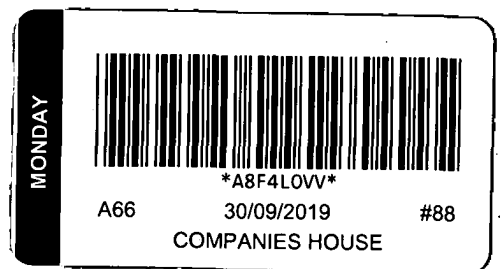


Cytec Engineered Materials Limited

Annual report and financial statements

Registered number 02851421

31 December 2018



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Strategic report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activities of the Company are the manufacture and distribution of composites and adhesives for use primarily in the aerospace sector.

Business model

The Company seeks to add value through the research and development of next generation composites and adhesives, and through excellence and continuous improvement in its manufacturing operations and supply chain, offering the customer a leading edge, high quality product at best value.

Business review and future developments

Strategic Objectives

We have engaged with industry leading customers and collaborators to help chart our direction. We have developed next-generation technologies and capabilities that will enable broad adoption of composites, within aerospace markets.

Our successes in 2018 are in the areas of safety, customer focus, quality and delivery performance. In addition, we completed the commissioning of an aerospace adhesives manufacturing facility during the year. This investment has been made to meet the growing demands of the aerospace adhesive market. We expected production and sales to be fully established during the first half of 2019.

The benefits of lighter weight, higher strength and more durable materials are quickly increasing the value that composites bring to the aerospace industry. The aerospace industry sector is continuing to adapt the construction of its aircraft to replace metal with carbon composites with the next generation aircraft using primarily carbon composites. Furthermore, these materials are helping the automotive, energy generation and other non-aerospace industries meet new challenges. The company maintains continual focus on industry leading research and product development, establishing technical partnerships with customers to play a key part in this change. The Company is moving to increased sourcing of carbon fibre internally.

Trends and factors affecting performance

Overall sales growth was strong during the year with key programs in the large commercial transport sector showing increased build rates.

Principal risks and uncertainties

Commercial risk

In order to maintain and increase market share the Company is focusing on increasing customer support and long term agreements, incorporating technical partnerships which are being put in place with customers to enhance this.

Financial risk

The portfolio of turnover in terms of currency does not match that of purchasing. This combined with administration charges from the Company's US parent results in exchange rate risk. The Company assesses its exchange risk on a monthly basis to mitigate any impact.

The market price of the carbon commodities purchased for manufacture can fluctuate and this is exacerbated by supply issues. Where possible the Company has entered into long term agreements with suppliers to fix prices.

The Company operates under a stringently governed internal control environment. In 2016, the site underwent a two week Solvay internal audit. In both cases, key risks, policies and procedures are reviewed and audited to ensure the control environment is adequate for the size of business and nature of transactions. All resulting findings and recommendations from audits have now been satisfactorily closed.

Strategic report (continued)

Key performance indicators

Financial

A number of operational metrics are reviewed extensively each month to monitor performance and highlight target areas for improvement.

What we measure	Why we measure it	How we performed			Comment
		2018	2017	Change	
Revenue	Maintaining and developing sales is a direct driver of profitability.	£64.1m	£57.7m	£6.4m	Strong growth in LCT programs
Plant costs as % of sales	Cost control will have a direct impact on profitability	17.1%	19.7%	-2.6%	Good cost control and sales growth. Higher maintenance capitalisation
Waste as % of volume produced	Direct impact on profitability and ability to deliver on time to customer specifications	1.75%	1.7%	0.05%	A good year for waste. Large write off at year end due to international trade restrictions

Non-financial

The Company and its directors place a very high emphasis on safety in the workplace, which is recognised as the first priority and one of our Company values. An OSHA (Occupational Safety and Health Administration) metric is monitored and for both 2018 and 2017 the site achieved a value of 0, well within the Company target of 0.5. A constant program of training, reviews and visible safety leadership where safety performance is monitored is in place. In 2018 the site delivered on all its safety, health and environmental improvement objectives.

