# Umeco Limited

Annual report and financial statements

Registered number 00148635

For the year ended 31 December 2020

# Contents

# Strategic report

**Principal activity**

The principal activity of the Company is that of an intermediate holding company. The company continued to operate as an intermediate holding company until it disposed of all its investments to both external and internal entities between March and May 2021.

**Business Review**

The company's operations are managed under the supervision of the ultimate overseas parent company and are primarily limited to investments in subsidiary companies and financing transactions with fellow subsidiaries and the management of pension liabilities arising from pension schemes set up for former employees.

As part of a local entity reduction program, on 18 December 2020, Umeco Limited was sold by Cytec UK Holdings Ltd to its immediate parent company Cytec Engineered Materials Ltd for £113m. This transfer has no effect on the trading and function of Umeco Limited.

Loss for the financial year was £1,986,000 *(2019: loss of £40,115,000)* The loss in the prior year was due to impairment recognised on Cytec Industrial Materials (Derby) Ltd. The loss in the current year was on account of impairment recognised on Cytec Process Materials (Keighley) Limited. The company's balance sheet shows net assets of £105,210,000 *(2019: £107,995,000)*. The company remains a wholly owned subsidiary within the Solvay Group of companies. Given that the principal activity of the company is to act as a holding company on behalf of an overseas subsidiary the directors do not consider that key performance indicators are applicable.

**Section 172(1) statement**

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

*Our Stakeholders*
The directors -consider that the Company's key stakeholders are its shareholders.
The Board seeks to understand the respective interest of this stakeholder group so that these may be properly considered in the Board's decisions. We do this through various means including direct engagement by Board members, and by receiving reports and updates from members of senior management of group companies.
*Having regard to the likely consequences of any decision in the long term*
The Board is mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed. The most significant recent example of this is the decision, stemming from the adverse effects of Covid-19 and the continuing low demand in the oil& gas business, to restructure the group's operations to more closely align with current demand schedules whilst protecting the longer term ability to meet customer requirements.
*Having regard to the impact of the Company's operations on the community and the environment*
The Board supports the Groups goals and initiatives with regard to reducing adverse impacts on the environment and supporting the communities that it touches. Compliance with all legislation intended to protect people, property and the environment is a fundamental priority of the Solvay group and the Board fully supports this. Management lead by example and allocate the required resources to achieve excellence in HSE performance. The Group always seeks to be a good neighbour to the communities in which it operates, and engages positively with community representatives when called upon to do so.
*Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct*
The Board recognises the importance of operating a robust corporate governance framework. Part of the Board's remit is to monitor the Group's compliance to high standards of business conduct.
*Having regard to the need to act fairly as between members of the Company*
After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company's strategy through the long term, taking into consideration the impact on stakeholders and the need to ensure the long-term sustainability of the Company. The Directors, in doing so, act as fairly as possible between the Company's members.

## Strategic report *(continued)*

**Principal risks and uncertainties**

The investment balance as at 31 December 2020 is £17,860,000 *(2019: £19,753,000)*. The investment balance has been considered for impairment by the Directors, with an impairment loss of £1,893,000 recognised in the year *(2019: £30,423,000)*. The carrying amounts of the investments are reviewed for impairment by the Directors at each reporting date or when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

If any such indication exists, the asset's recoverable amount is estimated by the following method: the carrying amounts of the investments were reviewed against their recoverable amounts, being the greater of their fair value less costs of disposal and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

The company is not materially exposed to price risk, liquidity risk or cash flow risk.

**Post Balance Sheet Events**

On 1 March 2021 the shareholdings in Cytec-Med-Lab Ltd and Cytec Process Materials (Keighley) Ltd were sold to Composites One as part of a larger deal involving the process materials business of Solvay. The investments are shown as Investments held for sale. The consideration received amounted to £3,025,415which represented the market value of the investments. Prior to the sale Umeco received dividends from Cytec-Med-Lab Ltd (£4,200,000) and Cytec Process Materials (Keighley) Ltd (£1,400,000).

As part of the continued local entity reduction program, on 26 May 2021, Umeco Limited sold its investments in Cytec Industrial Materials (Derby) Ltd and Umeco Composites Ltd to its immediate parent Cytec Engineered Materials Ltd at a loss of £31,436. The consideration received amounted to £15,600,001. This transfer has no effect on the trading and function of Umeco Limited.

On the 12 August 2021 the Company transferred its operational trading to its immediate parent company, Cytec Engineered Materials Ltd. At this point all assets and liabilities with the exception of the Environmental provision and VAT exposure discovered during the VAT inspection during 2021, were transferred to the parent company. The transfer of trade and assets will take place at net book value with the consideration payable on this agreement to be an intercompany loan payable on demand, bearing no interest and the debt being unsecured. No objection was received from the Trustees of the pension scheme, for the transfer of the pension scheme to Cytec Engineered Materials Limited.

