Cytec Industrial Materials (Manchester) Limited

Annual report and financial statements

Registered number: 00605214

For the year ended 31 December 2018

Contents

Strategic report

Business review

Objectives

The principal activities of the company comprise the manufacture and supply of impregnated composite materials used for the manufacture of composite components and tooling. The company's long term objective is to return to profitability and meet the objectives of Solvay SA, the company's ultimate parent undertaking. In pursuing this objective the company intends to maintain sound financial management and avoid excessive risks.

Key business strategies

In pursuit of its objectives the company has a number of key business strategies which have been successfully implemented over recent years.

We aim to increase profitability by reducing product ranges with existing customers, increase market share within our key markets and by delivering technology and products beyond our customers' imagination. We plan to improve our gross margin by fully leveraging the benefits of cross-business collaboration within Solvay.

Principal risks and uncertainties

The key risk areas of the company are:

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

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

Customer pricing is under constant review and is managed by our sales team. Excellent customer service and product quality as well as strong customer relations will continue to mitigate pricing pressures.

The customer base has expanded in recent years, reducing the financial risks faced by the loss of a customer account.

The buying power of the Solvay group reduces the adverse impact of movements in commodity prices.

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

Following the impact of the 'Brexit' referendum, we will continue to monitor the risks and opportunities involved with UK leaving the EU and the company will mitigate this through the Solvay group where possible.

Going concern

Having considered the above risks and uncertainties and reviewed the trading forecasts indicating improved results and financial position, the directors have a reasonable expectation that the company has adequate resources to continue operating for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Key performance indicators

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

	2018 £000	2017 £000
Turnover	6,601	10,648
Gross profit	1,299	2,757
Gross profit %	19.7%	25.9%
Operating loss	(1,208)	(98)
Working capital	1,220	1,254

Strategic report *(continued)*

Key performance indicators *(continued)*

Turnover decreased by 38% (2017: decreased by 18.7 %) in the year through the decrease in aerospace sales following transfer of part of production to a sister company.

The reduction in gross profit percentage is due to the lower margins achieved on industrial contracts and the reduction in aerospace sales.

Operating profits in 2018 showed a reduction with a decrease in turnover and gross profit and increase in operating spend through higher levels of intercompany management costs.

Working capital levels are monitored regularly. Year on year working capital has decreased only slightly by 2.7% at the end of 2018.

In addition to financial measures, the board also monitors the company's operations with the objective of ensuring that safety, health and environmental considerations are at the core of all working practices. In measuring the success of this, the board reviews the level of reported incidents and monitors the training being undertaken by all relevant employees.

Future prospects

Trading levels have increased for the first quarter of 2019 and are expected to return to a similar level achieved in 2017.

Potential new business opportunities have also been identified and these will continue to be evaluated and pursued. In addition further benefits are anticipated due to synergies that can be achieved as a member of the Solvay group of companies.

Environmental policy

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

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

Approved by the board of directors and signed on its behalf by

D.S. Clears

DS Clears
Director

1st July 2019

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

Directors' report

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

Principal activities

The principal activities of the company comprise the manufacture and supply of impregnated composite materials used for the manufacture of composite components and tooling. The company will continue with its principal activities for the foreseeable future.

Results and dividend

(Loss)/Profit for the year amounted to £(960,000) *(2017: £28,000)*. During the year and up to the date of approval of this report, no dividends *(2017: £nil)* were proposed or paid.

Financial Risk management and objectives

Details of risk management are discussed in the Strategic Report on page 1 and form part of this report by cross reference.

Directors

The directors who held office during the year and at the date of this report are as follows:
DS Clears
SM Glennon
JD Norris

Employees

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

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

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

Future developments and going concern

Future developments and going concern considerations have been set out within the strategic report, and form part of this report by cross reference.

Subsequent Events

There were no significant events after the reporting date which require disclosure.

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware,

- there is no relevant audit information of which the company's auditor is unaware;
- and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

Auditor

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

Approved by the board of directors and signed on their behalf by

Jonathan Norris
Director

1st July 2019

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

Directors' responsibilities statement

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

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

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

Independent auditor's report to the members of Cytec Industrial Materials (Manchester) Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cytec Industrial Materials (Manchester) 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 18.

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 Industrial Materials (Manchester) 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 Industrial Materials (Manchester) 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
3 July 2019

Profit and loss account
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	6,601	10,648
Cost of sales		(5,302)	(7,891)
Gross profit		1,299	2,757
Administrative expenses		(2,507)	(2,855)
Operating loss before taxation	3	(1,208)	(98)
Tax on loss	6	248	126
(Loss)/Profit for the financial year		(960)	28

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

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, hence no statement of comprehensive income is required.