The Wrexham facility operates under an Integrated Pollution Prevention and Control (IPPC) Permit. The annual review of the permit conditions completed by our regulator, Wrexham County Borough Council, showed we were in full compliance.

Delivery performance is measured as the percentage of orders delivered on time and on quantity. For 2018 this was an average of 95.4% (2017: 96.4%) for the Wrexham site against a target of 97%. The directors consider this to be acceptable.

Quality performance is measured as the number of customer returns as a percentage of line items shipped. For 2018 this was 1.48 % (2017: 1.69%) against a target of 1.25%.

Signed on behalf of the board



B Moore
Director
30 September 2019

Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

Directors' report

The directors present their annual report on the affairs of Cytec Engineered Materials Limited together with the audited financial statements for the year ended 31 December 2018.

In accordance with the Companies Act 2006, section 414c(11) information required by schedule 7 to the accounting regulations pertaining to principal risks and uncertainties and future developments has been set out in the company's Strategic Report and therefore is not separately disclosed in the Directors' Report.

Research and development

The directors consider that research and development plays a vital role in the Company's success. A significant part of the work of the Company's technical services and laboratory staff is concentrated in this area.

The Company's expenditure on research and development during the period was £3,526,000 (2017: £4,684,000).

Research and development costs incurred during 2018 were recharged to Cytec Industries Inc., the owners of the intellectual property and know how.

Proposed dividend and transfer to reserves

The profit for the year after taxation was £1,031,000 (2017: £5,283,000).

No ordinary dividends (2017: *£nil*) were paid during the year. The directors are not declaring a dividend for the year ended 31 December 2018 (2017: *£nil*).

Directors

The directors who held office during the year and up to date of this report were as follows:

A Schiebroek
S Delpech
B Moore

Employees

Good communication is considered essential, and all employees are kept well informed regarding the Company's performance and activities. An open style of management is encouraged and employees are given the opportunity to express their views on matters that are likely to affect their interests. Employees are assessed on merit and equal opportunities for promotion and career progression are available to all.

It is Company policy that people with disabilities have the same consideration as others with respect to recruitment, retention and personal development. Depending upon their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising potential. The Company also makes every effort to continue to employ staff who may become disabled whilst employed.

Financial risk management objectives and policies

The Company's operations expose it to a variety of financial risks that include exchange risk, credit risk, liquidity risk and interest rate risk. The Company does not use external derivative financial instruments to manage those risks.

Credit Risk

The Company has implemented policies that require appropriate assessment of credit limits for potential customers before sales are made.

Exchange risk, interest rate risk and liquidity risk

The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only intercompany balances at variable interest rates and cash balances. Interest bearing liabilities include only intercompany balances at variable rates of interest. The Company is dependent upon the continued financial support of its parent company to enable it to continue operating and to meet its liabilities as they fall due. The parent company has agreed to provide sufficient funds to the Company for these purposes, and it has also agreed not to recall the amounts advanced to the Company at 31 December 2018.

Directors' Report (continued)

Political contributions

The Company made no political contributions during the year (2017: £nil).

Events after the balance sheet date

There were no events after the balance sheet date that require disclosure in these financial statements.

Disclosure of information to auditor

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

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

By order of the board



B Moore
Director

30 September 2019

Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework".

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Independent auditor's report to the members of Cytec Engineered Materials Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of total comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 21.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

Independent auditor's report to the members of Cytec Engineered Materials Limited (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

Independent auditor's report to the members of Cytec Engineered Materials Limited (continued)

We have nothing to report in respect of these matters.

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.



Peter Gallimore FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Birmingham,

United Kingdom

30 September 2019

Statement of Total Comprehensive Income
for the year ended 31 December 2018

	<i>Note</i>	2018 £000	2017 £000
Turnover	2	64,521	57,749
Cost of sales		(55,235)	(44,919)
Gross profit		9,286	12,830
Distribution Costs		(1,116)	(799)
Administrative expenses		(13,343)	(10,523)
Other operating income	2	6,013	5,975
Profit on sale of investment		114	-
Operating profit	3	954	7,483
Interest receivable and similar income	6	1,124	1,337
Interest payable and similar charges	7	(809)	(637)
Profit before taxation		1,269	8,183
Tax on profit	8	(322)	(2,900)
Profit for the financial year		947	5,283
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of defined benefit asset / liability	15	2,476	11,674
Return on scheme assets (less)/greater than discount rate	15	(3,479)	1,600
Deferred tax arising on (losses)/gains in the pension scheme	14	184	(2,257)
Deferred tax arising on pension fund asset recognised	14	305	(480)
Other comprehensive income for the year, net of income tax		(514)	10,537
Total comprehensive income for the year		433	15,820

All of the activities of the company are classified as continuing.

