

**Cytec Industrial Materials (Derby) Limited**

Annual report and financial statements

Registered number 02264869

For the year ended 31 December 2020



***Cytec Industrial Materials (Derby) Limited***  
***Annual report and financial statements***  
***For the year ended 31 December 2020***

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## **Strategic report**

The directors present their strategic report for the year ended 31 December 2020.

### **Business review**

#### **Objectives**

The Company manufactures and supplies impregnated composite materials. The Company's objective was to increase profitability and meet the objectives of Solvay S.A. ('Solvay') whilst trading under its current company structure and to transfer the trade to Cytec Engineered Materials Ltd (CEM) on 1<sup>st</sup> July 2021. In pursuing this objective the Company intends to maintain sound financial management and avoid excessive risks. As described in the principal activity section the Company will cease to be a manufacturing enterprise in 2021 and will become an intermediate holding company in 2022.

#### **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.

Prior to the transfer of trade to CEM on 1<sup>st</sup> July 2021, we aimed to increase sales by increasing product ranges with existing customers, increasing market share within our key markets and by delivering technology and products beyond our customers' imagination. We planned to improve our gross margin by fully leveraging the benefits of cross-business collaboration within Solvay. These aims were pursued in the first six months of the year until the transfer of the manufacturing business to Cytec Engineered Materials..

#### **Principal risks and uncertainties**

The key risk areas of the company are:

- customer pricing affecting sales and gross margin;
- loss of key customer accounts;
- volatility in commodity prices;
- foreign exchange risk;
- the effect of the UK leaving the EU
- Covid-19; and
- Russian invasion of Ukraine.

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

Prior to the transfer of trade & assets, customer pricing was under constant review and was managed by our sales team. Excellent customer service and product quality as well as strong customer relations continued 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 the Solvay group reduces the adverse impact of movements in commodity prices.

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

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

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.

In 2020, the spread of COVID-19 severely impacted many local economies around the globe. In many countries, businesses were being forced to cease or limit operations for long or indefinite periods of time. Measures taken to

## **Strategic report (continued)**

### **Principal risks and uncertainties (continued)**

contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear. It is not possible to estimate reliably the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

The businesses trade was impacted by COVID-19 through a downturn in orders in the early part of the year and experienced a slow recovery in the second half. It took advantage of the HMRC furlough scheme during the year.

On 24 February 2022, the Government of Russia launched a large-scale military operation in Ukraine. As a result, the international community imposed sanctions on Russia, which in turn prompted the Russian government to impose sanctions against some countries, including those in the European Union creating turmoil in the energy markets, raw materials sourcing, financing and banking systems. Our company is implementing a strict compliance policy, which also covers export control and application of all the sanctions defined against Russia.

The anticipated impact of the conflict is a surge in inflationary pressure, which is already intense and is expected to be mitigated in 2022 through additional pricing and sourcing initiatives. However, as the company transferred its business to Cytec Engineered Materials Ltd on 1<sup>st</sup> July 2021 there is no expected risk.

### **Research and development**

The directors consider that the future of the Company depends upon the technical superiority of its products and service and they are committed to enhancing this superiority by continuing programmes of research and development.

It is company policy to take a prudent view of expenditure incurred on research programmes, all of which is written off in the year in which it is incurred, except to the extent that expenditure is recoverable from grant funding or to the extent the expenditure meets the definition of 'development' expenditure and is then capitalised.

### **Key performance indicators**

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

	2020 £000	2019 £000
Turnover	43,122	52,330
Gross profit	7,286	11,472
Gross profit % (gross profit/turnover)	16.9%	21.9%
Operating loss	(5,141)	(3,664)
Working capital	10,825	10,253

Turnover decreased by 17.6% in 2020 through a change in the mix of customers both old and new. The decrease in gross profit percentage reflects the reduced product sales prices achieved in the current market. The operating loss reflects the reduction in gross margin but still maintaining a similar operating structure and similar levels of group recharge of costs. Working capital levels are monitored regularly and have improved during the year.

### **Directors' statement of compliance with duty to promote the success of the Company**

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

## **Strategic report (continued)**

### ***Our stakeholders***

The directors consider that the Company's key stakeholders are its customers, suppliers, workforce and shareholders.

The Board seeks to understand the respective interest of such stakeholder groups so that these may be properly considered in the Board's decisions. We do this through various means including direct engagement by Board members, and by receiving reports and updates from members of senior management who engage with such groups.

### ***Having regard to the likely consequences of any decision in the long term***

The Board is mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

The most significant recent example of this is the decision, stemming from the adverse effects of Covid-19 on the composite materials market, to restructure operations to more closely align with current demand schedules whilst protecting the longer-term ability to meet customer requirements.

### ***Having regard to the interests of the Company's employees***

The Board takes active steps to ensure that the suggestions, views and interests of the workforce are captured and considered in our decision making.

The Group has a number of effective workforce engagement mechanisms in place :-

Employees are kept informed of performance and strategy through biannual town hall presentations from members of the senior management.

