

Company Registration No. 00867053

Bakelite Synthetics UK Limited

Annual Report and Financial Statements for the year ended 31 December 2021



Bakelite Synthetics UK Limited

Contents

Officers and professional advisers	1
Strategic Report.....	2
Directors' Report	4
Independent auditors' report to the members of Bakelite Synthetics UK Limited.....	10
Income Statement	10
Statement of Comprehensive Income	10
Statement of Financial Position	11
Statement of Changes in Equity.....	12
Notes to the Financial Statements	13

Bakelite Synthetics UK Limited

Officers and professional advisers

Directors

J.V. Baker
R.J.J Brueren (appointed 30 April 2021)
C.D. Hynes (resigned 10 June 2022)
A.B. Canipe (appointed 10 June 2022)
J.S.J. Welfoot (appointed 30 April 2021)
J.P. Aucoin
M.D. Bidstrup (resigned 19 October 2021)
A.W.M. Mertens (resigned 19 October 2021)

Secretary

L Boninsegni

Registered Office

Sully Moors Road
Penarth
South Glamorgan
CF64 5YU

Registered number

00867053

Bankers

JPMorgan Chase Bank
N.A. London
25 Bank Street, Canary Wharf
London, E14 5JP

Solicitors

Squire Patton Boggs (UK) LLP
No 1 Spinningfields
1 Hardman Square
Manchester
M3 3EB

Independent Auditors

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

Bakelite Synthetics UK Limited

Strategic Report for the year ended 31 December 2021

The directors present their Strategic Report on the Company for the year ended 31 December 2021.

Principal activities

The Company manufactures and sells adhesives and resins for use in a wide variety of applications, which are broadly categorized into Forest Product Resins, Formaldehyde and Performance Resins.

Review of the business

Bakelite Synthetics UK Limited continues as the main trading entity for the Bakelite business in the UK. The results for the financial year are set out in the Income Statement on page 10. Sales in the year are £121.3million (2020: £88.0 million). The operating profit for the year 2021 is £2.0 million (2020: £6.6 million) including a restructuring charge of £87,000 (2020: £571,000).

The financial position of the Company at the year-end is set out in the Statement of Financial Position on page 11. The directors do not recommend the payment of a dividend for the year (2020: £nil).

Brexit

The company made strong preparations for the BREXIT implementation and there was no significant impact on the Company.

COVID-19

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic. Subsequent to March 31, 2020, the global regions where the Company operates, continue to be impacted by COVID-19. During this pandemic, apart from guidelines published by local governments, the Company has implemented extra guidelines to further protect the health and safety of its employees as the Company continues to operate with its suppliers and customers. For example, the Company is following all legislatively-mandated travel directives in the various countries where it operates, and the Company has also put additional travel restrictions in place for its associates designed to reduce the risk from COVID-19. Additionally, the Company is utilizing extended work from home options to protect its office associates, while adjusting its meeting protocols and processes at its manufacturing sites.

Future developments

The directors expect the Company to perform satisfactorily during the forthcoming financial year. In order to remain competitive in the future economic environment, the Company will continue to develop and enhance the relationship with all customers and focus efforts around productivity and cost reductions in both manufacturing and services.

The company was acquired by the newly formed Bakelite group which is ultimately controlled by Black Diamond Capital Management, LLC and Investindustrial on 30 April 2021. Following the acquisition, the intercompany balances with entities in the Hexion group were settled. At the date of acquisition the position of these intercompany balances was a net liability of £1m. The Hexion Cash Pooling arrangement was then replaced by a debt facility of \$105m within the Bakelite group.

Bakelite Synthetics UK Limited

Strategic Report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties

The directors believe that the Company's activities expose it to a number of financial risks, mainly around raw material pricing risk. Raw materials pricing remains competitive and it is not always possible to pass directly any increases to the end customer due to contractual or competitors' pricing policies. Also, the general economic environment continues to provide challenges to the business.

The financial risks the Company's operations are exposed to include credit risk, foreign currency risk, liquidity and cash flow risks. The directors apply Bakelite Group policies that seek to limit any adverse financial effects of these risks and these policies are implemented by the Hexion Europe Finance Department. The Bakelite Group has standard policies which set out specific guidance on how credit risk is managed. Liquidity risk is managed through a Bakelite Europe cash pooling arrangement, which is used to maintain the working capital requirements of the Company on a day to day basis. Currency risk through trading in export markets in foreign currency is managed through forecasting sales and purchases. No hedge accounting is applied.

Following the sale on 30 April 2021, the Hexion Europe cash pooling arrangement was replaced by a new debt facility of the Bakelite group used to manage its liquidity risk.

