzona products and services has remained high and it is believed the group is still well placed to secure orders going forward as they arise.

On behalf of the board



Mr R Campbell

Director

02/12/2020

BELZONA INTERNATIONAL LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the period ended 31 December 2019.

Principal activities

The principal activity of the group continued to be that of the manufacture and sale of products for the conservation and extension of asset life for machinery and equipment and buildings and structures.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr R Campbell
Mr J C Svendsen

Results and dividends

The results for the period are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Future developments

The future developments of the company are disclosed in the strategic report.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

Approval of reduced disclosures

The company, as a qualifying entity, has taken advantage, in respect of its separate financial statements, of the disclosure exemptions in FRS 102 paragraph 1.12. The company's shareholders have been notified in writing about the intention to take advantage of the disclosure exemptions and no objection has been received.

The company also intends to take advantage of these exemptions in the financial statements to be issued in the following year. Objections may be served on the company by shareholders holding in aggregate 5 per cent or more of the total allocated shares in the company. They should be served no later than 31 December 2020.

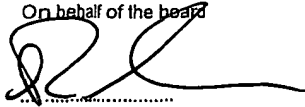
Disclosure of information in the strategic report

In accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, the directors have prepared a strategic report which can be found on page 1 of the financial statements.

BELZONA INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2019

On behalf of the board



Mr R Campbell
Director

Date: 2/12/2020

BELZONA INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BELZONA INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Belzona International Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2019 which comprise the group statement of comprehensive income, the group statement of financial position, the company statement of financial position, the group statement of changes in equity, the company statement of changes in equity, the group statement of cash flows and notes to the financial statements, 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 FRS 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 December 2019 and of the group's profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

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 our audit:

- the information given in the 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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.

BELZONA INTERNATIONAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF BELZONA INTERNATIONAL LIMITED

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, 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.

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: <http://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.



Nigel Clemit ACA FCCA (Senior Statutory Auditor)
for and on behalf of JWPCreers LLP

8/12/20

Chartered Accountants
Statutory Auditor

Genesis 5
Church Lane
Heslington
York
North Yorkshire
YO10 5DQ

BELZONA INTERNATIONAL LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Continuing operations £	Discontinued operations £	Period ended 31 December 2019 £	Continuing operations £	Discontinued operations £	Period ended 29 December 2018 £
Turnover	3	35,903,038	111,170	36,014,208	32,167,807	-	32,167,807
Cost of sales		(14,087,715)	(71,137)	(14,158,852)	(12,499,722)	-	(12,499,722)
Gross profit		21,815,323	40,033	21,855,356	19,668,085	-	19,668,085
Distribution costs		(4,071,044)	-	(4,071,044)	(3,978,189)	-	(3,978,189)
Administrative expenses		(9,099,827)	(65,213)	(9,165,040)	(9,954,064)	-	(9,954,064)
Other operating income		56,835	-	56,835	52,844	-	52,844
Operating profit	4	8,701,287	(25,180)	8,676,107	5,788,676	-	5,788,676
Interest receivable and similar income	8	51,328	4	51,332	104,325	-	104,325
Interest payable and similar expenses	9	(64)	-	(64)	-	-	-
Profit before taxation		8,752,551	(25,176)	8,727,375	5,893,001	-	5,893,001
Tax on profit	10	(1,741,756)	-	(1,741,756)	(1,329,322)	-	(1,329,322)
Profit for the financial period	24	7,010,795	(25,176)	6,985,619	4,563,679	-	4,563,679
Other comprehensive income							
Currency translation differences				(352,410)			465,844
Total comprehensive income for the period				6,633,209			5,029,523

Profit for the financial period is all attributable to the owners of the parent company.

Total comprehensive income for the period is all attributable to the owners of the parent company.

BELZONA INTERNATIONAL LIMITED

**GROUP STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Tangible assets	14		14,136,052		14,458,634
Investments	15		832		832
			<u>14,136,884</u>		<u>14,459,466</u>
Current assets					
Stocks	17	6,451,799		6,170,304	
Debtors	18	4,932,503		4,518,435	
Cash at bank and in hand		13,236,767		7,305,747	
		<u>24,621,069</u>		<u>17,994,486</u>	
Creditors: amounts falling due within one year	19	(3,633,407)		(3,724,122)	
Net current assets			<u>20,987,662</u>		<u>14,270,364</u>
Total assets less current liabilities			<u>35,124,546</u>		<u>28,729,830</u>
Creditors: amounts falling due after more than one year	20		-		(164,884)
Provisions for liabilities	21		(334,679)		(408,288)
Net assets			<u><u>34,789,867</u></u>		<u><u>28,156,658</u></u>
Capital and reserves					
Called up share capital	23		100,100		100,100
Profit & loss reserves	24		34,689,767		28,056,558
Total equity			<u><u>34,789,867</u></u>		<u><u>28,156,658</u></u>