As part of the local entity reduction scheme Umeco Ltd carried out a share premium reduction. This took the form of reducing the share premium account by £50,947,000 and increasing the distributable reserves by the same amount. This was carried out in order to allow for a dividend payment to Cytec Engineered Materials Ltd in the amount of £30,947,000 in September 2021. There was also a subdivision of shares where the price per share was reduced from £1 per share to £0.25p per share, with no change in overall share capital.

The Company has determined that the above events (apart from the sale of Cytec-Med-Lab Ltd and Cytec Process Materials (Keighley) Ltd considered in note 8) are non-adjusting events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.

In 2020, the spread of COVID-19 has continued to severely impact 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. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences. None of the companies in which we are invested suffered any significant detrimental effect from Covid-19.

Following the impact of the 'Brexit' referendum, we will continue to monitor the risks and opportunities involved with UK leaving the EU and the company will mitigate this through the Solvay group where possible. None of the companies in which we are invested suffered any significant detrimental effect from Brexit.

## Strategic report *(continued)*

**Post Balance Sheet Events (continued)**

During 2021, the Company received a VAT inspection by HMRC and is currently awaiting the outcome of this matter. This has been disclosed as a contingent liability in note 17.

The company will cease to operate as an intermediate holding company in 2021.

Approved by the Board of Directors and signed on its behalf by

**Mark Dain**
*Director*
Composites House
Sinclair Close
Heanor
Derbyshire
DE75 7SP

Date: 23rd December 2021

# Directors' report

The directors' present the annual report and the audited financial statements for the year ended 31 December 2020.

**Directors**

The directors who held office to the date of this report and during the year are as follows:

| | |
|---|---|
| David Clears | (resigned 1 March 2021) |
| Stephen Glennon | (resigned 30 June 2020) |
| Jonathan Norris | (appointed 24 February 2021) |
| Mark Dain | (appointed 24 February 2021) |

**Dividends**

During the year and subsequently up to the date of this report no dividends were proposed or paid *(2019: £50,000,000)*.

**Directors' interests and indemnities**

None of the directors held any interests in the share capital of the Company during the year (2019: none). The Company has made qualifying third-party indemnity provisions for the benefit of its directors and the directors of the subsidiaries which remain in force at the date of this report.

**Financial risk management objectives and policies**

The Company's activities expose it to credit risk on the Company's principal financial assets, which are trade and other receivables mainly due from other Group entities. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company has no significant concentration of credit risk, with no historical issues with recoverability.

**Going concern**

As part of the Solvay group's intention to reduce the number of legal entities in the UK, the decision was taken by management in early 2021 to transfer the trade and assets of the Company to its immediate parent company, Cytec Engineered Materials Limited ('CEM'), as of 12 August 2021. The company will continue to trade up until this date, following which all existing trade will be transferred to CEM, with the exception of the management of the Environmental provision and any VAT exposure discovered during the VAT inspection during 2021. The transfer of trade and assets will take place at net book value. Up until the date of transfer, the Company will continue to be supported by the ultimate parent company, Solvay SA, and has obtained a letter of support confirming their intention to provide any necessary financial support. The directors have sought assurances from Solvay SA that they have the ability to provide any required financial support.

As a result of the intention to cease to operate as an intermediate holding company, the directors have prepared the financial statements on the basis other than that of a going concern. No adjustments arose as a result of preparing the accounts on a basis other than that of a going concern.

**Employees**

The Company is committed to being a responsible business. Our behaviour is aligned with the expectations of our people, customers, investors, communities and society as a whole. People are at the heart of or business. For it to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way. There are no persons directly employed by the company.

**Energy and Carbon Reporting**

No disclosure relating to energy and carbon reporting has been made as the company has not consumed more than 40,000 kwh of energy during the year.

**Climate change**

The Company's trading subsidiary monitors its impact on the environment while engaging in practical methods of sustainability. The subsidiary recognises the importance of its environmental responsibilities, monitors and reports its impact on the environment in accordance with its Environmental Permit and strives for continual improvement in the management of its impact on the environment through the effective use of its ISO14001 certified Environmental Management System. The Company operates in accordance with Solvay Group policies for Sustainability which are .described in the Group's annual report which does not form part of this report. Refer Note 15 from where a copy of the Group financial statements can be obtained.

## Directors' report *(continued)*

**Post balance sheet events**

The subsequent events have been set out within the strategic report and form part of this report by cross reference.