Employee engagement surveys are undertaken twice a year by the Solvay Group, covering the majority of the workforce, and the results are analysed and reported to the Board who look to promote actions in response to the survey results.

### ***Having regard to the need to foster the Company's business relationships with suppliers, customers and others***

#### ***Suppliers***

The Board recognises the benefits of maintaining strong relationships with key raw material suppliers in the composites industry. Members of the senior management hold regular discussions with representatives of those key suppliers in which pertinent issues for both parties are discussed.

#### ***Customers***

The interests of customers are always at the forefront of the Board's decision-making processes. Members of the senior management team, maintain regular contact with the Company's larger customers and always seeks to represent their interests in Board level discussions. The Board receives regular updates from management in respect of the views of other customers.

### ***Having regard to the impact of the Company's operations on the community and the environment***

The Board supports the Company's goals and initiatives with regard to reducing adverse impacts on the environment and supporting the communities that it touches. Compliance with all legislation intended to protect people, property and the environment is a fundamental priority of the Solvay group and the Board fully supports this. Management lead by example and allocate the required resources to achieve excellence in HSE performance.

The Company always seeks to be a good neighbour to the communities in which it operates, and engages positively with community representatives when called upon to do so.

### ***Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct***

The Board recognises the importance of operating a robust corporate governance framework. Part of the Board's remit is to monitor the Group's compliance to high standards of business conduct.

## **Strategic report** *(continued)*

The Board encourages all employees to display a professional attitude to all business dealings, both with colleagues and with external parties and operates the Solvay Code of Conduct, which all employees are expected to comply with.

### ***Having regard to the need to act fairly as between members of the Company***

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company's strategy through the long term, taking into consideration the impact on stakeholders and the need to ensure the long term sustainability of the Company. The Directors, in doing so, act as fairly as possible between the Company's members. Decisions on capital expenditure, R&D and the defined benefit pension plan taken during the course of the year, were all carefully considered against this backdrop.

### **Future prospects**

Following the transfer to T&A to CEM on 1 July 2021, the Company will become an intermediary holding company, owning investments in Cytec Industrial Materials (Manchester) Limited and Umeco Limited. The acquisition of the investments is due to be completed in October 2022. The Company will act as an intermediary holding company for the foreseeable future.

### **Environmental policy and climate change**

The Company is committed to adopting a responsible approach to environmental matters.

The management of the Company seeks to minimise any adverse impact on the environment from all aspects of the Company's operations by means of environmentally sound disciplines, which take practical steps to control effectively or eliminate any known pollution risks, without entailing excessive cost. Specifically, methods of minimising the environmental costs of disposal of waste, the recycling of wood, the re-use of cardboard and paper products, and the reduction of energy consumption.

### **Post balances sheet events**

As part of the group restructure, the investment in Cytec Industrial Materials (Manchester) Limited was sold to the parent company, Cytec Engineered Materials Limited on the 26 July 2021 for £1.5m.

Under the Solvay group's direction, the UK management are working to reduce the number of legal entities. The decision has been made, therefore, to transfer the Cytec Industrial Materials (Derby) Limited ("CIM") manufacturing business over to its parent company, Cytec Engineered Materials, through the hive up of its assets and liabilities. This event took place on the 1<sup>st</sup> July 2021. Following the re-arrangement of the group structure, in 2022 CIM will take on the role of intermediate holding company for a number of smaller group companies.

On March 15, 2022, the Group announced its plans to separate into two independent publicly traded companies:

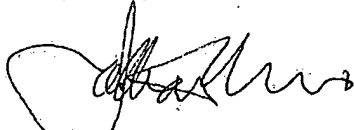
- EssentialCo would comprise leading mono-technology businesses including Soda Ash, Peroxides, Silica and Coatis, which are reported as the Company's Chemicals segment, as well as the Special Chem business.
- SpecialtyCo would comprise the Company's currently reported Materials segment, including its high-growth, high-margin Specialty Polymers, its high-performance Composites business, as well as the majority of its Solutions segment, including Novecare, Technology Solutions, Aroma Performance, and Oil & Gas.

The transaction is subject to general market conditions and customary closing conditions, including final approval by Solvay's Board of Directors, consent of certain financing providers and shareholder approval at an extraordinary general meeting, and is expected to be completed in the second half of 2023. The Board of Directors of Solvay, Solvay's long-standing reference shareholder, has confirmed its support of Solvay's transaction.

None of these events were considered to be adjusting events

*Cytec Industrial Materials (Derby) Limited*  
*Annual report and financial statements*  
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Approved by the board of directors and signed on its behalf by



**J.D. Norris**  
*Director*  
27 July 2022

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 2020.

### **Principal activities**

The principal activities of the Company comprise the manufacture and supply of impregnated composite materials until its transfer of business to Cytec Engineered Materials Ltd in 2021. It will become an intermediate holding company in 2022.