Financial key performance indicators

The directors focus on operating profit and measures to improve overall profitability, including by changing the product mix from commodity to specialty products and continuing to focus efforts around productivity and cost reductions in both manufacturing and service. These are kept under regular review by the directors and appropriate action taken as required.

Non-financial key performance indicators

The directors believe that the use of non-financial KPIs is not necessary for an understanding of the results and operations of the business.

This report was reviewed by the Board and signed on its behalf by:



R.J.J. Brueren
Director

Date: 28-11 2022

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2021. All amounts disclosed in the financial statements are rounded to the nearest £'000 unless stated otherwise.

Review

The review of business is included in the Strategic report.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements are given below:

R.J.J Brueren (appointed 30 April 2021)
C.H. Hynes (appointed 30 April 2021, resigned 10 June 2022)
B. Canipe (appointed 10 June 2022)
J.J. Welfoot (appointed 30 April 2021)
A. Mertens (resigned 19 October 2021)
J.P. Aucoin
J.V. Baker
M.D. Bidstrup (resigned 19 October 2021)

Employees

The Company supports the principle of equal opportunities. Its policy is that there should be no unfair discrimination on the grounds of sex, religion or race. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interest. Employees are made aware of the financial and economic performance of their business unit and of the Company as a whole. Communication with employees continues through briefing groups and newsletters.

Health and safety

In all of Bakelite operations product safety, employee health and safety, and environmental care are important elements in the development of the Company strategy. It is the responsibility of each Hexion company to ensure that corporate environmental policy is put into practice. This includes protecting the environment by limiting the environmental impact of operations, meeting the requirements of legislation and training employees on environmental health and safety concerns.

Dividends

The directors did not recommend dividend payments for the year ended 31 December 2021 (2020: £nil).

Financial risk management

Details of the Company's financial risk management policies can be found within the 'Principal risks and uncertainties' section of the Strategic Report.

Going concern

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Research and development

The Company incurred expenditure amounting to £130,000 (2020: £467,000) on research and development during the year.

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Political and charitable donations

The Company made no political or charitable donations in the year (2020: £nil).

Qualifying third party indemnity provision

The directors have an insurance policy in place to provide them with indemnity cover. The insurance policy was in force throughout the financial year and remains in force at the date of this report.

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

Directors' duties

Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties. These duties are detailed in section 172 of the UK Companies Act 2006 which is summarised as follows:

'a director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

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

The following paragraphs summarise how the Directors' fulfil their duties:

Risk Management

We are a solutions provider utilising amino and phenolic resin technologies in order to serve and develop the needs of customers. Key markets served are construction, composites, briquetting and speciality adhesives in UK & Eire and other parts of the world. Customers are supplied through both internal manufacturing assets and tolling manufacturing partnerships that have been developed in order to adapt to changing market conditions. Our aim is that our manufacturing operations are safe, flexible, reliable and sustainable with minimum waste.

Managing risk is fundamental to our business strategy and ensuring that we operate successfully. We consider the main business risks to be those associated with equipment outage, raw material availability, health and safety, compliance with regulatory standards, climate change and loss of business due to customer issues. During the year there were also additional risks associated with Brexit and Covid-19 to manage. During the year the Brexit risk was managed successfully, including the ability to transfer production to EU plants and increasing inventories of raw material and increasing UK manufactured product inventory at EU sites. The Company was able to continue production during Covid-19 due to its classification as an essential industry.

Given the nature of our products and the regulatory environment we operate in, we foster a no risk approach towards breaches of policy and controls in critical areas, such as regulatory standards, health, safety, and environmental issues. We have well defined review processes and controls to monitor and meet these goals. We also are able to draw on the wider Hexion corporate standards where required to help meet our objectives.

Our People

We are committed to operating a responsible business in an ethical manner. We recognise that, to be successful, we need a high-performance team and people are our most valuable asset. All employees have adequate training to ensure that they are competent to perform their roles and new talent is recruited in advance, to ensure good handover as our more experienced employees retire. An anonymous third-party employee survey was completed during the year and the matters raised have been followed up with action plans. All employees attend regular Health and Safety meetings during the year and, in line with company policy, all accidents are reported to the corporate body under OSHA reporting regulations. No recordable accidents were recorded in 2021 on any of our UK sites.

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006 (continued)

Business Relationships

The company has a long history of resin production and we support our customers with close technical relationships helping them to achieve continuing success. Our principal customers have been trading with us for many years and our excellence in technical service, flexibility, and continuity has enabled long term volume growth. Close relationships with our major customers have required re-formulations and plant trials, delivering success in many areas. In 2021, new products replaced older technology to reduce end use emissions including low emission wood binders for the Forest Products market. Regular and detailed communication between sales, technical and operations are scheduled to ensure customer needs are considered throughout the supply chain and manufacturing process. Planned growth of the briquetting business was achieved in 2021.

