

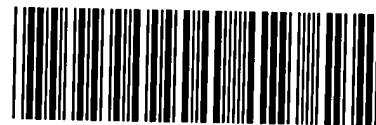
Registered No. 02780189

ColorMatrix Europe Limited

Annual Report and Financial Statements

for the year ended 31 December 2021

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Company information

Directors

Z D Crawford

A Saal (Appointed 27.01.2021)

R James

Secretary

A Saal

Auditors

Mazars LLP

One St Peter's Square

Manchester M2 3DE

United Kingdom

Bankers

Bank of America N.A.

2 King Edward Street

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Business address

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Knowsley Business Park

Knowsley

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Registered Office

Units 9 - 11

Unity Grove

Knowsley Business Park

Knowsley

Merseyside L34 9GT

United Kingdom

Strategic report

The directors present the strategic report of ColorMatrix Europe Limited (the “Company”) for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is the production and sale of colorants and additives for the plastics industry.

Review of the business

The reported turnover for the year was £41.6 million (2020: £43.5 million) representing a 4% decrease on the prior year with gross margin at 39.4% (2020: 31.9%).

Turnover for 2021 saw a decrease versus 2020, the biggest impact was from billing in foreign currency (mainly Euro) and the subsequent conversion to GBP reporting currency, amounting to approximately £1.1 million. In the main 2021 saw steady volumes in most materials with some reduced volume in colorants being replaced by additives business supplied from European facilities, and hence the remainder of the difference year on year.

The gross margin increase is due to reduction of sales of lower margin products and an increase in higher margin products alongside price increases that outstripped inflation on raw materials through the first half of 2021.

Administrative costs increased from £10.4 million in the prior year to £13.6 million in 2021. Included in administrative expenses are restructuring costs totalling £1.1 million.

On 1 June 2021, the Company’s subsidiary, ColorMatrix Europe BV, was reorganised resulting in certain assets relating to the liquid manufacturing business transferring to the Company. Associated plant closure costs were recharged from group undertakings to the Company and are recognised within administrative costs.

Other operating expenses include a loss of £1.6 million relating to foreign exchange (2020: profit of £1.6 million). The Company is party to Avient’s cashpool arrangements with funds held in a Euro central bank account. The movement in the exchange rate of Euro to GBP during 2021 has resulted in a loss being recognised in the year.

Operating profit decreased from £22.6 million in 2020 to £1.3 million in 2021. 2020 included £17.5 million of dividend income received from a wholly owned subsidiary, Seola Aps. No dividend income has been received in 2021.

Net interest costs decreased by £0.1 million to £2.4 million (2020: £2.5 million).

On 24 June 2021, the Company borrowed £33,450,000 on a short term loan agreement with its parent company, ColorMatrix UK Holdings Limited.

On 1 July 2021 the company purchased the issued share capital of Magna Colours Holdings Limited, a water-based inks business for consideration of £39,621,841.

Future developments

The future outlook for ColorMatrix Europe Limited looks positive, expectations show the stability of raw material prices along with pricing strategies to support the growth of the business. The Company will focus 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.

The Company will work towards leading the industry in adopting sustainable products with all new developments driven by sustainability.

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.

Strategic report (continued)

Key performance indicators

The key performance indicators used by the business are turnover, gross profit and operating profit and these are shown below.

	2021 £000	2020 £000
Turnover	41,647	43,542
Turnover (Decrease)/increase	(4%)	(6%)
Gross Profit margin	39.4%	31.9%
Operating Profit margin	3%	52%
EBITDA	1,930	23,119

Principal risks and uncertainties

Trading risk

The Company has a diversified customer and product base. Growth is driven across multiple regions including sales into various European countries, Africa 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.

The Company 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 Avient 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.

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 foreign 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 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 and cashflow risk

The objective of the Company in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. 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. The group is in a strong financial position to allow it to meet its financial obligations for the foreseeable future.

Interest rate risk

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

Strategic report (continued)

Principal risks and uncertainties (continued)

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.

COVID-19

The welfare of employees was at the forefront of the Company's response to the COVID-19 pandemic. All Government guidelines were followed, suitable personal protective equipment was supplied to all employees, social distancing guidelines were adhered to along with segregation of the Operations and Research & Development facilities. Employees were requested to work from home and this policy continued through 2021. The Company continues to implement contingency plans to maintain the safety of employees and the reliable operation of the Company's plant. Whilst some customer sales were reduced, the impact on financial performance and position has not been significant.

Brexit

The Company's working group had established contingency plans to minimise the impact of Brexit on the Company's ongoing business. Whilst supply chain issues and border delays have been widely reported for many UK businesses, the Company has managed these risks and experienced only minimal disruption to the importation of raw materials, other goods and services during 2021.