The financial statements were approved by the board of directors and authorised for issue on 02/12/20 and are signed on its behalf by:




Mr R Campbell
Director

BELZONA INTERNATIONAL LIMITED**COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Investments	15		9,551,665		9,563,698
Current assets					
Debtors	18	17,024		-	
Creditors: amounts falling due within one year	19	(6,316,419)		(6,324,833)	
Net current liabilities			(6,299,395)		(6,324,833)
Total assets less current liabilities			<u>3,252,270</u>		<u>3,238,865</u>
Capital and reserves					
Called up share capital	23		100,100		100,100
Profit & loss reserves	24		3,152,170		3,138,765
Total equity			<u>3,252,270</u>		<u>3,238,865</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the period was £13,405 (2018 loss £39,975) and the company's total comprehensive income is £13,405 including dividends from subsidiaries of £628,417 (2018 £10,127,062 including dividends from subsidiaries of £10,167,037).

The financial statements were approved by the board of directors and authorised for issue on 02/12/20 and are signed on its behalf by:



Mr R Campbell
Director

Company Registration No. 00532158

BELZONA INTERNATIONAL LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Share capital £	Profit & loss reserves £	Total £
Balance at 31 December 2017		100,100	33,194,072	33,294,172
Period ended 29 December 2018:				
Profit for the period		-	4,563,679	4,563,679
Other comprehensive income:				
Currency translation differences		-	465,844	465,844
Total comprehensive income for the period		-	5,029,523	5,029,523
Dividends	12	-	(10,167,037)	(10,167,037)
Balance at 29 December 2018		100,100	28,056,558	28,156,658
Period ended 31 December 2019:				
Profit for the period		-	6,985,619	6,985,619
Other comprehensive income:				
Currency translation differences		-	(352,410)	(352,410)
Total comprehensive income for the period		-	6,633,209	6,633,209
Balance at 31 December 2019		100,100	34,689,767	34,789,867

BELZONA INTERNATIONAL LIMITED

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

	Share capital	Profit & loss reserves	Total
Notes	£	£	£
Balance at 31 December 2017	100,100	3,178,740	3,278,840
	<hr/>	<hr/>	<hr/>
Period ended 29 December 2018:			
Profit and total comprehensive income for the period	-	10,127,062	10,127,062
Dividends	12	(10,167,037)	(10,167,037)
	<hr/>	<hr/>	<hr/>
Balance at 29 December 2018	100,100	3,138,765	3,238,865
	<hr/>	<hr/>	<hr/>
Period ended 31 December 2019:			
Profit and total comprehensive income for the period	-	13,405	13,405
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	100,100	3,152,170	3,252,270
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

BELZONA INTERNATIONAL LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from operations	31	8,029,639		3,996,522	
Interest paid		(64)		-	
Income taxes paid		(979,967)		(1,920,902)	
Net cash inflow from operating activities		7,049,608		2,075,620	
Investing activities					
Proceeds on disposal of intangibles		-		220,552	
Purchase of tangible fixed assets		(1,139,069)		(975,947)	
Proceeds on disposal of tangible fixed assets		35,560		127,279	
Proceeds on disposal of joint ventures		-		8,270,937	
Interest received		51,332		104,325	
Net cash (used in)/generated from investing activities		(1,052,177)		7,747,146	
Financing activities					
Dividends paid to equity shareholders		-		(10,167,037)	
Net cash used in financing activities		-		(10,167,037)	
Net increase/(decrease) in cash and cash equivalents		5,997,431		(344,271)	
Cash and cash equivalents at beginning of period		7,305,747		7,453,441	
Effect of foreign exchange rates		(66,411)		196,577	
Cash and cash equivalents at end of period		13,236,767		7,305,747	

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Belzona International Limited ("the company") is a private company limited by shares, domiciled and incorporated in England and Wales. The registered office is Claro Road, Harrogate, HG1 4DS.

The group consists of Belzona International Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': compensation for key management personnel.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Belzona International Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the period are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. Turnover comprises income from the manufacture and sale of products for the conservation of machinery, equipment, buildings and structures together with income from the application of industrial repair products. Turnover is recognised when products are dispatched, apart from turnover in respect of long term contracts which is recognised as the contract progresses subject to satisfying contract conditions outside the control of the company.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only by the extent of the expenses recognised are recoverable.

