

Cytec UK Holdings Limited

Annual report and financial statements

Registered number 02834414

For the year ended 31 December 2020

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Strategic report

Principal activities

The principal activity of the Company is that of an intermediate holding company.

Business Review

The company's operations are managed under the supervision of the ultimate overseas parent company and are limited to investments in subsidiary companies and financing transactions with fellow subsidiaries.

Profit for the financial year was £30,128,000 (2019: profit of £13,202,000).

The company's balance sheet shows net assets of £196,499,000 (2019: £166,371,000).

Investment in subsidiaries as at 31 December 2020 was £114,368,000 (2019: £207,275,000). As part of a local entity reduction scheme in the UK, Cytec UK Holdings Limited sold its investment in Umeco Ltd to its sister company Cytec Engineered Materials Ltd, in December 2020. The consideration received amounted to £113,007,000 which represented the book value of the investment. The valuation was arrived at through the considered evaluation of the market value for some entities that are being divested in the future and discounted valuation of others.

The investment balance has been considered for impairment by the Directors, with an impairment reversal of £20,100,000 recognised in the year (2019: loss £66,100,000). See note 6 for explanation by investment.

The company remains a wholly owned subsidiary within the Solvay Group of companies. Given that the principal activity of the company is to act as an intermediate holding company the directors do not consider that any further key performance indicators are applicable.

The Company has, despite the effect of COVID-19, continued to maintain a considerable proportion of its turnover and operational profitability during 2020. The Company did not rely on any Covid support schemes and continued to trade.

Principal risks and uncertainties

The company's financial position is driven by the performance of the companies in which it holds investments.

The company does not foresee any specific risks or uncertainties following the Brexit decision which would have a material effect on the financial performance of the Company or of its subsidiaries.

In 2020, the spread of COVID-19 has continued to severely impact many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilise economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

The UK companies in the group have made plans and taken actions wherever possible to minimise these risks.

The carrying amounts of the investments are reviewed for impairment by the Directors at each reporting date or when events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable.

If any such indication exists, the asset's recoverable amount is estimated by reviewing the carrying amounts of the investments against the greater of their net realisable value and value in use.

The company is not materially exposed to price risk, credit risk or cash flow risk. Any liquidity risk is managed through the Solvay S.A. Group

Strategic report (continued)

Post Balance Sheet events

As part of a local entity reduction scheme in the UK, Cytec UK Holdings Limited sold its investment in Cytec Engineered Materials GmbH, Cytec Industries BV, Solvay (Thailand) Ltd and Penso Holdings Ltd to its daughter company Cytec Engineered Materials Ltd, in May 2021. The consideration received amounted to £240,542,002 which was in excess of their carrying value. The valuation was arrived at through the considered evaluation of the market value for some entities that are being divested in the future and discounted valuation of others.

Future Developments

The company will continue to operate as an intermediate holding company for the foreseeable future. Management will work with the Solvay Group to align the UK's investment portfolio over the next couple of years to align with the local entity reduction scheme.

With the UK having left the EU in 2020, in the short to medium term the main Brexit risks anticipated are supply chain shortages and transportation issues. The UK companies in the group have made plans and taken actions wherever possible to minimise these risks.

Directors' statement of compliance with duty to promote the success of the Company

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its members as a whole.

Our Stakeholders

The directors consider that the Company's main stakeholders are its shareholders and the Company has no direct customers.

The Board seeks to understand the respective interest of this stakeholder group so that these may be properly considered in the Board's decisions. We do this through various means including direct engagement by Board members, and by receiving reports and updates from members of senior management of group companies.

Having regard to the likely consequences of any decision in the long term

The Board is mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed.

The most significant recent example of this is the decision, to restructure the group's operations to increase efficiency and simplicity.

Having regard to the impact of the Company's operations on the community and the environment

The Board supports the Groups goals and initiatives with regard to reducing adverse impacts on the environment and supporting the communities that it touches. Compliance with all legislation intended to protect people, property and the environment is a fundamental priority of the Solvay group and the Board fully supports this. Management lead by example and allocate the required resources to achieve excellence in HSE performance.