Ukraine crisis

The Company is closely monitoring the rapidly changing situation regarding the conflict between Ukraine and Russia which broke out during 2022. The directors are assessing the risks to the business from the impact the conflict will have on the global economy; such as fluctuations in foreign exchange rates, inflation rates and energy price increases. In the short term, foreign exchange movements may be affected but the impact of such changes on the Company are expected to be limited. The impact to the Company's results and financial position although affected, is not expected to be material. The directors have considered the impact in its forecasts and its going concern assessment.

Section 172(1) statement

The Board of directors, having regard to their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. As part of their principal decision making process, the Board of directors have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company

The Board of directors are committed to creating value for customers, employees, communities and shareholders through dedication to ethical, sustainable and fiscally responsible principles. At the core of the Company's vision is Avients sustainability strategy which is focused on four cornerstones: people, products, planet and performance, each interlinked. The board has regard to all four areas in its business decision making processes thus allowing the interests of its people, customers and suppliers, shareholders as well as the impact on the environment and communities in which we operate to be taken into account.

In order to ensure that decisions taken are in line with the Company's values and objectives, the board has established a culture focusing on three core values: collaboration, innovation and excellence as well as a focus on personal values: respect, integrity and honesty. The Board and senior management team lead by example and are conscious of judgements and decisions affecting the way the Company is viewed in the marketplace and in the communities where we work. The culture ensures the Company's reputation for high standards of business conduct are consistently maintained.

Strategic report (continued)

Section 172(1) statement (continued)

The Company's senior leadership team considers the view of all its stakeholders through regular reporting and uses this information to assess the impact of decisions on each stakeholder group. Details of the Company's key stakeholders and how we engage with them are set out below.

Engagement with employees

Our employees are key to our company. We are committed to ensuring an inclusive and innovative work environment. In order for our employees to provide regular constructive feedback we invite them to participate in annual engagement surveys that drive change within the business. The senior management team share the overall results of the survey with employees and use them to implement any actions for improvement.

On a more regular basis we hold monthly Forums with employee groups to ensure there is a regular two-way flow of information.

During the COVID-19 pandemic we were required to continue manufacturing for the food and medical industries and in order to do so and in consultation with our employees we introduced strict temperature controls, zonal restriction of movement on site and social distancing in addition to providing all the necessary PPE to protect our workforce. Those who could work from home were encouraged to do so and regular communication with employees was maintained throughout.

Developing our employees is key to the business therefore we provide on the job training to give them the skills and knowledge they require to do their jobs. All employees are provided with access to LinkedIn Learning that is an on-line training platform offering a wide variety of courses and tutorials. We also provide a variety of 'in house' Leadership and Soft Skills training courses including a well-established Lean Six Sigma program.

The Company has a very active Committee made up of employee volunteers who organise and facilitate activities that support local Charities and Community causes in addition to social events for employees.

The Company is an equal opportunities employer and gives full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. The Company annually retrains all employees on its Code of Conduct. Employees are aware that any type of discrimination will not be tolerated and breaches can be reported via the Code of Conduct Hot Line.

Where people become disabled during the course of their employment, every effort is made to retain their services and to provide any necessary retraining. All employees are eligible for consideration for training, career development and promotion. Disabled people are not treated differently in this respect.

Employee Survey - Great Place to Work (GPTW)

In November 2021, we conducted another Employee Engagement survey to capture every associate's feedback to create a great place to work. Participation rate was 82%, with most improvement made within the 'survey follow up' category, where positive change is recognised as an outcome from the survey. The improvement seen in 2020's survey was maintained in 2021. Average of All Statements: 75% (2020: 75%), GPTW Statement: 77% (2020: 76%).

We were honoured that our global scores once again earned us the distinction as a Great Place to Work® by the Great Place to Work Institute.

Suppliers

Avient suppliers are valued as our external partners and are vital to the business. Our suppliers are key for innovation, new technologies and market intelligence.

Avient has developed procedures linked to supplier selection, development and assessment in Europe to ensure we work with our partners. Our basis of selecting new suppliers must be the ISO9001:2015 certification, if not certified, a risk analysis of the supplier must be done to assess ability to deliver product and services on time, of quality, which meet our requirements.

We work with our key suppliers to develop quality management systems to support services provided to Avient. Supplier audits take place as and when necessary to examine the effectiveness of existing quality systems, and to verify if the supplier activities meet Avient expectations. Regular complaint reviews are also done internally to ensure suppliers action and respond to any open complaints to ensure corrective measures are implemented.