Balance sheet
As at 31 December 2018

	Note	2018 £000	2017 £000
Non current assets			
Pension fund asset	15	500	1,371
Intangible assets		5,988	
Tangible assets	9	77,836	76,187
Investments	10	29	2
Deferred tax	14	369	
		<u>84,722</u>	<u>77,560</u>
Current assets			
Stocks	11	9,009	7,233
Debtors	12	17,694	23,142
Cash at bank and in hand	2	2	
		<u>26,705</u>	<u>30,375</u>
Creditors: amounts falling due within one year	13	<u>(63,520)</u>	<u>(60,078)</u>
Net current liabilities		<u>(36,815)</u>	<u>(29,703)</u>
Total assets less current liabilities		<u>47,907</u>	<u>47,857</u>
Provisions for liabilities			
Tax litigation		(13)	(13)
Deferred tax	14	(1,156)	(1,539)
Pension liability	15	-	
		<u>(1,169)</u>	<u>(1,552)</u>
Net assets		<u>46,738</u>	<u>46,305</u>
Capital and reserves			
Called up share capital	16	8,400	8,400
Capital contribution reserve		1,000	1,000
Profit and loss account		37,338	36,905
Shareholders' funds		<u>46,738</u>	<u>46,305</u>

These financial statements were approved by the board of directors on 30 September 2019 and were signed on its behalf by:



B Moore
Director

Company registered number: 02851421

Statement of changes in equity

	Called up share capital	Capital Contribution Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2017	8,400	1,000	21,085	30,485
Total comprehensive income for the period				
Profit for the financial year	-	-	5,283	5,283
<i>Other comprehensive income</i>				
Remeasurements of defined benefit liability	-	-	11,547	11,547
Return on scheme assets less than discount rate	-	-	1,727	1,727
Deferred tax arising on losses in the pension scheme	-	-	(2,257)	(2,257)
Deferred tax arising on pension fund asset recognised	-	-	(480)	(480)
Total comprehensive income for the period			15,820	10,537
Balance at 31 December 2017	8,400	1,000	36,905	46,305

	Called up share capital	Capital Contribution Reserve	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at 1 January 2018	8,400	1,000	36,905	46,305
Total comprehensive income for the period				
Profit for the financial year	-	-	947	947
<i>Other comprehensive income</i>				
Remeasurements of defined benefit liability	-	-	2,476	2,476
Return on scheme assets less than discount rate	-	-	(3,479)	(3,479)
Deferred tax arising on losses in the pension scheme	-	-	184	184
Deferred tax arising on pension fund asset recognised	-	-	305	305
Total comprehensive income for the period			(514)	(541)
Balance at 31 December 2018	8,400	1,000	37,338	46,738

Notes to the financial statements

For the year ended 31 December 2018

1 General information and accounting policies

Cytec Engineered Materials Limited (the "Company") is a private company limited by shares, incorporated and registered in the UK (England and Wales) under the Companies Act 2006. The registered office is Abenbury Way, Wrexham Industrial Estate, Wrexham, LL13 9UZ. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 1 to 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation of consolidated financial statements, because it is included in the group accounts of Solvay SA. The group accounts of Solvay SA are available to the public and can be obtained as set out in note 20.

The Company has applied FRS 101 'Reduced Disclosure Framework' incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

Basis of accounting

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Solvay SA. The group accounts of Solvay SA are available to the public and can be obtained as set out in note 20.