The Group always seeks to be a good neighbour to the communities in which it operates, and engages positively with community representatives when called upon to do so.

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

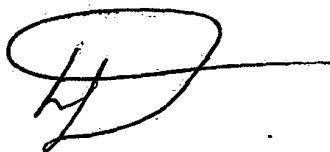
The Board recognises the importance of operating a robust corporate governance framework. Part of the Board's remit is to monitor the Company's compliance to high standards of business conduct.

Strategic report (continued)

Having regard to the need to act fairly as between members of the Company

After weighing up all relevant factors, the Directors consider which course of action best enables delivery of the Company's strategy through the long term, taking into consideration the impact on stakeholders and the need to ensure the long term sustainability of the Company. The Directors, in doing so, act as fairly as possible between the Company's members.

Approved by the Board of Directors and signed on its behalf by

A handwritten signature in black ink, appearing to be 'M.J. Dawes', with a long horizontal stroke extending to the right.

M.J. Dawes
Director
Date: 10th January 2022

Abenbury Way
Wrexham Industrial Estate
Wrexham
Clywd
LL13 9UZ

Directors’ report

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

Dividends

During the year dividends of £nil (2019: £nil) were paid. The directors do not propose any dividends (2019: £nil).

Dividends were received from Cytec Industries BV (14 November 2020 £10,666,200) and Solvay Thailand (14 September 2020 £22).

Risk management and future developments

Details of results, subsequent events, risk management and future developments are discussed in the Strategic Report on page 1 and form part of this report by cross reference.

Going Concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors, having assessed the responses of the directors of the company’s ultimate controlling party Solvay S.A. to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Solvay group to continue as a going concern.

The company utilises treasury facilities provided to it by financing entities which are subsidiaries of Solvay S.A. On the basis of their assessment of the company’s financial position and of the enquiries made of the directors of Solvay S.A., the company’s directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Solvay S.A. has indicated that for at least 13 months from the date of signing of these financial statements, it will continue to make available such funds as are needed by the company and its subsidiary companies in order to enable them to meet their financial obligations as they fall due. The directors consider that this should enable the company to continue on a going concern basis for the foreseeable future by meeting its liabilities as they fall due.

Directors

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

| | |
|----------------|-------------------------|
| A.M. Brouhns | (resigned 25 June 2021) |
| F.L.D.M. Costa | (resigned 17 May 2021) |
| M.J. Dawes | |
| S.M. Delpech | (resigned 15 July 2020) |
| B. Moore | |
| J.D. Norris | |
| A. Schiebroek | (resigned 1 May 2021) |

Directors Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the period and remain in force at the date of this report.

Directors' report *(continued)*

Disclosure of information to auditor

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

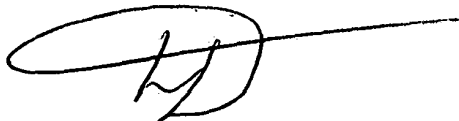
- a) so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) they have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Auditor

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

Approved by the Board of Directors and signed on its behalf by



M.J. Dawes
Director
Date: 10th January 2022

Abenbury Way
Wrexham Industrial Estate
Wrexham
Clywd
LL13 9UZ

Directors' responsibilities statement

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

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

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

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

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

Independent auditor's report to the members of Cytec UK Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Cytec UK Holdings Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 12.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

Independent auditor's report to the members of Cytec UK Holdings Limited (continued)

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included anti bribery and data protection regulations.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

Independent auditor's report to the members of Cytec UK Holdings Limited (continued)

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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


We have nothing to report in respect of these matters.

Independent auditor's report to the members of Cytec UK Holdings Limited (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:


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Emre Saka (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

12th January 2022

Cytec UK Holdings Limited
Annual report and financial statements
For the year ended 31 December 2020

Profit and loss account
for the year ended 31 December 2020

| | <i>Note</i> | 2020 £000 | 2019 £000 |
|--|-------------|----------------------------|----------------------------|
| Administrative income/(expenses) | | 38 | (14) |
| Operating profit/(loss) | | 38 | (14) |
| Interest payable and similar expenses | 4 | (826) | (1,131) |
| Reversal of impairment losses/(losses) on investment in subsidiaries | 6 | 20,100 | (66,100) |
| Income from shares in group undertakings | | 10,666 | 80,230 |
| Profit before taxation | | 29,978 | 12,985 |
| Tax on profit | 5 | 150 | 217 |
| Profit for the financial year | | 30,128 | 13,202 |

There was no comprehensive income other than that disclosed in the profit and loss account, in either the current or preceding year. Accordingly, no statement of other comprehensive income has been presented.