Community and environment

We enable our employees to support the local communities around us. At Barry, in response to local flooding, we are an active member of the local community action panel and flood prevention group which consists of local businesses, regulators, members of the public, and the council. As part of our support, we regularly clear the local water course to assist with this effort. We recognise that our manufacturing operations need to be sustainable with minimum waste, which we continually improve via our capital expenditure program and ongoing continuous improvement efforts. As part of Hexion Inc, we are committed to continually developing comprehensive global Environmental Health & Safety standards and initiatives that are designed to maintain our safe operations and protect our environment. We comply with all environmental regulations and are certified to ISO standards where applicable.

Culture and values

We recognise the importance of having the right culture throughout the organisation. Our long-term success depends on achieving our strategic goals in the right way. We have a corporate culture which promotes 'Responsible Chemistry' looking for 'Responsible solutions that shape our future' and this governs the way we develop our business. We promote an open and honest culture and included in our core competences are empowerment, trust and teamwork and authenticity. All employees undertake regular training on ethics and integrity, ensuring standards are well communicated and a knowledge of good practice underpins all decisions.

Shareholders

We maintain a continuing effective dialogue with our shareholder and parent company. Our strategy and objectives are developed in conjunction with the wider Hexion Inc strategy. We do this by understanding the needs of our diverse customer base and the supply of high quality products backed by excellent service and support.

Streamline energy and carbon reporting (SECR)

On 1 April 2019, the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 came into force. This is the first time the Company has presented these disclosures and covers all sources of the Company's greenhouse gas (GHG) emissions in accordance with the requirements of these regulations.

The methodology for calculating GHG emissions is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard developed by the World Resources Institute and World Business Council for Sustainable Development. All conversion factors have been sourced from recognised public sources, including the UK's Department for business, energy and industrial strategy, the International Energy Agency and the GHG protocol's stationary combustion tool.

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Streamline energy and carbon reporting (SECR) (continued)

Energy consumption used to calculate emissions (kWh):

	2021	2020
Electricity (kWh)	14,558,826	13,760,351
Natural Gas (kWh)	13,097,763	12,088,697
Transport (Diesel)	116,240	182,038
Transport (petrol)	4,452	51,296
	<u>27,777,281</u>	<u>26,082,382</u>
Total		
Production (Te)	157,209	148,126
Emissions in resin tonnes CO ₂ e		
	2021	2020
Scope 1 (All other fuels)	2,429	2,281
Scope 2 (Electricity)	3,091	3,208
	<u>5,520</u>	<u>5,489</u>
Total gross tonnes CO ₂ e		
Gross tonnes CO ₂ e per tonne production	<u>0.035</u>	<u>0.037</u>

Sustainability

Bakelite Synthetics is committed to "Responsible Care" as part of the Company's ongoing strategy. Bakelite Synthetics' climate change policy states:

Bakelite Synthetics strives to protect against climate change throughout the business lifecycle by efficiently using natural resources, optimizing existing processes and enhancing products and technologies through continuous innovation. This focus increases stakeholder value by improving the use of resources, reducing greenhouse gas emissions, engaging our employees, decreasing operating costs and supporting our customers' sustainability goals.

The solutions required by our valued customers and the world in which we live increasingly call for new products that have more sustainable attributes. In response, Bakelite Synthetics is continually focused on creating enabling technologies that make everyday life more sustainable.

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

For Bakelite Synthetics, sustainability represents our commitment to being good stewards for our people and the planet through innovative products and processes. As part of this commitment, Bakelite Synthetics is continually developing comprehensive global Environmental Health & Safety standards and initiatives that are designed to maintain our safe operations and protect our environment. Bakelite Synthetics has a strong history of driving improvements in our use of energy.

Our Vision

Use resources responsibly. Produce products more sustainably.

To protect against climate change, we are aligned with the United Nations Sustainable Development Goals and we strive to efficiently use natural resources, optimizing existing processes and enhancing products and technologies through continuous innovation.

Our commercial, technical and product stewardship teams are passionate about supporting our business and partnering with our customers to meet very individualized sustainability targets. By leveraging our technical expertise, applying innovative thinking and using alternative raw materials where possible, our products are widely used to turn renewable raw materials, such as wood, into highly engineered products by our downstream partners. We are proud to help facilitate the transition toward a carbon neutral economy by providing technical solutions for energy conservation in the Building and Construction and the Transportation sectors.

Our principles

- We look for opportunities to incorporate renewable raw materials
- We strive to reduce the use of raw materials that may restrict the recycling of our customers' products.
- We strive to work with local suppliers wherever possible
- Many of our downstream partners participate in cutting edge certification programs

Together we will make a difference

Since Leo Baekeland's invention in 1907, products made with Bakelite resins have been highly valued for their durability and long life cycles. Bakelite is working to develop resins that can further improve life cycle expectations by enabling downstream products to be recycled. We strive to close the gap between the environment and economics.

