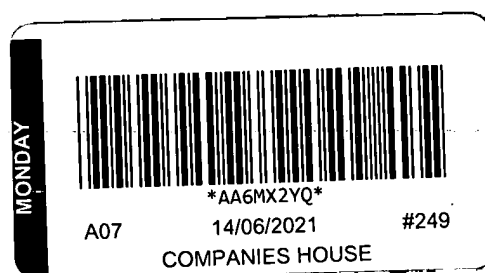


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# Synthomer (UK) Limited

Annual report and financial statements for the year ended  
31 December 2020

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# Synthomer (UK) Limited

## STRATEGIC REPORT

### Review of the business and future developments

The principal activity of Synthomer (UK) Limited ('the Company') is the manufacture and sale of synthetic resin dispersions, polyvinyl alcohol, polyvinyl acetate and synthetic rubber latex compounds.

The company is incorporated and domiciled in the UK. The address of its registered office is Central Road, Temple fields, Harlow, Essex, CM20 2BH.

The operating profit of the Company for the year before amortisation of intangibles was £7,532,000 (2019: £7,932,000). The increase in operating profit is mainly attributable to the effects of the contract manufacturing and distribution arrangement. The Directors are satisfied with the results for the year and with careful margin and cost management across the business as a whole, the Directors anticipate further improved operating profit next year. With net assets of £82,110,000 (2019: £88,809,000), the Company remains in a strong financial position.

Synthomer plc, the ultimate parent undertaking, manages its operations on a divisional basis. For this reason, the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Synthomer plc, which includes the results of the Company, is discussed in the Synthomer plc 2020 Annual Report, which does not form part of this report.

The company continues to focus on driving and enhancing business performance. As a result, the Company continues to invest in its plants in order to optimise operational efficiency and maximise production capacity. In addition, the Company focusses on enhancing value by regularly reviewing the most appropriate commercial strategy for the expected market conditions and maximising the value of the specialist raw material procurement and research and developments teams.

### Principal risks and uncertainties

To carry out its principal activities the Company requires a reliable and timely supply of raw materials. Many of these raw material markets have experienced uncertainty in recent years, however the Company maintains strong relationships with its suppliers to ensure the availability of material at competitive prices.

The Company's activities are subject to competitive pressure across its global markets. The risk of losing sales or market share is mitigated by the Company's commitment to work closely with its customers to provide an individual and tailored service in line with the customer's needs.

During the unprecedented COVID-19 pandemic, the Group business model proved resilient. Therefore, the Directors expect that the Company will be able to safely continue to operate its manufacturing sites and continue the improvement of its financial performance.

Group risks are discussed in the Synthomer plc 2020 Annual Report.

### Financial risk management

The Company trades in Euros and United States Dollars and is therefore subject to the risk of adverse exchange rate movements. These exchange rate risks are managed by the use of forward contracts and internal hedging arrangements.

The Company utilises short-term borrowing facilities to enable flexibility in the normal course of its trading. These borrowings are charged at normal bank variable rates. The Company continues to have access to sources of finance sufficient for its needs.

Group risks are discussed in the Synthomer plc 2020 Annual Report.

# Synthomer (UK) Limited

## STRATEGIC REPORT (continued)

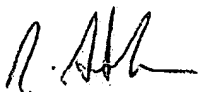
### Section 172 (1) statement

The Board of the Company is responsible for promoting the success of the Company for the benefit of its members as a whole, as set out in Section 172 (1) of the Companies Act 2006 ('section 172').

Section 172 separates stakeholders into two groups; employees and 'suppliers, customers and others'. The Directors' Report discusses how the Board engages with these groups of stakeholders.

As a result of the Group's governance and management structure, many aspects of stakeholder engagement are determined by the Group board in relation to the Company. The Company Board has had regard to the matters set out in section 172 and where appropriate applied policies and decisions taken at Group level. An explanation of how the Group board has considered the matters set out in section 172 (for the Group and for the Company) is set out on pages 38 to 41 of the Group's Annual Report, which does not form part of this report.

Approved by the Board of Directors  
and signed by order of the Board



R Atkinson  
Director

30 April 2021

# Synthomer (UK) Limited

## DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2020.

### Future developments

Future developments are discussed in the strategic report on page 1.