Strategic report (continued)

Section 172(1) statement (continued)

Suppliers (continued)

Customers

We engage with our customers in a number of ways outlined below.

Account Managers

Regionally based in various key European markets. They regularly visit and interact with new and existing customers to understand market changes and trends. They are the primary commercial contact for all buying accounts and own the customer relationships.

Technical Service Engineers (ADTS)

Regionally based in various key European markets. They regularly visit and interact with new and existing customers to implement best practice of technology and train new customers on applications. They are the primary technical and operational contact for the customer.

Customer Service Representatives (CSR)

Based on site at manufacturing facilities and offices. Customers contact CSRs to place orders for products, request pricing and raise complaints. CSRs are multilingual and regions are divided between them according to language fit. CSRs proactively call customers on a regular basis to gain feedback on service performance – delivery, quality and responsiveness.

Inside Sales Representative

Inside sales are based in Luxembourg head office and manage customers and direct sales with full account responsibility. The accounts managed by Inside Sales are selected due to geographic location (difficult to access) and size (smaller, less strategic customers). For the accounts managed by Inside sales they are the primary customer contact.

Business Development Manager (BDM)

The BDM focuses on specific markets related to the strategic focus. The BDM is responsible for interacting with all major influencers in the value chain including suppliers to our direct customers, brand owners (our customers' customers) and various associations. The BDM then manages significant size projects within their specific market supporting the Account Manager or Inside Sales Representative.

Key Accounts Manager (KAM)

The KAM is responsible for managing complex customer organisations that span across multiple sites and, in many instances, geographies. These key accounts are selected using a number of segmentation criteria and represent a significant amount of revenue. KAMs own the central relationship with the key account and coordinate activities with Account Managers. The KAM works to align customer strategic objectives with Avient capabilities and targets.

Safety

To quantify risk and reduce it over time, the company monitors several key performance indicators on a regular basis: TRIR – Total Recordable Incident Rate and LTIR: Lost Time Injury/Illness Rate. These rates are compiled globally and reported on a monthly basis to all leadership personnel in the company. Leading indicators are also tracked to ensure efforts to identify and eliminate risk. These leading indicators include the continuous monitoring of progress on corrective and preventive actions, the number of risk assessments performed, details on the amount of risks eliminated or mitigated, the number of internal audits conducted and participation rates of Global Safety Day activities.

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 environmentally friendly raw materials.

In 2021, the Company did not incur any fines or penalties nor has it been investigated for any breach of environmental regulations.

Local community

Throughout the year we have supported our local community with various fund raising initiatives.

Strategic report (continued)

Section 172(1) statement (continued)

Principal Decision making

Principal decisions are defined to be decisions taken by the Board of Directors that are of a strategic nature and significant to any of the Company's key stakeholder groups. The following are considered to be principal decisions taken during the year:

On 1 July 2021 the Company purchased the issued share capital of Magna Colours Holdings Limited, a water-based inks business for £39,621,841. The acquisition was discussed with stakeholder groups at Avient Corporation including engaging with employees to discuss the impact and consequences of the acquisition on the group. The acquisition was approved by the Board of Directors as part of the groups strategic growth plan to expand its sustainable solutions portfolio.

Approved and signed on behalf of the Board



Zach Crawford

Director

Date: 26th September 2022

Directors' report

The directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2021.

Directors

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

Z D Crawford

A Saal (Appointed 27 January 2021)

R James

No qualifying third-party indemnity provisions were made by the Company during the period for the benefit of its directors.

Going concern

As at 31 December 2021, the Company had net assets of £33.1 million (2020: £34.1 million) and net current liabilities of £14.2 million (2020 net current assets: £27.3 million) due to an increase in intercompany borrowings. In preparing the financial statements on a going concern basis, the directors have considered the Company's ability to meet its liabilities as they fall due for at least the next 12 months. After making enquiries and reviewing the forecasts for the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Dividend

During the year the Company paid no dividends (2020: £17,500,000). No dividend payments are proposed.

Employment of disabled persons

Details of how the company engages with its employees and with its other business relationships are set out in the Strategic report within the S172 statement.

Employee involvement and other business relationships

Details of how the company engages with its employees and with its other business relationships are set out in the Strategic report within the S172 statement.

Research and development

Total spend on research and development (R&D) amounted to £2,031,940 (2020: £1,932,687).

With a strong focus on innovation, ColorMatrix is now widely considered to be the leader in the research and development of liquid colorant and additives for thermoplastics. ColorMatrix have a dedicated R&D department in the UK which is housed in a purpose-built R&D laboratory and testing facility at the site in Knowsley. Within this department, the dedicated R&D teams use state-of-the-art analytical equipment to undertake detailed material analysis, rheological testing and production trials.