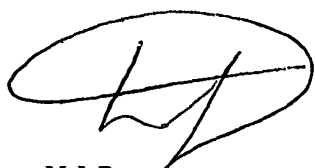
All the activities of the company are classed as continuing.

Cytec UK Holdings Limited
Annual report and financial statements
For the year ended 31 December 2020

Balance sheet
as at 31 December 2020

| | Note | 2020 £000 | 2019 £000 |
|---|------|--------------|--------------|
| Fixed assets | | | |
| Investments | 6 | 114,368 | 207,275 |
| Current assets | | | |
| Debtors | 7 | 113,385 | 217 |
| Creditors: amounts falling due within one year | 8 | (31,254) | (41,121) |
| Net current assets / (liabilities) | | 82,131 | (40,904) |
| Total assets less current liabilities | | 196,499 | 166,371 |
| Net assets | | 196,499 | 166,371 |
| Capital and reserves | | | |
| Called up share capital | 9 | 73,000 | 73,000 |
| Share premium account | 9 | 98,955 | 98,955 |
| Profit and loss account | | 24,544 | (5,584) |
| | | 196,499 | 166,371 |

The notes on pages 13 to 22 form an integral part of these financial statements.
These financial statements were approved by the Board of Directors on 10th January 2022 and were signed on its behalf by:



M.J. Dawes
Director

Company registered number: 02834414

Cytec UK Holdings Limited
Annual report and financial statements
For the year ended 31 December 2020

Statement of changes in equity

| | Called up share capital £000 | Share premium account £000 | Profit and loss account £000 | Total equity £000 |
|--|---------------------------------------|-------------------------------------|------------------------------------|-------------------------|
| Balance at 1 January 2019 | 73,000 | 98,955 | (18,786) | 153,169 |
| Profit and total comprehensive income for the year | - | - | 13,202 | 13,202 |
| Balance at 31 December 2019 | 73,000 | 98,955 | (5,584) | 166,371 |
| Balance at 1 January 2020 | 73,000 | 98,955 | (5,584) | 166,371 |
| Profit and total comprehensive income for the year | - | - | 30,128 | 30,128 |
| Balance at 31 December 2020 | 73,000 | 98,955 | 24,544 | 196,499 |

Notes

(forming part of the financial statements)

1 Accounting policies

Cytec UK Holdings Limited (the "Company") is a private company limited by shares, incorporated and registered in the United Kingdom (England and Wales) under the Companies Act 2006. Its registered address is Abenbury Way, Wrexham Industrial Estate, Wrexham, Clywd, LL13 9UZ.

The principal activity of the company is that of an intermediate holding company for investments in the business of composites, mining chemicals and additive technology chemicals, for use primarily in the automotive, aerospace and leisure industries, and for use in the mining industry and agriculture.

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

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

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.
- Certain disclosures relating to the impairment of assets in respect of management's approach to determining the recoverable amount of an asset.
- Disclosures in relation to comparative information in respect of fixed asset reconciliations as per IAS 1
- Disclosures in relation to fair value requirements as per IFRS 13

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

- Certain disclosures required by IFRS 3 *Business Combinations* in respect of business combinations undertaken by the Company.
- The disclosures required by IFRS 7 *Financial Instrument Disclosures*.

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

Notes (continued)

(forming part of the financial statements)

1 Accounting policies (continued)

Adoption of new and revised Standards

New and revised accounting standards in the year that are effective for the year ended 31 December 2020 have had no material impact on the financial statements of the Company.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors, having assessed the responses of the directors of the company's ultimate controlling party Solvay S.A. to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Solvay group to continue as a going concern.