By incorporating the principles of Energy Management and working closely with downstream partners that are obtaining environmental certifications, we are working to continually make a positive impact on the environment.

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Disclosure of information to auditors

Each of the persons who are directors at the time this Directors' Report is approved have confirmed that:

- so far as that director is aware, there is no relevant audit information (i.e. information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- that director has taken all steps that they ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Bakelite Synthetics UK Limited

Directors' Report for the year ended 31 December 2021 (continued)

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006. PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the Board

R.J.J. Brueren
Director

Date:

28-11

2022

Bakelite Synthetics UK Limited

Bakelite Synthetics UK Limited

Independent auditors' report to the members of Bakelite Synthetics UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Bakelite Synthetics UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: Statement of Financial Position as at 31 December 2021; Income Statement, Statement of Comprehensive Income and Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Bakelite Synthetics UK Limited

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax regulations, health & safety, employment and environmental laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial performance and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations.

Bakelite Synthetics UK Limited

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Jonathan Bound (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
28 November 2022

Bakelite Synthetics UK Limited**Independent auditors' report to the members of Bakelite Synthetics UK Limited****Income Statement**

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Turnover	5	121,280	88,048
Cost of sales		(106,807)	(71,235)
Gross profit		14,473	16,813
Distribution costs		(3,408)	(2,904)
Administrative expenses		(9,074)	(7,080)
Closure costs	17	-	(230)
Operating profit	6	1,991	6,599
Profit before interest and taxation		1,991	6,599
Interest receivable and similar income	8	1	1
Interest payable and similar expenses	8	(3)	(31)
Net interest expense	8	(2)	(30)
Profit before taxation		1,989	6,569
Tax on profit	9	(390)	(1,108)
Profit for the financial year		1,599	5,461

Statement of Comprehensive Income

	Year ended 31 December 2021, £'000	Year ended 31 December 2020 £'000
Profit for the financial year	1,599	5,461
Total comprehensive income for the financial year	1,599	5,461

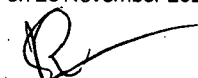
Bakelite Synthetics UK Limited

Statement of Financial Position

	Note	As at 31 December 2021 £'000	As at 31 December 2020 £'000
Fixed assets			
Intangible assets	10	61	61
Tangible assets	11	6,075	6,645
Investments	12	4,834	4,126
		10,970	10,832
Current assets			
Inventories	13	10,714	4,224
Debtors : amounts falling due within one year	14	22,277	21,356
Debtors : amounts falling due after more than one year	14	213	296
Cash at bank and in hand		4,191	812
		37,395	26,688
Creditors: amounts falling due within one year	15	(23,384)	(13,973)
Net current assets		14,011	12,715
Total assets less current liabilities		24,981	23,547
Creditors: amounts falling due after more than one year	16	-	(45)
Provisions for other liabilities	17	-	(120)
Net assets		24,981	23,282
Capital and reserves			
Called up share capital	19	2	2
Retained earnings	20	24,979	23,380
Total equity		25,981	23,382

The notes on pages 13 to 33 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of directors on 28 November 2022 and were signed on its behalf by



R.J.J. Brueren
Director

Bakelite Synthetics UK Limited
Registered No. 00867053

Bakelite Synthetics UK Limited**Statement of Changes in Equity**

	Called-up share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 January 2020	2	-	17,919	17,921
Profit for the financial year	-	-	5,461	5,461
Total comprehensive income for the year	-	-	5,461	5,461
At 31 December 2020 and 1 January 2021	2	-	23,380	23,382
Profit for the financial year	-	-	1,599	1,599
Total comprehensive income for the year	-	-	1,599	1,599
At 31 December 2021	2	-	24,979	24,981

Bakelite Synthetics UK Limited

Notes to the financial statements

1. General information

Bakelite Synthetics UK Limited ('the Company') designs and manufactures chemicals. The Company has manufacturing plants in the UK and sells primarily to the UK and the rest of Europe. The Company is a private limited company, incorporated and domiciled in the UK and is part of Bakelite Topco UK Limited group, a world leader in Phenolic and Formaldehyde specialty resins. The address of its registered office is Sully Moors Road, Penarth, Vale of Glamorgan, CF64 5YU.

2. Statement of compliance

The individual financial statements of Bakelite Synthetics UK Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Summary of significant accounting policies

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

(a) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the certain financial assets and liabilities measured at fair value through profit or loss.

