

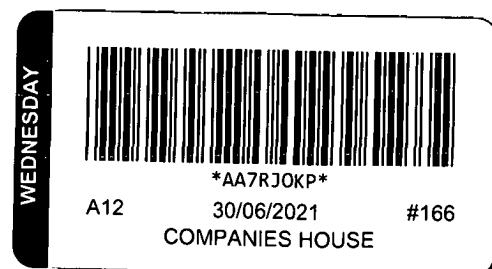
CMC Materials UPC Limited

(Formerly KMG Ultra Pure Chemicals Limited)

Annual report and financial statements

Registered number 01050948

30th September 2020



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Company information

Directors	H. Carol Bernstein Eckstein Daniel Dean Woodland
Company secretary	Law Debenture Corporate Services Ltd 8 th Floor, 100 Bishopsgate London EC2N 4AG
Business address	Amber Business Centre Riddings Alfreton Derbyshire DE55 4DA
Registered office	Law Debenture Corporate Services Limited 8th Floor, 100 Bishopsgate London EC2N 4AG
Auditor	KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ
Banker	Barclays Bank PLC Luton Corporate Banking Centre PO Box 729 Eagle Point 1 Capability Green Luton Bedfordshire LU1 3US

Strategic report

The directors present their strategic report for the period ended 30 September 2020.

Principal activities

The principal activity of the Company is the manufacture and sale of highly purified chemicals.

Results

	Year ended 30 Sept 2020	14 month period ended 30 Sept 2019
	£000	£000
Turnover	14,151	17,611
Loss before taxation	(293)	(504)
Tax charge on profit	(53)	43
Loss after taxation for the financial year	(346)	(461)

Business KPIs

Key Performance Indicators	Definition	Ratio	
		Year ended 30 Sept 2020	14 months ended 30 Sept 2019
Gross Profit %	GP/Turnover	23%	27%
Operating Profit%	OP/Turnover	(2.0%)	(2.9%)
Operating working capital turns	Annualised turnover/(Trade debtors + stocks - trade creditors)	4.5	5.1
Inventory turns	Annualised COS/stocks	6.4	6.1

Business Review

On 15 November 2018, the ultimate parent company, KMG Chemicals Inc., was acquired by CMC Materials Inc (formerly Cabot Microelectronics Corporation). The ultimate parent undertaking is therefore CMC Materials Inc (formerly Cabot Microelectronics Corporation), a company registered in the United States of America and listed on the Nasdaq stock market.

Annualised turnover fell for the period ended 30 September 2020 by £0.9m, which was due to reduction of intercompany turnover of £0.2m pro-rata and external turnover reduction of £0.7m. As highlighted in the KPIs above the gross margin reduced by 4%, due to the changes in the mix of turnover and raw materials.

Outlook

CMC Materials UPC Ltd plan to continue to develop existing product ranges and introduce new products and services in the future. Continued investments in plant and technical support will enhance the level of service and match the future market growth. The Company follows a policy of supporting a level of research activities commensurate with the current and future requirements of the business. Research and development costs incurred in the year totalled £147,000 (14 month period ended 30 September 2019: £155,000).

For financial year 2021, the company has embarked on strategic price increases across niche product groups to help improve profitability.

Strategic report *(continued)*

Principal risks and uncertainties

The Company is not dependent on one major customer; however the top ten customers comprise approximately 75% of total turnover with the top customer comprising approximately 12% of total turnover.

The risks and uncertainties of the impact of COVID on the business in terms of any lost revenue and additional costs have been assessed and considered insignificant.

Credit checks are carried out on all customers and the appropriate credit limit set prior to an account being opened, further credit checks are then performed on an ad-hoc basis.

The Company makes purchases and sales in US Dollars and Euros and is therefore exposed to movements in exchange rates. No hedging activities take place and purchases in foreign currencies are made at the spot rate.


Brexit has had no impact on the performance of the Company as reported in these statutory accounts. The Company both imports and exports within the European Union and is therefore exposed to any duties added between the United Kingdom and Europe as a result of Brexit. For financial year 2021 BREXIT is forecast to cost an additional £30,000 total annualised in both duties and additional import clearance costs.

The Company takes quality and health & safety standards seriously and is certified in the following:

- ISO 9001:2000 (Quality)
- ISO 14001 (Environmental)
- OHSAS 18001 (Health & Safety)

To ensure continued certification the company also has a dedicated H&S professional who manages compliance of quality and health and safety standards along with regular internal audits, and annual external audits carried out by the relevant professional bodies.

