Registration number: 02851421

Cytec Engineered Materials Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2020

Cytec Engineered Materials Limited

Contents

Cytec Engineered Materials Limited

Company Information

Directors

B Moore

J Norris

Company secretary

S Rad

Registered office

Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

Auditor

Deloitte LLP
The Hanover Building
Corporation Street
Manchester
M4 4AH

Cytec Engineered Materials Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

Fair review of the business

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

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

2020 was a difficult year for the business but well managed in very testing times. The start of the year saw a reduction in sales due to the Boeing 737 max being grounded. Further to this, the Covid pandemic caused a significant drop in sales. Costs were controlled through unpaid leave, furloughs and a restructuring in the middle of the year. Sales are not expected to return to pre-Covid levels until 2023-2024.

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

On 1 January 2020 the Company transitioned to a new SAP ERP system in line with Solvay group operating procedures. The implementation went ahead as expected with no impact to the business activities. This transition also facilitated the Company joining the Solvay group factoring programme whereby all trade receivables and payables are factored to Solvay SA at the time they are recorded. This has resulted in the trade receivables and payables at the year-end reducing as amounts have been factored and receipts and payments from Solvay SA recorded as intercompany current accounts movements.

Inventory levels were high at the end of 2019 due to buffer stocking ahead of the Brexit deadline as well as additional inventory held for the newly commissioned adhesive plant. By the end of 2020 all buffer stocks had been wound down and the Company was holding inventory in line with expected sales volumes in early 2021.

Acquisition of Umeco Limited

On 18 December 2020 the Company purchased the entire share capital of Umeco Limited, a fellow subsidiary company, from its parent Cytec UK Holdings Limited for £113,007,299. The purchase price was settled by way of an intercompany loan between the company and Cytec UK Holdings Limited, reported as amounts due to related parties within one year. This has increased substantially the net current liability position at the year end.

This formed the first stage of a reorganisation of the Cytec group of companies in the UK, details of the subsequent activities can be found in the post balance sheet events section of the Directors' Report. It is expected that the final activities in this reorganisation in late 2022 will address the intercompany liabilities and improve the net current liability position.

Impairment of Tangible & Intangible Fixed Assets

During the year ended 31 December 2020 an impairment of £64.2m was recorded, reducing the value of tangible and intangible fixed assets by this amount. The impairment resulted from the impact of Covid and the downturn in the aerospace market on the business that has significantly reduced forecast turnover over the next five years and in turn slowed the expected growth compared to prior to the outbreak. This reduced turnover also impacts the profitability expectations. Further disclosures in respect of the estimation uncertainty in the carrying value of tangible and intangible fixed assets are provided in Note 13 and 15 to the financial statements

The company's key financial and other performance indicators during the year were as follows:

Financial KPIs

		2020	2019
Revenue	£m	54.99	76.93
Plant costs as % of third party sales	%	21.30	20.90
Waste as % of third party sales	%	7.60	6.30

Revenue dropped during 2020 due to the Boeing 737 max being grounded and the Covid pandemic which impacted the aerospace industry significantly.

Plant costs as a percentage of sales remained fairly flat year on year as a result of the strict cost control measures implemented and support from the UK furlough scheme.

Waste increased from the previous year, largely due to raw materials and finished good write-offs. This was driven by stock being out of life due to low demand (Covid related).

Non Financial KPIs

The Company and its directors place a high emphasis on safety in the workplace, which is recognised as the first priority and one of our Company values. An OSHA (Occupational Safety and Health Administration) metric is monitored and for both 2020 and 2019 the site achieved a value of 0, well within the Company target of 0.7. A constant program of training, reviews and visible safety leadership where safety performance is monitored is in place. In 2020 the site delivered on all its safety, health and environmental improvement objectives.

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

Delivery performance is measured as the percentage of orders delivered on time and on quantity. For 2020 this was an average of 91% for the Wrexham site against a target of 90% (2019: 95% against a target of 97%).

Quality performance is measured as the number of customer issues as a percentage of line items shipped. For 2020 this was 10.7%. This target for quality performance was introduced in 2020, the target for 2019 measured the number of customer returns as a % of the line items shipped. For 2019 this was 1.45% against a target of 1.25%.