It has not prepared consolidated financial statements as the company is included within the consolidated financial statements of Bakelite UK TopCo Limited.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

(b) Going concern

In considering the appropriate basis on which to prepare the financial statements, the directors are required to consider whether the Company can continue in operational existence for a period of at least 12 months from the approval of the financial statements. For the year ended 31 December 2021 the Company used a cash pooling arrangement from other group undertakings. The directors, having assessed the responses of the directors of the Company's new ultimate parent Bakelite UK TopCo Limited, have no reason to believe that a material uncertainty exists that may cast significant doubt on the ability of the company to continue as a going concern or its ability to continue with the current banking arrangements. On this basis of this assessment, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

(c) Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its parent company, Hexion Inc., includes the Company's cash flows in its own consolidated financial statements. In addition, the Company has taken advantage of the exemption, under FRS 102 paragraph 26.18(b), 26.19 to 26.21 and 26.23, concerning group equity instruments and has not disclosed the share-based payments of any director as they are share-based payment arrangements which concern equity instruments of the Hexion group entity. Equivalent disclosures have been made in the group's consolidated financial statements.

(d) Foreign currency

(i) Functional and presentational currency

The Company's functional and presentational currency is the pound sterling.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Bakelite Synthetics UK Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(d) Foreign currency (continued)

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance (expense)/income'. All other foreign exchange gains and losses are presented in the Income Statement within 'other operating (losses)/gains'.

(e) Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of returns, discounts and rebates allowed by the Company and value added taxes.

The Company bases its estimate of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company recognizes turnover when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Company retains no continuing involvement or control over the goods; (c) the amount of turnover can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

(i) Sale of goods

The Company shall recognise turnover from the sale of goods when all the following conditions are satisfied:

- (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of turnover can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Interest income

Interest income is recognized using the effective interest rate method.

(f) Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

(g) Employee benefits

The Company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and a contribution pension plan.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Bakelite Synthetics UK Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(ii) Defined contribution pension plans

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognized as an expense when they are due. Amounts not paid are shown in accruals in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

(iii) Annual bonus plan

The Company operates an annual bonus plan for employees. An expense is recognised in the Income Statement when the Company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

(h) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognized in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognized in financial statements.

Deferred tax is recognized on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognized when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

(i) Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortized over its estimated useful life, of between three and five years, on a straight line basis.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortization rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Bakelite Synthetics UK Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(j) Tangible assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs and borrowing costs capitalized.

(i) Land and buildings

Land and buildings include freehold manufacturing sites and offices. Land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

(ii) Plant and machinery

Plant and machinery are stated at cost less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation and residual values

Land is not depreciated. Depreciation on other assets is calculated, using the straight-line method, to allocate the cost to their residual values over their estimated useful lives, as follows:

- Freehold land and buildings – over periods up to 50 years
- Plant and machinery – 5 – 30 years

(iv) Subsequent additions and major components

Subsequent costs, including major inspections, are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to the Company and the cost can be measured reliably.

The carrying amount of any replaced component is derecognized. Major components are treated as a separate asset where they have significantly different patterns of consumption of economic benefits and are depreciated separately over its useful life.

Repairs, maintenance and minor inspection costs are expensed as incurred.

(v) Assets under construction

Assets in the course of construction are stated at cost. These assets are not depreciated until it is available for use.

(vi) De-recognition

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

(k) Investments

Investments in subsidiary companies are held at cost less accumulated impairment losses.

(l) Leased assets

At inception the Company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

Bakelite Synthetics UK Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(m) Inventories

Inventories are stated at the lower of historical cost and estimated selling price less costs to complete and sell. Inventories are recognized as an expense in the period in which the related revenue is recognized.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition. The cost of manufactured finished goods and work in progress includes design costs, raw materials, direct labour and other direct costs and related production overheads (based on normal operating capacity).

At the end of each reporting period, inventories are assessed for impairment. If an item of inventory is impaired, the identified inventory is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the Income Statement. Where a reversal of the impairment is recognised the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the Income Statement.

(n) Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(o) Group relief

Group relief is surrendered to/received from other group companies for no consideration.

In specific circumstances, individual group companies may reach agreement between themselves to surrender and/or receive group relief for consideration within the tax on profit on ordinary activities in the Income Statement.

Should group relief be surrendered to/received from other group companies for consideration, the consideration paid will reflect, at a minimum, the corporation tax amounts surrendered and/or received. These amounts are reported as expenses or benefits within the tax on profit/(loss) on ordinary activities within 'Retained earnings'.

On a discretionary basis, group companies, may agree to compensate for amounts in excess of the corporation tax amounts surrendered and/or received. In this instance, the excess over the corporation tax amount is shown as a separate movement within the 'Retained earnings' reserve on the Statement of Financial Position.

(p) Impairment of non-financial asset

At each Statement of Financial Position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Income Statement, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

Bakelite Synthetics UK Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(p) Impairment of non-financial asset (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Income Statement.

(q) Provisions and contingencies

(i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

(a) Restructuring provisions are recognised when the Company has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and

(b) Provision is not made for future operating losses.