Adoption of new and revised Standards

Amendments to IFRSs that are mandatorily effective for the current year

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018 and given the nature of the company, these standards have not had an impact on the company.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2016. The group is required to adopt IFRS 15 for the year ending 31 December 2018 and will adopt [the full retrospective approach with restatement of comparatives/the modified retrospective approach without restatement of comparatives].

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued *Clarifications to IFRS 15* in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Company recognises revenue from the following major sources: sale of manufactured or purchased materials; royalties; recharges of services to other group companies.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective EU:

IFRS 16

Leases

The directors do not expect that the adoption of the IFRS 16 will have a material impact on the financial statements of the Company in future periods.

IFRS 16, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Company has non-cancellable operating lease commitments of £225,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 17. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability is not expected to have a significant impact on the amounts recognised in the Company's financial statements and the directors are currently assessing its potential impact.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

1.1. Measurement convention

The financial statements are prepared on the historical cost basis which is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.2. Going concern

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

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

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

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

Investments in debt and equity securities

Investments in subsidiaries are carried at cost less impairment.

1.6 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.7 Tangible fixed assets

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

Depreciation is provided by the company to write off cost, less estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	2.5% per annum
Plant and machinery	10% - 20% per annum
Fixtures and fittings	10% per annum

No depreciation is provided on freehold land and assets in the course of construction.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

1.8. Internally-generated intangible assets –research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's REACH registrations or the development phase of an internal project is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over a period of 5 years.

1.8. Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

1.9. Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is reversed if and only if the reasons for the impairment have ceased to apply.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

1.10. Employee benefits

Defined contribution plans

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

Defined benefit plans

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

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

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

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

1.11. Turnover

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

1.12. Expenses and other income

Operating lease payments

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

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

Dividend income

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

1 General information and accounting policies (continued)

1.13. Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and written off over the life of the asset.

1.14. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

For the year ended 31 December 2018

2 Revenue

An analysis of the Company's revenue is set out below:

	2018 £000	2017 £000
Sale of goods	64,521	57,749
Other operating income	6,013	5,975
Interest receivable and similar income (note 6)	1,124	1,337
	<u>71,658</u>	<u>65,061</u>

Other operating income represents commissions received from fellow group companies.

The directors consider the company to have only one class of business being the manufacture and distribution of composites and adhesives for use, primarily in the aerospace and high performance industrial markets.

Geographical split of turnover is as follows:

	2018 £000	2017 £000
United Kingdom	12,022	9,931
Rest of Europe	45,045	39,345
Rest of the world	7,454	8,473
	<u>64,521</u>	<u>57,749</u>

3 Operating Profit

Included in operating profit are the following:

	2018 £000	2017 £000
Research and development expensed as incurred	3,526	4,685
Foreign exchange (gains) / losses on operating activities	(289)	(202)
Depreciation of tangible fixed assets (note 9)	1,689	1,673
Cost of stock recognised as an expense	56,934	48,838
Operating lease payments – plant & equipment	131	158
	<u>61,981</u>	<u>55,152</u>

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	55	55

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

4 Staff numbers and costs

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

	Number of employees	
	2018	2017
Production	130	130
Non-production and administration	101	103
	<u>231</u>	<u>233</u>

The aggregate payroll costs of these persons were as follows:

	2018	2017
	£000	£000
Wages and salaries	10,078	9,950
Social security costs	1,075	1,107
Contributions to defined contribution plans	861	874
	<u>12,014</u>	<u>11,931</u>

5 Directors' remuneration

	2018	2017
	£000	£000
Directors' remuneration	322	321
Company contributions to pension scheme	39	68
Total remuneration	<u>361</u>	<u>389</u>

The remuneration for one director was borne by a fellow subsidiary company (2017: one)

Pensions

Two of the directors are members of the company defined contribution scheme (2017: two)

Highest paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2018	2017
	£000	£000
Directors' remuneration	202	193
Company contributions to pension scheme	30	52
	<u>232</u>	<u>245</u>

Notes to the financial statements (continued)
For the year ended 31 December 2018

1 Interest receivable and similar income

	2018	2017
	£000	£000
Interest receivable from fellow group companies	391	598
Amounts included in the cost of qualifying assets	733	739
	<u>1,124</u>	<u>1,337</u>