**Future developments**

Following the divestment of its investments in 2021 and the resolution of its environmental provision and VAT inspection outcome, Umeco Limited will become a dormant company.

**Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

Approved by the Board of Directors and signed on its behalf by:

**Mark Dain**
*Director*

Composites House
Sinclair Close
Heanor
Derbyshire
DE75 7SP

Date: 23rd December 2021

## Directors' responsibilities statement

The directors are responsible for preparing 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), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors 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 may differ from legislation in other jurisdictions.

# Independent auditor's report to the members of Umeco Limited

**Report on the audit of the financial statements**

**Opinion**

In our opinion the financial statements of Umeco Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
• the statement of total comprehensive income;
• the balance sheet;
• the statement of changes in equity;
• the related notes 1 to 18.
The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

**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 Financial Reporting Council's (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.

**Emphasis of Matter – Financial Statements prepared other than on a going concern basis**

We draw attention to note 1.2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

**Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**Responsibilities of directors**

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

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

# Independent auditor's report to the members of Umeco Limited (continued)

**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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:
• had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Financial Reporting Standards, UK Companies Act, pension legislation and tax legislation and;
• do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included GDPR and environmental regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

# Independent auditor's report to the members of Umeco Limited (continued)

**Report on other legal and regulatory requirements**

**Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

**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.

DocuSigned by:
Emre Saka
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**Emre Saka** (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham
United Kingdom

23 December 2021 | 12:50:21 GMT

## Statement of total comprehensive income
***for the year ended 31 December 2020***

| | *Note* | **2020 £000** | 2019 £000 |
|---|---|---|---|
| Administrative expenses | | **(244)** | (432) |
| **Operating loss** | | **(244)** | (432) |
| Interest receivable and similar income | *5* | **141** | 852 |
| Amounts written off loans/investments | *8* | **(1,893)** | (40,407) |
| Interest payable and similar expense | *6* | **(8)** | (55) |
| **Loss before taxation** | | **(2,004)** | (40,042) |
| Tax on loss | *7* | **18** | (73) |
| **Loss for the financial year** | | **(1,986)** | (40,115) |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| (Decrease)/Increase in defined benefit liability due to remeasurement | *13* | **(983)** | 1,660 |
| Charge of income tax on items that will not be reclassified to profit or loss | *7* | **184** | (282) |
| **Other comprehensive income for the year, net of income tax** | | **(799)** | 1,378 |
| **Total comprehensive expense for the year** | | **(2,785)** | (38,737) |

The results shown above are from discontinued operations

The notes on pages 13 to 29 form an integral part of these financial statements.

## Balance sheet
*as at 31 December 2020*

| | Note | 2020 £000 | 2020 £000 | 2019 £000 | 2019 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Investments | 8 | | - | | 19,753 |
| **Current assets** | | | | | |
| Debtors | 9 | 89,246 | | 89,164 | |
| Investments held for sale | 8 | 17,860 | | - | |
| | | 107,106 | | 89,164 | |
| **Creditors:** amounts falling due within one year | 10 | (89) | | (114) | |
| **Net current assets** | | | 107,017 | | 89,050 |
| **Total assets less current liabilities** | | | 107,017 | | 108,803 |
| **Non-current liabilities** | | | | | |
| Provisions for liabilities | 12 | (413) | | (424) | |
| Pension liability | 13 | (1,394) | | (384) | |
| | | | (1,807) | | (808) |
| **Net assets** | | | 105,210 | | 107,995 |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | 12,289 | | 12,289 |
| Share premium account | 14 | | 116,882 | | 116,882 |
| Other reserves | 14 | | 111 | | 111 |
| Profit and loss account | | | (24,072) | | (21,287) |
| **Shareholders' funds** | | | 105,210 | | 107,995 |

The notes on pages 13 to 29 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 23rd December 2021 and were signed on its behalf by:

MSD

**Mark Dain**
*Director*

Company registered number: 00148635

# Statement of changes in equity

| | Note | Called up share capital £000 | Share premium account £000 | Other reserve £000 | Profit and loss account £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | | 12,289 | 116,882 | 111 | 67,450 | 196,732 |
| **Total comprehensive income for the year** | | | | | | |
| Loss for the year | | - | - | - | (40,115) | (40,115) |
| *Other comprehensive expense* | | | | | | |
| Remeasurements of defined benefit liability | 13 | - | - | - | 1,660 | 1,660 |
| Income tax on items that will not be reclassified to profit or loss | | - | - | - | (282) | (282) |
| Total comprehensive expense for the year | | - | - | - | (38,737) | (38,737) |
| Dividend (£4.07 per share) | | - | - | - | (50,000) | (50,000) |
| **Balance at 31 December 2019** | | 12,289 | 116,882 | 111 | (21,287) | 107,995 |
| **Balance at 1 January 2020** | | **12,289** | **116,882** | **111** | **(21,287)** | **107,995** |
| **Total comprehensive income for the year** | | | | | | |
| Loss for the year | | - | - | - | (1,986) | (1,986) |
| *Other comprehensive expense* | | | | | | |
| Remeasurements of defined benefit liability | 13 | - | - | - | (983) | (983) |
| Income tax on items that will not be reclassified to profit or loss | | - | - | - | 184 | 184 |
| Total comprehensive expense for the year | | - | - | - | **(892)** | **(892)** |
| **Balance at 31 December 2020** | | **12,289** | **116,882** | **111** | **(24,072)** | **105,210** |