The company utilises treasury facilities provided to it by financing entities which are subsidiaries of Solvay S.A. On the basis of their assessment of the company's financial position and of the enquiries made of the directors of Solvay S.A., the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future. Solvay S.A. has indicated that for at least 13 months from the date of signing of these financial statements, it will continue to make available such funds as are needed by the company and its subsidiary companies in order to enable them to meet their financial obligations as they fall due. The directors consider that this should enable the company to continue on a going concern basis for the foreseeable future by meeting its liabilities as they fall due.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4 Non-derivative financial instruments

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

Trade and other debtors

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

Trade and other creditors

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

Investments

Investments are carried at cost less impairment.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method.

Notes (continued)

(forming part of the financial statements)

1 Accounting policies (continued)

1.5 Impairment

Financial assets (including trade and other debtors)

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

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

1.6 Expenses

Interest payable and similar charges

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

1.7 Revenue

Dividend income from share in subsidiary companies

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest receivable and similar income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

1 Accounting policies (continued)

1.8 Taxation

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

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

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

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

2 Auditor's remuneration

Auditor's remuneration payable to the Company's auditor for the audit of the financial statements was £11,000 (2019: £5,000).

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

3 Directors' remuneration

No directors received emoluments in 2020 (2019: nil) for their qualifying services to the company.

Other directors' emoluments have been borne by another group company. The directors of the company are also directors or officers of a number of the companies within the group and their services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2020 or 31 December 2019.

Other than the directors there are no employees of the company (2019: none).

4 Interest payable and similar expenses

| | 2020 | 2019 |
|--|-------|-------|
| | £ 000 | £ 000 |
| Interest expense on financial liabilities measured at amortised cost | 826 | 1,131 |

Interest payable and similar expenses includes interest payable to group undertakings £826,000 (2019: £1,131,000).

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

5 Taxation

Recognised in the profit and loss account

| | 2020 | | 2019 | |
|------------------------------------|-------|-------|-------|-------|
| | £000 | £000 | £000 | £000 |
| <i>UK corporation tax</i> | | | | |
| Current tax on profit for the year | (150) | | (217) | |
| | <hr/> | | <hr/> | |
| Tax on profit | | (150) | | (217) |
| | | <hr/> | | <hr/> |

Corporation tax is calculated at 19% (2019: 19%) of the estimated taxable profit for the year.

The credit for the year can be reconciled to the profit and loss account and other comprehensive income as follows:

| | 2020 | 2019 |
|--|---------|----------|
| | £000 | £000 |
| Profit before taxation | 29,978 | 12,985 |
| | <hr/> | <hr/> |
| Profit before taxation multiplied by standard rate of corporation tax 19% (2019: 19%) | 5,696 | 2,467 |
| Effects of | | |
| Non-deductible income/(expenses) | (3,819) | 12,559 |
| Non-taxable income | (2,027) | (15,243) |
| | <hr/> | <hr/> |
| Total tax credit for the year | (150) | (217) |
| | <hr/> | <hr/> |

In November 2019, the Prime Minister announced the intention to cancel the previously enacted reduction in corporate tax rates. This change to the UK corporation tax rate was substantively enacted on 17 March 2020 and the rate applicable from 1 April 2020 remains at 19 percent rather than the previously enacted reduction to 17 percent. Any deferred tax balances have been measured using the enacted rate of 19% (2019: 17%).

An increase to the main UK corporation tax rate to 25% from 1 April 2023 was announced in the Budget on 11 March 2021 and substantively enacted on 24 May 2021. As these changes had not been substantively enacted at the balance sheet date they are not recognised in these financial statements.