### **Going concern**

As part of the Solvay group's intention to reduce the number of legal trading entities in the UK, the decision was taken by management in October 2020 to transfer the trade and assets of the Company to its intermediate parent company, Cytec Engineered Materials Limited ('CEM'). The transfer was completed as of 1 July 2021. Following the transfer of trade and assets, the company's principal activity changed from that of being a trading entity to being an intermediary holding company, planning to acquire investments in Cytec Industrial Materials (Manchester) Limited and Umeco Limited on 1<sup>st</sup> October 2022. Following the change in principal activity, the company's operating expenses relate primarily to compliance activities and are minimal. The Company continues to be supported by the ultimate parent company, Solvay SA, and has obtained a letter of support confirming their intention to provide any necessary financial support for the foreseeable future, being at least 12 months from the date of approval of these financial statements. The directors have sought assurances from Solvay SA that they have the ability to provide any required financial support. As a result of this, the directors have prepared the financial statements on the basis of going concern.

### **Results and dividend**

Loss for the year to 31 December 2020 was £4,529,000 (2019: £6,575,000). During the year and up to the date of this report, no dividends were paid or proposed (2019: £nil).

### **Research and development**

During the period £2,302,000 (2019: £2,235,000) expended on research and development programmes, were expensed by the Company to the profit and loss.

### **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 year and at the date of this report are as follows:

D S Clears	(resigned 28 <sup>th</sup> February 2021)
S M Glennon	(resigned 30 <sup>th</sup> June 2020)
J D Norris	
M S Dain	(appointed 12 <sup>th</sup> April 2021)

### **Employees**

The Company seeks to ensure that all employees, job applicants and prospective job applicants, are afforded equality of job opportunity in all areas of employment.

The Health & Safety Policy fully recognises the Company's responsibility for the health and safety of employees and members of the community in which they work.

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees, and on various matters affecting the performance of the company and Solvay group.

### **Directors Indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

## **Directors' report** *(continued)*

### **Subsequent Events**

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

### **Disclosure of information to auditor**

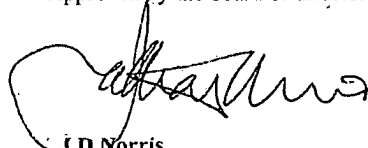
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

Approved by the board of directors and signed on their behalf



**J D Norris**  
Director  
27 July 2022

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

## **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## **Independent auditor's report to the members of Cytec Industrial Materials (Derby) Limited**

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

#### **Opinion**

In our opinion the financial statements of Cytec Industrial Materials (Derby) Limited (the 'company'):

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

We have audited the financial statements which comprise:

- statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

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

**Independent auditor's report to the members of Cytec Industrial Materials (Derby) Limited** *(continued)*

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

**Extent to which the audit was considered capable of detecting irregularities, including fraud**

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

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

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Financial Reporting Standards, UK Companies Act, pension legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included anti bribery and data protection regulations.

## **Independent auditor's report to the members of Cytec Industrial Materials (Derby) Limited** *(continued)*

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- **Manual adjustments to revenue:** We have tested the design and implementation of controls involving management revenue adjustments and estimation process; we have used journal entry detail to identify manual entries to revenue and ensured the appropriateness of each entry selected; we have reconciled the transaction system subledger of revenue to that of the general ledger, ensuring all manual entries are included in the population subject to testing.

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

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

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

### **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:

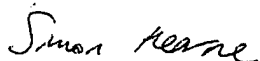
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

**Independent auditor's report to the members of Cytec Industrial Materials (Derby) Limited** *(continued)*

**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.



**Simon Hearne FCA (Senior Statutory Auditor)**  
**for and on behalf of Deloitte LLP**  
*Statutory Auditor*  
*Manchester,*  
*United Kingdom*

27 July 2022

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

	<i>Note</i>	<b>2020</b>	<b>2019</b>
		<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>2</b>	<b>43,122</b>	<b>52,330</b>
<b>Cost of sales</b>		<b>(35,836)</b>	<b>(40,858)</b>
<b>Gross profit</b>		<b>7,286</b>	<b>11,472</b>
<b>Administrative expenses</b>		<b>(12,427)</b>	<b>(15,136)</b>
<b>Operating loss</b>		<b>(5,141)</b>	<b>(3,664)</b>
Interest receivable and similar income		41	43
Interest payable and similar expenses	6	(202)	(84)
Impairment on investment	11	-	(3,249)
<b>Loss before taxation</b>		<b>(5,302)</b>	<b>(6,954)</b>
<b>Tax on loss</b>	<b>7</b>	<b>773</b>	<b>379</b>
<b>Loss for the financial year</b>		<b>(4,529)</b>	<b>(6,575)</b>
<b>Other comprehensive (expense)/income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit liability	17	(2,843)	(1,778)
Return on scheme assets greater/(less than) than discount rate	17	1,604	2,379
Deferred tax arising on gains in the pension scheme	7	401	(323)
<b>Other comprehensive (expense)/ income for the year, net of income tax</b>		<b>(838)</b>	<b>278</b>
<b>Total comprehensive expense for the year</b>		<b>(5,367)</b>	<b>(6,297)</b>