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

Umeco Limited (the "Company") is a private company limited by shares, incorporated and registered in the UK (England and Wales) under the Companies' Act 2006. Its registered address is Composites House, Sinclair Close, Heanor, Derbyshire, DE75 7SP.

The nature of the Company's operations and its principal activities are set out in the strategic report. The financial statements are presented in pounds sterling because that is the functional currency of the primary economic environment, in which the Company operates.

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

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's ultimate parent undertaking, Solvay S.A. includes the Company in its consolidated financial statements. The consolidated financial statements of Solvay S.A. are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Rue De Ransbeek 310, 1120 Brussels, Belgium.

The financial statements have been prepared on the historical cost basis as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of impairment of assets;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Solvay S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures; and
- Certain disclosures required by IFRS 15 Revenue from Contracts.
- IFRS 5 requirements for non-current assets held for sale and discontinued operations.

Where relevant, equivalent disclosures have been given in the group accounts of Solvay SA. The group accounts of Solvay SA are available to the public and can be obtained as set out in note 15.

# Notes *(continued)*
***(forming part of the financial statements)***

## 1 Accounting policies *(continued)*

**Adoption of New and Revised Standards**

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

### *1.1. Measurement convention*

The financial statements are prepared on the historical cost basis.

### *1.2. Going concern*

As part of the Solvay group's intention to reduce the number of legal entities in the UK, the decision was taken by management in early 2021 to transfer the trade and assets of the Company to its immediate parent company, Cytec Engineered Materials Limited ('CEM'), as of 12 August 2021. The company will continue to trade up until this date, following which all existing trade will be transferred to CEM, with the exception of the management of the Environmental provision and any VAT exposure discovered during the VAT inspection during 2021. The transfer of trade and assets will take place at net book value. Up until the date of transfer, the Company will continue to be supported by the ultimate parent company, Solvay SA, and has obtained a letter of support confirming their intention to provide any necessary financial support. The directors have sought assurances from Solvay SA that they have the ability to provide any required financial support.

As a result of the intention to cease to operate as an intermediate holding company, the directors have prepared the financial statements on the basis other than that of a going concern. No adjustments arose as a result of preparing the accounts on a basis other than that of a going concern.

### *1.3. Foreign currency*

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### *1.4. Financial instruments*

***Initial recognition***
Financial assets and financial liabilities comprise all assets and liabilities reflected in the balance sheet, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.
The company recognises financial assets and financial liabilities in the balance sheet when, and only when, the company becomes party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value. Financial liabilities are initially recognised at fair value, representing the proceeds received net of premiums, discounts and transaction costs that are directly attributable to the financial liability.
All regular way purchases and sales of financial assets and financial liabilities classified as fair value through profit or loss ("FVTPL") are recognised on the trade date, i.e. the date on which the company commits to purchase or sell the financial assets or financial liabilities. All regular way purchases and sales of other financial assets and financial liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

Subsequent to initial measurement, financial assets and financial liabilities are measured at either amortised cost or fair value.

# Notes *(continued)*
***(forming part of the financial statements)***

**1 Accounting policies** *(continued)*

***1.4 Financial instruments (continued)***

***Classification of financial instruments issued by the Company***

Financial instruments are classified at inception into one of the following categories, which then determine the subsequent measurement methodology:-

Financial assets are classified into one of the following three categories:-
· financial assets at amortised cost;
· financial assets at fair value through other comprehensive income (FVTOCI); or
· financial assets at fair value through the profit or loss (FVTPL).

Financial liabilities are classified into one of the following two categories:-
· financial liabilities at amortised cost; or
· financial liabilities at fair value through the profit or loss (FVTPL).

**Financial assets at amortised cost**
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:-
· the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
· the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the above two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL).

If a financial asset meets the amortised cost criteria, the company may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

**Financial assets at fair value through the profit or loss (FVTPL)**
Financial assets not otherwise classified above are classified and measured as FVTPL.