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

6 Fixed asset investments

Shares in group undertakings

| | Note | 2020 £000 | 2020 £000 | 2019 £000 | 2019 £000 |
|---------------------------------|------|--------------|----------------|-----------------|------------------|
| Cost | | | | | |
| At 1 January | | | 394,811 | | 394,811 |
| Disposals | i | | (272,562) | | - |
| | | | <u>122,249</u> | | <u>394,811</u> |
| At 31 December | | | | | |
| Impairment | | | | | |
| At 1 January | | | (187,536) | | (121,436) |
| Disposals | i | | 159,555 | | - |
| Reversal of impairment | | | | | |
| Cytec Industries BV | ii | | 20,100 | | - |
| Charged in the year | | | | | |
| Umeco Ltd. | | - | | (67,700) | |
| Cytec Industries BV | | - | | (1,100) | |
| Cytec Engineered Materials GmbH | | - | | 2,700 | |
| | | | <u>-</u> | <u>(66,100)</u> | |
| At 31 December | | | <u>(7,881)</u> | | <u>(187,536)</u> |
| Net book value | | | | | |
| At 31 December | | | <u>114,368</u> | | <u>207,275</u> |

- i) The investment in Umeco Ltd was sold in December 2020 at book value (£113,007,000) to Cytec Engineered Materials Ltd as part of the local entity reduction scheme.
- ii) An impairment review was assessed and based on this assessment the value in use exceeded the carrying value of Cytec B.V, therefore the carrying amount of the investment in Cytec B.V. has been increased from £51,823,000 to £71,923,000 with the recognition of reversal of the previous impairment amounting to £20,100,000 as at 31 December 2020. The key assumptions supporting the value in use calculations are forecast cash flows based on 2021 budgets and plans for 2022 to 2025, a discount rate of 5.7% and a long-term growth rate of 2.0%

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

6 Fixed asset investments (continued)

A list of the Company's direct subsidiary and associated company undertakings is set out below.

| | Principal Activity Note | Registered Address Note | Class of shares held | Ownership | |
|---------------------------------|-------------------------------|----------------------------|-------------------------|-----------|------|
| | | | | 2020 | 2019 |
| Cytec Engineered Materials Ltd | a | i | Ordinary | 100% | 100% |
| Cytec Industries BV | b | ii | Ordinary | 100% | 100% |
| Cytec Engineered Materials GmbH | a | iii | Ordinary | 90% | 90% |
| Umeco Ltd | f | iv | Ordinary | 0% | 100% |
| Penso Holdings Ltd | c | v | Ordinary | 15% | 15% |

A list of the Company's indirect subsidiary and associated company undertakings is set out below:

| | Principal Activity Note | Registered Address Note | Class of shares held | Ownership | |
|---|-------------------------------|----------------------------|----------------------------|-----------|-------|
| | | | | 2020 | 2019 |
| Umeco Ltd | f | iv | Ordinary | 100% | 0% |
| Solvay (Thailand) Ltd | b | viii | Ordinary | 100% | 100% |
| Cytec Med-Lab Ltd | e | iv | Ordinary | 100% | 100% |
| Cytec Industrial Materials (Derby) Ltd | a | iv | Ordinary | 100% | 100% |
| Cytec Industrial Materials (Manchester) Ltd | a | iv | Ordinary | 100% | 100% |
| Cytec Process Materials (Keighley) Ltd | a | iv | Ordinary | 100% | 100% |
| Umeco Composites Ltd | f | iv | Ordinary | 100% | 100% |
| Advanced Composites Group Holdings Ltd | g | iv | Ordinary | 0% | 100% |
| Advanced Composite Components Ltd | g | iv | Ordinary | 0% | 100% |
| Med-Lab International Ltd | g | iv | Ordinary | 0% | 100% |
| Cytec Engineered Materials (Shanghai) Co Ltd | a | vii | Ordinary | 100% | 100% |
| Mandla Services SPRL | d | ix | Ordinary | 99% | 99% |
| Cytec India Specialty Chemicals & Materials Pvt Ltd | b | vi | Ordinary | 25.1% | 25.1% |
| C-Con Holdings GmbH | c | x | Ordinary | 10.8% | 10.8% |

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

6 Fixed asset investments (continued)

Principal Activity

- a) Sale and or manufacturer of impregnated composite materials, resins or composite material consumables
- b) Sale and or manufacturer of chemicals and allied products
- c) Sale of design and engineering services
- d) Sale of technical services
- e) Sale of chemicals and fuel testing equipment
- f) Intermediate holding company
- g) Dissolved