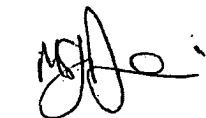
All of the above activities of the company will be discontinuing.  
The notes on pages 16 to 34 form part of these financial statements

**Balance sheet**  
*as at 31 December 2020*

	Note	2020 £000	2019 £000
<b>Fixed assets</b>			
Tangible assets	8	15,960	16,599
Right of use assets	9	366	442
Intangible assets	10	2,458	1,754
Investments	11	-	-
Deferred tax assets	16	66	28
		<u>18,850</u>	<u>18,823</u>
<b>Current assets</b>			
Stocks	12	9,867	9,104
Debtors	13	9,826	10,384
		<u>19,693</u>	<u>19,488</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(20,983)</u>	<u>(15,402)</u>
<b>Net current (Liabilities)/Assets</b>		<u>(1,290)</u>	<u>4,086</u>
<b>Total assets less current liabilities</b>		<u>17,560</u>	<u>22,909</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(203)</u>	<u>(263)</u>
<b>Provisions for liabilities</b>			
Deferred tax liability	16	<u>(577)</u>	<u>(1,713)</u>
		<u>(577)</u>	<u>(1,713)</u>
<b>Net Pension assets</b>	17	862	2,076
<b>Net assets</b>		<u>17,642</u>	<u>23,009</u>
<b>Capital and reserves</b>			
Called-up share capital	18	1,209	1,209
Profit and loss account		16,433	21,800
<b>Shareholder's funds</b>		<u>17,642</u>	<u>23,009</u>

The notes on pages 16 to 34 form part of these financial statements.

These financial statements were approved by the board of directors on 27 July 2022 and were signed on its behalf by:



**M S Dain**  
Director

Company registered number: 02264869

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

### **1 Accounting policies**

Cytec Industrial Materials (Derby) Limited (the "Company") is a private company limited by shares incorporated and registered in the United Kingdom (England and Wales) under the Companies Act 2006. Its registered address is Composites House, Sinclair Close, Heanor Gate Industrial Estate, Heanor, Derbyshire, DE75 7SP.

The principal activities of the company are that of manufacture and supply of impregnated composite materials, the manufacture of composite tooling and components and the supply of tooling block and ancillary materials.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These revised financial statements present information about the Company as an individual undertaking and not about its group.

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 Adopted IFRSs and are available to the public and may be obtained from [www.solvay.com](http://www.solvay.com) or Solvay SA, rue de Ransbeck 310, B-1120, Brussels.

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

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

- a Cash Flow Statement and related notes;
- comparative period reconciliations for tangible fixed assets;
- 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
- disclosures of transactions with a management entity that provides key management personnel services to the company.

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; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.
- Certain disclosures required by IFRS 15 *Revenue from Contracts*.

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 revised financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the revised financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

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

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

#### **Adoption of new and revised Standards**

##### **Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year**

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB). Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### **1.1. Measurement convention**

The financial statements are prepared on the historical cost basis.

#### **1.2. Going concern**

As part of the Solvay group's intention to reduce the number of legal trading entities in the UK, the decision was taken by management in October 2020 to transfer the trade and assets of the Company to its intermediate parent company, Cytec Engineered Materials Limited ('CEM'). The transfer was completed as of 1 July 2021. Following the transfer of trade and assets, the company's principal activity changed from that of being a trading entity to being an intermediary holding company, planning to acquire investments in Cytec Industrial Materials (Manchester) Limited and Umeco Limited on 1<sup>st</sup> October 2022. Following the change in principal activity, the company's operating expenses relate primarily to compliance activities and are minimal. The Company continues to be supported by the ultimate parent company, Solvay SA, and has obtained a letter of support confirming their intention to provide any necessary financial support for the foreseeable future, being at least 12 months from the date of approval of these financial statements. The directors have sought assurances from Solvay SA that they have the ability to provide any required financial support. As a result of this, the directors have prepared the financial statements on the basis of going concern.

#### **1.3. Foreign currency**

Transactions in foreign currencies are translated to the Company's functional currency (GBP) 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.

#### **1.4. Classification of financial instruments issued by the Company**

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 revised 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 subsidiaries, 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 in line with IFRS 9.

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

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

#### *Trade and other creditors*

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

#### *Investments in subsidiaries*

Investments in subsidiaries are carried at cost less impairment.

#### *Interest-bearing borrowings*

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

#### **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.

#### **1.7. Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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 annual depreciation rates as a percentage of cost are as follows;

Freehold buildings	4.55%
Improvements to leasehold property	Over the period of the lease
Plant and machinery	6.6% to 15%
Motor vehicles	25%
Computer equipment	20% to 33%

Assets under construction are separately disclosed in the assets note, however no depreciation is charged until they are fully commissioned.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and any changes treated as a change in accounting estimate.