ColorMatrix's R&D activities are split into distinct technology houses, each headed by a senior research chemist. This structure allows experts to work closely with their teams to make innovative advances in these niche areas of science and technology. In addition to these technology houses, ColorMatrix also categorises other projects as sitting within the staffing areas of the 'Equipment', 'Chemical Foaming' and 'NIAS' fields.

Donations

During the year the Company made charitable donations of £7,000 (2020: £17,712).

Directors' report (continued)

Greenhouse gas (GHG) emissions

GHG emissions data for the year		
	Global tonnes of Co2e	Global tonnes of Co2e
	2021	2020
Combustion of fuel and operation of facilities*	220	127
Electricity, heat, steam and cooling purchased for own use	242	350
TOTAL	462	477
Tones of Co2e per £000 of cost of sales	0.018	0.016
	MWh used	MWh used
	2021	2020
Energy consumption	2,361	1,527

*Note only required in privately owned company for use of petrol/diesel and gas as a fuel

We have reported on all of the emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The reporting boundary used for the collation of the above data is consistent with that used for consolidation purposes. In the financial statements, we have used GHG Protocol Corporate Accounting and Reporting Standard Revised edition, data gathered to fulfil our requirements under the CRC Energy Efficiency scheme, and emission factors from the UK Governments GHG Conversion Factors for Company Reporting 2021 to calculate the above disclosures.

The figures reported above relate to emissions and energy consumed in the United Kingdom.

The Key sources for emissions and gas and electricity. We have not included Co2e emissions from Group employees' travel, which we consider immaterial.

In 2020 the Knowsley facility completed energy efficiency project of the purchase and installation of new, more energy efficient, process water chiller. This project resulted in reduced energy demand as well as increased process water efficiency. The plant has implemented also LED lighting for all floodlights across the site reducing energy consumption as well as having longer life lighting to reduce waste and an automated dispense cell which operates with a reduced energy consumption for smaller batches against standard production processes. Finally, it was planned to implement more energy efficient equipment both in mixing and milling areas but these have been delayed to 2022 due to the supplier's position.

In 2021 the Knowsley facility began collecting waste PET from processes for recycling, which also resulted in a reduced number of bin collections required per week. The plant also implemented light sensors in infrequently used areas to turn off when not in use and save energy. It is planned for 2022 to upgrade heating systems in the facility with modern, high efficiency boilers and heaters to further reduce energy consumption.

By 2030, Avient group will reduce Scope 1 & 2 greenhouse gas (GHG) emissions by 60% with 2019 as a baseline and achieve operational carbon neutrality by 2050.

By 2030, Avient group will obtain directly or contract for 60% of its electricity demand from renewable sources and achieve 100% renewable energy by 2050.

Directors' report (continued)

Events after the financial period

Increase to share capital and investments

On 30 June 2022, the Company issued one additional ordinary share of £1 for £39,917,247 to its parent company ColorMatrix UK Holdings Limited in return for the contribution by its parent company of the loan receivable from Fibre-Line International B.V (the "Receivable"). The Company subsequently contributed the Receivable to its subsidiary Fibre-Line Holdings B.V in exchange for one additional share, increasing its investment in Fibre-Line Holdings B.V by £39,917,247.

On 29 August 2022, the Company issued one additional ordinary share of £1 for £207,629,184 to its parent company ColorMatrix UK Holdings Limited in return for the contribution by its parent company of a receivable in the amount of EUR 245,453,507 from Fibre-Line International B.V (the "Note 2 Receivable"). The Company subsequently contributed the Note 2 Receivable to its subsidiary Fibre-Line Holdings B.V in exchange for one additional share, increasing its investment in Fibre-Line Holdings B.V by £207,629,184.

On 31 August 2022, the Company's indirect subsidiary, Fibre-Line International B.V, acquired 31% of the shares of DSM Protective Materials BV and 100% of the shares of DSM Protective Materials International BV. This was part of an acquisition project led by the ultimate parent, Avient Corporation, to purchase the protective materials business of DSM (including the Dyneema® brand).

Ukraine crisis

The Company is closely monitoring the rapidly changing situation regarding the conflict between Ukraine and Russia which broke out during 2022. The Company has not suffered any significant financial loss during 2022 to date of signing these financial statements as a result of the conflict. The directors have considered the impact in its forecasts and on its going concern assessment and accordingly continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

The directors have identified and included the Company's key risks and associated management policies in the Strategic report on page 3.

Future developments

The directors have identified and included the Company's future developments in the Strategic report on page 2.