Registered Address

- i) Abenbury Way, Wrexham Industrial Estate, Wrexham, Clywd, LL13 9UZ, U.K.
- ii) Burgemeester van Lierplein 75, 3134 ZB Vlaardingen, The Netherlands.
- iii) Industriestrasse 3, 76684 Ostringen, Germany.
- iv) Composites House, Sinclair Close, Heanor, Derbyshire, DE75 7SP, U.K.
- v) 2 Woodhams Road, Coventry, Warwickshire, CV3 4FX, U.K.
- vi) G-54,M.I.D.C. Industrial Estate, Butibori Industrial Area, Nagpur, Maharashtra, 441 122, India.
- vii) 1800 Ye Zhuang Road, Zhuang Hang Town, 201415 Fengxian, Shanghai, China.
- viii) 11th & 16th Floor Wave Place, 55 Wireless Road, 10330 Bangkok, Thailand.
- ix) 5 Avenue de Lumbashi, Lumbashi, Democratic Republic of Congo
- x) Knorrstrasse 135, 80937 Munich, Germany.

7 Debtors

| | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Amounts owed by fellow subsidiary undertakings | 113,018 | - |
| Corporation tax | 367 | 217 |
| | <hr/> | <hr/> |
| Due within one year | 113,385 | 217 |
| | <hr/> | <hr/> |

Amounts owed by fellow subsidiary undertakings are unsecured, repayable on demand and interest free.

8 Creditors

| Amounts falling due within one year | 2020 £000 | 2019 £000 |
|--|--------------|--------------|
| Accruals and deferred income | 22 | 22 |
| Amount owed to fellow subsidiary undertakings | 35 | 52 |
| Amount owed to fellow subsidiary undertakings bearing interest at intercompany rates | 31,197 | 41,047 |
| | <hr/> | <hr/> |
| | 31,254 | 41,121 |
| | <hr/> | <hr/> |

Amounts owed to fellow subsidiary undertakings are unsecured and repayable on demand.
Intercompany interest rates vary throughout the year and are dependent on the group's overall exposure.

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

9 Capital and reserves

Share capital

| | 2020 £000 | 2019 £000 |
|--|---------------|---------------|
| <i>Authorised, allotted, called up and fully paid</i> | | |
| 73,000,003 (2019: 73,000,003) Ordinary shares of £1 each | 73,000 | 73,000 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Share premium account

| | 2020 £000 | 2019 £000 |
|---------------|---------------|---------------|
| Share premium | 98,955 | 98,955 |

The balance classified as share premium relates to the aggregate net proceeds less nominal value of shares on issue of the Company's equity share capital.

10 Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is Cytec Luxembourg International Holding sarl, a company incorporated in Luxembourg. The ultimate controlling party is Solvay S.A. (Belgium).

The largest and smallest group in which the results of the Company are consolidated is that headed by Solvay S.A., incorporated in Belgium. No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from its registered address Rue De Ransbeek 310, 1120 Brussels, Belgium.

11 Accounting estimates and judgements

Key sources of estimation uncertainty

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

Investment Valuation

Investments in subsidiaries are carried at cost less impairment. They are assessed at each reporting date to determine whether there is objective evidence that the asset is impaired. In determining the recoverable amounts, management review the level of net assets of the companies. Impairment changes are recognised where the calculated recoverable amount is lower than the investment carrying value. The investment carrying value after impairments at 31 December 2020 was £114,368,000 (2019: £207,275,000).

Critical accounting judgements in applying the Company's accounting policies

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

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

12 Post balance sheet events

As part of a local entity reduction scheme in the UK, Cytec UK Holdings Limited sold its investment in Cytec Engineered Materials GmbH, Cytec Industries BV, Solvay (Thailand) Ltd and Penso Holdings Ltd to its daughter company Cytec Engineered Materials Ltd, in May 2021. The consideration received amounted to £240,542,002 which was in excess of their carrying value. The valuation was arrived at through the considered evaluation of the market value for some entities that are being divested in the future and discounted valuation of others.

The Company has determined that these events are non-adjusting events. Accordingly, the financial position and results of operations as of and for the year ended 31 December 2020 have not been adjusted to reflect their impact.