1.5 Intangible fixed assets - goodwill

Goodwill is capitalised at cost. It is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

1.6 Intangible fixed assets other than goodwill

Intellectual property rights and similar assets purchased by the company are amortised to nil by equal annual instalments over their useful life.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Formulation & distribution rights	10 years
-----------------------------------	----------

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold property	50 years (excluding freehold land)
Leasehold improvements	life of lease
Fixtures, plant & machinery	3 to 20 years (includes motor vehicles depreciated over 4 years)
Tools and equipment	3 to 10 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.8 Fixed asset investments

In the parent company financial statements, investments in subsidiaries and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

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

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. For finished goods manufactured by the group cost comprises direct material cost.

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.11 Financial Instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are measured at transaction price including transaction costs. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are measured at fair value.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised at transaction price.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, 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 affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

	2019	2018
	£	£
Turnover analysed by class of business		
Sale of goods	34,014,995	30,623,703
Rendering of services	1,999,213	1,544,104
	<u>36,014,208</u>	<u>32,167,807</u>
	2019	2018
	£	£
Other significant revenue		
Interest income	51,332	104,325
Commissions received	6,593	-
Other operating income	<u>56,938</u>	<u>52,844</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

3	Turnover and other revenue	(Continued)	
		2019	2018
		£	£
	Turnover analysed by geographical market		
	United Kingdom	5,737,049	5,818,922
	Rest of the World	17,306,642	15,091,870
	The Americas	12,970,517	11,257,015
		<u>36,014,208</u>	<u>32,167,807</u>
4	Operating profit	2019	2018
		£	£
	Operating profit for the period is stated after charging/(crediting):		
	Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(49,093)	117,858
	Depreciation of owned tangible fixed assets	1,379,932	1,027,355
	(Profit)/loss on disposal of tangible fixed assets	(25,855)	55,878
	Cost of stocks recognised as an expense	9,526,561	7,689,167
	Operating lease charges	9,481	28,623
		<u>9,481</u>	<u>28,623</u>
5	Auditor's remuneration	2019	2018
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the group and company	20,500	20,000
		<u>20,500</u>	<u>20,000</u>
	For other services		
	All other non-audit services	13,325	13,000
		<u>13,325</u>	<u>13,000</u>
6	Employees		
	The average monthly number of persons (including directors) employed by the group and company during the period was:		
		Group	Company
		2019	2018
		Number	Number
	Field management	130	43
	Manufacturing and laboratory	94	60
	General administration	7	108
		<u>231</u>	<u>211</u>
	Total	<u>231</u>	<u>211</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Wages and salaries	8,026,048	7,669,088	150,000	150,000
Social security costs	622,824	630,501	-	-
Pension costs	252,569	405,689	-	-
	<u>8,901,441</u>	<u>8,705,278</u>	<u>150,000</u>	<u>150,000</u>

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	1,314,676	649,400
Company pension contributions to defined contribution schemes	60,099	64,704
	<u>1,374,775</u>	<u>714,104</u>

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	<u>431,631</u>	<u>427,229</u>

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	<u>51,332</u>	<u>104,325</u>

9 Interest payable and similar expenses

	2019	2018
	£	£
Other interest	<u>64</u>	<u>-</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

10 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	1,371,352	916,801
Adjustments in respect of prior periods	8,064	(88,227)
Total UK current tax	<u>1,379,416</u>	<u>828,574</u>
Foreign current tax on profits for the current period	430,527	240,283
Adjustments in foreign tax in respect of prior periods	(5,679)	99,203
Total current tax	<u>1,804,264</u>	<u>1,168,060</u>
Deferred tax		
Origination and reversal of timing differences	(62,508)	161,262
Total tax charge	<u>1,741,756</u>	<u>1,329,322</u>

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2019	2018
	£	£
Profit before taxation	<u>8,727,375</u>	<u>5,893,001</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,658,201	1,119,670
Tax effect of expenses that are not deductible in determining taxable profit	61,363	(25,037)
Adjustments in respect of prior years	2,077	69,095
Effect of R&D expenditure	(62,194)	(47,470)
Effect of capital allowances and depreciation	56,470	80,291
Elimination of intragroup profits - no tax effect	73,074	68,522
Extra tax on overseas earnings	73,501	143,156
Losses utilised	(58,228)	(78,905)
Short term timing differences	(62,508)	-
Taxation charge	<u>1,741,756</u>	<u>1,329,322</u>

11 Discontinued operations

Belzona (Hong Kong) Limited

A wholly owned subsidiary of the parent company, discontinued its activities in 2019 and was deregistered on 27th December 2019.