### Results and dividends

The profit before taxation for the year before amortisation of intangibles amounted to £7,131,000 (2019: £7,431,000). Loss after amortisation but before tax amounted to £1,960,000 (2019: £1,589,000).

No interim dividend has been proposed or paid in respect of the year ended 31 December 2020 (2019: £30,000,000). The Directors do not recommend the payment of a final dividend for the year (2019: nil).

### Review of the business, principal risks and uncertainties and financial risk management

The review of the business, the principal risks and uncertainties and the financial risk management are covered in the Strategic Report.

### Going Concern

As outlined in the financial statements below, the Directors consider that the Company can continue to operate for a period of at least 12 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

R Atkinson  
T J Hughes  
S G Bennett  
N Whitley  
R M Tupker

No directors' indemnity provision is in place.

### 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, 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 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.

# Synthomer (UK) Limited

## **DIRECTORS' REPORT (continued)**

### **Statement of Directors' responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### **Directors' 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.

### **Creditor payment policy**

The Company ensures that, wherever possible, its payments to creditors and other suppliers are made in accordance with terms of payment agreed at the time the contract of supply is made, subject to all the terms and conditions of the order being satisfied by the supplier. Trade creditor days of the company for the year ended 31 December 2020 were 60 days (2019: 67).

### **Research and development**

The Company follows a policy of internal research and development of its products and has access to information resulting from the research activities of the Synthomer plc Group and co-operating Universities. All research and development activities are focussed towards enhancement and extension of the Company's product portfolio.

### **Employment of disabled persons**

The Company treats applications for employment from disabled persons in the same way as those for able persons. Employees who become disabled are given every opportunity to continue employment under normal terms and conditions with appropriate training, career development and promotion wherever possible. The Company seeks to achieve equal opportunities in employment through recruitment and training policies.

### **Employee involvement**

The Company promotes employee involvement and recognises the importance of engaging with its employees especially in volatile times. Management regularly communicates with the employees through a range of formal and informal channels, including via intranet from the Chief Executive Officer and other senior executives, webcasts and townhalls. Global and local news on the intranet provides daily updates on business events globally and also information on injuries and process safety events.

A profit-related bonus scheme is in operation and available to all Synthomer employees.

### **Environment**

The Synthomer plc Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and develops and implements policies to reduce any damage which might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Synthomer plc Annual Report, which does not form part of this report.

### **Stakeholder statements**

#### **Employees**

From the perspective of the Board, as a result of the Group governance structure, the Group board has taken the lead in carrying out the duties of a board in respect of the company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the financial year). The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Group Board has carried out these responsibilities (for the Group and for the Company) is set out on pages 65 to 69 of the Group's annual report, which does not form part of this report.

# Synthomer (UK) Limited

## **DIRECTORS' REPORT (continued)**

### Other stakeholders

The Group Board also takes a lead in carrying out the duties of the Company Board for engagement with other stakeholders. The Group Board's approach to stakeholder engagement is set out on pages 36 to 37 of the Group's Annual Report with the Group's Environmental, Social and Governance report set out on pages 56 to 79. The Company Board also has regard for these matters where appropriate, such as the need to foster the Company's relationships with suppliers and customers, and the impact of decisions taken by the Company Board during the financial year.

### Independent Auditors

Resolutions to dispense with holding annual general meetings, the laying of financial statements before the company in general meetings and the appointment of auditors annually, are currently in force. The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



R Atkinson  
Director.

30 April 2021

# Synthomer (UK) Limited

## Independent auditors' report to the members of Synthomer (UK) Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion, Synthomer (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss 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: the balance sheet as at 31 December 2020; the profit and loss account, the statement of comprehensive income and the 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.

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.

# Synthomer (UK) Limited

## Independent auditors' report to the members of Synthomer (UK) Limited (continued)

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 2020 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 breaches of tax legislation, environmental, health and safety and competition regulations, 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 increase revenue and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities
- Challenging assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the valuation of defined benefit scheme liabilities
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations (for example credit to revenue with a debit entry to an unexpected account) or journals posted by senior management.

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.



# Synthomer (UK) Limited

## Independent auditors' report to the members of Synthomer (UK) Limited (continued)

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](http://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.

