

ColorMatrix Europe Limited

Report and Financial Statements

31 December 2017



ColorMatrix Europe Limited

Directors

F Freeman
G Fielding
R James

Secretary

A Saal

Auditors

Ernst & Young LLP
2 St Peters Square
Manchester M2 3EY

Bankers

Bank of America N.A.
2 King Edward Street
London
EC1A 1HQ

Solicitors

DWF
5 Castle Street
Liverpool
Merseyside L2 4XE

Business address

Units 9 - 11
Unity Grove
Knowsley Business Park
Knowsley
Merseyside L34 9GT

Registered Office

Units 9 - 11
Unity Grove
Knowsley Business Park
Knowsley
Merseyside L34 9GT
United Kingdom

Strategic Report

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

Results and dividends

The profit for the year, after taxation, amounted to £740,924 (2016: £3,995,844). A dividend of £1.78 per share, totalling £14,535,806 (2016 Nil), was made to ColorMatrix Holdings Limited out of distributable reserves.

Principal activity and review of the business

The principal activity of the Company during the year was the production and sale of colorants and additives for the plastics industry.

The reported turnover for the year was £37,418,850 (2016: - £38,728,363), a 3.4% decrease on the prior year. The decrease is due to the following factors: (i) following a challenge by the Dutch tax authority to the intercompany selling prices charged by the Company to its Dutch subsidiary, the Company agreed to retrospectively reduce intercompany selling prices relating to the years 2010 to 2016 by £3.9m. The impact of this reduction in selling prices has been recorded within the 2017 results.; and (ii) there was an increase of 9% in like for like turnover due to additional volumes supplied in the year which was offset by unfavourable foreign exchange movements.

Performance of the business

The key performance indicators used by the business are turnover, gross profit and operating profit and these are shown below. The profit before tax for the year was £1,640,605 (2016: - £4,634,570), a 65% decrease on the prior year. The decrease is primarily due to the reduction in selling prices to the Company's Dutch subsidiary of £3.9m as explained above.

	2017	2016
	£000	£000
Turnover	37,419	38,728
Turnover Increase/(Reduction)	(3.4%)	21.8%
Gross Profit margin	29.9%	36.2%
Operating Profit margin	4.0%	11.6%
Profit before tax	1,641	4,635

Financial risk management objectives and policies

Trading risk

The Company has a diversified customer and product base. Growth is driven across multiple regions including: sales into various European countries, Indian Subcontinent and the Middle East; several product families including ColorMatrix Europe's patented acetaldehyde scavenging technology used in plastic water bottles, colorants for plastic bottles in various markets and reheat and toner agents into manufacturers of PET resin.

ColorMatrix Europe monitors competitor activity in its core markets and is developing innovative and partly patented products to support its future in supplying to its' existing markets as well as focusing on diversification both within and outside of existing markets. The manufacturing operations of the Company are regulated by UK and European authorities to ensure quality standards.

The Company is engaged in cross border sales to other parts of the PolyOne group. Intercompany selling prices are determined on the basis of detailed transfer pricing studies but are subject to review and challenge by tax authorities in the various jurisdictions in which trading takes place. As a result, from time to time, adjustments are required to historic transfer prices.

Strategic Report *(Continued)*

Financial risk management objectives and policies (continued)

Financial risks

The Company has certain financial risks including the effect of changes in interest rates, foreign currency exchange rates, credit risk and liquidity risk. The most significant of these risks has been currency exchange rates. The group does not use derivative or hedging instruments to manage these exposures although it may do so in the future, if deemed appropriate.

Credit risks

The Company's principal financial assets are trade debtors and bank balances, which represent the Company's maximum exposure to credit risk in relation to the financial assets. Trade debtors, excluding amounts due from intercompany sales, are not concentrated with a single or few customers. Sales generally take place with large multinational companies after reviewing published credit data and references, only then are credit terms and limits of exposure agreed with each customer.

The Company has an excellent history of managing exposure to bad debts and its credit risk is considered low. The credit risk on liquid funds is also limited because the Company's bank has high credit ratings assigned by the international credit rating agencies.

Liquidity risk

The Company has no external debt finance and would seek funding from fellow group companies should the need arise. During the year, the Company acquired various fixed assets financed entirely by cash generated through trading.

Interest rate risk

Interest bearing financial statements comprise cash and bank deposits all of which earn interest at the market rate. As noted above there is no external debt finance.