Comparisons against previous years for quality has not been made as the measurement basis was changed in 2020.

Principal risks and uncertainties

Commercial risk

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

The Company both sells finished products and purchases raw materials and services from the EU and therefore set up a Brexit task force to ensure preparedness for the transition at the end of 2020. This taskforce considered all options focussing on putting supply chain measures in place to ensure that supplies were not disrupted. At the Solvay Group level an IT project was undertaken to facilitate new customs and taxes regimes. Dialogue with customers ensured that procedures and responsibilities post Brexit were agreed.

On 24 February 2022, the Government of Russia launched a large-scale military operation in Ukraine. As a result, the international community imposed sanctions on Russia, which in turn prompted the Russian government to impose sanctions against some countries, including those in the European Union, creating turmoil in the energy markets, raw materials sourcing, financing and banking systems. Our company is implementing a strict compliance policy, which also covers export control and application of all the sanctions defined against Russia.
The anticipated impact of the conflict is a surge in inflationary pressure, which is already intense and is expected to be mitigated in 2022 through additional pricing and sourcing initiatives. The company will continue to closely monitor the situation and the evolution of the conflict.

Financial risk

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

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

The Company operates under a stringently governed internal control environment. In May 2021, the site underwent a two week Solvay internal audit, during which key risks, policies and procedures are reviewed and audited to ensure the control environment is adequate for the size of business and nature of transactions. All resulting findings and recommendations from the audit have now been satisfactorily closed.

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 key stakeholders are its customers, suppliers, workforce and shareholders.

Our Stakeholders (continued)
The board seeks to understand the respective interest of such stakeholder groups 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 who engage with such groups.

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, stemming from the adverse effects of Covid-19 on the composite materials market, to restructure operations to more closely align with current demand schedules whilst protecting the longer term ability to meet customer requirements.

Having regard to the interests of the Company's employees
The Board takes active steps to ensure that the suggestions, views and interests of the workforce are captured and considered in our decision making.
The Group has a number of effective workforce engagement mechanisms in place: -
Employees are kept informed of performance and strategy through biannual town hall presentations from members of the senior management.
Employee engagement surveys are undertaken twice a year by the Solvay Group, covering the majority of the workforce, and the results are analysed and reported to the Board who look to promote actions in response to the survey results.

Having regard to the need to foster the Company's business relationships with suppliers, customers and others.
Suppliers
The Board recognises the benefits of maintaining strong relationships with key raw material suppliers in the composites industry. Members of the senior management hold regular discussions with representatives of those key suppliers in which pertinent issues for both parties are discussed.

Customers
The interests of customers are always at the forefront of the Board's decision making processes. Members of the senior management team, maintain regular contact with the Company's larger customers, and always seek to represent their interests in Board level discussions. The Board receives regular updates from management in respect of the views of other customers.

Having regard to the impact of the Company's operations on the community and the environment
The Board supports the Company's 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.

Cytec Engineered Materials Limited

Strategic Report for the Year Ended 31 December 2020 (continued)

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 Group's compliance to high standards of business conduct.
The Board encourages all employees to display a professional attitude to all business dealings, both with colleagues and with external parties and operates the Solvay Code of Conduct, which all employees are expected to comply with.

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. Decisions on capital expenditure, R&D and the defined benefit pension plan taken during the course of the year, were all carefully considered against this backdrop.

Approved by the Board on 27 July 2022 and signed on its behalf by:

....
J Norris
Director

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

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

A Schiebroek (resigned 1 May 2021)

S Delpech (resigned 15 July 2020)

B Moore

The following director was appointed after the year end:

J Norris (appointed 12 April 2021)

Dividends
During the year and up to the date of approval of this report, no dividends (2019: £nil) were proposed or paid.

Directors' liabilities
None of the directors held any interests in the share capital of the Company during the year (2019: none). The Company has made qualifying third-party indemnity provisions for the benefit of its directors which remain in force at the date of this report.

Financial risk management policies and objectives
Objectives and policies
The Company's operations expose it to a variety of financial risks that include exchange risk, credit risk, liquidity risk and interest rate risk. The Company does not use external derivative financial instruments to manage those risks but does have in place arrangements with its ultimate parent company to manage the impact of foreign currency transactions via intercompany current account positions.

