

Cytec Process Materials (Keighley) Limited

**Annual report and financial
statements**

Registered number 01472714

For the year ended 31 December 2017



Contents

Strategic report	1
Directors' report	3
Directors' responsibilities statement	4
Independent auditor's report to the members of Cytec Process Materials (Keighley) Limited	5
Profit and loss account	7
Balance sheet	8
Statement of changes in equity	9
Notes to the financial statements	10

Strategic report

Business review

Cytec Process Materials (Keighley) Limited is involved in the distribution of a range of consumable products used within the composite materials industry.

The results for the year are shown in the profit and loss account on page 7:

Objectives

The company's long term objective is to increase profitability and meet the corporate objectives. In pursuing this objective the company intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the company has a number of key business strategies which have been successfully implemented over recent years. As part of the alignment to the Solvay Group structure, in 2016 we consolidated our manufacturing activities. With further consolidation recently, we are now focussed as a dedicated UK and Northern Europe distribution site.

We aim to increase sales by expanding product ranges with existing customers, increasing market share within our key markets and by delivering technology and products beyond our customers' imagination. We plan to improve our gross margin by fully leveraging the benefits of cross-business collaboration within Solvay S.A.

Principal risks and uncertainties

The key risk areas for the company are:

- Customer pricing affecting sales and gross margin
- Loss of key customer accounts
- Volatility in commodity prices
- Foreign exchange risk
- Impact of Brexit

The company seeks to manage as far as possible the key risks that it faces.

Customer pricing is under constant review and is managed by our sales team. Excellent customer service and product quality as well as strong customer relations will continue to mitigate pricing pressures.

The customer base has expanded in recent years, reducing the financial risks faced by the loss of a customer account.

The buying power of Solvay S.A. will reduce the adverse impact of movements in commodity prices.

Foreign exchange risk is managed on a group basis by the group treasury function, through utilising group banking facilities and internal bank accounts.

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.

Having considered the above risks and uncertainties, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Strategic report (continued)

Key performance indicators

The company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

	31 December 2017 £000	31 December 2016 £000
Turnover	9,825	15,780
Gross profit	2,468	4,317
Gross profit %	25.1%	27.4%
Operating profit/(loss)	(598)	461
Working capital	1,523	2,234

Turnover in the year decreased by £5,955k compared to the prior year. This was primarily down to the 2016 consolidation of manufacturing activities. A significant amount of trade which previously sat with us was moved to other group companies and Cytec Process Materials (Keighley) Limited is now re-focused as a UK and Northern Europe distribution site.

The fall in gross profit percentage was due to a change in the sales mix and the re-focussing of the business. Year on year profit dropped due to the changes mentioned above and the significantly lower sales in 2017 versus 2016.

Operating profits decreased by £1,059k to a loss of £598k. This has been impacted by the lower sales versus 2016 together with the lower gross margin percentages. Costs have also been incurred making improvements at site in terms of health and safety requirements as well as being linked to the business now operating from a single site.

Working capital calculation excludes intercompany and deferred tax balances. Working capital levels are monitored regularly. At 31 December 2017 working capital was £711k lower than 2016 as a result of a concerted effort to reduce inventory levels.

In addition to financial measures, the board also monitors the company's operations with the objective of ensuring that safety, health and environmental considerations are at the core of all working practices. In measuring the success of this, the board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

During the year, performance was satisfactory. As far as the board is aware, there is likely to be an improvement in the forthcoming year.

Future prospects

In June 2018 the Solvay group announced that the company will be refocussed as a distribution site, with manufacturing activities to be transferred to another group company. As a result we expect revenue to be at a lower level than previous years. However, we are confident at being able to meet the revised revenue forecasts.

Potential new business opportunities have been identified and these will continue to be evaluated and pursued. In addition further benefits are anticipated due to synergies that can be achieved as a member of the Solvay group of companies.

Signed on behalf of the board



LC Edembrow
Director

18 September 2018

Composites House, Sinclair Close
Heanor Gate Industrial Estate
Heanor
Derbyshire
DE75 7SP

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company is the distribution of a range of consumable products used within the composite materials industry.

The company is exposed to risks associated with the markets in which it operates and attributable to the wider social and economic environment. The company is expected to be able to perform according to its budget. The company also faces risks specific to its trading activities, such as the potential loss of major customers or suppliers. The company continues to maximise service levels and conduct business with integrity in order to minimise such risks. We also plan to expand product ranges as well as delivering improved technology and products.

Results

The results of the company are set out in the profit and loss account on page 7. Please refer to note 18 for information on a post balance sheet date event that means we are now operating as a distribution site only.

Dividend

During the year no dividends (2016: £nil) were proposed or paid.