Foreign exchange risk

The Company is exposed to currency exchange rate risk due to a significant proportion of its receivables and payables being denominated in non-sterling currencies. The group does not use derivative or hedging instruments to manage these exposures although it may do so in the future, if deemed appropriate.

Brexit risk

The U.K. is due to withdraw from the E.U. on 29th March 2019. The British government is negotiating the terms of the U.K.'s future relationship with the E.U. Although it is unknown what those terms will be, it is possible that there will be greater restrictions on imports and exports between the U.K. and E.U. countries and increased regulatory complexities.

57% of the Company turnover was generated through the EU and raw materials are purchased from the EU. Due to the uncertainty around import and export restrictions there is risk around the supply of raw material and finished goods. To mitigate this risk over the short term, contingency plans have been drawn up and acted upon to ensure continuous supply of raw materials and finished goods.

Environment

The Company's policy is to understand and effectively manage the actual and potential environmental impact of its activities. Operations are conducted in compliance with all legal requirements relating to the environment. The product portfolio is, to a considerable extent, based on renewable resources and food contact certified substances. This selection inherently contains environmental friendly raw materials.

In 2017, the Company did not incur any fines or penalties nor has it been investigated for any breach of environmental regulations.

Strategic Report *(Continued)*

Future developments

The future outlook for ColorMatrix Europe Limited looks positive, with the business focusing on continued growth within its' existing markets and regions with the help of innovative products, increased investment and focus on the development of sales into new emerging countries with existing technologies as well as diversification into adjacent and new market spaces with new product developments.

This is coupled with continuous improvement to its operational efficiency to ensure the quality and delivery expectations of the customer base can be met, as a high level of service is both required and valued by ColorMatrix Europe's customers.

The operational and commercial strategy, in conjunction with the investment in product development will support continued growth over the next 5 years with the business expected to deliver growth in excess of 4% per annum over this period.

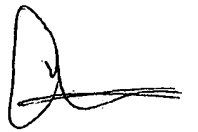
On behalf of the Board



Faye Freeman

Director

Date 13.02.14


C. S. Fiddings

Registered No. 2780189

Directors' report

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

The directors have taken advantage of Section 414c(ii) from including disclosures within their report that are contained in the strategic report.

Directors

The directors who served the Company during the year were as follows:

H Kronimus (resigned 31 October 2017)

B Klaas (resigned 31 October 2017)

F Freeman

R K James (appointed 31 October 2017)

G Fielding (appointed 31 October 2017)

J R Suslak (appointed 31 October 2017, resigned 20 July 2018)

Going concern

The Company had net profits of £740,924 and net current assets of £26,378,217 at 31 December 2017.

The directors have reviewed the forecast for the Company, taking into account factors such as Brexit, and are satisfied that there are sufficient resources available for the foreseeable future. Accordingly, the directors are satisfied that the going concern basis of preparation is appropriate.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Donations

During the year the Company did not make any charitable or political donations.

Subsequent events


In December 2018 ColorMatrix UK Holdings Limited made a loan to ColorMatrix Europe Limited for £43m that is repayable in full in December 2028. The proceeds from the loan was used to facilitate the acquisition of all of the equity interests of Fiber-Line Holdings BV in January 2019.

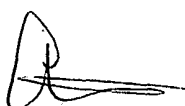
Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board
Faye Freeman

Director
Date


13.02.19


G. Fielding

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102. 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 judgments 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 are 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.

Independent auditors' report

to the members of ColorMatrix Europe Limited

Opinion

We have audited the financial statements of ColorMatrix Europe Limited for the year ended 31 December 2017 which comprise the Profit and Loss account, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 22 including a summary of significant accounting policies. 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 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.

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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Independent auditors' report *(Continued)*

to the members of ColorMatrix Europe Limited

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.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

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

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

Independent auditors' report *(Continued)*

to the members of ColorMatrix Europe Limited

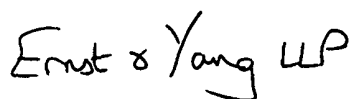
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Julian Yates (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester

13 February 2019

Profit and loss account

for the year ended 31 December 2017

		2017	2016
	Notes	£000	£000
Turnover	2	37,419	38,728
Cost of sales		(26,249)	(24,699)
Gross Profit		11,170	14,029
Administrative expenses		(9,690)	(9,518)
Operating Profit	3	1,480	4,511
Interest receivable and similar income	6	314	344
Interest payable and similar charges	7	(153)	(220)
Profit on ordinary activities before taxation		1,641	4,635
Tax	8	(900)	(639)
Profit for the financial year		741	3,996

All amounts relate to continuing activities.

