

Registration number: 02624692

# LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)

Annual Report and Financial Statements  
for the Year Ended 31 December 2016

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## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

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**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Company Information**

<b>Directors</b>	Billie S Flaherty Stephen C Forsyth Anthony J Risino
<b>Registered office</b>	Tenax Road Trafford Park Manchester M17 1WT
<b>Solicitors</b>	Eversheds 1 Earlsfort Centre Earlsfort Terrace Dublin 2 Ireland
<b>Bankers</b>	Bank of America 2 King Edward St London EC1A 1HQ
<b>Auditors</b>	KPMG LLP 1 St Peter's Square Manchester M2 3AE

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Strategic Report for the Year Ended 31 December 2016**

The strategic report for the year ended 31 December 2016.

#### **Business Review**

##### **Principal activities and business review**

The principal activity of the Company is the manufacture of speciality chemicals, particularly brominated and phosphorous flame retardants and performance additive fluids. The Company also has a supply agreement for the manufacture of industrial water additives.

##### **Strategy**

The business strategy is to generate growth in sales and profitability through technology-led innovation, participating in the growth of the faster growing regions of the world, creating a performance driven culture among its employees and actively managing its business portfolio and costs.

##### **Performance during 2016**

Overall turnover was up by 20% compared to the previous year, primarily driven by a significant increase in sales of bromine intermediates - prior year supply problems from Israel were resolved and Asian demand for bromine remained strong throughout the year. Sales of phosphorous flame retardants continued to decline, albeit at a slower pace than in the previous year, as US flame retardant legislation continued to exert a detrimental effect. Industrial Water Treatment sales to the supply agreement partner decreased by 23%. Performance Additive Fluids sales were 12% higher over the year. Gross margins relative to sales were considerably higher as a result of favourable product mix and manufacturing variances.

Operating profit increased by £3,592,000 compared to the previous year. This was driven by higher gross profit of £8,785,000, offset by slightly higher distribution costs and an increase in administrative costs of £4,811,000.

The rise in administrative expenses relates to two significant items: foreign exchanges losses in the year were £1,227,000 compared to a gain of £675,000 in 2015 following exceptional volatility in the second half of 2016 and a defined benefit pension past service cost credit of £2,213,000 in 2015 favourably impacted that year.

The Company's key financial performance indicators during the year were as follows:

	<b>2016</b>	<b>2015</b>
Turnover	75,037	62,584
Gross Profit	18,702	9,917
Operating profit	10,531	6,939
Profit after tax	<u>10,789</u>	<u>7,363</u>

On time delivery to customers was 93% in 2016 compared to 94% in 2015.

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Strategic Report for the Year Ended 31 December 2016**

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

Key risks to the business are recognised as:

- Additional regulatory requirements in environmental, health and safety and product registration.
- Global foreign exchange rate volatility, particularly for the Euro and US dollar.
- Availability and pricing of raw materials and energy.
- Declining order volumes.

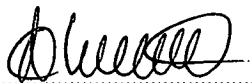
To mitigate risk on regulatory requirements both employees and external advisers are used to monitor compliance with specific laws and regulations.

- Actions have been taken to reduce fixed costs, adjust plant production rates to meet reduced customer demand and manage working capital.
- Whilst we attempt to match raw material and energy price increases with corresponding product price increases we may not be able to do so immediately. Ultimately, our ability to pass on increases depends on market conditions.

#### **Subsequent events**

Subsequent to the balance sheet date, on 21st April 2017, LANXESS AG successfully completed the acquisition of Chemtura for €2.4 billion and on this date Chemtura ceased to be traded on the NYSE and Euronext Paris. On 12th June 2017, the Company changed its name from "Chemtura Manufacturing UK Limited" to "LANXESS Solutions UK Limited".