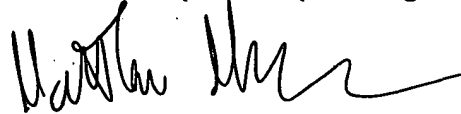
### Other required reporting

#### 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.



Matthew Mullins (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge

30 April 2021

# Synthomer (UK) Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2020

	NOTE	Year ended 31 December 2020			Year ended 31 December 2019		
		Before amortisation of intangibles	Amorti- sation	Total for the year	Before amortisation of intangibles	Amorti- sation	Total for the year
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	223,735	-	223,735	283,087	-	283,087
Net operating costs	4	(216,203)	(9,091)	(225,294)	(275,155)	(9,020)	(284,175)
<b>Operating profit/(loss)</b>	5	7,532	(9,091)	(1,559)	7,932	(9,020)	(1,088)
Interest payable and similar expenses	7	(401)	-	(401)	(501)	-	(501)
<b>Profit/(loss) before taxation</b>		7,131	(9,091)	(1,960)	7,431	(9,020)	(1,589)
Tax on profit/(loss)	8	(1,535)	-	(1,535)	(1,950)	-	(1,950)
<b>Profit/(loss) for the year</b>		5,596	(9,091)	(3,495)	5,481	(9,020)	(3,539)

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2020

	NOTE	2020 £'000	2019 £'000
<b>Loss for the year</b>		(3,495)	(3,539)
<b>Other comprehensive (expense)/income:</b>			
Remeasurements of net defined benefit obligation	14	(3,955)	(6,090)
Tax on movements on remeasurements of net defined benefit obligation	8	751	1,035
<b>Total comprehensive expense for the year</b>		<u>(6,699)</u>	<u>(8,594)</u>

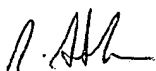
# Synthomer (UK) Limited

## BALANCE SHEET as at 31 December 2020

	NOTE	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Intangible assets	9	42,256	42,065
Tangible assets	10	31,886	34,661
		<u>74,142</u>	<u>76,726</u>
<b>Current assets</b>			
Inventories	11	15,534	16,328
Debtors	12	54,976	59,567
Cash at bank and in hand		-	330
		<u>70,510</u>	<u>76,225</u>
<b>Creditors - amounts falling due within one year</b>	13	(42,548)	(43,781)
<b>Net current assets</b>		<u>27,962</u>	<u>32,444</u>
Deferred tax assets	8	3,634	4,001
<b>Total assets less current liabilities</b>		<u>105,738</u>	<u>113,171</u>
Post-employment benefits	14	(18,305)	(19,494)
Provisions for other liabilities	15	(5,323)	(4,868)
<b>Net assets</b>		<u>82,110</u>	<u>88,809</u>
<b>Capital and reserves</b>			
Share capital	16	26,301	26,301
Share premium account		30,000	30,000
Retained earnings		25,809	32,508
<b>Total equity</b>		<u>82,110</u>	<u>88,809</u>

The notes on pages 12 to 27 are an integral part of these financial statements.

The financial statements on pages 9 to 27 were authorised for issue by the Board of Directors on 30 April 2021 and were signed on its behalf by:



R Atkinson  
Director

Synthomer (UK) Limited  
Registered number 872262

# Synthomer (UK) Limited

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2020

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
<b>Balance as at 1 January 2019</b>	<b>26,301</b>	<b>30,000</b>	<b>71,102</b>	<b>127,403</b>
Loss for the financial year	-	-	(3,539)	(3,539)
Other comprehensive expense for the year	-	-	(5,055)	(5,055)
Total comprehensive expense for the year	-	-	(8,594)	(8,594)
Dividends Paid	-	-	(30,000)	(30,000)
<b>Balance as at 31 December 2019</b>	<b>26,301</b>	<b>30,000</b>	<b>32,508</b>	<b>88,809</b>
<b>Balance as at 1 January 2020</b>	<b>26,301</b>	<b>30,000</b>	<b>32,508</b>	<b>88,809</b>
Loss for the financial year	-	-	(3,495)	(3,495)
Other comprehensive expense for the year	-	-	(3,204)	(3,204)
Total comprehensive expense for the year	-	-	(6,699)	(6,699)
<b>Balance as at 31 December 2020</b>	<b>26,301</b>	<b>30,000</b>	<b>25,809</b>	<b>82,110</b>

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Synthomer (UK) Limited (the "Company") is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales.