Credit risk, interest rate risk and liquidity risk
Credit risk
The Company has implemented policies that require appropriate assessment of credit limits for potential customers before sales are made.

Interest rate risk and liquidity risk
The Company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only intercompany balances at variable interest rates and cash balances. Interest bearing liabilities include only intercompany balances at variable rates of interest. The Company is dependent upon the continued financial support of its parent company to enable it to continue operating and to meet its liabilities as they fall due. The parent company has agreed to provide sufficient funds to the Company for this purposes.

Employment of disabled persons

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

Employee involvement
The Company has maintained its policy of keeping employees informed of matters that concern them by means of in-house publications, video recordings and briefings. Local site location councils and a Company council provide opportunities for consultation on both current performance and future plans.

The Company operates an annual bonus plan which rewards employees for both personal and group performance, regular local and group briefings provide update on the group performance and the impact on overall bonus expectations. The Company does not currently operate a share ownership plan for employees.

Engagement with suppliers, customers and other relationships
Suppliers
The Board recognises the benefits of maintaining strong relationships with key raw material suppliers in the composites industry. Members of the senior management hold regular discussions with representatives of those key suppliers in which pertinent issues for both parties are discussed.

Customers
The interests of customers are always at the forefront of the Board's decision making processes. Members of the senior management team, maintain regular contact with the Company's larger customers, and always seek to represent their interests in Board level discussions. The Board receives regular updates from management in respect of the views of other customers.

Environmental matters
The Company monitors its impact on the environment while engaging in practical methods of sustainability. The Company recognises the importance of its environmental responsibilities, monitors and reports its impact on the environment in accordance with its Environmental Permit and strives for continual improvement in the management of its impact on the environment through the effective use of its Environmental Management System. The Company operates in accordance with Solvay Group policies for Sustainability which are described in the Group's annual report which does not form part of this report. Refer Note 17 from where a copy of the Group financial statements can be obtained.

Emissions and energy consumption

	2020
Annual quantity of emissions of carbon dioxide equivalent in tonnes resulting from purchase of electricity	2,415
Annual quantity of energy consumed in kWh	16,208,761
Turnover (in £'000)	53,239
Metric: Energy per £'000 turnover by kWh	304.45

Future developments
The Company is not expecting its legacy sales to recover to pre-Covid levels until 2023-2024. During this period, careful cost controls will remain in place.

In addition to the organic growth of legacy products, there are two areas that the Company expects will add incremental sales over the next 2-3 years:

- Adhesives growth. A new adhesives plant was commissioned at the Wrexham site in 2019 and is still undergoing re-sites (transfers from other sites) and customer approval audits. The COVID 19 pandemic has slowed the scaling up of this facility however turnover increased by 17% in 2021 and is projected to increase by around 20% in 2022.

- Planned closure of a US site. In line with the global business strategy a review of all composite sites was undertaken during the year, as a result the decision was taken to close one site in the US. The Wrexham site has been identified as a key site to for the business and will take on the manufacture and sale of certain products from that closing site. This is expected to impact on turnover from Q1 2023.

Research and development
The directors consider that research and development plays a vital role in the Company's success. A significant part of the work of the Company's technical services and laboratory staff is concentrated in this area.
The Company's expenditure on research and development during the period was £4,354,000 (2019: £3,775,000). Research and development costs of £2,786,000 incurred during 2020 were recharged to Cytec Industries Inc., the owners of the intellectual property.

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 net current liability position has increased during the year as a result of the acquisition of Umeco Limited from Cytec UK Holdings Limited with the purchase price outstanding as at the balance sheet date, the amount being included in amounts due to related parties. The Company has prepared a forecast extending 12 months to July 2023, after considering the impact of reasonably possible downside scenarios. This incorporates the downturn in performance seen as a result of the COVID-19 pandemic and the impact on expected future cash flows while the Company recovers to pre-COVID trading levels over the coming years. The Company utilises treasury facilities provided to it by financing entities which are subsidiaries of Solvay SA. As the Company is reliant on these group funding arrangements, a letter of support from Solvay SA has been obtained.

Solvay SA 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 have assessed both the willingness and ability of Solvay SA to provide the Company with such support as may be needed over the next 12 months and, on this basis, consider that the Company will be a going concern for the foreseeable future.