7 Interest payable and similar charges

	2018	2017
	£000	£000
Interest payable on bank overdrafts	9	51
Interest payable to parent company	61	58
Interest payable to fellow group companies	526	195
Net interest on net defined benefit pension plan liability	213	333
	<u>809</u>	<u>637</u>
Total interest payable	809	637

Notes to the financial statements (continued)

For the year ended 31 December 2018

8 Taxation

Recognised in the profit and loss account

	2018 £000	£000	2017 £000	£000
<i>UK corporation tax</i>				
Current tax on income for the period	584		1,909	
Adjustments in respect of prior periods			1,288	
Overseas tax			6	
Total current tax		584		3,203
<i>Deferred tax (see note 14)</i>				
Origination and reversal of temporary differences		(262)		(307)
Adjustments in respect of prior periods			4	
Total deferred tax		(262)		(303)
Tax on profit		322		2,900

Income tax recognised in other comprehensive income

	2018 £000	2017 £000
Remeasurements of defined benefit liability rate and return on scheme assets less than discount rate	184	(2,257)
Tax on recognised pension fund asset	305	(480)
	489	(2,737)

Reconciliation of effective tax rate

	2018 £000	2017 £000
Profit before tax	1,269	8,183
Profit for the year multiplied by standard rate of corporation tax in the UK of 19.25% (2017: 19.25%)	241	1,575
Non-deductible expenses	28	(14)
Non taxable income	22	
Change in tax rate on deferred tax balances	31	41
Overseas tax		6
Over / (under) provided in prior years		1,292
Total tax expense	322	2,900

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

Notes to the financial statements (continued)

For the year ended 31 December 2018

9 Intangible fixed assets

	Development costs £'000
Cost	
At 1 January 2018	
Additions	5,988
At 31 December 2018	5,988
Amortisation	
At 1 January 2018	-
Charge in the year	-
At 31 December 2018	-
Net book value	
As at 31 December 2018	5,988
As at 31 December 2017	-

Developments costs at 31 December 2018 relate to the new adhesives plant commissioning and are considered to be in progress at the year end, therefore no amortisation has been charged in the year. Amortisation will be charged from 1 April 2019.

10 Tangible fixed assets

	Freehold Land and buildings £000	Plant and Machinery £000	Fixtures And fittings £000	Assets in Course of Construction £000	Total £000
Cost					
Balance at 1 January 2018	2,328	20,809	1,966	66,470	91,573
Additions	-	-	-	3,338	3,338
Disposals	-	(113)	-	-	(113)
Transfers	73	1,121	-	(1,194)	-
Balance at 31 December 2018	2,401	21,817	1,966	68,614	94,798
Depreciation					
Balance at 1 January 2018	1,451	12,445	1,490	-	15,386
Disposals	-	(113)	-	-	(113)
Depreciation charge for the year	59	1,630	-	-	1,689
Balance at 31 December 2018	1,510	13,962	1,490	-	16,962
Net book value					
At 31 December 2017	877	8,364	476	66,470	76,187
At 31 December 2018	891	7,855	476	68,614	77,836

Notes to the financial statements (continued)

For the year ended 31 December 2018

11 Fixed asset investments

	Shares in group undertakings £000
<i>Cost and net book value</i>	
Balance at 1 January 2018	2
Additions	29
Disposals	(2)
Balance at 31 December 2018	<u>29</u>

The Company has the following investments in subsidiaries:

Name	Country of registration	Principal activity	Shareholding
Cytec Russia LLC Registered office: Building 4, 72 Leningradskiy Avenue, 125315 Moscow, Russia.	Russia	Sales agency and commercial support	99% ordinary
Cytec Nibras LLC Ground Floor, Building B, Nibras Al Ain Aerospace park, Al Ain International Airport, UAE	UAE	Supply / trading composite materials	99% ordinary

In April 2018 the investment in Cytec Russia LLC was sold to Solvay Vostock, a fellow subsidiary company for £116,000.