**Financial liabilities at amortised cost**
All financial liabilities, other than those classified as financial liabilities at FVTPL, are measured at amortised cost using the effective interest rate method.

**Financial liabilities at fair value through the profit or loss**
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

***Derecognition***

*Financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

# Notes *(continued)*
***(forming part of the financial statements)***

## 2 Accounting policies *(continued)*

### *1.4 Financial instruments (continued)*

***Derecognition (continued)***
*Financial liabilities*

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

***Modification of financial assets and financial liabilities***

*Financial assets*

If the terms of a financial asset are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

*Financial liabilities*

If the terms of a financial liabilities are modified, the company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual obligations from the cash flows from the original financial liabilities are deemed to expire. In this case the original financial liabilities are derecognised and new financial liabilities are recognised at either amortised cost or fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial liabilities. In this case, the company recalculates the gross carrying amount of the financial liabilities and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

### *1.5. Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

*Trade and other debtors*

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

*Trade and other creditors*

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

*Investments in subsidiaries*

Investments in subsidiaries are carried at cost less impairment.

*Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

### *1.6. Impairment excluding deferred tax assets*

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

# Notes *(continued)*
***(forming part of the financial statements)***

## 1 Accounting policies *(continued)*

### *1.6 Impairment excluding deferred tax assets (continued)*

*Financial assets (including trade and other debtors) (continued)*

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### *1.7. Employee benefits*

*Defined benefit plans*

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA and that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest).

# Notes *(continued)*

(forming part of the financial statements)

## 1 Accounting policies *(continued)*

### *1.7 Employee benefits (continued)*

The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Company is the sponsoring employer of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

### *1.8. Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

### *1.9. Expenses*

*Interest payable and similar charges*

Interest payable is recognised in profit or loss as it accrues, using the effective interest method.

### *1.10. Revenue*

*Dividend income and interest revenue*

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# Notes *(continued)*

(forming part of the financial statements)

## 1 Accounting policies *(continued)*

### *1.11. Taxation*

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

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

Deferred tax is provided on 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.

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.

### *1.12. Critical accounting judgements and key sources of estimation uncertainty*

This has been discussed in Note 16.

## 2 Auditor's remuneration

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Audit of these financial statements | **10** | 10 |

There were no fees to be paid to the auditor for non-audit work (2019: £nil).

## 3 Staff numbers and costs

The average number of persons employed by the Company during the year was nil (2019: nil).

# Notes *(continued)*

(forming part of the financial statements)

## 4 Directors' remuneration

Directors' emoluments have been borne by another group company. The directors of the company are also directors or officers of a number of the companies within the group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2020 or 31 December 2019.

## 5 Interest receivable and similar income

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Interest receivable from group undertakings | **141** | 779 |
| Interest income from third parties | **-** | 73 |
| Total interest receivable and similar income | **141** | 852 |

## 6 Interest payable and similar expense

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Net interest on net defined benefit plan assets | **8** | 55 |
| | **8** | 55 |

# Notes *(continued)*

(forming part of the financial statements)

## 7 Taxation

**Recognised in the income statement**

| | **2020** | | 2019 | |
|---|---|---|---|---|
| | **£000** | **£000** | £000 | £000 |
| *UK corporation tax* | | | | |
| Current tax on expenditure for the year | **14** | | (82) | |
| Adjustments in respect of prior years | **-** | | 1 | |
| Total current tax | | **14** | | (81) |
| *Deferred tax* | | | | |
| Origination and reversal of temporary differences | **4** | | 8 | |
| Total deferred tax | | **4** | | 8 |
| Tax on loss | | **18** | | (73) |

**Income tax recognised in other comprehensive income**

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Remeasurement of defined benefit liability | **184** | (282) |

Corporation tax is calculated at 19% *(2019: 19%)* of the estimated taxable profit for the year.

The charge for the year can be reconciled to the profit and loss account as follows;

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Loss for the year | **(2,004)** | (40,042) |
| Loss multiplied by standard tax rate of corporation tax in the UK 19% *(2019: 19%)* | **381** | 7,608 |
| Non-deductible expenses | **(3)** | (5) |
| Non-deductible intercompany loan impairment | **(360)** | (7,677) |
| Over provided in prior years | **-** | 1 |
| Total tax credit/(expense) | **18** | (73) |

In November 2019, the Prime Minister announced the intention to cancel the previously enacted reduction in corporate tax rates. This change to the UK corporation tax rate was substantively enacted on 17 March 2020 and the rate applicable from 1 April 2020 remains at 19% rather than the previously enacted reduction to 17 percent. Deferred taxes at the balance sheet date have been measured using the enacted rate of 19% (2019: 17%).