Important non adjusting events after the financial period
Under the Solvay group's direction, the UK management were working to reduce the number of legal entities. The decision was made, therefore, to transfer the Cytec Industrial Materials (Derby) Limited ("CIM") manufacturing business over to its parent Company, Cytec Engineered Materials, through the hive up of its assets and liabilities. This event took place on the 1st July 2021. Following the re-arrangement of the group structure, in 2022 CIM will take on the role of intermediate holding company for a number of smaller group companies.

Important non adjusting events after the financial period (continued)

As part of the continued local entity reduction program, on 26 May 2021, the Company purchased investments in Cytec Industrial Materials (Derby) Ltd and Umeco Composites Ltd from its subsidiary company Umeco Ltd The consideration paid amounted to £15,600,001. This transfer has no effect on the trading and function of the subsidiary, Umeco Limited.

On 12 August 2021, the Company acquired the operational trading of its subsidiary company, Umeco Ltd. At this point all assets and liabilities with the exception of the Environmental provision and VAT exposure discovered during the VAT inspection during 2021, were transferred from the subsidiary company. The transfer of trade and assets took place at net book value with the consideration payable on this agreement to be an intercompany loan payable on demand, bearing no interest and the debt being unsecured. No objection was received from the Trustees of the pension scheme, for the transfer of the pension scheme to the Company.

As part of the local entity reduction scheme subsidiary company, Umeco Ltd carried out a share premium reduction. This took the form of reducing the share premium account by £50,947,000 and increasing the distributable reserves by the same amount. This allowed for a dividend payment to the Company in the amount of £30,947,000 in September 2021. There was also a subdivision of shares where the price per share was reduced from £1 per share to £0.25p per share, with no change in overall share capital.

On 24 February 2022, the Government of Russia launched a large-scale military operation in Ukraine. As a result, the international community imposed sanctions on Russia, which in turn prompted the Russian government to impose sanctions against some countries, including those in the European Union creating turmoil in the energy markets, raw materials sourcing, financing and banking systems. Our company is implementing a strict compliance policy, which also covers export control and application of all the sanctions defined against Russia.

The anticipated impact of the conflict is a surge in inflationary pressure, which is already intense and is expected to be mitigated in 2022 through additional pricing and sourcing initiatives. The Company will continue to closely monitor the situation and the evolution of the conflict.

On March 15, 2022, the Group announced its plans to separate into two independent publicly traded companies:

- EssentialCo would comprise leading mono-technology businesses including Soda Ash, Peroxides, Silica and Coatis, which are reported as the Company's Chemicals segment, as well as the Special Chem business.

- SpecialtyCo would comprise the Company's currently reported Materials segment, including its high-growth, high-margin Specialty Polymers, its high-performance Composites business, as well as the majority of its Solutions segment, including Novecare, Technology Solutions, Aroma Performance, and Oil & Gas.

The transaction is subject to general market conditions and customary closing conditions, including final approval by Solvay's Board of Directors, consent of certain financing providers and shareholder approval at an extraordinary general meeting, and is expected to be completed in the second half of 2023. The Board of Directors of Solvac, Solvay's long-standing reference shareholder, has confirmed its support of Solvay's transaction.

Disclosure of information to the auditor

Each director has taken 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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

Reappointment of auditors

The auditors Deloitte LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 27 July 2022 and signed on its behalf by:

....

J Norris
Director

Cytec Engineered Materials Limited

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 accounting 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Cytec Engineered Materials Limited

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 31.

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.

Independent Auditor's Report to the Members of Cytec Engineered Materials Limited (continued)

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.

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 a 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 frameworks 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 Financial Reporting Standards, UK Companies Act, pension legislation 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.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- Manual adjustments to revenue: We have tested the design and implementation of controls involving management revenue adjustments and estimation process; we have used journal entry detail to identify manual entries to revenue and ensured the appropriateness of each entry selected; we have reconciled the transaction system subledger of revenue to that of the general ledger, ensuring all manual entries are included in the population subject to testing.
- Property, plant and equipment and intangible assets impairment: We have tested the design and implementation of controls regarding management's assessment of assets for potential impairment. We have confirmed that there are triggers of impairment in the 2020 financial year requiring management to perform a full asset impairment review. We have tested management's value in use calculation, including consideration of the methodology applied, the mathematical accuracy of the model used to determine the impairment charge required and the key assumptions which have a material impact on the impairment. We have challenged management's assumptions through consideration of both collaborating and contradictory evidence and assessed the judgements taken for potential management bias.