#### **1.8. Intangible fixed assets**

Intangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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 intangible fixed assets. The estimated annual depreciation rates as a percentage of cost are as follows:

Development costs	20%
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Assets under construction are separately disclosed in the assets note, however no depreciation is charged until they are fully commissioned.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and any changes treated as a change in accounting estimate.

#### **1.9. Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is based on the weighted average 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.

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

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

#### **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. 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").

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.

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.

##### *Investment in subsidiaries*

Investments in subsidiaries are held at cost less accumulated impairment losses.

#### **1.11. Leases**

##### *Definition*

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

- Obtain substantially all the economic benefits from the use of the underlying asset, and;
- Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

##### *Initial recognition and measurement*

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected

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

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

amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

#### *Subsequent measurement*

After the commencement date, the company measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

#### *Lease modifications*

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.

The modification is accounted for as a separate lease if both:

- (a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.

If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.

For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.

For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

#### *Short term and low value leases*

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight-line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

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

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

#### *Sub leases*

If an underlying asset is re-leased by the company to a third party and the company retains the primary obligation under the original lease, the transaction is deemed to be a sublease. The company continues to account for the original lease (the head lease) as a lessee and accounts for the sublease as a lessor (intermediate lessor). When the head lease is a short term lease, the sublease is classified as an operating lease. Otherwise, the sublease is classified using the classification criteria applicable to Lessor Accounting in IFRS 16 by reference to the right-of-use asset in the head lease (and not the underlying asset of the head lease).

After classification lessor accounting is applied to the sublease. No sub leases currently exist.

#### **1.12. 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.

##### *Defined benefit plans*

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

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

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

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

##### *Share-based payment transactions*

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using an option valuation model, taking into account the terms and conditions upon which the awards were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment transactions in which the Company receives goods or services by incurring a liability to transfer cash or other assets that is based on the price of the Company's equity instruments are accounted for as

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

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

cash-settled share-based payments. The fair value of the amount payable to employees is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

Where the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Company accounts for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

#### **1.13. Turnover**

Turnover is recognised in the profit and loss account when goods are supplied 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 and returns. The methodology and assumptions used to estimate rebates and returns are monitored and adjusted in the light of contractual and legal obligations, historical trends, past experience and projected market conditions.

#### **1.14. Expenditure and Income**

##### *Interest receivable and Interest payable*

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

##### *Dividends income*

Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

##### *Dividends distribution*

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which dividends are approved by the company's shareholders.

#### **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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are not provided for. 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 (forming part of the financial statements) (continued)

### 2 Turnover

All turnover is generated from the sale of goods in relation to the principal activity of the Company.

	2020 £000	2019 £000
<i>Geographical split of turnover is as follows:</i>		
United Kingdom	14,196	19,122
Rest of Europe	20,760	25,226
North America	6,399	5,559
Rest of the world	1,767	2,423
	<u>43,122</u>	<u>52,330</u>

### 3 Operating profit before taxation

Included in operating profit are the following:

	2020 £000	2019 £000
Research and development expensed as incurred	1,624	2,302
Depreciation of tangible fixed assets	1,942	1,579
Depreciation of right of use assets	182	196
Depreciation of intangible assets	114	49
Lease interest	12	14
Foreign exchange loss	52	8
Cost of stock recognised as an expense	24,504	28,873
Impairment of stock recognised as an expense	719	645
Loss on disposal of fixed assets	27	12
	<u></u>	<u></u>

*Auditor's remuneration:*

	2020 £000	2019 £000
Audit of these financial statements	<u>48</u>	<u>48</u>

No non-audit services were provided in the current or prior year

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

### 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	
	2020	2019
Production	140	136
Non-production and administration	71	100
	<u>211</u>	<u>236</u>

The aggregate payroll costs of these persons were as follows:

	2020 £000	2019 £000
Wages and salaries	10,191	10,576
Social security costs	1,012	1,120
Contributions to defined contribution plans	602	709
Share based payments (note 17)	39	72
	<u>11,844</u>	<u>12,477</u>

### 5 Directors' remuneration

	2020 £000	2019 £000
Directors' remuneration	606	607
Company contributions to money purchase pension plans	44	43

The aggregate of remuneration of the highest paid director was £253,000 (2019: £285,000), and company pension contributions of £33,000 (2019: £33,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	2020	2019
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	<u>3</u>	<u>3</u>

### 6 Interest payable and similar expenses

	2020 £000	2019 £000
Net interest on bank overdraft	190	70
Lease interest	12	14
	<u>202</u>	<u>84</u>
Total interest payable and similar expenses		

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

### 7 Taxation

#### Recognised in the profit and loss account

	2020		2019	
	£000	£000	£000	£000
<i>UK corporation tax</i>				
Current tax charge on income for the year	-		(491)	
Adjustments in respect of prior periods	-		369	
Total current tax		-		(122)
<i>Deferred tax (see note 16)</i>				
Origination and reversal of temporary differences	(773)		(257)	
Total deferred tax		(773)		(257)
Tax on loss		(773)		(379)