(c) Environmental provisions are recognised when there is a legal or constructive obligation as a result of past events. The provision is based on management's best estimate of the liabilities:

All provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as a finance cost.

(ii) Contingencies

Contingent liabilities, arising as a result of past events, are not recognised when (a) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (b) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Company's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognized. Contingent assets are disclosed in the financial statements when an inflow of economic benefits is probable.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(s) Distributions to equity holders

Dividends and other distributions to Company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's shareholders. These amounts are recognised in the Statement of Changes in Equity.

(t) Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned.

Bakelite Synthetics UK Limited

Notes to the financial statements

3. Summary of significant accounting policies (continued)

(u) Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

The Company only enters into basic financial assets, including trade and other debtors and cash and bank balances. These are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial liabilities

Basic financial creditors, including trade and other creditors, bank loans and balances due to from fellow group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

v) Consolidated financial statements

The financial statements contain information about Bakelite Synthetics UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent company, Bakelite Topco UK Limited.

4. Critical accounting judgements and estimation uncertainty

In applying the accounting policies detailed above, decisions sometimes have to be made as to the likely outcome of future events. Those judgements and estimates made in preparing the financial statements are based on historical experience and assumptions that the directors believed were reasonable in the circumstances.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See Note 11 for the carrying amount of the property plant and equipment, and Note 3 for the useful economic lives for each class of assets.

Bakelite Synthetics UK Limited

Notes to the financial statements

4. Critical accounting judgements and estimation uncertainty (continued)

(ii) Inventory provisioning

The Company manufactures and sells adhesives and resins for use in a wide variety of applications. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated salability of finished goods and future usage of raw materials. See Note 13 for the net carrying amount of the inventory and associated provision.

(iii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See Note 14 for the net carrying amount of the debtors and associated impairment provision.

5. Turnover

Analysis of turnover by geography:

	2021 £'000	2020 £'000
United Kingdom	71,756	48,987
Rest of Europe	46,358	37,061
Other	3,166	2,000
	121,280	88,048

Analysis of turnover by category:

	2021 £'000	2020 £'000
Sales of goods	121,280	88,048
	121,280	88,048

Bakelite Synthetics UK Limited

Notes to the financial statements

6. Operating profit

Operating profit is stated after charging/(crediting):

	Note	2021 £'000	2020 £'000
Wages and salaries		6,271	5,933
Social security costs		683	689
Pension costs	22	329	369
Total staff costs		7,283	6,991
Reorganisation expense		8	230
Redundancy expenses		79	341
Loss on disposal of tangible assets		72	36
Operating lease rentals:			
- vehicles		32	41
- plant and equipment		62	179
- land and buildings		39	38
Foreign exchange (gain)		(2)	(37)
Audit fees payable to the Company's auditors		77	69
Research and development written off		130	599
Depreciation of owned fixed assets		1,149	777
Impairment of inventory (included in cost of sales)		-	126

In accordance with SI 2008/489 the Company has not disclosed the fees payable to the Company's auditors for 'Other services' as this information is included in the consolidated financial statements of Bakelite UK TopCo Limited. The company bears the audit fees for the other UK subsidiaries.

Administrative expenses included corporate recharges of £9,073,948 (2020: £3,240,000).

Bakelite Synthetics UK Limited

Notes to the financial statements

7. Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the Company during the year was:

By Activity	2021 No.	2020 No.
Production	76	83
Sales	3	3
Administration	19	17
	98	103

During the year, 2 director received emoluments from the Company (2020: 1), being J V Baker and J S Welfoot. Emoluments in respect of other directors' services are not recharged to the Company as their services are considered incidental to their services to the Group as a whole.

Directors

The directors' emoluments were as follows:	2021 £'000	2020 £'000
Aggregate emoluments	458	167
Company contributions to defined contribution schemes	63	47
	521	214

	2021 No.	2020 No.
Post-employment benefits are accruing for the following directors, who are members of defined contribution schemes	2	1

The highest paid director received emoluments of £252,407 and pension contribution of £14,889 prior year being emoluments of £205,315 and pension contribution of £47,782.