Approved by the Board on 7/9/2017 and signed on its behalf by:



Anthony J Risino  
Director

Tenax Road  
Trafford Park  
Manchester  
M17 1WT

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Director's Report for the Year Ended 31 December 2016**

The report and the financial statements for the year ended 31 December 2016.

#### **Directors of the company**

The directors who held office during the year were as follows:

Billie S Flaherty (resigned 21 April 2017)

Stephen C Forsyth (resigned 21 April 2017)

Anthony J Risino

The following directors were appointed after the year end:

Christopher James Flett (appointed 21 April 2017)

Kiern Mark O'Connor (appointed 21 April 2017)

#### **Charitable and political contributions**

The Company made no political contributions during the year (2015: nil). Donations to UK charities amounted to £nil (2015: nil).

#### **Employment of disabled persons**

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

#### **Employee involvement**

During the year the policy of providing employees with information about the Company has been continued through Company journals, notice boards and conferences. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

#### **Future developments**

Although the global economy continued to strengthen overall in 2016, growth within the EU remains subdued and risks to economic growth remain. The Corporation Tax charge has benefited from the reduction in the rate of tax to 20%, and future tax charges will benefit from the further reductions to 17% planned over the next five years.

#### **Research and development**

The Company no longer undertakes research and development on an ongoing basis. Previously, expenditure was charged to the profit and loss account as incurred and in 2016 the amount charged was £nil (2015: £10,000)

#### **Disclosure of information to the auditors**

The director has taken steps that ought to have taken as a director in order to make aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The director confirms that there is no relevant information that of and of which the auditor is unaware.

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

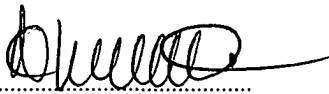
**Director's Report for the Year Ended 31 December 2016**

**Reappointment of auditors**

The auditors KPMG LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Following the change in ownership, the new ultimate parent company's auditor, PwC will be appointed as auditor.

Approved by the Board on 7/9/2017 and signed on its behalf by:



Anthony J Risino  
Director

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Statement of Directors' Responsibilities**

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

Company law requires the director to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the director must not approve the financial statements unless 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 director is required to:

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

The director is 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 to ensure that the financial statements comply with the Companies Act 2006. also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Independent Auditor's Report to the Members of LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

We have audited the financial statements of LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited) for the year ended 31 December 2016, set out on pages 9 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

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.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided in the Financial Reporting Council's website at [www.frs.org.uk/auditscopeukprivate](http://www.frs.org.uk/auditscopeukprivate).

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' Report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

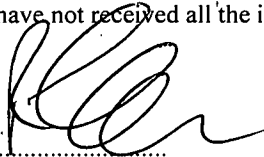
**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Independent Auditor's Report to the Members of LANXESS Solutions UK Limited  
(formerly Chemtura Manufacturing UK Limited)**

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, 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



Richard Evans (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor

1 St Peter's Square  
Manchester  
M2 3AE

Date: 12 September 2017

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Profit and Loss Account for the Year Ended 31 December 2016**

	<b>Note</b>	<b>2016 £ 000</b>	<b>2015 £ 000</b>
Turnover	3	75,037	62,584
Cost of sales		<u>(56,335)</u>	<u>(52,667)</u>
Gross profit		18,702	9,917
Distribution costs		(1,080)	(698)
Administrative expenses		<u>(7,091)</u>	<u>(2,280)</u>
Operating profit	4	10,531	6,939
Other interest receivable and similar income	5	8,603	8,433
Other interest payable and similar charges	6	<u>(6,273)</u>	<u>(6,419)</u>
		2,330	2,014
Profit before tax		12,861	8,953
Tax on profit on ordinary activities	9	<u>(2,072)</u>	<u>(1,590)</u>
Profit for the year		<u><u>10,789</u></u>	<u><u>7,363</u></u>

The above results were derived from continuing operations.