The address of its registered office is:

Temple Fields  
Central Road  
Harlow, Essex  
CM20 2BH

#### Statement of compliance

The individual financial statements of Synthomer (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 Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### Basis of preparation

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

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 this accounting policies note below.

#### Going Concern

The Directors have assessed the ability of the Company to continue as a going concern, considering the principal risks and uncertainties outlined in the Directors' Report, the financial position and the expected timing of the settlement of intercompany balances. The Company is a member of the Synthomer plc Group which is considered to be a going concern. The basis for this, and the related assumptions and risks, are disclosed within the Synthomer plc Annual Report.

Based upon the above, the Directors believe that the Company can continue to operate for a period of at least 12 months from the date of approval of these financial statements and therefore continue to adopt the going concern basis of preparation.

#### Exemptions for qualifying entities under FRS 102

The Company has taken advantage of the following exemptions under paragraph 1.12:

- i) the requirement to prepare a statement of cash flows as required by paragraph 3.17(d);
- ii) the requirement to present certain financial instrument disclosures, as required by paragraphs 11 and 12;
- iii) the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- iv) the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7.
- v) the requirement to disclose transactions with wholly owned members of the Synthomer plc group, as required by section 33.1A

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Consolidated financial statements**

The Company is a wholly owned subsidiary of Synthomer Holdings Limited and of its ultimate parent, Synthomer plc. It is included in the consolidated financial statements of Synthomer plc which are publicly available. Therefore, the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are the company's separate financial statements.

#### **Foreign currency**

##### **(i) Functional and presentation currency**

The Company's functional and presentation 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.

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 profit and loss account.

#### **Revenue recognition**

Revenue 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 discounts and rebates allowed by the company and value added taxes.

The company recognises revenue 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 revenue 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.

**Sale of goods:** The Company manufactures and sells synthetic resin dispersions, polyvinyl alcohol, polyvinyl acetate and synthetic rubber latex compounds goods to third party customers and companies within the Group. Sales are recognised depending on incoterms agreed with customers (e.g. at point of despatch, delivered at terminal, delivered at place).

**Interest income:** Interest income is recognised using the effective interest rate method.

#### **Employee benefits**

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

##### **(i) 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 recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

##### **(ii) Defined benefit pension plan**

The Company participates in a funded defined benefits scheme (the Yule Catto Group Retirement Benefits Scheme) together with a number of other Synthomer Group companies. The assets of the scheme are held separately from those of the Company or any of the Synthomer Group companies. The Group's defined benefit scheme was closed to new members with effect from 31 December 1998.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Employee benefits (continued)**

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

**(iii) Annual bonus plan**

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account 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.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account and in the Statement of Comprehensive Income.

**(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.

**(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 recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised 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.

**Intangible assets**

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of twenty years. Provision is made for any impairment in value. The value of Know-how is being amortised over four years. Provision is made for any impairment in value.

The intangible fixed asset arising on the purchase of customer lists from Group companies, representing the future economic benefit of the purchase of the customer list, is capitalised and written off on a straight line basis over its expected useful economic life of five years as estimated by the Directors. Provision is made for any impairment in value.

REACH is a European Union regulation concerning the Registration, Evaluation, Authorisation and Restrictions of Chemicals. Expenses incurred with REACH registration are capitalised and amortised over 5 years.

**Tangible assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Except for freehold land and assets under construction, the cost of tangible fixed assets is depreciated using the straight line method over their expected useful lives as follows:

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Tangible assets (continued)

Freehold land and buildings	50 years
Long leasehold land and buildings	the lesser of 50 years and the period of the lease
Plant, machinery and equipment	between 5 and 10 years
Fixtures and fittings	between 3 and 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

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.

#### Assets under construction

Assets under construction are not depreciated. Assets under construction are transferred to software or land and building or plant and machinery or fixture and fittings upon completion. Depreciation is charged when these assets become available for use.

#### 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 profit and loss account on a straight-line basis over the period of the lease.

#### Inventories

Inventories and work in progress are stated at the lower of cost, including where appropriate a proportion of production overheads, and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion of the sale. Provision is made for obsolete, slow-moving or sub-standard stock as appropriate.

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### Financial instruments

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

##### (i) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, 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.



**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

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

**(ii) Financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans and loans 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.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate.

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

**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.

**Related party transactions**

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

**Critical accounting judgements and estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on industry experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgments about the carrying value of assets and liabilities that are not readily apparent from other sources.