By order of the board

DocuSigned by:

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H. Carol Bernstein Eckstein
Director

Date: 28th June 2021

Directors' report

The directors present their report and financial statements for the period ended 30 September 2020.

Directors

The directors who served during the year were as follows:

- H. Carol Bernstein Eckstein
- Daniel Dean Woodland

Dividends

The directors proposed and paid a dividend of £nil (2019: £nil).

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Throughout the period since the COVID19 pandemic has impacted the UK, the company has continued to trade at levels very close to those generated by the Company in the period prior to COVID19. Consequently the Company has not seen a marked reduction in revenues as a result of the social restriction measures implemented by the UK government, and in other countries around the globe, with the demand for the Company's products continuing to be sustained.

During the year the Company has continued to invest in the fixed asset base of the business to support the longer term strategy and growth of the Company. This was funded in part by an €800,000 short-term loan from a related party, which has been repaid in full. Further capital expenditure is forecast in the coming months.

The directors have prepared cash flow forecasts for the period to September 2022, which include further capital expenditure to support the anticipated future revenue growth of the Company. In performing this analysis, the Company has more than sufficient headroom in its available resources, all of which is from the Company's current cash holding. Whilst there has been no significant deterioration in the performance of the Company as a result of the COVID19 pandemic, the directors acknowledge that the unprecedented economic environment has created uncertainty, and have therefore modelled potential stress scenarios, namely a sustained reduction in demand over the entirety of the forecast period. In modelling these scenarios, certain mitigating measures (all of which are within the company's control) are included, namely the deferral of the aforementioned capital expenditure. Within these scenarios, the Company is still forecast to have sufficient headroom against its available resources.

Within these forecasts the Company continue to anticipate ongoing trade with other entities within the wider CMC Group. The Directors have therefore given due consideration to the going concern of the CMC Group. CMC Materials, Inc is listed in the United States of America, and the Company's directors have reviewed the latest filed accounts, the latest quarterly announcements and forward-looking statements to assess the ability of the Group to continue as a going concern. These procedures indicate that the group will be able to continue to operate within its facilities through the going concern period.

Therefore, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis of accounting in preparing these financial statements.

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

By order of the board

DocuSigned by:

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H. Carol Bernstein Eckstein
Director

Date: 28th June 2021

CMC Materials, UPC Ltd
(Formerly KMG Ultra Pure Chemicals Limited)
Law Debenture
Corporate Services Limited
8th Floor, 100 Bishopsgate
London EC2N 4AG

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standards applicable in the UK and republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CMC MATERIALS UPC LIMITED

Opinion

We have audited the financial statements of CMC Materials UPC Limited ("the company") for the year ended 30 September 2020 which comprise the profit and loss account and other comprehensive income, balance sheet, and related notes, including the accounting policies in note 1

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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

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

Strategic report and directors' report

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

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

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or



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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Adam Craig'.

Adam Craig (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House, Park Row
Nottingham, NG1 6FQ

Dated: 30 June 2021

Profit and loss account and other comprehensive income
for the year ended 30th September 2020

	<i>Note</i>	Year ended 30 Sept 2020	14 month period ended 30 Sept 2019
		£000	£000
Turnover	2	14,151	17,611
Cost of sales		(10,854)	(12,856)
Gross profit		<u>3,297</u>	<u>4,755</u>
Distribution expenses		(2,104)	(2,941)
Administrative expenses		(1,474)	(2,318)
Operating loss	3	<u>(281)</u>	<u>(504)</u>
Interest payable and similar charges		(12)	-
Loss before taxation		(293)	(504)
Tax on loss	6	(53)	43
Loss for the financial year/period		<u><u>(346)</u></u>	<u><u>(461)</u></u>

During both the current year and preceding financial period there were no gains or losses other than those recorded in the profit and loss account.

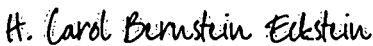
In both the current year and preceding financial period, the Company made no material acquisitions and had no discontinued operations.