Balance sheet
as at 31 December 2018

	Note	2018 £000	2018 £000	2017 £000	2017 £000
Fixed assets					
Tangible assets	7		8,452		7,478
Current assets					
Stocks	8	1,023		726	
Debtors	9	1,835		4,240	
		2,858		4,966	
Creditors: amounts falling due within one year	10	(1,650)		(1,740)	
Net current assets			1,208		3,226
Total assets less current liabilities			9,660		10,704
Provisions for liabilities					
Deferred tax liability	11		(185)		(269)
Net assets			9,475		10,435
Capital and reserves					
Called up share capital	13		598		598
Share premium account			46		46
Profit and loss account			8,831		9,791
Shareholders' funds			9,475		10,435

The notes on pages 12 to 22 form part of these financial statements.

These financial statements were approved by the board of directors on 1st July 2019 and were signed on its behalf by:

Stephen Glennon
Director

Company registered number: 00605214

Statement of changes in equity

for the year ended 31st December 2018

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2017	598	46	9,763	10,407
Profit for the financial year	-	-	28	28
Total comprehensive income for the year	-	-	28	28
Balance at 31 December 2017	**598**	**46**	**9,791**	**10,435**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	598	46	9,791	10,435
Loss for the financial year	-	-	(960)	(960)
Total comprehensive loss for the year	-	-	(960)	(960)
Balance at 31 December 2018	**598**	**46**	**8,831**	**9,475**

Notes
(forming part of the financial statements)

1 Accounting policies

Cytec Industrial Materials (Manchester) Limited (the "Company") is a private company limited by shares incorporated and registered in the United Kingdom (England & Wales) under the Companies Act 2006. The address of the Company's registered office is shown on page 3.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company's ultimate parent undertaking, Solvay S.A., includes the Company in its consolidated financial statements. The consolidated financial statements of Solvay S.A. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Rue De Ransbeek, 310, 1120 Bruxelles, Belgium.

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

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.
- Certain revenue requirements of IFRS 15.

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

1 Accounting policies *(continued)*

As the consolidated financial statements of Solvay S.A. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures.*

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Adoption of new and revised Standards

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

In the current year, the Company has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are new accounting standards that are effective for the year ended 31 December 2018 and have had no material impact on the company.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

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

1 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.

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.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1 January 2014, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated annual depreciation rates as a percentage of cost are as follows:

Freehold buildings	2%
Plant and machinery	6.6% to 15%
Fixtures and fittings and office equipment	10% to 20%
Computer equipment	33%

Assets under construction are included within the relevant asset class to which they belong, however no depreciation is charged until they are fully commissioned.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

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

1 Accounting policies *(continued)*

1.8. Stocks

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

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.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. 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.

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

1 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.

1.11. Turnover

Turnover is recognised when goods or services are supplied or made available 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 for estimated future rebates 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

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.

1.13. 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.

The board considered the necessity to provide for deferred taxation on the revaluation reserve but felt that this would not reflect any possible timing difference.

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

2. Turnover

The Turnover is attributable to one activity, the manufacture and supply of impregnated composite materials used for the manufacture of composite tooling and components.

Geographical split of turnover is as follows:

	2018 £000	2017 £000
United Kingdom	2,115	2,937
Rest of Europe	2,298	2,579
North America	773	4,363
Rest of World	1,415	769
	6,601	10,648

3. Operating loss before taxation

Included in operating loss are the following:

	2018 £000	2017 £000
Depreciation	554	685
Operating lease rentals	12	11
Foreign exchange (gain)/loss	(4)	24
Cost of stock recognised as an expense	3,063	4,844
Impairment of stock recognised as an expense	140	134
Loss on disposal of fixed assets	-	304

Auditor's remuneration:

	2018 £000	2017 £000
Audit of these financial statements	6	6

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

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	35	43
	35	43

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	1,137	1,316
Social security costs	117	137
Contributions to defined contribution plans	62	74
	1,316	1,527

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

5. Directors' remuneration

Directors' emoluments have been borne by another group company. The directors of the company are also directors or officers of a number of the companies within the group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2018 or 31 December 2017.

6. Taxation

Recognised in the profit and loss account

	2018		2017	
	£000	£000	£000	£000
UK corporation tax				
Current tax credit on income for the year	(148)		(20)	
Adjustments in respect of prior periods	-		155	
Total current tax		(148)		135
Deferred tax (see note 11)				
Origination and reversal of temporary differences	61		67	
Adjustments in respect of prior periods	(161)		(328)	
Total deferred tax		(100)		(261)
Tax on (loss)/profit		(248)		(126)

Corporation tax is calculated at 19% (2017: 19.25%) of the estimated taxable profit for the year.