The company subscribed for 99 shares at the incorporation of Cytec Nibras LLC

Notes to the financial statements (continued)

For the year ended 31 December 2018

12 Stocks

	2018 £000	2017 £000
Raw materials and consumables	4,112	3,691
Finished goods	4,897	3,542
	<u>9,009</u>	<u>7,233</u>

13 Debtors

	2018 £000	2017 £000
Trade debtors	8,657	9,675
Amounts owed by parent undertakings	-	3,555
Amounts owed by fellow subsidiary undertakings	4,591	8,710
Prepayments and accrued income	4,446	1,202
	<u>17,694</u>	<u>23,142</u>

The amounts owed by fellow subsidiary undertakings are unsecured, repayable on demand and are interest free. The amounts owed by parent undertakings are unsecured, repayable on demand and are charged interest at the intercompany monthly rates.

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank overdrafts	-	7
Trade creditors	9,541	9,553
Amounts owed to parent undertakings	3,627	4,939
Amounts owed to fellow subsidiary undertakings	48,955	43,253
Taxation and social security	-	(7)
Other payables	1,397	2,333
	<u>63,520</u>	<u>60,078</u>

The amounts owed to fellow subsidiary undertakings are unsecured, repayable on demand and are interest free. The amounts owed to parent undertakings are unsecured, repayable on demand and are charged interest at the intercompany monthly rates.

Notes to the financial statements (continued)

For the year ended 31 December 2018

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Movement in deferred tax during the year

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Tangible fixed assets	77	-	(729)	(981)		(981)
Employee benefits	292	-	(427)	(558)		(558)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Tax assets / (liabilities)	369	-	(1,156)	(1,539)		(1,539)
Net of tax (liabilities)/assets	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net tax assets	369	-	(1,156)	(1,539)		(1,539)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Tangible fixed assets	(981)	329	(652)
Employee benefits	(558)	422	(136)
	<hr/>	<hr/>	<hr/>
	(1,539)	751	(788)
	<hr/>	<hr/>	<hr/>

Movement in deferred tax during the prior year

	1 January 2017 £000	Recognised in income £000	31 December 2017 £000
Tangible fixed assets	(1,246)	265	(981)
Employee benefits	2,141	(2,699)	(558)
	<hr/>	<hr/>	<hr/>
	895	(2,434)	(1,539)
	<hr/>	<hr/>	<hr/>

16 Employee benefits

Defined benefit plans

The Company is a member of the Cytec UK Pension Plan which provides benefits on final pensionable pay. As at 31 December 2006 the scheme was closed to future accrual.

	2018 £000	2017 £000
Total defined benefit asset	(51,482)	(54,667)
Total defined benefit liability	50,982	53,296
	<hr/>	<hr/>
	(500)	(1,371)
	<hr/>	<hr/>

Notes to the financial statements (continued)

For the year ended 31 December 2018

15 Employee benefits (continued)

Movements in net defined benefit liability/asset

	Defined benefit obligation		Fair value of plan assets		Net defined benefit liability (asset)	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Balance at 1 January	53,296	65,657	(54,667)	(53,237)	(1,371)	12,420
Included in profit or loss						
Interest (income)/cost	1,569	1,772	(1,356)	(1,439)	213	333
Past service cost	505	-	-	-	505	-
	<u>2,074</u>	<u>1,772</u>	<u>(1,356)</u>	<u>(1,439)</u>	<u>718</u>	<u>333</u>
Included in OCI						
Remeasurements loss/(gain):						
Actuarial loss arising from changes in financial assumptions	(2,716)	1,002	-	-	(2,716)	1,002
Actuarial gain arising from changes in demographic assumptions	(892)	(1,535)	-	-	(892)	(1,535)
Actuarial gain arising from scheme experience	1,132	(11,141)	-	-	1,132	(11,141)
Return on plan assets excluding interest income	-	-	3,479	(1,600)	3,479	(1,600)
	<u>(2,476)</u>	<u>(11,674)</u>	<u>3,479</u>	<u>(1,600)</u>	<u>1,003</u>	<u>(13,274)</u>
Other						
Contributions paid by the employer	-	-	(850)	(850)	(850)	(850)
Benefits paid	(1,912)	(2,459)	1,912	2,459	-	-
	<u>50,982</u>	<u>53,296</u>	<u>(51,482)</u>	<u>(54,667)</u>	<u>(500)</u>	<u>(1,371)</u>