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

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.

Directors' report (continued)

Statement of Directors' Responsibilities (continued)

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.

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- i) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- ii) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Independent auditor

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

On behalf of the Board



Zach Crawford
Director

Date 26th September 2022

Independent auditor's report to the members of ColorMatrix Europe Limited

Opinion

We have audited the financial statements of ColorMatrix Europe Limited (the 'company') for the year ended 31 December 2021 which comprise the Profit and loss account, Statement of Comprehensive income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, 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, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss 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. 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

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

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

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

Independent auditor's report to the members of ColorMatrix Europe Limited (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In 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 the 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 10, 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 auditor's report to the members of ColorMatrix Europe Limited (continued)

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 the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, and anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to, revenue recognition (which we pinpointed to cut-off), and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;

Independent auditor's report to the members of ColorMatrix Europe Limited (continued)

- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit 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.

Neil Barton

Neil Barton (Senior Statutory Auditor)
for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
One St Peters Square
Manchester
M2 3DE

Date: 27 September 2022

Profit and loss account

for the year ended 31 December 2021

		2021	2020
	Notes	£000	£000
Turnover	3	41,647	43,542
Cost of sales		(25,229)	(29,671)
Gross Profit		16,418	13,871
Income from investments		-	17,476
Administrative expenses		(13,554)	(10,416)
Other operating (expenses)/income	7	(1,557)	1,627
Operating Profit	4	1,307	22,558
Net finance expense	8	(2,492)	(2,524)
(Loss)/profit on ordinary activities before taxation		(1,185)	20,034
Tax credit/(charge)	10	185	(265)
(Loss)/profit for the financial year		(1,000)	19,769

The above results were derived from continuing operations.

The notes on pages 20 - 32 form an integral part of these financial statements

Statement of comprehensive income

for the year ended 31 December 2021

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
(Loss)/profit for the financial year	(1,000)	19,769
Other comprehensive income for the financial year	–	–
Total comprehensive (loss)/profit for the financial year	(1,000)	19,769

The notes on pages 20 - 32 form an integral part of these financial statements

Registered No. 02780189

Statement of financial position

at 31 December 2021

		2021	2020
	Notes	£000	£000
Fixed assets			
Tangible fixed assets	12	5,107	4,451
Investments	13	84,839	44,998
Total fixed assets		<u>89,946</u>	<u>49,449</u>
Current assets			
Stocks	14	3,422	1,744
Debtors: amounts falling due within one year	15	38,694	45,179
Cash at bank		1,128	206
		<u>43,244</u>	<u>47,129</u>
Creditors: amounts falling due within one year	16	(57,443)	(19,831)
Net current (liabilities)/assets		<u>(14,199)</u>	<u>27,298</u>
Total assets less current liabilities		75,747	76,747
Creditors: amounts falling due after more than one year	17	(42,656)	(42,656)
Net assets		<u>33,091</u>	<u>34,091</u>
Capital and reserves			
Called up share capital	18	8,170	8,170
Share premium account		6,753	6,753
Profit and loss account		18,168	19,168
Equity shareholders' funds		<u>33,091</u>	<u>34,091</u>

The notes on pages 20 - 32 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the board of directors and are signed on their behalf by :



Zach Crawford
Director

Date 26th September 2022

Statement of changes in equity

for the year ended 31 December 2021

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2020	8,170	6,753	16,899	31,822
Profit for the financial year	-	-	19,769	19,769
Dividends paid	-	-	(17,500)	(17,500)
At 1 January 2021	8,170	6,753	19,168	34,091
Loss for the financial year	-	-	(1,000)	(1,000)
At 31 December 2021	8,170	6,753	18,168	33,091

The notes on pages 20 - 32 form an integral part of these financial statements.

Notes to the financial statements

For the Year Ended 31 December 2021

1. General information

ColorMatrix Europe Limited (the “Company”), is a private company limited by share capital, incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales, with a registered office of:

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

The principal activity and nature of the Company are set out in the Strategic report on page 2.

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.

Statement of Compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 ‘The financial Reporting Standard applicable in the UK and Republic of Ireland’

Basis of preparation

These financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with the Financial Reporting Standard 102 ‘FRS 102’ issued by the FRC ‘Financial Reporting Council’.

The functional currency is considered to be pounds sterling because that is the primary economic environment in which the Company operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions to it under FRS 102 paragraph 1.12 in respect of its financial statements. The results of the Company are included in the consolidated financial statements of Avient Corporation (formerly PolyOne Corporation) which are publicly available and can be obtained from the address detailed in note 22. In preparing these financial statements the Company has taken advantage of the disclosure exemptions for qualifying entities in relation to financial instruments, share based payments, presentation of a cash flow and transactions with related parties and key management personnel.