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Statement of Comprehensive Income for the Year Ended 31 December 2016**

	Note	2016 £ 000	2015 £ 000
Profit for the year		<u>10,789</u>	<u>7,363</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement of defined benefit asset	15	(5,111)	3,551
Deferred tax in respect of defined benefit asset	9	<u>942</u>	<u>(564)</u>
		<u>(4,169)</u>	<u>2,987</u>
Total comprehensive income for the year		<u><u>6,620</u></u>	<u><u>10,350</u></u>

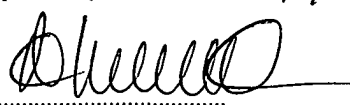
The notes on pages 13 to 31 form an integral part of these financial statements.

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**(Registration number: 02624692)  
Balance Sheet as at 31 December 2016**

	<b>Note</b>	<b>2016 £ 000</b>	<b>2015 £ 000</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	13,743	14,251
Pension asset	15	<u>34,501</u>	<u>29,227</u>
		<u>48,244</u>	<u>43,478</u>
<b>Current assets</b>			
Stocks	11	12,111	11,128
Trade and other Receivables	12	131,404	126,048
Cash at bank and in hand		<u>1</u>	<u>-</u>
		143,516	137,176
<b>Creditors: Amounts falling due within one year</b>			
Trade and other payables	16	<u>(9,277)</u>	<u>(6,450)</u>
Net current assets		<u>134,239</u>	<u>130,726</u>
Total assets less current liabilities		182,483	174,204
Deferred tax liabilities	9	(3,109)	(2,064)
Other long term provisions	17	<u>(1,705)</u>	<u>(1,091)</u>
Net assets		<u>177,669</u>	<u>171,049</u>
<b>Capital and reserves</b>			
Called up share capital	13	100,310	100,310
Share premium reserve		25,000	25,000
Profit and loss account		<u>52,359</u>	<u>45,739</u>
Shareholders' funds		<u>177,669</u>	<u>171,049</u>

Approved by the director on 7/9/2017



Anthony J Risino  
Director

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Statement of Changes in Equity for the Year Ended 31 December 2016**

	<b>Share capital £ 000</b>	<b>Share premium £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2016	100,310	25,000	45,739	171,049
Profit for the year	-	-	10,789	10,789
Other comprehensive (loss)/gain	-	-	(4,169)	(4,169)
Total comprehensive income	-	-	6,620	6,620
At 31 December 2016	<u>100,310</u>	<u>25,000</u>	<u>52,359</u>	<u>177,669</u>

	<b>Share capital £ 000</b>	<b>Share premium £ 000</b>	<b>Retained earnings £ 000</b>	<b>Total £ 000</b>
At 1 January 2015	100,310	25,000	35,389	160,699
Profit for the year	-	-	7,363	7,363
Other comprehensive (loss)/gain	-	-	2,987	2,987
Total comprehensive income	-	-	10,350	10,350
At 31 December 2015	<u>100,310</u>	<u>25,000</u>	<u>45,739</u>	<u>171,049</u>

The notes on pages 13 to 31 form an integral part of these financial statements.

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**1 General information**

The company is a private company limited by share capital incorporated and domiciled in the United Kingdom.

The address of its registered office is:

Tenax Road  
Trafford Park  
Manchester  
M17 1WT  
United Kingdom

**2 Accounting policies**

**Summary of significant accounting policies and key accounting estimates**

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

**Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

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, Chemtura Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Chemtura Corporation are prepared in accordance with US GAAP and are available to the public and may be obtained from the address in note 19.

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **2 Accounting policies (continued)**

##### **Summary of disclosure exemptions**

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; and
- Disclosures in respect of the compensation of Key Management Personnel;

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

The financial statements are prepared on the historical cost basis.

##### **Going concern**

The financial statements have been prepared under the going concern assumption. The Company's business activities, together with the factors likely to affect its future development, performance and position, are noted in the directors' report and the accounts, which show that the Company has adequate levels of liquidity and is able to recover its inter-company debtor balances from other Group Companies in order to meet its short term debt requirements. As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After reviewing the forecasts for the next 12 months the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and meet commitments as they fall due.