Statement of comprehensive income

for the year ended 31 December 2017

	2017	2016
	£000	£000
Profit for the financial year	741	3,996
Other comprehensive income for the financial year	–	–
Total comprehensive income for the financial year	741	3,996

Statement of changes in equity

for the year ended 31 December 2017

	Share capital	Share premium account	Profit and loss account	Total share-holders' funds
	£000	£000	£000	£000
At 1 January 2016	94	6,753	47,509	54,356
Profit for the financial year	–	–	3,996	3,996
Other comprehensive income	–	–	–	–
At 1 January 2017	94	6,753	51,505	58,352
Profit for the financial year	–	–	741	741
Dividends paid	–	–	(14,536)	(14,536)
Issue of share capital	8,076	–	–	8,076
At 31 December 2017	8,170	6,753	37,710	52,633

The notes on pages 12 - 24 are an integral part of these financial statements.

Balance sheet

at 31 December 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible assets	10	—	—
Tangible assets	11	2,418	2,428
Investments	12	23,837	23,837
		<u>26,255</u>	<u>26,265</u>
Current assets			
Stocks	13	1,486	782
Debtors: amounts falling due within one year	14	36,540	46,848
Cash at bank		498	52
		<u>38,524</u>	<u>47,682</u>
Creditors: amounts falling due within one year	15	(12,146)	(15,595)
Net current assets		<u>26,378</u>	<u>32,087</u>
Net assets		<u>52,633</u>	<u>58,352</u>
Capital and reserves			
Called up share capital	16	8,170	94
Share premium account		6,753	6,753
Profit and loss account		37,710	51,505
Equity shareholders' funds		<u>52,633</u>	<u>58,352</u>


The notes on pages 12-24 are an integral part of these financial statements.

These financial statements were approved by the directors and are signed on their behalf by :

Faye Freeman
Director

Date:

13.02.19.


G. S. Holdings

Notes to the financial statements

For the Year Ended 31 December 2017

1. Accounting policies

Statement of Compliance

ColorMatrix Europe Limited is a limited liability company limited by shares and registered in England. The financial statements have been prepared in compliance with FRS 102 under the historical cost convention and in compliance with applicable accounting standards in the United Kingdom for the year ended 31 December 2017.

Basis of preparation

The financial statements are prepared in accordance with applicable UK accounting standards. The financial statements are prepared in sterling which is the functional currency and rounded to the nearest £'000.

Going concern

The Company had net profits of £740,924 and net current assets of £26,378,217 at 31 December 2017.

The directors have reviewed the forecast for the Company, taking into account factors such as Brexit, and are satisfied that there are sufficient resources available for the foreseeable future. Accordingly, the directors are satisfied that the going concern basis of preparation is appropriate.

Group financial statements

The Company is exempt from the requirement to prepare group financial statements under S401 of Companies Act 2006 as it is a subsidiary of Poly One Corporation., 33587 Walker Road, Avon Lake, Ohio, USA, 44012, which prepares and publicly files group financial statements which include those of the company and its subsidiary undertakings. These financial statements therefore present information about the company and not its group.

Financial reporting standard 102 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statement of PolyOne Corporation which is incorporated in the USA and these financial statements may be obtained from 33587 Walker Road, Avon Lake, Ohio 44012, USA.

Notes to the financial statements

For the Year Ended 31 December 2017

1. Accounting policies (continued)

Significant accounting policies

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Cost represents purchase price together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

For assets purchased prior to March 2015:

Leasehold improvements	– 25% straight-line
Plant and machinery	– 25% straight-line
Motor vehicles	– 25% straight-line
Office equipment, fixtures and fittings	– 25% straight-line

For assets purchased after March 2015:

Leasehold improvements	– 15 years straight-line
Plant and machinery	– between 8 years and 15 years straight-line
Motor vehicles	– 5 years straight-line
Office equipment, fixtures and fittings	– 5 years straight-line

The carrying value of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments in subsidiary undertakings are included in the balance sheet at their historical cost (i.e. the fair value of the consideration given by the company) less, where appropriate, impairment provisions for any permanent decrease in value. In addition, where the subsidiary has a deficit on shareholders' funds, provision is made in the financial statements of the parent undertaking. The carrying values of fixed asset investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost comprises material costs and excludes labour and other production overheads. Net realisable value is the anticipated sales proceeds less any costs of disposal.