Risk management and future developments

Details of risk management and future developments are discussed in the Strategic Report on page 1 and 2 and form part of this report by cross reference.

Directors

The Directors who held office during the period and up to the date of this report as recorded in the register of directors' interests, were as follows:

LC Edenbrow
DS Clears

There are no directors' indemnities.

Post balance sheet events

In June 2018 a further restructuring was announced with the transfer of remaining manufacturing activities to Cytec Process Materials Toulouse Sarl, a fellow group undertaking. The company will now be focussed as a dedicated UK and Northern Europe distribution site. Further details are given in note 18 of the financial statements.

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.

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.

By order of the board



LC Edenbrow
Director

Composites House, Sinclair Close
Heanor Gate Industrial Estate
Heanor
Derbyshire
DE75 7SP

18 September 2018

Directors' responsibilities statement

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 United Kingdom Generally Accepted Accounting Practice (UK 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 estimates that are reasonable and prudent ; 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.

Independent auditor's report to the members of Cytec Process Materials (Keighley) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 of Cytec Process Materials (Keighley) Limited (the 'company') which comprise:

- the profit and loss account;
- 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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or 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.


Peter Gallimore FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom

18 September 2018

Profit and loss account
for the year ended 31 December 2017

		2017	2016
	Note	Total £000	Total £000
Turnover	2	9,825	15,780
Cost of sales		(7,357)	(11,463)
Gross profit		2,468	4,317
Administrative expenses		(3,066)	(3,856)
Operating profit		(598)	461
Exceptional items	6	-	14,692
Net Interest receivable	7	59	108
(Loss)/Profit before taxation		(539)	15,261
Tax on (loss)/profit	8	223	(120)
(Loss)/Profit for the financial year		(316)	15,141

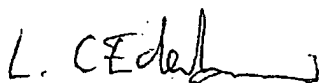
The results shown in the profit and loss account derive wholly from continuing operations.

The company had no recognised gains and losses other than the profit for the year in either the current or preceding year therefore, no statement of other comprehensive income has been produced.

Balance sheet
as at 31 December 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	10	1,285	928
		<u>1,285</u>	<u>928</u>
Current assets			
Stocks	11	1,315	1,895
Debtors	12	35,042	36,931
Cash at bank and in hand		2	2
		<u>36,359</u>	<u>38,828</u>
Creditors: amounts falling due within one year	13	(1,304)	(3,100)
Net current assets		<u>35,055</u>	<u>35,728</u>
Total assets less current liabilities		<u>36,340</u>	<u>36,656</u>
Net assets		<u>36,340</u>	<u>36,656</u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account		36,339	36,655
Shareholders' funds		<u>36,340</u>	<u>36,656</u>

The notes on pages 10 to 21 form part of these financial statements. These financial statements were approved by the board of directors on 18 September 2018 and were signed on its behalf by:



LC Edenbrow
Director

Company registered number: 01472714

Statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2016	1	21,514	21,515
Total comprehensive income for the period			
Profit for the financial year	-	15,141	15,141
Balance at 31 December 2016	1	36,655	36,656

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	1	36,655	36,656
Total comprehensive income for the period			
Loss for the financial year	-	(316)	(316)
Balance at 31 December 2017	1	36,339	36,340

Notes to the financial statements

For the year ended 31 December 2017

1 Accounting policies

Cytec Process Materials (Kelghley) Limited (the "Company") is a private company, limited by shares, incorporated and registered in the UK (England and Wales) under the Companies Act 2006.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 and are available to the public and may be obtained from Solvay S.A., rue de Ransbeek, B – 1120, Brussels, Belgium.

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;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Comparative period reconciliations for tangible fixed assets.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

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*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

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 17.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report on page 1.

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared trading forecasts for a 12 month period from the date of approval of these financial statements and such forecasts have indicated that sufficient funds should be available to enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As a result, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

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. Foreign exchange differences arising on translation are recognised in the profit and loss account £6,524 (2016: £383,499).

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.4. Classification of financial instruments issued by the Company

Following the adoption of IAS 32, 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. 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 debt and equity securities

Investments in subsidiaries are carried at cost.

1.6. Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, 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.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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. Land is not depreciated. The estimated useful lives are as follows:

Freehold buildings	2%
Plant and machinery	15% to 25%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

1.8. Stocks

Stocks are stated at the lower of cost and net realisable value. 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.

1.9. 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. 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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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").