An increase to the main UK corporation tax rate to 25% from 1 April 2023 was announced in the Budget on 11 March 2021 and substantively enacted on 24 May 2021. As these changes had not been substantively enacted at the balance sheet date they are not recognised in these financial statements.

## Notes *(continued)*

(forming part of the financial statements)

### 8 Investments held for sale

**Shares in group undertakings**

| | 2020 | 2019 |
|---|---|---|
| | **£000** | £000 |
| *Cost* | | |
| **At 1 January** | **62,729** | 62,729 |
| Additions | - | - |
| Disposals | - | - |
| **At 31 December** | **62,729** | 62,729 |
| *Provisions* | | |
| **At 1 January** | **(42,976)** | (12,553) |
| Additions | **(1,893)** | (30,423) |
| Disposals | - | - |
| **At 31 December** | **(44,869)** | (42,976) |
| *Net book value* | | |
| **At 31 December** | **17,860** | 19,753 |

# Notes *(continued)*

(forming part of the financial statements)

## 8 Fixed asset investments *(continued)*

The Company has the following investments in subsidiaries:

| *Trading subsidiaries* | Registered Address Note | Class of shares held | Ownership 2020 | 2019 |
|---|---|---|---|---|
| Cytec Med-Lab Limited | i | Ordinary | **100%** | 100% |
| Cytec Industrial Materials (Derby) Limited | i | Ordinary | **100%** | 100% |
| Cytec Industrial Materials (Manchester) Limited * | i | Ordinary | **100%** | 100% |
| Cytec Process Materials (Keighley) Limited | i | Ordinary | **100%** | 100% |
| ***Dormant subsidiaries*** | | | | |
| Umeco Composites Limited | i | Ordinary | **100%** | 100% |
| Advanced Composites Group Holdings Limited | i | Ordinary | **0%** | 100% |
| Advanced Composite Components Ltd * | i | Ordinary | **0%** | 100% |
| Med-Lab International Limited | i | Ordinary | **0%** | 100% |

* indirect subsidiary

**Registered Address**

i) Composites House, Sinclair Close, Heanor, Derbyshire, DE75 7SP, U.K

The investments in Cytec Industrial Materials (Derby) Limited, Cytec Med-Lab Limited and Cytec Process Materials (Keighley) Limited are held as investments for sale, in advance of the sales to both parent company and outside interests in 2021.
An impairment of £1,893,000 was recognised in the year in recognition of the future loss on disposal Cytec Process Materials (Keighley) Limited.
Cytec Med-Lab Limited and Cytec Process Materials (Keighley) Limited were sold to a third party and Cytec Industrial Materials (Derby) Limited and Umeco Composites Limited were sold to Cytec Engineered Materials Limited, its immediate parent. Since the sale the registered address for Cytec Med-Lab Limited and Cytec Process Materials (Keighley) Limited was Copeland Street, Derby, Derbyshire, DE1 2PU and the names were changed to Aerovac Med-Lab Ltd and Aerovac Keighley Ltd respectively.

Med-Lab International Limited, Advanced Composites Group Holdings Limited and Advanced Composite Components Limited were dissolved on 13th October 2020.

Umeco Composites Limited ceased to actively trade during 2019 in anticipation of capital restructure and dissolution in 2021.

The principal activities for the above trading subsidiaries are:

Cytec Med-Lab Limited: Distribution of chemicals and fuel testing equipment to aerospace and petroleum industries
Cytec Industrial Materials (Derby) Limited and Cytec Industrial Materials (Manchester) Limited: manufacture and supply of impregnated composite materials
Cytec Process Materials (Keighley) Limited: Distribution of a range of consumable products used within the composite materials industry

# Notes *(continued)*

(forming part of the financial statements)

## 9 Debtors

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Amounts owed by fellow undertakings/subsidiary s bearing interest | **88,967** | 89,074 |
| Other debtors | **19** | 18 |
| Deferred tax assets (note 11) | **260** | 72 |
| | **89,246** | 89,164 |
| Due within one year | **88,991** | 89,097 |
| Due after more than one year | **255** | 67 |
| | **89,246** | 89,164 |

Amounts owed by fellow subsidiary is towards cash pool held with another fellow group undertaking and is unsecured, non-interest bearing and repayable on demand.