Plan assets	2018 £000	2017 £000
Equity instruments	16,877	20,323
Debt instruments	34,363	34,236
Cash and cash equivalents	242	108
	<u>51,482</u>	<u>54,667</u>
Total	51,482	54,667

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

Actuarial assumptions

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

	2018	2017
Discount rate at 31 December	2.75%	2.50%
Future salary increases	n/a	n/a
Future pension increases	3.10%	3.05%
Revaluation in Deferment (in line with CPI)	2.15%	2.15%

Notes to the financial statements *(continued)*

For the year ended 31 December 2018

15 Employee benefits *(continued)*

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

- Current pensioner aged 65: 21.8 years (male), 23.7 years (female).
- Future retiree upon reaching 65: 22.8 years (male), 24.9 years (female).

Sensitivity analysis

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

	Sensitivity	Assumptions	Liabilities £000	Surplus/ (deficit) £000	Deficit change £000	2017 £000
Discount rate	Down 1%	1.75%	61,586	(10,104)	(10,604)	(6,488)
Price inflation	Up 1%	3.3%	58,119	(6,637)	(7,137)	(9,876)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at 31 March 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period for the assumptions concerned. Whilst the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation to the sensitivity of the assumptions shown.

Funding

The Company's cash contribution to the Scheme is determined in accordance with the Pensions Act 2004. The Company expects to pay £850,000 in contributions to its defined benefit plans in 2018 (2017: £850,000). The weighted average duration of the defined benefit obligation at the end of the reporting period is 20 years (2017: 21 years).

Defined contribution plans

The Company operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £861,000 (2017: £874,000). There were no amounts due to the defined contribution plans at the year end.

Notes to the financial statements (continued)

For the year ended 31 December 2018

16 Capital and reserves

Share capital

	Ordinary shares	
	2018	2017
	£000	£000
<i>Authorised, allotted, called up and fully paid</i>		
Ordinary shares of £1 each	8,400	8,400
	<u>8,400</u>	<u>8,400</u>

The company's other reserves are as follows:

The capital contribution reserve contains the premium arising on issue of equity shares, net of issue expenses.

The profit and loss reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

17 Operating leases

	2018	2017
	£000	£000
Lease payments under operating leases recognised as an expense in the year	131	158

Non-cancellable operating lease rentals which fall due as follows:

	2018	2017
	£000	£000
Less than one year	96	23
Between one and five years	129	234
	<u>225</u>	<u>257</u>

Operating lease payments represent rentals payable by the Company for photocopiers, vending machines, fork lift trucks and cars. Leases are negotiated for an average term of 4 years and rentals are fixed for an average of 4 years.

18 Commitments

Capital commitments

During the year ended 31 December 2018, the Company entered into a contract to purchase property, plant and equipment for £1,031,242 (2017: £1,275,752).

19 Contingent liabilities

The Company has guaranteed duty charges to HM Customs and Excise; the maximum liability at the end of the year was £51,000 (2017: £51,000).

Notes to the financial statements (continued)

For the year ended 31 December 2018

20 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Solvay S.A. which is the ultimate parent company incorporated in Belgium, with a registered address at rue de Ransbeck 310, B-1120, Brussels, and which is considered the ultimate controlling party.

The largest and smallest group in which the results of the Company are consolidated is that headed by Solvay S.A. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from www.solvay.com or Solvay SA, rue de Ransbeck 310, B-1120, Brussels.

21 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Defined benefit pension scheme

The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension schemes depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth and mortality. Assumptions made are mutually consistent but may not be borne out in practice over the long term. The net asset stated in note 16 is based upon a valuation of scheme assets that are not intended to be realised in the short term and which may change significantly. The net asset stated in note 16 is also based upon an actuarial valuation of scheme liabilities which is based upon cash flow projections over very long periods of time thus causing the valuation to be inherently uncertain.

Critical accounting judgements in applying the Company's accounting policies

The Directors do not consider that there are any critical accounting judgements in applying the Company's accounting policies.