*CMC Materials UPC Limited
(Formerly KMG Ultra Pure Chemicals Limited)
Annual report and financial statements
30th September 2020*

Balance sheet
at 30 September 2020

	<i>Note</i>	30 Sept 2020	30 Sept 2019
		£000	£000
Fixed assets			
Tangible assets	7	4,885	4,109
Current assets			
Stocks	8	1,699	1,804
Debtors	9	3,158	3,734
Cash at bank and in hand	10	1,493	1,447
		<u>6,350</u>	<u>6,985</u>
Creditors: amounts falling due within one year	11	<u>(4,752)</u>	<u>(4,265)</u>
Net current assets		<u>1,598</u>	<u>2,720</u>
Total assets less current liabilities		<u>6,483</u>	<u>6,829</u>
Net assets		<u>6,483</u>	<u>6,829</u>
Capital and reserves			
Called up share capital	13	1,469	1,469
Profit and loss account		5,014	5,360
Shareholders' funds		<u>6,483</u>	<u>6,829</u>

These financial statements were approved by the board of directors on 28th June 2021 and were signed on its behalf by:

DocuSigned by:

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H. Carol Bernstein Eckstein
Director

Company registered number: 01050948

*CMC Materials UPC Limited
(Formerly KMG Ultra Pure Chemicals Limited)
Annual report and financial statements
30th September 2020*

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 August 2018	1,469	5,821	7,290
Total comprehensive income for the period			
Loss for the period	-	(461)	(461)
Balance at 30 September 2019	<u>1,469</u>	<u>5,360</u>	<u>6,829</u>
Balance at 1 October 2019	1,469	5,360	6,829
Total comprehensive income for the year			
Loss for the year	-	(346)	(346)
Balance at 30 September 2020	<u><u>1,469</u></u>	<u><u>5,014</u></u>	<u><u>6,483</u></u>

Notes

(forming part of the financial statements)

1 Accounting policies

CMC Materials UPC Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The registered number is 01050948 and the registered office is Law Debenture Corporate Services Limited, 8th Floor, 100 Bishopsgate, London EC2N 4AG.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, CMC Materials Inc (formerly Cabot Microelectronics Corporation) includes the Company in its consolidated financial statements. The consolidated financial statements of CMC Materials Inc (formerly Cabot Microelectronics Corporation) are available to the public and may be obtained from 870 N. Commons Drive, Aurora, Illinois, 60504, USA. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period; and
- Cash Flow Statement and related notes.

As the consolidated financial statements of CMC Materials Inc (formerly Cabot Microelectronics Corporation) include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS 102.26 *Share Based Payments*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going Concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

Throughout the period since the COVID19 pandemic has impacted the UK, the company has continued to trade at levels very close to those generated by the Company in the period prior to COVID19. Consequently the Company has not seen a marked reduction in revenues as a result of the social restriction measures implemented by the UK government, and in other countries around the globe, with the demand for the Company's products continuing to be sustained.

During the year the Company has continued to invest in the fixed asset base of the business to support the longer term strategy and growth of the Company. This was funded in part by an €800,000 short-term loan from a related party, which has been repaid in full. Further capital expenditure is forecast in the coming months.

The directors have prepared cash flow forecasts for the period to September 2022, which include further capital expenditure to support the anticipated future revenue growth of the Company. In performing this analysis, the Company has more than sufficient headroom in its available resources, all of which is from the Company's current cash holding. Whilst there has been no significant deterioration in the performance of the Company as a result of the COVID19 pandemic, the directors acknowledge that the unprecedented

Notes (continued)

1 Accounting policies (continued)

1.2 Going Concern (continued)

economic environment has created uncertainty, and have therefore modelled potential stress scenarios, namely a sustained reduction in demand over the entirety of the forecast period. In modelling these scenarios, certain mitigating measures (all of which are within the company's control) are included, namely the deferral of the aforementioned capital expenditure. Within these scenarios, the Company is still forecast to have sufficient headroom against its available resources.

Within these forecasts the Company continue to anticipate ongoing trade with other entities within the wider CMC Group. The Directors have therefore given due consideration to the going concern of the CMC Group. CMC Materials, Inc is listed in the United States of America, and the Company's directors have reviewed the latest filed accounts, the latest quarterly announcements and forward-looking statements to assess the ability of the Group to continue as a going concern. These procedures indicate that the group will be able to continue to operate within its facilities through the going concern period.

Therefore, the Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of not less than 12 months from the date of this report. For this reason, the Company continues to adopt the going concern basis of accounting in preparing these financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency 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. 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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the

case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property whose fair value cannot be measured reliably without undue cost or effort.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- short leasehold buildings - over the remaining life of the lease
- plant and machinery - 3 to 11 years
- fixtures, fittings, tools and equipment - 3 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.7 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.8 Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

Notes (continued)

1 Accounting policies (continued)

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10 Impairment excluding stocks and 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.