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.

Independent Auditor's Report to the Members of Cytec Engineered Materials Limited (continued)

Report on other legal and regulatory requirements
Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

Simon Hearne

Simon Hearne, FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Manchester, United Kingdom

27 July 2022

Cytec Engineered Materials Limited

Profit and Loss Account for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
Turnover	4	54,987	76,931
Cost of sales		(48,522)	(67,936)
Gross profit		6,465	8,995
Distribution costs		(1,650)	(1,761)
Administrative expenses		(16,252)	(14,659)
Impairment of fixed assets	13, 15	(64,200)	-
Other operating income	5	4,756	7,852
Operating (loss)/profit	6	(70,881)	427
Interest receivable and similar income	7	66	502
Interest payable and similar expenses	8	(961)	(746)
		(895)	(244)
(Loss)/profit before taxation		(71,776)	183
Taxation on (loss)/profit	12	736	392
(Loss)/profit for the year		(71,040)	575

The above results were derived from continuing operations.

The notes on pages 21 to 56 form an integral part of these financial statements.

Cytec Engineered Materials Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

	Note	2020 £'000	2019 £'000
(Loss)/profit for the year		(71,040)	575
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment benefit obligations (net)	24	(3,408)	1,543
Items that may be reclassified subsequently to profit or loss			
Deferred tax arising on pension fund asset recognised		900	(853)
Total comprehensive (expense) / income for the year		(73,548)	1,265

The notes on pages 21 to 53 form an integral part of these financial statements.

Cytec Engineered Materials Limited
(Registration number: 02851421)

Balance Sheet as at 31 December 2020

	Note	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Intangible assets	15	3,385	9,642
Tangible assets	13	16,710	76,676
Right of use assets	14	248	393
Investments	16	113,007	-
Deferred tax assets	12	2,141	202
		135,491	86,913
Current assets			
Stocks	17	7,211	16,265
Debtors	18	3,365	17,080
		10,576	33,345
Creditors: Amounts falling due within one year	23	(169,456)	(73,619)
Net current liabilities		(158,880)	(40,274)
Total assets less current liabilities		(23,389)	46,639
Creditors: Amounts falling due after more than one year			
Long term lease liabilities	21	(63)	(209)
Provision for liabilities			
Deferred tax liabilities	12	(2,405)	(1,349)
Provisions		(55)	(13)
	12	(2.460)	(1,362)
Net assets excluding pension asset/(liability)		(25,912)	45,068
Net pension asset	24	368	2,936
Net liabilities		(25,544)	48,004
Capital and reserves			
Called up share capital	19	8,400	8,400
Other reserves	20	1,000	1,000
Profit and loss account		(34,944)	38,604
Shareholders' funds		(25,544)	48,004

Approved by the Board on 27 July 2022 and signed on its behalf by:

....

J Norris, Director

The notes on pages 21 to 53 form an integral part of these financial statements.

Cytec Engineered Materials Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	8,400	1,000	38,604	48,004
Loss for the year	-	-	(71,040)	(71,040)
Remeasurements of post-employment benefit obligations (net)	-	-	(3,408)	(3,408)
Deferred tax arising on pension fund asset recognised	-	-	900	900
Other comprehensive expense for the year	-	-	(2,508)	(2,508)
Loss and total comprehensive expense for the year	-	-	(73,548)	(73,548)
At 31 December 2020	8,400	1,000	(34,944)	(25,544)

	Share capital £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	8,400	-	37,339	45,739
Other reserves	-	1,000	-	1,000
At 1 January 2019	8,400	1,000	37,339	46,739
Profit for the year	-	-	575	575
Remeasurements of post-employment benefit obligations (net)	-	-	1,543	1,543
Deferred tax arising on pension fund asset recognised	-	-	(853)	(853)
Other comprehensive income for the year	-	-	690	690
Profit and total comprehensive income for the year	-	-	1,265	1,265
At 31 December 2019	8,400	1,000	38,604	48,004

The notes on pages 21 to 53 form an integral part of these financial statements.