In respect of other assets, 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.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

1 Accounting policies (*continued*)

1.10. Employee benefits

Defined contribution plans

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

1.11. Turnover

Turnover is recognised in the profit and loss account when goods or services are supplied or made available to customers against orders received, the significant risks and rewards of ownership have been transferred to the customer and the amount of turnover can be measured reliably. Turnover excludes value added tax and other similar sales taxes. No turnover is recognised where the recovery of the consideration is not probable. Turnover is stated after the deduction of discounts and allowances for estimated future returns. The methodology and assumptions used to estimate returns are monitored and adjusted in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

Interest receivable

Interest income is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.12. Expenses

Operating lease payments

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. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.13. 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 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.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. The turnover is attributable to the company's principal activity.

Analysis of turnover by geographical market

	2017 £000	2016 £000
United Kingdom	3,949	5,109
Rest of Europe	4,144	8,825
Rest of World	1,732	1,846
	<u>9,825</u>	<u>15,780</u>

3 Auditor's remuneration

	2017 £000	2016 £000
Audit of these financial statements	<u>13</u>	<u>13</u>

There are no non audit services for the current and prior year.

4 Staff numbers and costs

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

	Number of employees	
	2017	2016
Production	8	15
Administration	14	20
	<u>22</u>	<u>35</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	843	1,266
Severance Payments	14	405
Social security costs	45	186
Contributions to defined contribution plans	55	72
	<u>957</u>	<u>1,929</u>

There are no outstanding creditors in respect of the defined contribution pension scheme at 31 December 2017 (2016: £nil).

Notes to the financial statements

For the year ended 31 December 2017 (continued)

4 Staff numbers and costs (continued)

One employee was participant in The 1993 Stock Award and Incentive Plan, as amended on 31 January 2012 of Cytec Industries Inc. ('the plan'). Under the terms of the plan, the employees were entitled to stock options and stock-settled share appreciation rights ('SARS'). The plan was considered to be equity settled group share based payments under IFRS 2 Share-based payments. Details of the plan can be found in the annual report of Cytec Industries Inc. for the year ended 31 December 2014.

Following the acquisition of Cytec Industries Inc. by Solvay S.A. for \$75.25 per share on 9 December 2015, the share based payment schemes were cancelled, and converted into a right for the employee to receive cash. This has led to a charge in the profit and loss account of £nil (2016: £93,000) in relation to the cancellation of these awards for employees of the Company. Following the cancellation, the employees hold no further options in relation to the plan.

5 Directors' remuneration

	2017 £000	2016 £000
Directors' remuneration	109	120
Company contributions to money purchase pension plans	8	10
	<u>117</u>	<u>130</u>

The aggregate remuneration and amounts receivable under long term incentive schemes of the highest paid director was £108,918 (2016: £103,103), and company pension contributions of £7,523 (2016: £8,409) were made to a defined contribution scheme on his behalf. The remuneration for the other director was borne by another group company. That director is also a director of a number of other companies within the group and his services to the company do not occupy a significant amount of their time.

	Number of directors 2017	2016
Retirement benefits are accruing to the following number of directors under:		
Defined contribution schemes	1	2
	<u>1</u>	<u>2</u>

6 Exceptional items

	2017 £000	2016 £000
Gain on disposal of fixed asset investment	-	14,692
	<u>-</u>	<u>14,692</u>

Income and expenditure are recognised as exceptional when they relate to material, one-off transactions outside the normal course of business. In 2016 the company sold its 100% shareholding in Cytec Process Materials Toulouse Sarl to a fellow group undertaking, Rhodia S.A. The profit made on the sale was £14,692,000.

7 Net interest receivable

	2017 £000	2016 £000
Interest income from parent company	59	122
Interest payable third party	-	(14)
	<u>59</u>	<u>108</u>
Total interest receivable	<u>59</u>	<u>108</u>

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

8 Taxation

Recognised in the profit and loss account

	2017		2016	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	(112)		116	
Adjustments in respect of prior periods	(17)		-	
	<hr/>		<hr/>	
Total current tax		(129)		116
<i>Deferred tax (see note 14)</i>				
Origination and reversal of temporary differences	(73)		3	
Reduction in tax rate	(21)		1	
	<hr/>		<hr/>	
Total deferred tax		(94)		4
		<hr/>		<hr/>
Tax on (loss)/profit ordinary activities		(223)		120
		<hr/>		<hr/>

The (credit)/charge for the year can be reconciled to the profit and loss account as follows

	2017	2016
	£000	£000
(Loss)/Profit for the year	(539)	15,261
	<hr/>	<hr/>
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(104)	3,052
Effects of:		
Non-deductible expenses	6	2
Non-taxable gain on disposal	-	(2,938)
Non-taxable income	(97)	-
Reduction in tax rate on deferred tax balances	-	1
(Over)/under provided in prior years	(38)	-
Difference in tax rates	10	3
	<hr/>	<hr/>
Total tax (credit)/expense	(223)	120
	<hr/>	<hr/>

In 2016 we disposed of our investment in Cytec Process Materials Toulouse Sarl to a fellow group undertaking (Rhodia S.A.). This generated a non-chargeable gain of £14,692k. The gain was non-chargeable due to an exemption on disposal of a substantial shareholding under Sch. 7AC TCGA 1992.