Bakelite Synthetics UK Limited

Notes to the financial statements

8. Net interest (expense)

a) Interest receivable and similar income

	2021	2020
	£'000	£'000
Bank interest receivable	1	1
Total interest receivable and similar income	1	1

b) Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest payable on overdrafts and bank loans	(3)	(31)
Total interest payable and similar expenses	(3)	(31)

c) Net interest expense

	2021	2020
	£'000	£'000
Interest receivable and similar income	1	1
Interest payable and similar expenses	(3)	(31)
Total net interest expense	(2)	(30)

Bakelite Synthetics UK Limited

Notes to the financial statements

9. Tax on profit

a) Tax expense included in the Income Statement

	Note	2021 £'000	2020 £'000
Current tax			
- UK Corporation tax on profit for the year		-	961
- Adjustment in respect of previous periods		(2)	(64)
Total current tax		(2)	897
Deferred tax:			
- Origination and reversal of timing differences		413	342
- Adjustment in respect of previous periods		2	(34)
- Effect of changes in tax rates		(51)	(97)
Total deferred tax	21	364	211
Tax on profit		362	1,108

Bakelite Synthetics UK Limited

Notes to the financial statements

9. Tax on profit (continued)

b) Reconciliation of tax charge

Tax assessed for the year is the same as (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
Profit before taxation	1,989	6,569
Profit before taxation multiplied by the standard rate in the UK of 19% (2020: 19%)	378	1,248
Effects of:		
- Expenses not deductible for tax purposes	95	55
- Group relief not paid for	(60)	-
- Impact of double tax relief	-	-
- Adjustment in respect of previous periods	-	(98)
- Tax rate changes	(51)	(97)
Tax charge for the year	362	1,108

Factors that may affect future tax charges

The Finance Act 2021 enacted on 10 June 2021 increased the main rate of UK corporation tax from 19% to 25%, effective from 1 April 2023. Deferred taxes on the balance sheet have been measured at 25% in respect of fixed assets and losses (2021 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date. The deferred tax on short-term timing differences (reserves) has been measured at 19% on the basis that these balances are expected to unwind prior to the planned increase to 25%.

Bakelite Synthetics UK Limited

Notes to the financial statements

10. Intangible assets

	Software £'000
At 1 January 2019	
Cost	566
Accumulated amortisation and impairment	(501)
Net book amount	65
Year ended 31 December 2020	
Opening net book amount	65
Additions	9
Amortisation charge	(13)
Closing net book amount	61
At 31 December 2020	
Cost	575
Accumulated amortisation and impairment	(514)
Net book amount	61

Bakelite Synthetics UK Limited

Notes to the financial statements

11. Tangible assets

	Note	Freehold land and buildings £'000	Plant and equipment £'000	Assets under construction £'000	Total £'000
At 1 January 2021					
Cost		4,800	40,279	383	45,462
Accumulated depreciation and impairment		(2,722)	(36,095)	-	(38,817)
Closing net book value		2,078	4,184	383	6,645
Year ended 31 December 2021					
Opening net book value		2,078	4,184	383	6,645
Additions		227	429	1,339	1,995
Transfers		390	537	(927)	-
Disposals		(852)	(72)	-	(924)
Depreciation	7	15	(1,164)	-	(1,149)
Closing net book value		1,858	3,914	795	6,567
At 31 December 2021					
Cost		4,555	40,333	795	45,683
Accumulated depreciation and impairment		(2,697)	(36,419)	-	(39,116)
Closing net book value		1,858	3,914	795	6,567

Bakelite Synthetics UK Limited

Notes to the financial statements

12. Fixed asset investments

	Shares in subsidiaries £'000
At 1 January 2021	4,126
Additions	708
At 31 December 2021	4,834

During the year, the Company subscribed to 9,999 (99.99%) equity shares of Rs.10 each in the share capital of a newly set up subsidiary Bakelite PSR India Private Ltd.

In 2019, the company transferred its Botlek branch operations into a new subsidiary Hexion Botlek B.V. (now Bakelite Botlek B.V.) The Company contributed and transferred the business in Botlek branch to the subsidiary by way of a non-cash contribution on shares issued by the subsidiary. The investment in the subsidiary is satisfied by acquiring 2 ordinary shares at the nominal value of €1.00 each. The shares of Bakelite Botlek B.V. have been pledged as security to JP Morgan Chase Bank N.A. for the year ended 31 December 2021.

The following companies are directly held by Bakelite Synthetics UK Limited.

Entity	Country of incorporation/ Registered office	Proportion of voting rights and share capital held	Principal Activity
Bakelite Botlek B.V.	Chemiestraat 30 3197 KB Botlek Rotterdam the Netherlands	100% ordinary shares	Manufacture and sale of Formaldehyde.
Bakelite PSR India Private Ltd.	306, Third Floor, Center Point, M.V. Road, J.B. Nagar, Andheri East Mumbai City MH 400059 India	99.99% ordinary shares	Manufacture of man-made fibres.

13. Inventories

	2021 £'000	2020 £'000
Raw materials and consumables	9,250	2,701
Work-in-progress	895	583
Finished goods and goods for resale	569	940
	10,714	4,224

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts. Inventories are stated after provisions for impairment of £NIL (2020: £193,000). Inventory was pledged as security against the group's bank loan for the year ended 31 December 2021.