#### Income tax recognised in other comprehensive income

	2020	2019
	£000	£000
Remeasurements of defined benefit liability	(401)	323

#### Reconciliation of effective tax rate

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

The charge for the year can be reconciled to the statement of profit and loss account and other comprehensive income as follows:

	2020	2019
	£000	£000
Loss before taxation	(5,302)	(6,954)
Loss for the year multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(1,007)	(1,321)
Effects of:		
Non-deductible expenses	234	573
Under provided in prior years	-	369
Total tax income	(773)	(379)

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

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

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

### 8 Tangible fixed assets

	Freehold land and buildings £000	Leasehold improvements £000	Motor vehicles, Plant and machinery £000	Computer equipment £000	Assets under Construction £000	Total £000
<b>Cost</b>						
Balance at 1 January 2020	10,200	267	15,123	229	3,228	29,047
Additions	-	-	-	-	1,240	1,240
Transfers	222	15	2,410	108	(2,755)	-
Disposals	(2)	-	(320)	-	-	(322)
Balance at 31 December 2020	10,420	282	17,213	337	1,713	29,965
<b>Depreciation</b>						
Balance at 1 January 2020	3,387	235	8,661	165	-	12,448
Depreciation charge for the year	518	8	1,288	39	-	1,852
Disposals	(1)	-	(294)	-	-	(295)
Balance at 31 December 2020	3,904	243	9,654	204	-	14,005
<b>Net book value</b>						
At 31 December 2019	6,813	32	6,462	64	3,228	16,599
At 31 December 2020	6,516	39	7,559	133	1,713	15,960

Included in the cost of tangible fixed assets is £110,000 (2019: £110,000) in respect of capitalised finance costs.

### 9 Right of use assets

	Buildings £000	Plant and Equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>				
Balance at 1 January 2020	106	206	326	638
Additions	-	51	63	114
Disposals	-	(12)	(47)	(59)
Balance at 31 December 2020	106	245	342	693
<b>Depreciation</b>				
Balance at 1 January 2020	39	44	113	196
Depreciation charge for the year	39	48	95	182
Disposals	-	(6)	(45)	(51)
Balance at 31 December 2020	78	86	163	327
<b>Net book value</b>				
At 31 December 2019	67	162	213	442
At 31 December 2020	28	159	179	366

## Notés (forming part of the financial statements) (continued)

### 10. Intangible fixed assets

	Development Costs Under Construction £000	Development Costs £000	Total £000			
<b>Cost</b>						
Balance at 1 January 2020	1,518	285	1,803			
Additions	908	-	908			
Transfers	(347)	347	-			
Balance at 31 December 2020	<u>2,079</u>	<u>632</u>	<u>2,711</u>			
<b>Depreciation</b>						
Balance at 1 January 2020	-	49	49			
Depreciation charge for the year	-	204	204			
Balance at 31 December 2020	<u>-</u>	<u>253</u>	<u>253</u>			
<b>Net book value</b>						
At 31 December 2019	<u>1,518</u>	<u>236</u>	<u>1,754</u>			
At 31 December 2020	<u>2,079</u>	<u>379</u>	<u>2,458</u>	236	236	2361,754

Development costs relating to carbon composite products have been capitalised in accordance with IAS38 *Intangible Assets* and are therefore not treated, for dividend purposes, as a realised loss.

### 11 Investments

	Shares in group undertakings £000
<b>Cost</b>	
At 1 January 2020	<u>4,173</u>
At 31 December 2020	<u>4,173</u>
<b>Impairment</b>	
At 1 January 2020	<u>4,173</u>
At 31 December 2020	<u>4,173</u>
<b>Net book value</b>	
At 31 December 2019	<u>-</u>
At 31 December 2020	<u>-</u>

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

### 11 Investments (continued)

The Company has the following investments in subsidiaries:

Name	Country of registration	Principal activity	Shareholding
Advanced Composite Components Limited	England and Wales	Dissolved 13 <sup>th</sup> October 2020	0%
Cytec Industrial Materials (Manchester) Limited	England and Wales	Manufacture of impregnated materials used for the manufacture of composite tooling and components.	100%

All UK registered companies are registered at Composites House, Sinclair Close, Heanor, Derbyshire, DE75 7SP.

### 12 Stocks

	2020 £000	2019 £000
Raw materials and consumables	7,134	5,665
Work in progress	633	525
Finished goods	2,100	2,914
	<u>9,867</u>	<u>9,104</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £24,504,000 (2019: £29,088,000). The write-down of stocks to net realisable value at the year end amounted to £719,000 (2019: £430,000).