##### **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.



## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **2 Accounting policies (continued)**

##### **Tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same tax authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

##### **Property, plant and equipment**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

##### **Depreciation**

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Buildings	Equal instalments over 40 years
Plant and machinery	Equal instalments between 3 and 15 years

##### **Intangible assets**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date.

Goodwill is not subject to amortisation but is tested for impairment.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **2 Accounting policies (continued)**

##### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value. A provision for the impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

##### **Inventories**

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

##### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

##### **Share capital**

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **2 Accounting policies (continued)**

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

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA 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.

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

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

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**3 Turnover**

The analysis of the Company's revenue for the year from continuing operations, is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Turnover by destination:</b>		
Europe	74,785	62,348
Asia	252	236
	<u>75,037</u>	<u>62,584</u>

**4 Operating profit**

Arrived at after charging/(crediting)

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Depreciation expense	2,160	2,246
Goodwill write-off	-	224
Research and development cost	-	10
Foreign exchange loss/(gain)	1,227	(675)
Audit of the financial statements	29	29
Government grants	(5)	(5)
Redundancy costs	(2)	11
	<u>7,603</u>	<u>8,433</u>

**5 Other interest receivable and similar income**

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Interest income on unimpaired financial assets	948	962
Expected return on pension scheme assets (note 15)	7,655	7,471
	<u>8,603</u>	<u>8,433</u>

Other interest receivable and similar income includes income from group undertakings of £938,000 (2015: £962,000)

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**6 Interest payable and similar charges**

	<b>2016</b> <b>£ 000</b>	<b>2015</b> <b>£ 000</b>
Expected interest on pension scheme liabilities (note 15)	6,270	6,419
Interest expense on unimpaired financial liabilities	<u>3</u>	<u>-</u>
	<u><u>6,273</u></u>	<u><u>6,419</u></u>

**7 Staff costs**

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2016</b> <b>£ 000</b>	<b>2015</b> <b>£ 000</b>
Wages and salaries	7,777	7,779
Social security costs	907	936
Pension costs	<u>393</u>	<u>(1,811)</u>
	<u><u>9,077</u></u>	<u><u>6,904</u></u>

Pension costs include defined benefit scheme past service costs of £Nil, (2015: (2,213,000)).

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

	<b>2016</b> <b>No.</b>	<b>2015</b> <b>No.</b>
Production	83	76
Administration and support	<u>97</u>	<u>108</u>
	<u><u>180</u></u>	<u><u>184</u></u>

**8 Directors' remuneration**

The directors' remuneration for the year was as follows:

	<b>2016</b> <b>£ 000</b>	<b>2015</b> <b>£ 000</b>
Remuneration	<u><u>227</u></u>	<u><u>248</u></u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**8 Directors' remuneration (continued)**

During the year the number of directors who were receiving benefits and share incentives, totalling £50,000, was as follows:

	<b>2016</b>	<b>2015</b>
	<b>No.</b>	<b>No.</b>
Received or were entitled to receive shares under long term incentive schemes	1	1
Exercised share options	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	122	122
Benefits under long-term incentive schemes (including shares)	97	116
Company contributions to money purchase pension schemes	<u>8</u>	<u>10</u>
	<u>227</u>	<u>248</u>

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

**9 Income tax**

Tax charged/(credited) in the income statement

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Current taxation</b>		
Current tax on profits for the year	85	87
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	2,394	1,663
Arising from changes in tax rates and laws	(400)	(104)
Adjustments in respect of previous periods	<u>(7)</u>	<u>(56)</u>
Total deferred taxation	<u>1,987</u>	<u>1,503</u>
Tax expense in the income statement	<u>2,072</u>	<u>1,590</u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**9 Income tax (continued)**

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2015 - lower than the standard rate of corporation tax in the UK) of 20% (2015 - 20.25%).