Income tax

(a) Current income tax

Corporation tax payable is provided on taxable profits at current rates.

(b) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Notes to the financial statements

For the Year Ended 31 December 2017

1. Accounting policies (continued)

Significant accounting policies (continued)

Income tax (continued)

(b) Deferred taxation (continued)

- Provision is made for deferred taxation that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rate of exchange prevailing at that date. Non-monetary assets are recorded at their historical cost at the exchange rate prevailing when originally acquired with the exception of investments in group shares which are retranslated annually at the year-end rate. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account. However gains and losses on long term intercompany loans and investments in group shares are recorded in reserves and offset only to the extent of the exchange differences arising on the investments in group shares: any surplus gains or losses on the long term intercompany loans are recorded in the profit and loss account.

Leasing and hire purchase commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the balance sheet. The interest element of the rental obligation is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets held under hire purchase agreements are capitalised as tangible fixed assets and are depreciated over their useful lives. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Turnover

The turnover shown in the profit and loss account represents the value of all goods sold during the period, less returns received, at selling price exclusive of Value Added Tax. Sales are recognised at the point at which the Company has fulfilled its contractual obligations and the risks and rewards attaching to the product, such as obsolescence, have been transferred to the customer.

Research and development

All research and development costs are written off in the year of expenditure.

Notes to the financial statements

For the Year Ended 31 December 2017

1. Accounting policies (continued)

Significant accounting policies (continued)

Basic Financial instruments

(a) Financial assets

Basic financial assets represents stocks, trade debtors including amounts due by group undertakings; and cash and bank balances are initially recognised at transaction price. At 31 December 2017, the Company only has financial assets classified as basic financial instruments.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(b) Financial liabilities

Basic financial liabilities represents creditors including amounts owed to group undertakings are initially recognised at transaction price. At 31 December 2017, the company had financial liabilities classified as basic financial liabilities.

Creditors 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. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Amount owed to group undertakings which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(c) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. There were no judgements or material estimation uncertainties affecting the reported financial performance in the current or prior year.

Notes to the financial statements

For the Year Ended 31 December 2017

2. Turnover

The turnover is attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2017	2016
	£000	£000
United Kingdom	3,576	3,865
Europe	21,381	21,827
Rest of World	12,462	13,036
	<u>37,419</u>	<u>38,728</u>

3. Operating Profit

This is stated after charging/(crediting):

	2017	2016
	£000	£000
Amortisation of intangible assets	–	68
Depreciation of owned fixed assets	529	792
Provision for slow moving inventory	(8)	(153)
Operating lease costs:		
– Cars	63	64
– Other	477	462
Net gain on foreign currency translation	(114)	(54)
Auditor's remuneration:		
– audit of the financial statements	<u>39</u>	<u>36</u>

Notes to the financial statements

For the Year Ended 31 December 2017

4. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2017	2016
	£000	£000
Remuneration receivable	187	198
	<u>187</u>	<u>198</u>
Remuneration of highest paid director:	2017	2016
	£000	£000
Total remuneration (excluding pension contributions)	165	155
	<u>165</u>	<u>155</u>

The number of directors on whose behalf the company made pension contributions was as follows:

	2017	2016
	£000	£000
Money purchase schemes	–	–

5. Particulars of employees

The average number of staff (including directors) employed by the Company during the financial year amounted to:

	2017	2016
	No.	No.
Number of production staff	52	51
Number of distribution staff	5	5
Number of administrative staff	83	80
	<u>140</u>	<u>136</u>

The aggregate payroll costs of the above were:

	2017	2016
	£000	£000
Wages and salaries	5,881	5,542
Social security costs	644	606
Other pension costs	362	334
	<u>6,888</u>	<u>6,482</u>

Notes to the financial statements

For the Year Ended 31 December 2017

6. Interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable from group loans	314	306
Foreign exchange gains	–	38
	<u>314</u>	<u>344</u>

7. Interest payable and similar charges

	2017	2016
	£000	£000
Interest payable on group loans	153	220
	<u>153</u>	<u>220</u>

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£000	£000
<i>Current tax:</i>		
UK Corporation tax at 19.25% (2016: 20%)	963	581
Tax over provided in previous years	(115)	–
Total current tax	<u>848</u>	<u>581</u>
<i>Deferred tax:</i>		
Total deferred tax	52	58
Total tax on profit on ordinary activities	<u>900</u>	<u>639</u>

Notes to the financial statements

For the Year Ended 31 December 2017

8. Tax (continued)

(b) Factors affecting tax charge for the year

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20%).