## 10 Creditors: amounts falling due within one year

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Amounts owed to fellow subsidiary undertakings | **-** | 12 |
| Corporation Tax | **68** | 82 |
| Accruals and deferred income | **21** | 20 |
| | **89** | 114 |

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

# Notes *(continued)*

(forming part of the financial statements)

## 11 Deferred tax assets

Deferred tax assets are attributable to the following:

| | 2020 £000 | 2019 £000 |
|---|---|---|
| Employee benefits | **255** | 65 |
| Other | **5** | 7 |
| Tax assets | **260** | 72 |

*Movement in deferred tax during the year*

| | 1 January 2019 £000 | Recognised in other comprehensive income £000 | 31 December 2019 £000 | Recognised in other comprehensive income £000 | 31 December 2020 £000 |
|---|---|---|---|---|---|
| Employee benefits | 338 | (273) | 65 | 190 | 255 |
| Other | 8 | (1) | 7 | (2) | 5 |
| | 346 | (274) | 72 | 188 | 260 |

## 12 Other Provisions

| | Deferred Tax liability £000 | Indemnity Claim £000 | Environmental costs £000 | Total £000 |
|---|---|---|---|---|
| Balance at 1 January 2020 | 332 | 67 | 25 | 424 |
| Provision used during the year | - | - | (8) | (8) |
| Decrease in provision for the year | - | - | (3) | (3) |
| **Balance at 31 December 2020** | **332** | **67** | **14** | **413** |

The deferred tax liability relates to capital gain tax liabilities that could arise if certain assets related to current subsidiaries were disposed of in the future. The indemnity claim relates to capital gain tax liabilities that could arise if certain assets related to former subsidiaries were disposed of in the future. The environmental costs relate to work at a site in Toulouse, France, formerly operated by Umeco Repair & Overhaul. Due to the nature of the costs, the period over which the provision is expected to be utilised is difficult to determine but is currently expected to be between one and two years.

# Notes *(continued)*

(forming part of the financial statements)

## 13 Pension Liability (Employee benefits)

Umeco Limited, along with other group companies, participates in the Umeco Pension and Life Assurance Plan which has two schemes, a defined benefit scheme (which was closed to new entrants in 2000 and future accruals in 2011) ("the scheme") and a defined contribution scheme.

The assets of the defined benefit scheme are held separately from those of the company, being invested by independent fund managers. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

*Movements in net defined benefit liability*

| | **Defined benefit obligation** | | **Fair value of plan assets** | | **Asset ceiling** | | **Net defined benefit liability (asset)** | |
|---|---|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Balance at 1 January | **22,992** | 22,129 | **(22,608)** | (20,140) | - | - | **384** | 1,989 |
| **Included in profit or loss** | | | | | | | | |
| Past service cost | **19** | - | - | - | - | - | **19** | - |
| Administration cost | - | - | - | - | - | - | - | - |
| Interest cost/(income) | **449** | 597 | **(441)** | (542) | - | - | **8** | 55 |
| | **468** | 597 | **(441)** | (542) | - | - | **27** | 55 |
| **Included in OCI** | | | | | | | | |
| Remeasurements' loss/(gain): | | | | | | | | |
| Actuarial loss (gain) due to | | | | | | | | |
| *Changes in demographic assumptions* | **86** | (449) | - | - | - | - | **86** | (449) |
| *Changes in financial assumptions* | **2,819** | 2,328 | - | - | - | - | **2,819** | 2,328 |
| *Scheme experience* | **(217)** | (770) | - | - | - | - | **(217)** | (770) |
| Return on plan assets excluding interest income | - | - | **(1,705)** | (2,769) | - | - | **(1,705)** | (2,769) |
| | **2,688** | 1,109 | **(1,705)** | (2,769) | - | - | **983** | (1,660) |
| **Other** | | | | | | | | |
| Contributions paid by the employer | - | - | - | - | - | - | - | - |
| Benefits paid | **(1,145)** | (843) | **1,145** | 843 | - | - | - | - |
| **Balance at 31 December** | **25,003** | 22,992 | **(23,609)** | (22,608) | - | -- | **1,394** | 384 |

# Notes *(continued)*

(forming part of the financial statements)

## 13 Pension Liability (Employee benefits) *(continued)*

| **Plan assets** | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| Equity instruments | **12,418** | 11,663 |
| Corporate bonds | **4,243** | 4,319 |
| Liability Driven Investment | **6,746** | 6,469 |
| Other (cash) | **202** | 157 |
| | **23,609** | 22,608 |

### Actuarial assumptions

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

| | **2020** | 2019 |
|---|---|---|
| | **%** | % |
| Discount rate | **1.25** | 2.00 |
| Inflation RPI /CPI | **2.75 /2.00** | 3.00/1.90 |
| Future increases in deferred pensions | **2.00** | 1.90 |
| Rate of increase in pensions payment – CPI subject to a maximum of 3% | **1.80** | 1.75 |
| Rate of increase in pensions payment – RPI subject to a maximum of 5% | **2.70** | 2.90 |

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 21.3 years (male), 23.2 years (female).
- Future retiree upon reaching 65: 22.4 years (male), 24.4 years (female).