### 13 Debtors

	2020 £000	2019 £000
Trade debtors	6,035	6,192
Amounts owed by fellow group undertakings	2,034	2,389
Other debtors	202	377
Corporation tax	896	859
Prepayments and accrued income	659	567
	<u>9,826</u>	<u>10,384</u>
Due within one year	<u>9,826</u>	<u>10,384</u>

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

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

### 14 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	5,077	5,043
Amounts owed to subsidiary company	-	73
Amounts owed to fellow group undertakings	13,301	7,338
Lease liabilities	168	184
Other creditors	1,852	2,280
Accruals and deferred income	585	484
	<u>20,983</u>	<u>15,402</u>

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

### 15 Creditors: amounts falling due after more than one year

	2020 £000	2019 £000
Lease liabilities	<u>203</u>	<u>263</u>

### 16 Deferred tax assets and liabilities

#### Recognised 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
Tangible fixed assets	-	-	(414)	(634)	(414)	(634)
Other	66	28	-	-	66	28
Employee benefits	-	-	(163)	(1,079)	(163)	(1,079)
Tax assets/(liabilities)	66	28	(577)	(1,713)	(511)	(1,685)
Net of tax liabilities/(assets)	<u>(66)</u>	<u>(28)</u>	<u>66</u>	<u>28</u>	<u>-</u>	<u>-</u>
Net tax assets / (liabilities)	<u>-</u>	<u>-</u>	<u>(511)</u>	<u>(1,685)</u>	<u>(511)</u>	<u>(1,685)</u>

#### Movement in deferred tax during the year

	1 January 2020 £000	Recognised in Profit & Loss £000	Recognised in other comprehensive income £000	31 Decemb 2020 £000
Tangible fixed assets	(634)	220	-	(414)
Other	28	38	-	66
Employee benefits	(1,079)	515	401	(16)
	<u>(1,685)</u>	<u>773</u>	<u>401</u>	<u>(511)</u>

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

### 16 Deferred tax assets and liabilities (continued)

*Movement in deferred tax during the prior year*

	1 January 2019 £000	Recognised in Profit & Loss £000	Recognised in other comprehensive income £000	31 Decemb- 201 £000
Tangible fixed assets	(789)	155	-	(63)
Other	39	(11)	-	2
Employee benefits	(869)	113	(323)	(1,07)
	<u>(1,619)</u>	<u>257</u>	<u>(323)</u>	<u>(1,68)</u>

### 17 Employee benefits

#### a) Defined benefit plans

The Company is the sponsoring employer of the Advanced Composites Group pension scheme providing benefits based on final pensionable pay. The plan is for the benefit of all relevant employees of Cytec Industrial Materials (Derby) Limited. The scheme was closed to future accruals on 30 April 2014.

	2020 £000	2019 £000
Total defined benefit asset	22,503	20,907
Total defined benefit liability	<u>(21,641)</u>	<u>(18,831)</u>
Net surplus for defined benefit obligations	<u>862</u>	<u>2,076</u>

#### *Movements in net defined benefit liability*

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability	
	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Balance at 1 January	(18,831)	(18,550)	20,907	19,986	2,076	1,436
Included in profit or loss						
Interest cost/(income)	<u>(373)</u>	<u>(483)</u>	<u>414</u>	<u>522</u>	<u>41</u>	<u>39</u>
Included in OCI	<u>(373)</u>	<u>(483)</u>	<u>414</u>	<u>522</u>	<u>41</u>	<u>39</u>
Remeasurements (gain)/loss:						
Actuarial loss (gain)/loss arising from						
- Changes in demographic Assumptions	137	356	-	-	137	356
- Change in financial assumptions	(3,181)	(2,116)	-	-	(3,181)	(2,116)
- Experience adjustment	201	(18)	-	-	201	(18)
Return on plan assets greater/(less) than discount rate	<u>-</u>	<u>-</u>	<u>1,604</u>	<u>2,379</u>	<u>1,604</u>	<u>2,379</u>
	<u>(2,843)</u>	<u>(1,778)</u>	<u>1,604</u>	<u>2,379</u>	<u>(1,239)</u>	<u>601</u>
Other						
Past service costs	(16)	-	-	-	(16)	-
Benefits paid	<u>422</u>	<u>1,980</u>	<u>(422)</u>	<u>(1,980)</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>(21,641)</u>	<u>(18,831)</u>	<u>22,503</u>	<u>20,907</u>	<u>862</u>	<u>2,076</u>

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

### 17 Employee benefits (continued)

Plan assets	2020 £000	2019 £000
Cash and cash equivalents	3,547	3,559
Equity instruments	11,971	10,607
	<hr/> 15,518	<hr/> 14,166
Debt instruments	6,985	6,741
<b>Total</b>	<hr/> <b>22,503</b> <hr/>	<hr/> <b>20,907</b> <hr/>

All equity securities and government bonds have quoted prices in active markets. All government bonds are issued by European governments and are AAA- or AA-rated. All other plan assets are not quoted in an active market. All are quoted at fair value.