	2017 £000	2016 £000
Profit on ordinary activities before taxation	1,641	4,635
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20.25%)	316	927
<i>Effects of:</i>		
Amounts not deductible for tax purposes	771	7
R&D expenditure credits	(3)	–
Adjustments to tax charge in respect of previous periods	(112)	(301)
Group Relief	(64)	–
Other	(8)	6
Total tax on profit on ordinary activities (note 8(a))	900	639

(c) Deferred tax

The movement in deferred tax asset is as follows:

	2017 £000	2016 £000
As at start of period	225	283
Deferred tax charged in the Profit and loss account for the period	(52)	(58)
As at the end of period	173	225

The deferred tax asset recognised at the year end is as follows

	2017 £000	2016 £000
Excess of depreciation over taxation allowances	156	220
Other timing differences	17	5
	173	225

The above balances are calculated at a rate of 17% (2016: 17%)

(d) Factors that may affect future tax charges

The reduction of the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 17% from 1 April 2020 was announced within the Autumn Statement 2016. Future profits will be taxed at the appropriate rate. Deferred tax as at 31 December 2017 has been calculated at 17% (2016: 17%); being the enacted rate at which the deferred tax is expected to reverse.

Notes to the financial statements

For the Year Ended 31 December 2017

9. Dividends

	2017 £000	2016 £000
Dividends paid during the year of £1.78 per share (2016 Nil)	14,536	0

10. Intangible fixed assets

	<i>Patents</i> £000
<i>Cost:</i>	
At 1 January and 31 December 2017	1,753
<i>Amortisation:</i>	
At 1 January 2017	1,753
Charge for the year	-
At 31 December 2017	1,753
<i>Net book value:</i>	
At 31 December 2017	-
At 31 December 2016	-

11. Tangible fixed assets

	<i>Leasehold improvements</i> £000	<i>Plant and machinery</i> £000	<i>Office equipment, fixtures and fittings</i> £000	<i>Total</i> £000
<i>Cost:</i>				
At 1 January 2017	1,478	10,764	4,420	16,662
Additions	5	412	102	519
Disposals	-	-	-	-
At 31 December 2017	1,483	11,176	4,522	17,181
<i>Depreciation:</i>				
At 1 January 2017	1,370	9,271	3,593	14,234
Charge for the year	32	343	154	529
Disposals	-	-	-	-
At 31 December 2017	1,402	9,614	3,747	14,763
<i>Net book value:</i>				
At 1 January 2017	108	1,493	827	2,428
At 31 December 2017	81	1,562	775	2,418

Notes to the financial statements

For the Year Ended 31 December 2017

12. Investments

	<i>Total £000</i>
<i>Cost:</i>	
At 1 January 2017	23,837
Impairment	—
At 31 December 2017	<u>23,837</u>
<i>Net book value:</i>	
At 31 December 2017	<u>23,837</u>
At 31 December 2016	<u>23,837</u>

The Company owns 100% of the issued share capital of Seola ApS, ColorMatrix Europe BV and ColorMatrix U.K. Limited.

Seola ApS is a non-trading parent undertaking incorporated in Denmark. ColorMatrix Europe BV produces and sells colorants and is incorporated in The Netherlands. ColorMatrix U.K. Limited is a dormant company incorporated in England & Wales.

13. Stocks

	<i>2017 £000</i>	<i>2016 £000</i>
Raw materials	936	509
Semi finished and finished goods	<u>550</u>	<u>273</u>
	<u>1,486</u>	<u>782</u>

Stocks recognised as an expense in the period were £17,915,975 (2016 - £17,116,882).

The amount provided for obsolete and slow moving was £126,495 (2016 £134,054).