The differences are reconciled below:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Profit before tax	<u>12,861</u>	<u>8,953</u>
Corporation tax at standard rate	2,572	1,813
Increase (decrease) in current tax from adjustment for prior periods	(7)	(56)
Increase from effect of expenses not deductible in determining taxable profit (tax loss)	11	45
Group relief claimed	(104)	(108)
Deferred tax expense (credit) relating to changes in tax rates or laws	<u>(400)</u>	<u>(104)</u>
Total tax charge	<u>2,072</u>	<u>1,590</u>

The standard rate of corporation tax in the United Kingdom for the year is 20% (2015: 20.25%). The Finance Act 2015 enacted a reduction in the main rate of corporation tax to 19% with effect from 1 April 2017, and the Finance Act 2016 enacted a further reduction to 17% with effect from 1 April 2020. Deferred tax has therefore been provided at a rate of 17%.

**Deferred tax**

Deferred tax assets and liabilities

	<b>Asset</b>	<b>Liability</b>	<b>Net deferred</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>tax</b>
			<b>£ 000</b>
<b>2016</b>			
Accruals	1,091	-	1,091
Tax losses carry-forwards	996	-	996
Accelerated tax depreciation	669	-	669
Pension benefit obligations	-	(5,865)	(5,865)
	<u>2,756</u>	<u>(5,865)</u>	<u>(3,109)</u>
<b>2015</b>			
Accruals	8	-	8
Tax losses carry-forwards	2,892	-	2,892
Accelerated tax depreciation	296	-	296
Pension benefit obligations	-	(5,260)	(5,260)
	<u>3,196</u>	<u>(5,260)</u>	<u>(2,064)</u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**9 Income tax (continued)**

Deferred tax movement during the year:

	<b>At 1 January 2016 £ 000</b>	<b>Recognised in income £ 000</b>	<b>Recognised in other comprehensive income £ 000</b>	<b>At 31 December 2016 £ 000</b>
Accruals	8	1,083	-	1,091
Tax losses carry-forwards	2,892	(1,896)	-	996
Accelerated tax depreciation	296	373		669
Pension benefit obligations	(5,260)	(1,547)	942	(5,865)
Net tax assets/(liabilities)	<u>(2,064)</u>	<u>(1,987)</u>	<u>942</u>	<u>(3,109)</u>

Deferred tax movement during the prior year:

	<b>At 1 January 2015 £ 000</b>	<b>Recognised in income £ 000</b>	<b>Recognised in other comprehensive income £ 000</b>	<b>At 31 December 2015 £ 000</b>
Accruals	9	(1)	-	8
Tax losses carry-forwards	3,817	(925)	-	2,892
Accelerated tax depreciation	660	(364)	-	296
Pension benefit obligations	(4,482)	(214)	(564)	(5,260)
Net tax assets/(liabilities)	<u>4</u>	<u>(1,504)</u>	<u>(564)</u>	<u>(2,064)</u>



**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**10 Property, plant and equipment**

	<b>Land and buildings £ 000</b>	<b>Plant &amp; Machinery £ 000</b>	<b>Total £ 000</b>
<b>Cost or valuation</b>			
At 1 January 2016	5,824	56,801	62,625
Additions	<u>110</u>	<u>1,542</u>	<u>1,652</u>
At 31 December 2016	<u>5,934</u>	<u>58,343</u>	<u>64,277</u>
<b>Depreciation</b>			
At 1 January 2016	3,523	44,851	48,374
Charge for the year	<u>103</u>	<u>2,057</u>	<u>2,160</u>
At 31 December 2016	<u>3,626</u>	<u>46,908</u>	<u>50,534</u>
<b>Carrying amount</b>			
At 31 December 2016	<u>2,308</u>	<u>11,435</u>	<u>13,743</u>
At 31 December 2015	<u>2,301</u>	<u>11,950</u>	<u>14,251</u>