The credit for the year can be reconciled to the statement of profit and loss account as follows:

	2018 £000	2017 £000
Loss for the year	(1,208)	(98)
Loss for the year multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(230)	(19)
Effects of:		
Non-deductible expenses	(18)	66
Tax effect of prior year corporation tax adjustments	-	155
Tax effect of prior year deferred tax adjustments	-	(328)
Total tax credit	(248)	(126)

Finance Act 2016 introduced a reduction in the main rate of corporation tax to 17% from 1 April 2020. Accordingly this rate has been applied when calculating deferred tax assets and liabilities as at 31 December 2018. There is no expiry date on timing differences, unused tax losses or tax credits.

There has been no further changes to the corporation tax main rate in the subsequent finance Bills, including finance (No.3) Bill 2017-19, which received Royal Assent on 12th February 2019. Deferred taxes at the balance sheet date have been measured using these expected rates.

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

7. Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, Fittings, office and computer equipment £000	Total £000
Cost				
Balance at 1 January 2018	4,496	4,523	342	9,361
Additions	9	1,508	11	1,528
Balance at 31 December 2018	4,505	6,031	353	10,889
Depreciation and impairment				
Balance at 1 January 2018	457	1,133	293	1,883
Depreciation charge for the year	184	352	18	554
Balance at 31 December 2018	641	1,485	311	2,437
Net book value				
At 31 December 2017	4,039	3,390	49	7,478
At 31 December 2018	**3,864**	**4,546**	**42**	**8,452**

£831,000 (2017: £109,000) of assets under construction are included within plant and machinery.

8. Stocks

	2018 £000	2017 £000
Raw materials and consumables	**405**	332
Finished goods	**618**	394
	1,023	726

9. Debtors

	2018 £000	2017 £000
Trade debtors	**1,129**	1,393
Amounts owed by parent company	**72**	389
Amounts owed by fellow group undertakings	**372**	2,382
Taxation and social security	**168**	-
Other debtors	**53**	47
Prepayments and accrued income	**41**	29
	1,835	4,240

The amounts owed to and by fellow group undertakings and owed to and by parent company are unsecured, repayable on demand and are interest free.

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

10. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**933**	865
Amounts owed to fellow group undertakings	**597**	416
Taxation and social security	**32**	151
Deferred tax	**-**	15
Other Creditors	**67**	90
Accruals and deferred income	**21**	203
	1,650	1,740

The amounts owed to and by fellow group undertakings and owed to and by parent company are unsecured, repayable on demand and are interest free.

11. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £000	Assets 2017 £000	Liabilities 2018 £000	Liabilities 2017 £000	Net 2018 £000	Net 2017 £000
Accelerated capital allowances	-	-	(185)	(285)	(185)	(285)
Tax liabilities	-	-	(185)	(285)	(185)	(285)
Net tax liabilities	-	-	(185)	(285)	(185)	(285)

Movement in deferred tax during the year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Accelerated capital allowances	(285)	100	(185)
	(285)	100	(185)

Movement in deferred tax during the prior year

	1 January 2017 £000	Recognised in income £000	31 December 2017 £000
Accelerated capital allowances	(546)	261	(285)
	(546)	261	(285)

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

12. Employee benefits

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 £62,000 *(2017: £74,000)*.

£8,000 (2017: £nil) remained outstanding in creditors at the year end.

13 Capital and reserves

Share capital

	2018 £000	2017 £000
Authorised and Allotted, called up and fully paid		
597,560 ordinary shares of £1 each	598	598

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shares carry the right to share in any surplus on a winding up.

14 Operating leases

Future minimum lease payments are as follows:

	2018 £000	2017 £000
Due within :		
Not later than one year	5	12
Later than one year and not later than five years	2	7
Later than five years	-	-
Total	7	19

During the year £12,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2017: £11,000)*.

Description of significant lease arrangements

The Company currently has lease arrangements in place for hire equipment.

15 Commitments

Capital commitments

During the year ended 31 December 2018, the Company entered into a contract to purchase property, plant and equipment for £303,000 *(2017: £105,000)*.

16. Contingencies

A guarantee for £197,500 *(2017: £10,000)* has been provided to HM Revenue & Customs with recourse to the company for twice the nominal amount.

17 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Cytec Industrial Materials (Derby) Limited, which is incorporated in the United Kingdom. The ultimate controlling party is Solvay S.A.

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 this group is available to the public and may be obtained from the registered office at Rue De Ransbeek, 310, 1120 Bruxelles, Belgium.

18 Accounting estimates and judgements

Key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The directors do not consider that there are any key sources of estimation uncertainty in applying the Company's accounting policies.

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.