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. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. 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 stocks and 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

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 respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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 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.

Notes (continued)

1 Accounting policies (continued)

1.11 Employee benefits

Defined contribution plans and other long term employee benefits

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

1.12 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 recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

1.13 Turnover

Turnover represents sales of goods and services at invoiced value exclusive of value added tax and discounts. The point of sale is the point of despatch, except for goods sold on a consignment basis where the point of sale is when the customer notifies the business of usage.

1.14 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the Company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in 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 timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2020 £000	2019 £000
Sale of goods	14,151	17,611
	<u>14,151</u>	<u>17,611</u>
	2020 £000	2019 £000
<i>By geographical market:</i>		
United Kingdom	6,841	8,656
Europe	5,895	6,990
Rest of world	1,415	1,965
	<u>14,151</u>	<u>17,611</u>

3 Expenses and Auditor's remuneration

	2020 £000	2019 £000
Depreciation of tangible fixed assets	927	1,111
Research and development expenditure	147	155
Exchange Loss/(Gain)	30	(9)
Payments under operating leases:		
– hire of plant and machinery	195	243
– land and buildings	347	400
	<u>36</u>	<u>31</u>
Audit of these financial statements	<u>36</u>	<u>31</u>

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	2020	2019
Production	21	21
Administration	38	38
	<u>59</u>	<u>59</u>

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	2,342	2,416
Social security costs	207	244
Contributions to defined contribution plans	130	141
Share based payments	15	270
	<u>2,694</u>	<u>3,071</u>

The company is a member of a group share-based payment plan, and it recognises and measures its share-based payment expense on the basis of a reasonable allocation of the expense recognised for the group. The basis for reasonable allocation is the amounts attributable only to those individuals that are employed by CMC Materials UPC Ltd. The share based payments scheme is available to certain employees who are granted a target number of shares with the vesting number dependant on overall company performance. These have a vesting period of three years from grant date. Any shares vested in the period are for stock in the ultimate parent at the prevailing market rate.

5 Directors' remuneration

The directors received no emoluments for their services to the Company during the period (2019: £nil). This is on the basis that the Directors' emoluments have been borne by the shareholders of the Company, the services provided by the Directors to the Company are insignificant and an amount in respect of those services provided by the Directors cannot realistically be attributed.

6 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2020		2019	
	£000	£000	£000	£000
<i>Current tax</i>				
Current tax on income for the period		-		-
Total current tax		-		-
<i>Deferred tax (see note 12)</i>				
Origination and reversal of timing differences	(51)		(41)	
Adjustments in respect of prior periods	-		(2)	
Losses for which no deferred tax asset was recognised	128		-	
Effect of tax rate change on opening balance	(24)		-	
Total deferred tax		53		(43)
Total tax		<u>53</u>		<u>(43)</u>

Notes (continued)

6 Taxation (continued)

Reconciliation of effective tax rate

	2020 £000	2019 £000
Loss for the year/period	(346)	(461)
Total tax charge/(credit)	53	(43)
Loss excluding taxation	(293)	(504)
Tax using the UK corporation tax rate of 19% (2019: 19%)	(56)	(96)
Fixed asset differences	7	-
Impact of changes in tax rate on deferred tax balances	(24)	2
Disallowable expenses	1	53
Other permanent differences	(3)	-
Losses for which no deferred tax asset was recognised	128	-
Adjustment in respect of prior periods	-	(2)
Total tax credit included in profit or loss	53	(43)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 30 September 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset/(liability) as at 30 September 2020 had been calculated based on this rate. In addition to the deferred tax asset recognised in the balance sheet, the company also has unrecognised tax losses to carry forward to future periods of £674,000.

7 Tangible fixed assets

	Short leasehold Buildings £000	Plant & machinery £000	Fixtures, fittings, tools & equipment £000	Assets under Construction £000	Total £000
Cost					
Balance at 1 October 2019	1,227	15,477	1,110	-	17,814
Additions	-	982	29	-	1,011
Assets under construction	-	-	-	706	706
Disposals	-	(77)	-	-	(77)
Balance at 30 September 2020	1,227	16,382	1,139	706	19,454
Depreciation and impairment					
Balance at 1 October 2019	967	11,950	788	-	13,705
Depreciation charge for the period	60	764	103	-	927
Disposals	-	(63)	-	-	(63)
Balance at 30 September 2020	1,027	12,651	891	-	14,569
Net book value					
At 30 September 2020	200	3,731	248	706	4,885
At 30 September 2019	260	3,527	322	-	4,109

Notes (continued)

8 Stocks

	2020 £000	2019 £000
Raw materials	847	907
Work in progress	68	84
Finished goods and goods for resale	784	813
	<u>1,699</u>	<u>1,804</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the period amounted to £6,630,000 (2019: £8,284,000).