**11 Stocks**

	<b>2016 £ 000</b>	<b>2015 £ 000</b>
Raw materials and consumables	1,974	590
Work in progress	3,046	4,158
Finished goods and goods for resale	<u>7,091</u>	<u>6,380</u>
	<u>12,111</u>	<u>11,128</u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**12 Trade and other Receivables**

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade receivables	63	59
Amounts owed by group undertakings	130,966	122,895
Prepayments	291	311
Other receivables	<u>84</u>	<u>2,783</u>
Total current trade and other receivables	<u><u>131,404</u></u>	<u><u>126,048</u></u>

**13 Share capital**

**Allotted, called up and fully paid shares**

	<b>2016</b>		<b>2015</b>	
	<b>No. 000</b>	<b>£ 000</b>	<b>No. 000</b>	<b>£ 000</b>
Ordinary shares of £1 each	<u>100,310</u>	<u>100,310</u>	<u>100,310</u>	<u>100,310</u>

**14 Obligations under leases and hire purchase contracts**

**Operating leases**

The total future value of minimum lease payments is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Within one year	17	53
In two to five years	372	209
In over five years	<u>-</u>	<u>120</u>
	<u><u>389</u></u>	<u><u>382</u></u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £141,000 (2015 - £139,000)

## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **15 Pension and other schemes**

##### **Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £391,672 (2015 - £401,611).

##### **Defined Benefit Pension Schemes**

##### **Great Lakes (UK) Ltd Pension Plan**

LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited), ("the Company"), operates a defined benefit arrangement called the Great Lakes (UK) Limited Pension Plan ("the Scheme"). The Scheme also has a defined contribution section. The defined benefit scheme provides benefits based on final salary and length of service on retirement, leaving service or death.

The scheme is subject to the Statutory Funding Objective under the Pensions Act 2004.

The scheme is managed by a board of Trustees appointed in part by the Company and in part from elections by members of the scheme. The Trustees have responsibility for obtaining valuations of the fund, administering benefit payments and investing the Scheme's assets. The Trustees delegate some of these functions to their professional advisers where appropriate.

The Scheme closed to future benefit accrual with effect from 31 May 2008, although a link to Final Pensionable Salary at the date a member leaves employment has been retained. There were no scheme amendments, curtailments or settlements during the period under review.

A valuation of the Scheme is carried out at least every three years to determine whether the Statutory Funding Objective is met. As part of the process the Company must agree with the Trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective. The Statutory Funding Objective does not currently impact on the recognition of the Scheme in these accounts.

Contributions paid to the pension scheme at the end of the year were £9,000,000 (2015 - £Nil).

The expected contributions to the plan for the next reporting period are £3,000,000.

The scheme was most recently valued on 31 December 2014. The next valuation of the Scheme is due at 31 December 2017.

##### **Risks**

##### ***Investment risk***

The Scheme holds assets in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficits emerge.

##### ***Interest risk***

The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds different assets such as equities the value of the assets may not move in the same way.

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**15 Pension and other schemes (continued)**

***Inflation risk***

A significant proportion of the benefits under the scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long-term, movements over the short-term could lead to deficits emerging.

***Life expectancy risk***

In the event that members live longer than assumed a deficit will emerge in the Scheme.

***Reconciliation of scheme assets and liabilities to assets and liabilities recognised***

The amounts recognised in the statement of financial position are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value of scheme assets	242,537	196,275
Present value of scheme liabilities	<u>(208,036)</u>	<u>(167,048)</u>
Defined benefit pension scheme surplus	<u><u>34,501</u></u>	<u><u>29,227</u></u>

***Scheme assets***

Changes in the fair value of scheme assets are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Fair value at start of year	196,275	202,261
Interest income	7,655	7,471
Remeasurement (losses)/gains	38,009	(7,375)
Employer contributions	9,000	-
Benefits paid	<u>(8,402)</u>	<u>(6,082)</u>
Fair value at end of year	<u><u>242,537</u></u>	<u><u>196,275</u></u>