Bakelite Synthetics UK Limited

Notes to the financial statements

14. Debtors

Amounts falling due within one year	Note	2021 £'000	2020 £'000
Trade debtors		12,898	14,239
Amounts owed by group undertakings			
- fellow subsidiary companies		6,277	2,474
Deferred tax asset	21	-	281
Corporation tax asset		932	-
Other debtors		1,809	2,940
Prepayments and accrued income		361	1,422
		22,277	21,356
<hr/>			
Amounts falling due after more than one year	Note	2021 £'000	2020 £'000
Deferred tax asset	21	213	296

Trade debtors are stated after provision for impairment of £NIL (2020: £36,000).

Amounts owed by fellow subsidiaries comprise trade receivables of £1,906,000 (2020: £998,000); loans receivable under the European cash pooling arrangement of £4,371,000 (2020: £186,000).

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	12,272	8,294
Amounts owed to group undertakings		
- fellow subsidiaries	3,714	3,433
Other creditors	6,070	893
Accruals and deferred income	1,328	912
Corporation tax	-	441
	23,384	13,973

Amounts owed to fellow subsidiaries are unsecured, interest free, do not have a fixed date of repayment and are repayable on demand.

Bakelite Synthetics UK Limited

Notes to the financial statements

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

	2021 £'000	2020 £'000
Accruals and deferred income	-	45
	-	45

17. Provisions for other liabilities

	Peterlee Closure £'000	Total £'000
At 1 January 2021	120	120
Utilisation	(120)	(120)
At 31 December 2021	-	-

The provision was fully utilised in 2021.

18. Financial instruments

The Company has the following financial instruments:

	2021 £'000	2020 £'000
Financial assets that are debt instruments measured at amortised cost		
- Trade debtors	12,898	14,239
- Amounts owed by group undertakings	6,277	2,474
- Other debtors	1,809	2,940
	20,984	19,653
Financial liabilities measured at amortised cost		
- Trade creditors	12,272	7,898
- Amounts owed to group undertakings	3,714	3,433
- Other creditors	6,070	1,665
	22,056	12,996

The Company has no derivative financial instruments (2020: £nil). Tangible fixed assets, inventory and trade debtors are pledged as security against the group's bank loan.

Bakelite Synthetics UK Limited

Notes to the financial statements

19. Called up share capital

	2021 £'000	2020 £'000
Called up, issued, allotted and fully paid 1,995 (2020: 1,995) ordinary shares of £1 each	2	2

There is a single class of ordinary shares. There are no restrictions on distributions of dividends and the repayment of capital.

20. Retained Earnings

The retained earnings represent the accumulated profits, losses and distributions of the Company.

Dividends

The company made £nil dividend payment for the year ended 31 December 2021 (2020: £nil)

21. Deferred tax asset

	2021 £'000	2020 £'000
Fixed assets timing differences	213	554
Short term timing differences	-	23
Deferred tax	213	577
Recoverable within one year	(6)	281
Recoverable after more than one year	219	296
Deferred tax	213	577

	Deferred tax asset £'000
Provision for deferred taxation	
At 1 January 2021	577
Charge to Income Statement	(364)
At 31 December 2021	213

There are no unrecognised tax losses or unused tax credits.

Bakelite Synthetics UK Limited

Notes to the financial statements

22. Post-employment benefits

The Company provides a group personal pension arrangement for its employees. The amount recognised as an expense for this defined contribution arrangement was £329,000 (2020: £369,000). There was an amount of £nil outstanding at the year-end (2020: £nil).

23. Capital and other commitments

	2021 £'000	2020 £'000
Operating Lease Commitments		
Within one year	16	714
Within two to five years	427	605
After five years	764	403
	1,207	1,722

The contracts authorised for future capital expenditure not provided in these financial statements was £nil (2020: £nil). The Company had no other off-balance sheet commitments.

24. Contingent liabilities

In the opinion of the directors, there were no material contingent liabilities or commitments requiring disclosure.

25. Related party disclosures

The Company is exempt from disclosing transactions with members of the group headed by Bakelite UK TopCo Limited, that are wholly owned within the group. Key management, in addition to the directors, include a number of senior managers who have the authority and responsibility for planning, directing and controlling the activities of the Company. The total compensation paid to key management personnel for services provided to the Company was £739,291 (2020: £399,780).

26. Controlling parties

During the year ended 31 December 2021, the immediate parent undertaking was Bakelite Synthetics UK Holding Limited, a company incorporated in the United Kingdom.

The smallest and largest group which consolidates the results of the Company was headed by Bakelite UK TopCo Limited. The consolidated financial statements of Bakelite TopCo Limited, may be obtained from Sully Moors Road, Sully, Vale of Glamorgan, CF64 5YU. Bakelite UK Topco Limited is controlled by investment funds headed by Black Diamond Capital Management and Investindustrial.