**Post-employment benefit obligations (note 14)**

Included in the actuaries' calculation of the post retirement benefit obligations are a number of assumptions. Any changes in these assumptions will impact the carrying value of the obligations.

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Onerous provisions (note 15)

Provision is made for the future discounted costs to the Company of an onerous rental contract due to expire in 2070 for which there is no future economic benefit to the Company. This provision requires management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the costs require management's judgement.

### 3. TURNOVER

Turnover represents the invoiced amount of goods sold net of sales rebates, early settlement discounts and VAT. The turnover is wholly attributable to the principal activities of the Company. An analysis of turnover by geographical market is given below:

	2020 £'000	2019 £'000
United Kingdom	34,267	29,615
Europe (excluding United Kingdom)	152,416	214,155
Rest of the World	37,052	39,317
	<u>223,735</u>	<u>283,087</u>

### 4. NET OPERATING COSTS

	2020 £'000	2019 £'000
Change in stocks of finished goods and work in progress	795	1,755
Own work capitalised	(65)	(69)
Other operating income	(893)	(1,520)
Raw materials and consumables	169,420	227,188
Staff costs (see below)	40,663	31,004
Depreciation/impairment of tangible fixed assets (note 10)	5,296	4,652
Depreciation on disposal of fixed assets (note 10)	(8,926)	-
Foreign exchange losses/(gains)	47	(278)
Other operating charges	9,865	12,423
Net operating costs before amortisation of intangibles	<u>216,203</u>	<u>275,155</u>
Amortisation of goodwill	8,829	8,829
Amortisation of REACH	262	191
Amortisation of intangibles	<u>9,091</u>	<u>9,020</u>
Total net operating costs	<u>225,294</u>	<u>284,175</u>
Staff costs		
Wages and salaries	36,363	27,050
Social security costs	2,403	2,201
Other pension costs (note 14)	1,897	1,753
	<u>40,663</u>	<u>31,004</u>

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 4. NET OPERATING COSTS (continued)

	2020 Number	2019 Number
Average monthly number of employees (including executive directors)	<u>423</u>	<u>405</u>

### 5. OPERATING PROFIT/(LOSS)

	2020 £'000	2019 £'000
This is stated after charging/(crediting):		
Auditors' remuneration - audit fees	121	65
Operating lease rentals:		
- Hire of plant and machinery	119	95
- Hire of other assets	991	1,084
Research & development costs	2,700	2,521
Depreciation of tangible fixed assets	5,296	4,652
Amortisation of grants	5	5
Foreign exchange losses/(gains)	47	(278)
Profit on sale of fixed assets	-	24
Inventory provisions	150	84
Bad debt provision	137	21

### 6. DIRECTORS' EMOLUMENTS

	2020 £'000	2019 £'000
Aggregate emoluments	2,929	1,653
Share based payments	22	76
Pension	191	187
	<u>3,142</u>	<u>1,916</u>

#### Highest paid director:

Aggregate emoluments	901	434
Share based payments	-	26
Pension	71	70
Highest paid director (included above)	<u>972</u>	<u>530</u>

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 6. DIRECTORS' EMOLUMENTS (continued)

The number of directors for whom pension contributions were wholly or partly borne by the company and who were members of the Group Pension Schemes was as follows:

	2020 Number	2019 Number
Defined contribution schemes	<u>1</u>	<u>1</u>

None of the Directors who served during the year had any interest in the shares of the Company.

### 7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £'000	2019 £'000
UK banks	-	27
Interest paid to Group undertakings	51	20
Net interest expense on post-employment benefits (note 14)	<u>350</u>	<u>454</u>
	<u>401</u>	<u>501</u>

### 8. TAX ON PROFIT/(LOSS)

	2020 £'000	2019 £'000
<b>Current tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior periods	416	-
Total Current Tax	<u>416</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(279)	1,954
Adjustment in respect of prior periods	1,398	(4)
Total tax on profit/(loss) before taxation	<u>1,535</u>	<u>1,950</u>

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 8. TAX ON PROFIT/(LOSS) (continued)