Going concern

As at 31 December 2021, the Company had net assets of £33.1 million (2020: £34.1 million) and net current liabilities of £14.2 million (2020 net current assets: £27.3 million) due to an increase in intercompany borrowings. In preparing the financial statements on a going concern basis, the directors have considered the Company’s working capital requirements and the ability to meet its liabilities as they fall due for at least the next 12 months. After making enquiries and reviewing the forecasts for the Company, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

2. 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
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
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 includes labour and other production overheads. Net realisable value is the anticipated sales proceeds less any costs of disposal.

Income tax

(a) Current income tax

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

(b) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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 (continued)

For the Year Ended 31 December 2021

2. 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 ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date.

All differences are taken to 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 statement of financial position. 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.

Revenue Recognition

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.

All qualifying R&D expenditure for the accounting periods covered in this report incurred by ColorMatrix, was expensed to the profit and loss account ("P&L") and is allowable as a deduction in calculating for corporation tax purposes the profits of the trade for ColorMatrix.

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

2. Accounting policies (continued)

Significant accounting policies (continued)

Research and development (continued)

The projects included in the claim center around the continual development of product ranges and processes. The staff included in the claims are employed to develop new or appreciably improved products or processes for ColorMatrix. These activities are all considered to be "cost of sales" for the business and as such all eligible projects are considered revenue in nature for tax purposes.

Basic Financial instruments

(a) Financial assets

Basic financial assets represent stocks, trade debtors including amounts due by group undertakings; and cash and bank balances are initially recognised at transaction price. At 31 December 2021, 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 represent creditors including amounts owed to group undertakings are initially recognised at transaction price. At 31 December 2021, 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

In the year, there were no critical judgements or key material sources of estimation uncertainty.

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

3. Turnover

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

	2021 £000	2020 £000
Sale of goods	41,647	43,542

The analysis of the Company's turnover for the year by geographical market is as follows:

	2021 £000	2020 £000
United Kingdom	2,786	2,850
Europe	20,645	23,047
Rest of World	18,216	17,645
	41,647	43,542

4. Operating Profit

Operating profit is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of owned fixed assets (note 12)	622	561
Provision for slow moving inventory	55	(97)
Operating lease costs:		
– Cars	53	45
– Other	504	488
Foreign exchange losses/(gains)	1,557	(1,627)
Auditor's remuneration:		
– Audit of the financial statements*	42	40
Research & development expenses	2,032	1,933

*Auditors' remuneration in respect of the audit of these financial statements for the year and prior year was payable to Mazars LLP. No non audit services have been provided to the Company (2020: £nil)

5. Directors' remuneration

The directors' remuneration for the year was as follows:

	2021 £000	2020 £000
Directors' emoluments	293	651
Remuneration of highest paid director:		
Total emoluments	172	482

The analysis excludes any director which is remunerated by another group Company for their contribution to the Avient Group as a whole and it has not been possible to apportion the emoluments in respect of their services to the Company. During the year retirement benefits were accruing to 2 directors (2020: 2) in respect of defined contribution pension schemes.

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

6. Staff costs

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

	2021 <i>No.</i>	2020 <i>No.</i>
Production	30	27
Administrative	105	109
	<u>135</u>	<u>136</u>

The aggregate payroll costs of the above were:

	2021 <i>£000</i>	2020 <i>£000</i>
Wages and salaries	7,226	7,013
Social security costs	646	642
Other pension costs	412	418
Total employee costs	<u>8,284</u>	<u>8,073</u>

7. Other operating expenses

	2021 <i>£000</i>	2020 <i>£000</i>
(Loss)/gain on foreign exchange	<u>(1,557)</u>	<u>1,627</u>

8. Net finance expense

	2021 <i>£000</i>	2020 <i>£000</i>
Interest payable on group loans	(3,197)	(3,196)
Interest receivable from group loans	710	678
Other bank charges	(5)	(6)
Net finance expense	<u>(2,492)</u>	<u>(2,524)</u>

9. Income from investments

	2021 <i>£000</i>	2020 <i>£000</i>
Dividend income from subsidiaries	<u>-</u>	<u>17,476</u>

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

10. Tax

(a) Tax on profit on ordinary activities

The tax (credit)/charge is made up as follows:

	2021	2020
	£000	£000
Current tax:		
Adjustments in respect of previous periods	(1)	(564)
UK corporation tax on profits for the period	-	197
	(1)	(367)
Foreign tax suffered	-	(87)
Total current tax	(1)	(454)
Deferred tax:		
Origination and reversal of timing differences	(206)	210
Adjustments in respect of previous periods	-	502
Effect of changes in tax rates	22	7
Total deferred tax	(184)	719
Total tax on profit on ordinary activities	(185)	265

(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% (2020: 19%) as explained below:

	2021	2020
	£000	£000
Reconciliation of tax credit:		
(Loss)/profit on ordinary activities before taxation	(1,185)	20,034
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(225)	3,806
Effects of:		
Amounts not deductible for tax purposes	73	9
Income not taxable	(54)	(3,320)
Affects of overseas tax rates	-	(87)
Adjustments to tax charge in respect of previous periods	(1)	(63)
Tax rate changes	22	7
Group relief	-	(87)
Total tax on profit on ordinary activities (note 10(a))	(185)	265

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

10. Tax (continued)

(c) Deferred tax

The movement in deferred tax asset/(liability) is as follows:

	2021	2020
	£000	£000
At 1 January	(276)	443
Adjustments in respect of previous periods	-	(502)
Deferred tax charged to the profit and loss account	184	(217)
At 31 December	(92)	(276)

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

	2021	2020
	£000	£000
Excess of depreciation over taxation allowances	(603)	(296)
Other timing differences	40	20
Losses	471	-
Deferred tax liability	(92)	(276)

The Finance Act 2021 included legislation to increase the main rate of UK corporation tax from 19% to 25% with effect from 1 April 2023. This rate was enacted when the Finance Bill 2021 was passed by the House of Commons in May 2021 and as such management has therefore remeasured the deferred tax assets and liabilities at this higher rate of tax where these are expected to be realised or settled on or after 1 April 2023.

11. Dividends

The Company paid a dividend of £nil (2020: £17,500,000) to its parent company, ColorMatrix UK Holdings Limited. Dividend per share £nil (2020: 2.86p per share)

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

12. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Office equipment, fixtures and fittings</i>	<i>Construction in Progress</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:					
At 1 January 2021	1,556	8,476	2,349	995	13,376
Additions	3	332	101	847	1,283
Transfer between categories	82	505	406	(993)	-
Disposals	-	(5)	-	-	(5)
At 31 December 2021	1,641	9,308	2,856	849	14,654
Depreciation:					
At 1 January 2021	1,450	5,820	1,655	-	8,925
Charge for the year	20	369	233	-	622
At 31 December 2021	1,470	6,189	1,888	-	9,547
Net book value:					
At 31 December 2020	107	2,656	693	995	4,451
At 31 December 2021	171	3,119	968	849	5,107

13. Investments

	<i>Seola ApS</i>	<i>ColorMatrix Europe BV</i>	<i>Fiber-Line Holding BV</i>	<i>Magna Colours Holding Ltd</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:					
At 1 January 2021	23,787	4,223	16,988	-	44,998
Additions	-	-	-	39,841	39,841
At 31 December 2021	23,787	4,223	16,988	39,841	84,839
Net book value:					
At 31 December 2020	23,787	4,223	16,988	-	44,998
At 31 December 2021	23,787	4,223	16,988	39,841	84,839

The following information relates to the subsidiary undertakings of the Company:

Company	Registered Address	Percentage share capital held 2021	Percentage share capital held 2020
Seola Aps	Poul Bundgaards Vej 1, 2500 Valby, Denmark	100%	100%
ColorMatrix Europe BV	Uranusweg 3, 8938AJ Leeuwarden, The Netherlands	100%	100%
Fiber-Line Holding B.V	Uranusweg 3, 8938AJ Leeuwarden, The Netherlands	100%	100%
ColorMatrix U.K. Limited	Units 9-11 Unity Grove, Knowsley Business Park, Knowsley L34 9GT	100%	100%
Magna Colours Holdings Limited	Unit 3 Dodworth Business Park Upper Cliffe Road, Dodworth, Barnsley, South Yorkshire, S75 3SP	100%	-

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

13. Investments (continued)

On 1 July 2021 the Company purchased all the issued share capital of Magna Colours Holdings Limited, for £39,621,841. Directly attributable transaction costs of £219,570 have been capitalised in investments.

14. Stocks

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Raw materials	1,285	1,129
Semi-finished and finished goods	2,137	615
	<u>3,422</u>	<u>1,744</u>

Stocks recognised as an expense in the period were £22,437,814 (2020: £26,656,712). The amount provided for obsolete and slow moving was £119,863 (2020: £64,398).

There is no material difference between the statement of financial position value of stocks and their replacement cost.