9 Debtors

	2020 £000	2019 £000
Trade debtors	2,268	2,289
Amounts owed by related parties	497	606
Deferred tax assets (note 12)	150	203
Prepayments	243	636
	<u>3,158</u>	<u>3,734</u>
Due within one year	3,158	3,734
Due after more than one year	-	-
	<u>3,158</u>	<u>3,734</u>

The amounts owed by related parties are unsecured and incur no interest.

10 Cash and cash equivalents

	2020 £000	2019 £000
Cash at bank and in hand	1,493	1,447

11 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	837	1,119
Amounts owed to related parties	2,951	2,127
Taxation and social security	95	65
Accruals	869	954
	<u>4,752</u>	<u>4,265</u>

The amounts owed to related parties are unsecured and incur no interest.

Notes (continued)

12 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Accelerated capital allowances	-	7	(169)	-	(169)	7
Losses	319	196	-	-	319	196
	<u>319</u>	<u>203</u>	<u>(169)</u>	<u>-</u>	<u>150</u>	<u>203</u>
Net deferred tax assets	319	203	(169)	-	150	203

13 Capital and reserves

Share capital

	2020 £000	2019 £000
<i>Allotted, called up and fully paid</i>		
1,468,800 Ordinary of £1 each	1,469	1,469

14 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2020 £000	2019 £000
Less than one year	465	451
Between one and five years	1,277	1,296
More than five years	15	356
	<u>1,757</u>	<u>2,103</u>

15 Commitments

Capital commitments

At the year end there were Capital Commitments in place of £632,000 (2019: £770,000)

16 Pension commitments

The Company operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the Company to the fund and amounted to £130,000 for the year ended 30 September 2020 (2019: £141,000). At the year end the amount of contributions outstanding was £nil (2019: £nil).

17 Contingent liability

Barclays Bank plc holds a guarantee of £16,000 (2019: £16,000) in respect of HM Revenue & Customs duty deferment scheme.

Notes (continued)

18 Related parties

The Company has taken the exemption available in section 33 of FRS 102 to not disclose transactions between entities, where 100% of voting rights are controlled within the Group.

Key management personnel

The key management personnel of the Company is deemed to be the directors. Details of their remuneration can be found in note 5.

19 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS102 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The directors consider the following to be critical estimates and judgements applicable to the financial statements:

Note 7 Impairment of tangible fixed assets

The company consider at each year-end whether there is any indication that an asset may be impaired. If any such indication exists then an estimate of the recoverable amount of the asset is made and this compared to the carrying value of the asset. The recoverable amount of an asset is the higher of its fair value less cost to sell and its value in use and the estimate of these values require judgement.

Note 8 Assessment of carrying value of stock at the lower of cost and net realisable value

The Company consider stock items within both raw materials and finished goods to determine whether the cost of the items are fully recoverable. This assessment is made based on both the age of the items and the anticipated demand. For any stock items where the cost of the stock is not expected to be recovered in full, a provision is made to ensure that the stock is held at the lower of cost and net realisable value.

20 Ultimate parent company and parent company of larger group

The immediate parent undertaking is CMC Materials UK Limited, a company registered in England and Wales with registered address of Law Debenture, Corporate Services Limited, 8th Floor, 100 Bishopsgate, London, EC2N 4AG.

On 15 November 2018, the ultimate parent company, KMG Chemicals Inc., was acquired by CMC Materials Inc (formerly Cabot Microelectronics Corporation). The ultimate parent undertaking is therefore CMC Materials Inc (formerly Cabot Microelectronics Corporation), a company registered in the United States of America and listed on the Nasdaq stock market. Copies of the group accounts may be obtained from 870 N. Commons Drive, Aurora, Illinois, 60504, USA.

The smallest group in which the results of the Company are consolidated and publicly available is that headed by CMC Materials Luxembourg Holdings Sarl, incorporated in Luxembourg. The consolidated accounts are available to the public and may be obtained from 870 N. Commons Drive, Aurora, Illinois, 60504, USA.