***Analysis of assets***

The major categories of scheme assets are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Cash and cash equivalents	110	562
Equity instruments	44,805	57,811
Debt instruments	171,897	114,707
Real estate	5,372	5,118
Other	<u>20,353</u>	<u>18,077</u>
	<u><u>242,537</u></u>	<u><u>196,275</u></u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**15 Pension and other schemes (continued)**

*Actual return on scheme's assets*

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Actual return on scheme assets	<u>45,664</u>	<u>96</u>

The pension scheme has not invested in any of the Company's own financial instruments or in properties or other assets used by the Company.

*Scheme liabilities*

Changes in the present value of scheme liabilities are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value at start of year	167,048	179,850
Past service cost	-	(2,213)
Remeasurement (gains)/losses arising from changes in demographic assumptions	-	(2,896)
Remeasurement (gains)/losses arising from changes in financial assumptions	43,120	(2,894)
Remeasurement (gains)/losses arising from experience adjustments	-	(5,136)
Interest cost	6,270	6,419
Benefits paid	<u>(8,402)</u>	<u>(6,082)</u>
Present value at end of year	<u>208,036</u>	<u>167,048</u>

*Principal actuarial assumptions*

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	<b>2016</b>	<b>2015</b>
	<b>%</b>	<b>%</b>
Mortality rate	1.00	1.00
Discount rate	2.65	3.85
Inflation (RPI)	3.40	3.20
Inflation (CPI)	<u>2.60</u>	<u>2.40</u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**15 Pension and other schemes (continued)**

*Amounts recognised in the income statement*

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
<b>Amounts recognised in operating profit</b>		
Past service cost	-	(2,213)
<b>Amounts recognised in finance income or costs</b>		
Net interest	<u>(1,385)</u>	<u>(1,052)</u>
Total recognised in the income statement	<u><u>(1,385)</u></u>	<u><u>(3,265)</u></u>

*Amounts taken to the Statement of Comprehensive Income*

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Remeasurement (gains)/losses arising from changes in demographic assumptions	-	(2,896)
Remeasurement (gains)/losses arising from changes in financial assumptions	43,120	(2,894)
Remeasurement (gains)/losses arising from experience adjustments	-	(5,136)
Actual return less expected return on scheme assets	<u>(38,009)</u>	<u>7,375</u>
Amounts recognised in the Statement of Comprehensive Income	<u><u>5,111</u></u>	<u><u>(3,551)</u></u>

**LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

**Notes to the Financial Statements for the Year Ended 31 December 2016**

**15 Pension and other schemes (continued)**

**History of experience gains and losses**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>	<b>£ 000</b>
Defined benefit obligation	(208,036)	(167,048)	(179,850)	(156,314)	(155,726)
Fair value of plan assets	<u>242,537</u>	<u>196,275</u>	<u>202,261</u>	<u>166,492</u>	<u>153,022</u>
Surplus / (Deficit)	<u>34,501</u>	<u>29,227</u>	<u>22,411</u>	<u>10,178</u>	<u>(2,704)</u>

**Experience adjustments**

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>£ 000/%</b>	<b>£ 000/%</b>	<b>£ 000/%</b>	<b>£ 000/%</b>	<b>£ 000/%</b>
Difference between the expected and actual return on plan assets	(38,009)	7,375	(25,585)	(4,862)	(5,382)
As a percentage of plan assets	(16) %	4 %	(13) %	(3) %	(4) %
Experience adjustments on plan liabilities	-	(5,136)	-	-	(2,174)
As a percentage of present value of plan liabilities	<u>- %</u>	<u>(3) %</u>	<u>- %</u>	<u>- %</u>	<u>1 %</u>