#### Reconciliation of tax expense to profit/(loss) before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2020 £'000	2019 £'000
<b>Profit/(loss) before taxation</b>	<b>(1,960)</b>	<b>(1,589)</b>
Tax on profit/(loss) – 2020: 19% (2019: 19%)	(372)	(302)
Effects of:		
Expenses not deductible for tax purposes including amortisation of intangibles	1,766	1,962
Rate difference	(476)	(229)
Movement on deferred tax asset not recognised	(44)	-
Double tax relief	-	(13)
Adjustments in respect of prior periods	1,814	(4)
Group relief for nil consideration	(1,153)	536
<b>Tax charge for the year</b>	<b>1,535</b>	<b>1,950</b>
<b>Tax credit to other comprehensive income</b>	<b>£'000</b>	<b>£'000</b>
Deferred tax credit in relation to pension liability	751	1,035

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate will increase to 25% from the current rate of 19%. As the proposal to increase the rate to 25% had not been substantively enacted at the date of signing the accounts, its effects are not included in these financial statements. The overall effect of the rate change to 25%, had it been substantially enacted at the balance sheet date, would be an increase to the tax expense for the period of £668,000, an increase to the deferred tax asset of £1,149,000 and an increase to the tax expense to the statement of comprehensive income for the period of £237,000.

<b>Deferred tax assets</b>	2020 £'000	2019 £'000
Accelerated capital allowances	82	687
Pension	3,478	3,314
Other	74	-
	<b>3,634</b>	<b>4,001</b>

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 9. INTANGIBLE ASSETS

	Assets under construction £'000	Reach £'000	Customer list £'000	Know- how £'000	Goodwill £'000	Total £'000
<b>Cost</b>						
At 1 January 2020	14,826	1,261	2,106	4,000	176,577	198,770
Additions	9,083	199	-	-	-	9,282
<b>At 31 December 2020</b>	<b>23,909</b>	<b>1,460</b>	<b>2,106</b>	<b>4,000</b>	<b>176,577</b>	<b>208,052</b>
<b>Accumulated amortisation</b>						
At 1 January 2020	-	(242)	(2,106)	(4,000)	(150,357)	(156,705)
Amortisation charge	-	(262)	-	-	(8,829)	(9,091)
<b>At 31 December 2020</b>	<b>-</b>	<b>(504)</b>	<b>(2,106)</b>	<b>(4,000)</b>	<b>(159,186)</b>	<b>(165,796)</b>
<b>Net book value</b>						
<b>At 31 December 2020</b>	<b>23,909</b>	<b>956</b>	<b>-</b>	<b>-</b>	<b>17,391</b>	<b>42,256</b>
At 31 December 2019	14,826	1,019	-	-	26,220	42,065

Assets under construction relate solely to the development of the company's business software.

Goodwill arose as a result of a business merger in 2002 and has a remaining amortisation period of 2 years.

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 10. TANGIBLE ASSETS

	Freehold land and buildings £'000	Long leasehold land and buildings £'000	Plant, machinery and equipment £'000	Fixtures and fittings £'000	Assets under construction £'000	Total £'000
<b>Cost</b>						
At 1 January 2020	2,777	6,436	82,561	12,286	9,794	113,854
Additions	-	-	743	2	1,870	2,615
Transfers	-	-	1,831	416	(2,247)	-
Disposal costs	(46)	(12)	(3,934)	(5,028)	-	(9,020)
<b>At 31 December 2020</b>	<b>2,731</b>	<b>6,424</b>	<b>81,201</b>	<b>7,676</b>	<b>9,417</b>	<b>107,449</b>
<b>Accumulated depreciation</b>						
At 1 January 2020	(1,043)	(3,647)	(63,486)	(11,017)	-	(79,193)
Depreciation charge	(48)	(160)	(3,934)	(1,154)	-	(5,296)
Disposal	31	6	3,872	5,017	-	8,926
<b>At 31 December 2020</b>	<b>(1,060)</b>	<b>(3,801)</b>	<b>(63,548)</b>	<b>(7,154)</b>	<b>-</b>	<b>(75,563)</b>
<b>Net book value</b>						
<b>At 31 December 2020</b>	<b>1,671</b>	<b>2,623</b>	<b>17,653</b>	<b>522</b>	<b>9,417</b>	<b>31,886</b>
At 31 December 2019	1,734	2,789	19,075	1,269	9,794	34,661

Assets under construction mainly include the installation of a new malenisation plant facility. The spend in the year amounted to £569,000 (2019: £1,060,000). The remaining asset under construction spend is allocated to various smaller projects.