A reduction to the UK corporation tax rate from 20% to 19% took effect from 1 April 2017. Finance Act 2015 (No. 2), which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

9 (Loss)/Profit for the year

(Loss)/Profit for the year has been arrived at after charging/(crediting):

	2017 £000	2016 £000
Net foreign exchange (gains)/losses	(7)	383
Depreciation of property, plant and equipment	53	98
Loss on disposal of property, plant and equipment	1	51
Cost of inventories recognised as expense	7,225	10,799
Staff costs (see note 4)	957	1,929

10 Tangible fixed assets

	Freehold land and buildings £000	Plant and Machinery £000	Total £000
Cost			
Balance at 1 January 2017	1,170	832	2,002
Additions	376	35	411
Disposals	-	(7)	(7)
Balance at 31 December 2017	1,546	860	2,406
Depreciation and impairment			
Balance at 1 January 2017	328	746	1,074
Depreciation charge for the year	23	30	53
Disposals	-	(6)	(6)
Balance at 31 December 2017	351	770	(1,121)
Net book value			
At 31 December 2016	842	86	928
At 31 December 2017	1,195	90	1,285

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

11 Stocks

	2017 £000	2016 £000
Raw materials	755	925
Finished Goods	751	1,191
Slow moving stock reserve	(191)	(221)
	<u>1,315</u>	<u>1,895</u>

12 Debtors

	2017 £000	2016 £000
Trade debtors	995	1,933
Intercompany debtors:		
- Parent	344	473
- Fellow group companies	33,431	34,361
Other debtors	132	95
Deferred tax assets (see note 14)	112	18
Prepayments and accrued income	28	51
	<u>35,042</u>	<u>36,931</u>

The amounts owed to and by fellow group undertakings and owed to and by the parent company are unsecured, repayable on demand and are interest free.

13 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	557	1,068
Intercompany creditors:		
- Parent	130	158
- Fellow group companies	227	1,086
Corporation tax	-	116
Other taxation and social security	19	49
Accruals	371	623
	<u>1,304</u>	<u>3,100</u>

The amounts owed to and by fellow group undertakings and owed to and by the parent company are unsecured, repayable on demand and are interest free.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

14 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2017 £000	Assets 2016 £000	Liabilities 2017 £000	Liabilities 2016 £000	Net 2017 £000	Net 2016 £000
Tangible fixed assets	112	18	-	-	112	18
Net tax assets	112	18	-	-	112	18

Movement in deferred tax during the year

	1 January 2017 £000	Recognised in income £000	Recognised in equity £000	31 December 2017 £000
Tangible fixed assets	18	94	-	112
	18	94	-	112

Movement in deferred tax during the prior year

	1 January 2016 £000	Recognised in income £000	Recognised in equity £000	31 December 2016 £000
Tangible fixed assets	21	(3)	-	18
	21	(3)	-	18

15 Capital and reserves

Share capital

	2017 £000	2016 £000
<i>Authorised and allotted, called up and fully paid</i>		
1,000 Ordinary shares of £1 each	1	1

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.

Dividends

No dividends were paid during the period and no dividends have been proposed by the directors after the balance sheet date.

Notes to the financial statements

For the year ended 31 December 2017 (*continued*)

16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	21	11
Between one and five years	41	-
More than five years	-	-
	<hr/>	<hr/>
	62	11
	<hr/>	<hr/>

During the year £24,610 was recognised as an expense in the profit and loss account in respect of operating leases (2016: £65,000).

17 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are disclosed in note 1, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant.

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

Management believe there are no areas of accounting judgements or estimation uncertainty which would have a material effect on the amount recognised in the financial statements.

18 Post balance sheet events

In June 2018 a further restructuring was announced with transfer of remaining manufacturing activities to Cytec Process Materials Toulouse Sarl, a fellow group undertaking. Cytec Process Materials (Keighley) Limited will now be focussed as a dedicated UK and Northern Europe distribution site. While the restructuring represents a change in the focus of the business, it will not result in any material expenses or adjustments to carrying value of assets.

19 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Solvay S.A. which is the ultimate parent company incorporated in Belgium, the ultimate controlling party. Solvay S.A has its registered office at Rue de Ransbeek, B – 1120, Brussels, Belgium.

The largest and smallest group in which the results of the Company are consolidated is that headed by Solvay S.A. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from Solvay S.A., Rue de Ransbeek, B – 1120, Brussels, Belgium.