#### Actuarial assumptions

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

	2020 %	2019 %
Discount rate at 31 December	1.25	2.00
Future salary increases	n/a	n/a
Future pension increases	2.75	3.00

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

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

#### Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises how the impact on the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by one percent.

	2020 £000	2019 £000
Discount rate – down 1%	4,597	3,941
Inflation (RPI, CPI)- including pension increases - up 1%	2,963	2,421

In valuing the liabilities of the pension fund at 31 December 2020, mortality assumptions have been made as indicated above. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 31 December 2020 would have increased by £800,000 (2019: £550,000) before deferred tax.

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 May 2019 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

The Scheme's investment strategy is to achieve a mix of investments for long-term growth and to meet short-term benefit payments. The current target asset allocation is to hold 50% in equity instruments and 50% in bonds and liability driven investments.

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

### 17 Employee benefits (continued)

#### Funding

The Company's cash contribution to the Scheme is determined in accordance with the Pensions Act 2004. The Company expects to pay £nil in contributions to its defined benefit plans in 2021. The weighted average duration of the defined benefit obligation at the end of the reporting period is 19 years (2019: 19 years).

#### b) Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £602,000 (2019: £709,000). The amount remaining payable at the year end was £110,000 (2019: £137,000)

#### c) Share based payments

A number of employees were participants 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 an equity settled group share based scheme 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 employees to receive cash for any outstanding awards. The exercise of the options and subsequent cancellation has led to a charge in the profit and loss account of £39,000 in the current year (2019: £72,000) 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.

### 18 Capital and reserves

#### Share capital

	2020 £000	2019 £000
<i>Authorised, Allotted, called up and fully paid</i>		
1,209,000 (2019: 1,209,000) ordinary shares of £1 each	<u>1,209</u>	<u>1,209</u>
Shares classified in shareholders' funds	<u>1,209</u>	<u>1,209</u>

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.

### 19 Commitments

#### Capital commitments

The total amount contracted for but not provided in the financial statements for the acquisition of plant & equipment as at 31 December 2020 was £640,000 (2019: £674,000).

### 20 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, and which is considered to be the ultimate controlling party

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 [www.solvay.com](http://www.solvay.com) or from the registered office of Solvay SA, rue de Ransbeck 310, B-1120, Brussels.

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

### **21 Accounting estimates and judgements**

#### *Key sources of estimation uncertainty*

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

#### *Defined benefit pension scheme*

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. The assumptions are reviewed by qualified actuaries on at least an annual basis and are considered to be as accurate as possible. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. The carrying amount of the defined benefit pension scheme is disclosed in note 17.

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

With the exception of the defined benefits pension scheme, the directors do not consider that there are any critical accounting judgements or sources of estimation uncertainty in applying the Company's accounting policies.

### **22 Post balance sheet events**

As part of the group restructure, the investment in Cytec Industrial Materials (Manchester) Limited was sold to the its parent company, Cytec Engineered Materials Limited on the 26 July 2021 for £1.5m.

Under the Solvay group's direction, the UK management are working to reduce the number of legal entities. The decision has been made, therefore, to transfer the Cytec Industrial Materials (Derby) Limited ("CIM") manufacturing business over to its parent company, Cytec Engineered Materials, through the hive up of its assets and liabilities. This event took place on the 1<sup>st</sup> July 2021. The company will take on the role of intermediate holding company going forward.

Following the re-arrangement of the group structure, in 2022 CIM will take on the role of intermediate holding company for a number of smaller group companies.

On March 15, 2022, the Group announced its plans to separate into two independent publicly traded companies:

- EssentialCo would comprise leading mono-technology businesses including Soda Ash, Peroxides, Silica and Coatis, which are reported as the Company's Chemicals segment, as well as the Special Chem business.
- SpecialtyCo would comprise the Company's currently reported Materials segment, including its high-growth, high-margin Specialty Polymers, its high-performance Composites business, as well as the majority of its Solutions segment, including Novecare, Technology Solutions, Aroma Performance, and Oil & Gas.

The transaction is subject to general market conditions and customary closing conditions, including final approval by Solvay's Board of Directors, consent of certain financing providers and shareholder approval at an extraordinary general meeting, and is expected to be completed in the second half of 2023. The Board of Directors of Solvac, Solvay's long-standing reference shareholder, has confirmed its support of Solvay's transaction. None of these events were considered to be adjusting events

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

On 24 February 2022, the Government of Russia launched a large-scale military operation in Ukraine. As a result, the international community imposed sanctions on Russia, which in turn prompted the Russian government to impose sanctions against some countries, including those in the European Union creating turmoil in the energy markets, raw materials sourcing, financing and banking systems. Our company is implementing a strict compliance policy, which also covers export control and application of all the sanctions defined against Russia.

The anticipated impact of the conflict is a surge in inflationary pressure, which is already intense and is expected to be mitigated in 2022 through additional pricing and sourcing initiatives. The company will continue to closely monitor the situation and the evolution of the conflict, but does not consider it to be an adjusting event.