An actuarial valuation was undertaken as at 31 March 2019 and was updated for FRS 101 purposes to 31 December 2020 by a qualified independent actuary.

***Funding***

The Company expects to contribute £nil to its defined benefit plan in the next financial year.

## 14 Capital and reserves

### Share capital

| | **2020** | 2019 |
|---|---|---|
| | **£000** | £000 |
| ***Authorised, Allotted, called up and fully paid*** | | |
| 12,289,000 (2019; 12,289,000) ordinary shares of £1 each | **12,289** | 12,289 |
| Shares classified in shareholders' funds | **12,289** | 12,289 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company's reserves are as follows:
The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.
The profit and loss account represents cumulative profits or losses net of dividends paid and other adjustments.

# Notes *(continued)*

**(forming part of the financial statements)**

## 15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Cytec UK Holdings Limited. The immediate parent is Cytec Engineered Materials Limited. The ultimate parent is Solvay SA, incorporated in Belgium.

The Company is a wholly owned subsidiary of Solvay S.A., a Company registered in Belgium and listed NYSE Euronext Stock Exchange in Brussels and Paris, which represents the largest and smallest group that consolidates these financial statements and the ultimate controlling party. Copies of these financial statements can be obtained from the registered office of Solvay S.A. at 310 Rue de Ransbeek, 1120 Brussels, Belgium.

## 16 Accounting estimates and judgements

***Key sources of estimation uncertainty***

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

*Defined benefit pension scheme*

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. For further details on the assumptions made, see note 13.

*Impairment*

Investments in subsidiaries are carried at cost less impairment. They are assessed at each reporting date to determine whether there is objective evidence that the asset is impaired. Amounts written off in investments during the year was £1,893,000 *(2019: £30,423,000).*

***Critical accounting judgements in applying the Company's accounting policies***

The directors do not consider that there are any critical accounting judgements in applying the Company's accounting policies.

## 17 Contingent liability

During 2021, the Company received a VAT inspection by HMRC and is currently awaiting the outcome of this matter.

# Notes *(continued)*

**(forming part of the financial statements)**

## 18 Post balance sheet events

On 1 March 2021 the shareholdings in Cytec-Med-Lab Ltd and Cytec Process Materials (Keighley) Ltd were sold to Composites One as part of a larger deal involving the process materials business of Solvay. The investments are shown as Investments held for sale. The consideration received amounted to £3,558,000 which represented the market value of the investments. Prior to the sale Umeco received dividends from Cytec-Med-Lab Ltd (£4,200,000) and Cytec Process Materials (Keighley) Ltd (£1,400,000).

As part of the continued local entity reduction program, on 26 May 2021, Umeco Limited sold its investments in Cytec Industrial Materials (Derby) Ltd and Umeco Composites Ltd to its immediate parent Cytec Engineered Materials Ltd at a loss of £31,436. The consideration received amounted to £15,600,001. This transfer has no effect on the trading and function of Umeco Limited.

On the 12 August 2021 the Company transferred its operational trading to its immediate parent company, Cytec Engineered Materials Ltd. At this point all assets and liabilities with the exception of the Environmental provision and VAT exposure discovered during the VAT inspection during 2021, were transferred to the parent company. The transfer of trade and assets will take place at net book value with the consideration payable on this agreement to be an intercompany loan payable on demand, bearing no interest and the debt being unsecured. No objection was received from the Trustees of the pension scheme, for the transfer of the pension scheme to Cytec Engineered Materials Limited.

As part of the local entity reduction scheme Umeco Ltd carried out a share premium reduction. This took the form of reducing the share premium account by £50,947,000 and increasing the distributable reserves by the same amount. This was carried out in order to allow for a dividend payment to Cytec Engineered Materials Ltd in the amount of £30,947,000 in September 2021. There was also a subdivision of shares where the price per share was reduced from £1 per share to £0.25p per share, with no change in overall share capital.

The Company has determined that the above events (apart from the sale of Cytec-Med-Lab Ltd and Cytec Process Materials (Keighley) Ltd considered in note 8) are non-adjusting events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.

In 2020, the spread of COVID-19 has continued to severely impact 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. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences. None of the companies in which we are invested suffered any significant detrimental effect from Covid-19.

Following the impact of the 'Brexit' referendum, we will continue to monitor the risks and opportunities involved with UK leaving the EU and the company will mitigate this through the Solvay group where possible. None of the companies in which we are invested suffered any significant detrimental effect from Brexit.

During 2021, the Company received a VAT inspection by HMRC and is currently awaiting the outcome of this matter. This has been disclosed as a contingent liability in note 17.

The company will cease to operate as an intermediate holding company in 2021.