### 11. INVENTORIES

	2020 £'000	2019 £'000
Raw materials and consumables	7,433	6,317
Finished goods	8,101	10,011
	<b>15,534</b>	<b>16,328</b>

There is no material difference between the replacement cost of finished goods and their carrying amounts.

Inventories are stated after provisions for impairment of £117,000 (2019: £84,000).

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 12. DEBTORS

	2020	2019
	£'000	£'000
Trade debtors	18,190	14,667
Amounts owed by group undertakings	35,560	36,343
Current corporation tax	-	2,586
Other receivables	833	4,148
Prepayments and accrued income	393	1,823
	<u>54,976</u>	<u>59,567</u>

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Trade debtors are stated after provisions of £142,000 (2019: £252,000).

### 13. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Bank loans and overdrafts	-	179
Trade creditors	28,348	36,892
Amounts owed to group undertakings	3,791	2,000
Other creditors	5,936	801
Taxation and social security	1,045	830
Accruals and deferred income	3,428	3,079
	<u>42,548</u>	<u>43,781</u>

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at a rate equivalent to what the Company could obtain from the open market.

### 14. POST EMPLOYMENT BENEFIT

#### Defined Contribution Scheme

The Company operates a defined contribution schemes for its employees. Costs recognised in respect of defined contribution pension plan for the year ended 31 December 2020 were £1.9 million (2019: £1.8 million).

#### Defined benefit scheme

Synthomer's UK defined benefit scheme is administered by a fund that is legally separate from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2009 and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned. A triennial actuarial valuation of the scheme was undertaken in 2018 and completed in 2019.

Synthomer remains committed to funding its deficit recovery plan for the UK scheme. The shortfall is expected to be eliminated by 2023. Contributions from the Company are expected to be £5,775,000 in 2021.



# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. POST EMPLOYMENT BENEFIT (continued)

The movements in the net liability attributable to the Company arising from defined benefit obligation over the year are as follows:

	2020			2019		
	Present value of funded defined benefit obligation	Fair value of scheme assets	Net liability arising from defined benefit obligation	Present value of funded defined benefit obligation	Fair value of scheme assets	Net liability arising from defined benefit obligation
	£000	£000	£000	£000	£000	£000
<b>At 1 January</b>	<b>(147,770)</b>	<b>128,276</b>	<b>(19,494)</b>	<b>(130,305)</b>	<b>111,685</b>	<b>(18,620)</b>
Past service cost	(280)	-	(280)	-	-	-
Interest (expense)/income	(2,870)	2,520	(350)	(3,570)	3,116	(454)
<b>Amounts recognised in income in respect of defined benefit schemes</b>	<b>(3,150)</b>	<b>2,520</b>	<b>(630)</b>	<b>(3,570)</b>	<b>3,116</b>	<b>(454)</b>
Remeasurement:						
Return on plan assets excluding amounts included in interest expense	-	11,200	11,200	-	11,725	11,725
Losses from changes in financial assumptions	(15,155)	-	(15,155)	(16,800)	-	(16,800)
Losses from changes in demographic assumptions	-	-	-	(1,015)	-	(1,015)
<b>Amounts recognised in the statement of comprehensive income</b>	<b>(15,155)</b>	<b>11,200</b>	<b>(3,955)</b>	<b>(17,815)</b>	<b>11,725</b>	<b>(6,090)</b>
Contributions:						
Employers	-	5,774	5,774	-	5,670	5,670
Payments from plans:						
Benefit payments	6,335	(6,335)	-	5,880	(5,880)	-
	6,335	(561)	5,774	5,880	(210)	5,670
Other:						
Disclosure of annuity asset on a gross basis	-	-	-	(1,960)	1,960	-
<b>At 31 December</b>	<b>(159,740)</b>	<b>141,435</b>	<b>(18,305)</b>	<b>(147,770)</b>	<b>128,276</b>	<b>(19,494)</b>

Plan assets comprise:

	2020	2019
	£'000	£'000
Hedge funds	7,280	15,996
Equity instruments	37,520	25,025
Debt instruments	90,405	80,325
Property	3,080	4,270
Annuity	1,820	1,960
Cash	1,330	700
	<b>141,435</b>	<b>128,276</b>

All investments in equities, bonds and property are quoted.