12 Dividends

	2019	2018
	£	£
Final paid	<u>-</u>	<u>10,167,037</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

13 Intangible fixed assets

Group	Goodwill Formulation & distribution rights		Total
	£	£	
Cost			
At 30 December 2018	164,500	250,000	414,500
Disposals	-	(250,000)	(250,000)
At 31 December 2019	164,500	-	164,500
Amortisation			
At 30 December 2018	164,500	250,000	414,500
Disposals	-	(250,000)	(250,000)
At 31 December 2019	164,500	-	164,500
Carrying amount			
At 31 December 2019	-	-	-
At 29 December 2018	-	-	-

The company had no intangible fixed assets at 31 December 2019 or 29 December 2018.

14 Tangible fixed assets

Group	Freehold property	Leasehold improvements	Assets under construction	Fixtures, plant & machinery	Tools and equipment	Total
	£	£	£	£	£	
Cost						
At 30 December 2018	21,835,205	49,448	84,432	2,326,069	682,706	24,977,860
Additions	766,877	-	133,431	229,820	8,941	1,139,069
Disposals	(22,076)	-	-	(201,390)	-	(223,466)
Exchange adjustments	(221,490)	322	-	(34,226)	(27,436)	(282,830)
At 31 December 2019	22,358,516	49,770	217,863	2,320,273	664,211	25,610,633
Depreciation						
At 30 December 2018	8,193,093	9,152	-	1,751,808	565,173	10,519,226
Depreciation charged in the period	1,084,079	3,441	-	245,619	46,793	1,379,932
Eliminated in respect of disposals	(22,076)	-	-	(191,685)	-	(213,761)
Exchange adjustments	(156,020)	51	-	(32,366)	(22,481)	(210,816)
At 31 December 2019	9,099,076	12,644	-	1,773,376	589,485	11,474,581
Carrying amount						
At 31 December 2019	13,259,440	37,126	217,863	546,897	74,726	14,136,052
At 29 December 2018	13,642,112	40,296	84,432	574,261	117,533	14,458,634

The company had no tangible fixed assets at 31 December 2019 or 29 December 2018.

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

15 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	16	-	-	9,550,833	9,562,866
Other investments		832	832	832	832
		<u>832</u>	<u>832</u>	<u>9,551,665</u>	<u>9,563,698</u>

Movements in fixed asset investments

Group	Other £
Cost or valuation	
At 30 December 2018 and 31 December 2019	832
Carrying amount	
At 31 December 2019	832
At 29 December 2018	832

Movements in fixed asset investments

Company	Shares in group undertakings £	Other £	Total £
Cost or valuation			
At 30 December 2018	9,562,866	832	9,563,698
Discontinued activities	(12,033)	-	(12,033)
At 31 December 2019	<u>9,550,833</u>	<u>832</u>	<u>9,551,665</u>
Carrying amount			
At 31 December 2019	<u>9,550,833</u>	<u>832</u>	<u>9,551,665</u>
At 29 December 2018	<u>9,562,866</u>	<u>832</u>	<u>9,563,698</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct
Belzona Polymerics Limited	Claro Road, Harrogate, HG1 4DS	Ordinary	100.00
Belzona Technosol Limited	As above	Ordinary	100.00
Belzona Z Limited	As above	Ordinary	100.00
Belzona Limited	As above	Ordinary	100.00
Belzona Incorporated	Miami, Florida USA	Ordinary	100.00
Belzona Great Lakes Holdings	19th Floor, 885 West Georgia St, Vancouver, BC, Canada	Ordinary	100.00

17 Stocks

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Raw materials and consumables	2,177,273	2,294,733	-	-
Finished goods and goods for resale	4,274,526	3,875,571	-	-
	<u>6,451,799</u>	<u>6,170,304</u>	<u>-</u>	<u>-</u>

18 Debtors

	Group		Company	
Amounts falling due within one year:	2019	2018	2019	2018
	£	£	£	£
Trade debtors	3,308,131	2,691,933	-	-
Corporation tax recoverable	504,793	750,670	-	-
Other debtors	375,720	528,315	-	-
Prepayments and accrued income	743,859	547,517	17,024	-
	<u>4,932,503</u>	<u>4,518,435</u>	<u>17,024</u>	<u>-</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