15. Debtors: amounts falling due within one year

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	2,267	2,022
Amounts owed by group undertakings	34,911	40,452
Corporation tax receivable	300	1,376
VAT recoverable	263	284
Other debtors	347	504
Prepayments and accrued income	606	541
	<u>38,694</u>	<u>45,179</u>

Amounts owed by group undertakings include funds on a cash pooling arrangement amounting to £4,644,757 (2020: £8,476,429). Standard terms for cash pool deposits from affiliates are one-month EUR Libor (base rate) plus 25 basis point margin. Standard terms for cash pool advances to affiliates are one-month EUR LIBOR (base rate) plus 200 basis point margin. Amounts also include loan and interest receivable of £6,852,052 (2020: £6,552,517) where interest is charged at 6.0% per annum.

The remaining amounts owed by group undertakings of are unsecured, interest free, and are repayable on demand.

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

16. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	4,357	3,030
Amounts owed to group undertakings	50,872	14,361
Deferred tax	92	276
Other taxes and social security	262	288
Accruals and deferred income	1,860	1,876
	<u>57,443</u>	<u>19,831</u>

Amounts owed to group undertakings includes interest payable to ColorMatrix UK Holdings Ltd of £9,391,125 (2020: £6,193,558) and a loan payable to Avient Corporation of £2,049,295 (2020: £2,049,295). No interest was charged during the year on this loan as per the agreement.

On 24 June 2021, the Company borrowed a further £33,450,000 on a short term loan from its parent company, ColorMatrix UK Holdings Limited. Interest is charged at a rate of 0.6% per annum and is repayable in June 2022.

The remaining amounts owed to group undertakings are unsecured, interest free, and are repayable on demand.

17. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Amounts owed to group undertakings	<u>42,656</u>	<u>42,656</u>

Amounts owed to group undertakings relates loans payable to the parent company, ColorMatrix UK Holdings Limited.

The balance is unsecured, repayable on 31 December 2028 with an annual interest rate of 7.25%.

18. Share capital

	2021	2020
	No. £000	No. £000
Authorised and Issued Share Capital		
8,169,606 (2020: 8,169,606) Ordinary shares of £1 each	8,169,606 8,170	8,169,606 8,170

19. 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 £411,590 (2020: £417,634).

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

20. Other financial commitments

At 31 December 2021 the Company had future minimum lease payment commitments under non-cancellable operating leases as set out below.

	2021	2020
	£000	£000
Within one year	520	532
Later than one year and not later than five years	1,361	1,905
	<u>1,881</u>	<u>2,437</u>

21. Financial instruments

Categorisation of financial instruments

	2021	2020
	£000	£000
Financial assets		
<i>Measured at undiscounted amounts receivable</i>		
Trade and other debtors (Note 15)	2,267	2,022
Amounts owed by group undertakings (Note 15)	34,911	40,452
	<u>37,178</u>	<u>42,474</u>
Financial liabilities		
<i>Measured at undiscounted amounts payable</i>		
Trade and other creditors (Note 16)	(4,357)	(3,030)
Amounts owed to group undertakings (Note 16/17)	(93,528)	(57,017)
	<u>(97,885)</u>	<u>(60,047)</u>

22. Ultimate parent undertaking and controlling party

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

The ultimate parent undertaking is Avient Corporation, a public corporation incorporated in the USA, 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.

23. Events after the financial period

On 30 June 2022, the Company issued one additional ordinary share of £1 for £39,917,247 to its parent company ColorMatrix UK Holdings Limited in return for the contribution by its parent company of the loan receivable from Fibre-Line International B.V (the "Receivable"). The Company subsequently contributed the Receivable to its subsidiary Fibre-Line Holdings B.V in exchange for one additional share, increasing its investment in Fibre-Line Holdings B.V by £39,917,247.

Notes to the financial statements (continued)

For the Year Ended 31 December 2021

23. Events after the financial period (continued)

On 29 August 2022, the Company issued one additional ordinary share of £1 for £207,629,184 to its parent company ColorMatrix UK Holdings Limited in return for the contribution by its parent company of a receivable in the amount of EUR 245,453,507 from Fibre-Line International B.V (the "Note 2 Receivable"). The Company subsequently contributed the Note 2 Receivable to its subsidiary Fibre-Line Holdings B.V in exchange for one additional share, increasing its investment in Fibre-Line Holdings B.V by £207,629,184.

On 31 August 2022, the Company's indirect subsidiary, Fibre-Line International B.V, acquired 31% of the shares of DSM Protective Materials BV and 100% of the shares of DSM Protective Materials International BV.

Events after the financial period also include the Ukraine crisis, which is discussed further in the Strategic report on page 4 and Directors Report on page 10.