14. Debtors: amounts falling due within one year

	<i>2017 £000</i>	<i>2016 £000</i>
Trade debtors	1,130	1,835
Amounts owed by group undertakings (see note 20)	34,368	43,949
Corporation tax	—	658
Deferred tax (see note 8)	173	225
VAT recoverable	93	—
Prepayments and accrued income	<u>776</u>	<u>181</u>
	<u>36,540</u>	<u>46,848</u>

The fair value of the balances equate to the book values.

Notes to the financial statements

For the Year Ended 31 December 2017

15. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Trade creditors	(1,745)	(1,970)
Amounts owed to group undertakings (see Note 20)	(8,445)	(11,882)
Corporation tax	(441)	–
Other taxes and social security	(168)	(168)
Accruals and deferred income	(1,347)	(1,573)
	<u>(12,146)</u>	<u>(15,595)</u>

The fair value of the balances equate to the book values.

16. Share capital

	No.	2017 £000	No.	2016 £000
<i>Authorised and Issued Share Capital</i>				
8,169,606 (2017: 93,933) Ordinary shares of £1 each	8,169,606	8,170	93,933	94

Following the increase in the authorised share capital of the Company, in August 2017 there was a share issue and allotment of 8,075,673 ordinary shares of £1 each, issued at par value to ColorMatrix UK Holdings Limited. The shares were issued in consideration for a receivable of \$10,462,071 (£8,075,673), being the principal and all accrued interest owing under an intercompany loan from ColorMatrix UK Holdings Limited to ColorMatrix Holdings, Inc.

17. Pensions

The Company operates a defined contribution pension scheme. The pension cost for the year represents contributions payable by the Company to the scheme and amounted to £362k (2016 – £334k).

There was unpaid pension contribution of £48k at 31 December of 2017 (2016 – £43k).

18. Other financial commitments

At 31 December 2017 the Company had future minimum lease payment commitments under non-cancellable operating leases as set out below.

	2017	2016
	£000	£000
Within one year	477	527
Later than one year and not later than five years	1,907	1,968
Over five years	1,339	2,125
	<u>3,722</u>	<u>4,620</u>

Notes to the financial statements

For the Year Ended 31 December 2017

19. Contingencies

The Company is subject to a cross guarantee over bank borrowings with ColorMatrix UK Holdings Limited. At 31 December 2017 ColorMatrix UK Holdings Limited had total bank borrowings of £nil (2016 – £nil).

20. Related party transactions

As at the reporting date, as the Company was a wholly owned subsidiary of Poly One Corporation, it has taken the advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions with entities which form part of the group (or investees of the group qualifying as related parties).

The balances outstanding at 31 December, are as follows:

		<i>Amounts owed from related party £000</i>	<i>Amounts owed to related party £000</i>
With parent undertaking			
	2017	-	2,049
	2016	-	4,791
With subsidiary undertakings			
	2017	9,189	3,980
	2016	23,907	4,229
With fellow group companies			
	2017	25,179	2,416
	2016	20,042	2,862

Terms and conditions of sales and purchases with related parties

Sales and purchases between related parties are made based on an agreed transfer pricing policy. Outstanding balances with entities are unsecured, interest free and cash settlement is expected by day 45 of invoice. The Company has not made any provision for doubtful debts relating to amounts owed by related parties in the year (2016: nil).

Intercompany relationships

The Company owns 100% of the issued share capital of Seola ApS, ColorMatrix Europe BV and ColorMatrix U.K. Limited

Seola ApS is a non-trading parent undertaking incorporated in Denmark. ColorMatrix Europe BV produces and sells colorants and is incorporated in The Netherlands. ColorMatrix U.K. Limited is a dormant company incorporated in England & Wales.

Notes to the financial statements

For the Year Ended 31 December 2017

21. Ultimate parent undertaking and controlling party

The Company is controlled by its immediate parent undertaking ColorMatrix UK Holdings Limited.

The ultimate parent undertaking is PolyOne Corporation which is the only group company which prepares and files consolidated financial statements which include the financial statements of the company. These financial statements are available at 33587 Walker Road, Avon Lake, Ohio USA 44012.

The directors do not consider there to be an ultimate controlling party.

22. Subsequent Events

In December 2018 ColorMatrix UK Holdings Limited made a loan to ColorMatrix Europe Limited for £43m that is repayable in full in December 2028. The proceeds from the loan was used to facilitate the acquisition of all of the equity interests of Fiber-Line Holdings BV in January 2019.