**Sensitivity analysis**

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	<b>2016</b>	<b>2015</b>
<b>Adjustment to discount rate</b>	<b>+ .25</b>	<b>0.0%</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	<u>198,036</u>	<u>208,036</u>
	<u>208,036</u>	<u>218,009</u>
	<u>160,152</u>	<u>167,048</u>
	<u>174,241</u>	
	<b>2016</b>	<b>2015</b>
<b>Adjustment to rate of inflation</b>	<b>+ .25</b>	<b>0.0%</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	<u>215,332</u>	<u>208,036</u>
	<u>201,036</u>	<u>172,258</u>
	<u>167,048</u>	<u>161,996</u>
	<b>2016</b>	<b>2015</b>
<b>Adjustment to mortality age rating assumption</b>	<b>+ 1 Year</b>	<b>None</b>
	<b>£ 000</b>	<b>£ 000</b>
Present value of total obligation	<u>201,036</u>	<u>208,036</u>
	<u>215,428</u>	<u>162,250</u>
	<u>167,048</u>	<u>171,988</u>

# **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

## **Notes to the Financial Statements for the Year Ended 31 December 2016**

### **16 Trade and other payables**

	<b>2016</b>	<b>2015</b>
	<b>£ 000</b>	<b>£ 000</b>
Trade payables	7,338	5,202
Accrued expenses	904	961
Amounts owed to group undertakings	374	105
Social security and other taxes	497	15
Other payables	164	167
	<u>9,277</u>	<u>6,450</u>

### **17 Provisions**

	<b>Dilapidation Reserve £ 000</b>	<b>Deferred grant income £ 000</b>	<b>Supply agreement reserve £ 000</b>	<b>Total £ 000</b>
At 1 January 2016	736	12	343	1,091
Increase (decrease) in existing provisions	72	-	547	619
Provisions utilised	-	(5)	-	(5)
At 31 December 2016	<u>808</u>	<u>7</u>	<u>890</u>	<u>1,705</u>

### **18 Commitments**

#### **Capital commitments**

Operating supplies, capital materials and services.

The total amount contracted for but not provided in the financial statements was £454,000 (2015 - £269,000).

#### **Other financial commitments**

To underpin its obligations to the pension scheme, the Intermediate Parent company has guaranteed up to \$25 million of the agreed cash contribution and the Company has granted the Trustees a lien over a loan it had made to its intermediate parent company, LANXESS Solutions US Inc. (formerly Chemtura Corporation), with a value of £34,846,777 and interest that accrues under the loan, until the liabilities in respect of all members' pensions or other benefits have been discharged in full by the purchase of annuities of the kind described in section 74(3) of the Pensions Act 1985.

Chemtura considers this contract to be an insurance contract.



## **LANXESS Solutions UK Limited (formerly Chemtura Manufacturing UK Limited)**

### **Notes to the Financial Statements for the Year Ended 31 December 2016**

#### **19 Parent and ultimate parent undertaking**

##### **Relationship between entity and parents**

The ultimate parent company at the year end and the largest group in which these financial statements are consolidated is Chemtura Corporation, incorporated in the United States of America.

The address of Chemtura Corporation is:  
199 Benson Road, Middlebury, Connecticut, CT 06749, USA.

The Company's immediate parent undertaking is Great Lakes Europe Unlimited, which is exempt from the requirement to prepare group accounts under Section 401 of the Companies Act 2006.

#### **20 Non adjusting events after the financial period**

Subsequent to the balance sheet date, at a special meeting of shareholders held on 1st February 2017, Chemtura shareholders voted to approve and adopt the announced merger agreement with LANXESS AG, a global specialty chemicals company in a transaction valued at approximately €2.4 billion.

On 21st April 2017, LANXESS AG successfully completed the acquisition of Chemtura and on this date Chemtura ceased to be traded on the NYSE and Euronext Paris stock exchanges.

On 12th June 2017, the Company changed its name from "Chemtura Manufacturing UK Limited" to "LANXESS Solutions UK Limited".