19 Creditors: amounts falling due within one year

	Group 2019 £	2018 £	Company 2019 £	2018 £
Trade creditors	909,317	1,232,638	-	-
Amounts owed to group undertakings	-	-	6,315,759	6,195,833
Corporation tax payable	949,281	359,760	660	129,000
Other taxation and social security	304,700	240,688	-	-
Other creditors	280	700	-	-
Accruals and deferred income	1,469,829	1,890,336	-	-
	<u>3,633,407</u>	<u>3,724,122</u>	<u>6,316,419</u>	<u>6,324,833</u>

20 Creditors: amounts falling due after more than one year

	Group 2019 £	2018 £	Company 2019 £	2018 £
Other creditors	-	164,884	-	-
	<u>-</u>	<u>164,884</u>	<u>-</u>	<u>-</u>

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company, and movements thereon:

Group	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	334,679	408,288
	<u>334,679</u>	<u>408,288</u>

The company has no deferred tax assets or liabilities.

	Group 2019 £	Company 2019 £
Movements in the period:		
Liability at 30 December 2018	408,288	-
Credit to profit or loss	(62,508)	-
Exchange adjustment	(11,101)	-
Liability at 31 December 2019	<u>334,679</u>	<u>-</u>

22 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	252,569	405,689
	<u>252,569</u>	<u>405,689</u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

22 Retirement benefit schemes (Continued)

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
100,100 Ordinary shares of £1 each	100,100	100,100
	<u> </u>	<u> </u>

The ordinary shareholders have a right to attend all General Meetings of the company and to vote at such meetings.

The ordinary shareholders have the right to receive dividends and on a return of capital on liquidation the remaining assets of the company would be returned to the holders of the ordinary shares.

24 Reserves

Profit and loss reserves

The profit and loss account reserve records retained earnings and accumulated losses. These are realised and distributable, except where specifically identified as unrealised and non-distributable.

25 Financial commitments, guarantees and contingent liabilities

A group company, Belzona Inc, had a contingent liability at the period end estimated at £157,000 (2018 £208,000) relating to distribution rights sold during prior years and recognised over the term of the distribution agreement.

26 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Within one year	54,303	92,728	-	-
Between two and five years	68,642	60,988	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	122,945	153,716	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

27 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Acquisition of tangible fixed assets	146,766	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BELZONA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2019

28 Events after the reporting date

A non-adjusting post balance sheet event occurred in relation to a new group company, Belzona Molecular Technology (Nanjing) Co. Limited. A business license was granted in the name of Belzona Molecular Technology in December 2019, but no trading activity occurred in 2019. The share capital of the company will be issued in the year to 31st December 2020.

29 Related party transactions

Transactions with related parties

During the period the group carried out a number of transactions with Belzona Global LLC, a US-registered business which has been treated as a joint venture in these accounts. Sales include bulk goods which were sold at favourable terms being the cost of production. All transactions are conducted at arm's length.

These transactions comprised:

	Sales		Purchases	
	2019	2018	2019	2018
	£	£	£	£
Group				
Belzona Global LLC	1,230,842	424,385	3,113,643	2,198,551
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
			Costs reallocated	
			2019	2018
			£	£
Group				
Belzona Global LLC			892,800	1,034,397
			<u> </u>	<u> </u>

30 Controlling party

The Ultimate Parent Company was Orbex Limited, the shares of which were held by a Trust based in Bermuda. On 30th December 2018 Orbex LLC, a company in the United States of America, purchased the share capital of Orbex Limited making it the prevailing Ultimate Parent Company. The shares in Orbex LLC are owned by Mr J Svendsen, a related party.

The group paid commission to Orbex Limited of £504,020 (2018: £1,544,896) during the year. The amount owed to Orbex Limited at the year end was £Nil (2018: £327,531). All transactions are conducted at arm's length.

31 Cash generated from group operations

	2019	2018
	£	£
Profit for the period after tax	6,985,619	4,563,679
Adjustments for:		
Taxation charged	1,741,756	1,329,322
Finance costs	64	-
Investment income	(51,332)	(104,325)
Gain on disposal of tangible fixed assets	(25,855)	(55,878)
Depreciation and impairment of tangible fixed assets	1,379,932	1,027,355
Foreign exchange gains on cash equivalents	(213,985)	156,234
Movements in working capital:		
Increase in stocks	(281,495)	(833,345)
Increase in debtors	(659,945)	(1,634,429)
Decrease in creditors	(845,120)	(452,091)
	<u> </u>	<u> </u>
Cash generated from operations	8,029,639	3,996,522
	<u> </u>	<u> </u>