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 14. RETIREMENT BENEFIT OBLIGATIONS (continued)

#### Retirement benefit risks

Defined benefit schemes expose the Group to a number of risks, the most significant of which are detailed below:

**Asset return risk:** The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.

**Interest rate risk:** A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

**Longevity risk:** The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured by an external insurance company.

#### Actuarial assumptions

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Rate of increase in pensions in payment	2.80%	2.80%
Rate of increase in pensions in deferment	2.20%	2.10%
Discount rate	1.40%	2.00%
Inflation	2.90%	2.90%

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a member currently at age 65 and for a member at age 65 in 20 years time is as follows:

	2020	2019
<b>Currently aged 65 years</b>		
Male	87.3	87.2
Female	89.5	89.5
<b>Currently aged 45 years</b>		
Male	88.9	88.8
Female	91.4	91.3

The weighted average duration of the benefit obligation at the end of the reporting period is 16.2 years for the UK scheme (2019: 15.7 years).

#### Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming that all other assumptions are held constant:

		2020 £'000
Discount rate	Decrease of 1%	30,450
Mortality rate	One year increase in expectancy	7,700

# Synthomer (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### 15. PROVISIONS FOR OTHER LIABILITIES

	Provisions for onerous contract £'000	Product liability & other provisions £'000	Total £'000
At 1 January 2020	4,693	175	4,868
Utilised in the year	(121)	(32)	(153)
Charged to profit and loss account	-	608	608
At 31 December 2020	<u>4,572</u>	<u>751</u>	<u>5,323</u>

As part of the acquisition of Polymer Latex in 2011, the Group acquired a leasehold interest in an empty property in Ossett. The provisions reflects this onerous contract and it is expected to be utilised by 2070.

Product liability and other provisions consist of customer claims which are expected to be utilised in the next year.

### 16. SHARE CAPITAL

Ordinary shares of £1 each	2020 No.	2020 £'000
Allotted and fully paid		
At 1 January	26,301,001	26,301
Issued during the year	-	-
At 31 December	<u>26,301,001</u>	<u>26,301</u>

There is a single class of ordinary shares. There is no restriction on the distribution of dividends and the repayment of capital.

### 17. CAPITAL AND OTHER COMMITMENTS

At 31 December, the Company had the following capital commitments:

	2020 £'000	2019 £'000
Contracted but not provided	<u>2,590</u>	<u>6,876</u>

The Company had the following future minimum lease payments under non-cancellable operating leases for the following years:

Payments due:	2020 £'000	2019 £'000
under 1 year	1,017	1,107
between 2 and 5 years	3,174	3,318
after 5 years	29,535	29,527
	<u>33,726</u>	<u>33,952</u>

The Company had no other off-balance sheet arrangements.

## Synthomer (UK) Limited

### NOTES TO THE FINANCIAL STATEMENTS (continued)

#### 18. RELATED PARTY TRANSACTIONS

As the Company is a wholly owned subsidiary of Synthomer plc, the Company has taken advantage of the exemption available under in FRS 102, paragraph 33.1A, not to disclose transactions with wholly owned members of the Synthomer plc Group.

During the year the Company traded with a number of Group companies which are not wholly owned:

		2020		2019	
	Group ownership %	Goods & Services Sold £'000	Year end Outstanding Balance £'000	Goods & Services Sold £'000	Year end Outstanding Balance £'000
Revertex (Malaysia)	49	134	70	136	60
Synthomer Middle East Company	70	1	-	18	(4)
Synthomer SAE	70	(10)	-	671	124
Quality Polymer Sdn Bhd	88	43	-	64	86

There are no other related party transactions.

The Company has elected to take advantage of the disclosure exemption for key management personnel compensation disclosure exemption under FRS 102 paragraph 1.12(e).

#### 19. FINANCIAL GUARANTEES

The Company participates in cross-guaranteed overdrafts and other banking facilities of both Synthomer plc and some of its UK subsidiaries.

#### 20. CONTROLLING PARTIES

The Company's immediate parent undertaking is Synthomer Holdings Limited and the ultimate parent company is Synthomer plc, both of which are incorporated in the United Kingdom.

The smallest and largest group to consolidate these financial statements is also Synthomer plc. Copies of the Synthomer plc financial statements are available from Central Road, Temple Fields, Harlow, Essex, CM20 2BH.