1 General information

The Company is a private Company limited by share capital, incorporated in United Kingdom under the Companies Act 2006 and registered in England and Wales.

The address of its registered office is:
Abenbury Way
Wrexham Industrial Estate
Wrexham
LL13 9UZ

2 Accounting policies

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

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.
The Company meets the definition of a qualifying entity under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.
The financial statements have been prepared on the historical cost basis, which is generally based on the fair value of the consideration given in exchange for the goods and services.

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

Summary of disclosure exemptions
As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, certain revenue requirements of IFRS 15, certain lease requirements of IFRS 16 and related party transactions.
Where relevant, equivalent disclosures have been given in the group accounts of Solvay SA. The group accounts of Solvay SA are available to the public and can be obtained as set out in note 29.

2 Accounting policies (continued)

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 net current liability position has increased during the year as a result of the acquisition of Umeco Limited from Cytec UK Holdings Limited with the purchase price outstanding as at the balance sheet date, the amount being included in amounts due to related parties. The Company has prepared a forecast extending 12 months to July 2023, after considering the impact of reasonably possible downside scenarios. The Company utilises treasury facilities provided to it by financing entities which are subsidiaries of Solvay SA. As the Company is reliant on these group funding arrangements, a letter of support from Solvay SA has been obtained.

Solvay SA 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 have assessed both the willingness and ability of Solvay SA to provide the Company with such support as may be needed over the next 12 months and, on this basis, consider that the Company will be a going concern for the foreseeable future.

Exemption from preparing group accounts

The financial statements contain information about Cytec Engineered Materials Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Solvay SA, a company incorporated in Belgium.

Changes in accounting policy

New standards, interpretations and amendments effective

The following have been applied for the first time from 1 January 2020 and have had an effect on the financial statements:

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

2 Accounting policies (continued)

Revenue recognition

Recognition

The company earns revenue from the manufacture and sale of composites and adhesives for use primarily in the aerospace industry.
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Where discounts to the contract price are applied the Company presents these as a discount from contract revenue at the point in time the discount terms are met by the customer. Product returns or refunds to customers are only accepted where the product supplied does not meet agreed specifications, there are no sale or return type transactions or warranties on the products.

This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS are applied to revenue recognition criteria using the following 5 step model:

1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

The main performance obligations in contracts consist of delivery of product. For all contracts the stage of completion and delivery of performance obligations are measured at the balance sheet date by reviewing deliveries and incoterms to determine when obligations are completed.

Transaction price

The transaction price is the agreed sales price of the product less discounts and value added taxes.

Finance income and costs policy
Finance 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. Finance 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.

2 Accounting policies (continued)

Foreign currency transactions and balances

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

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Tangible assets

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land	Not depreciated
Buildings	40 years straight line
Plant, machinery and equipment	3-10 years straight line

2 Accounting policies (continued)

Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.
An internally-generated intangible asset arising from the Company's REACH registrations or the development phase of an internal project is recognised if, and only if, all of the following conditions have been demonstrated:
- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Development costs	5 years straight line

Investments

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Trade and other receivables

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as fixed assets.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measuring credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit loses, trade receivables are grouped based on shared credit risk characteristics and the days past due.

2 Accounting policies (continued)

Stock

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Definition

A lease is a contract, or a part of a contract, that conveys the right to use an asset or a physically distinct part of an asset ("the underlying asset") for a period of time in exchange for consideration. Further, the contract must convey the right to the company to control the asset or a physically distinct portion thereof. A contract is deemed to convey the right to control the underlying asset if, throughout the period of use, the company has the right to:

· Obtain substantially all the economic benefits from the use of the underlying asset, and;
· Direct the use of the underlying asset (e.g. direct how and for what purpose the asset is used)

Where contracts contain a lease coupled with an agreement to purchase or sell other goods or services (i.e., non-lease components), the non-lease components are identified and accounted for separately from the lease component. The consideration in the contract is allocated to the lease and non-lease components on a relative standalone price basis using the principles in IFRS15.

2 Accounting policies (continued)

Initial recognition and measurement

The company initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.
The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.
The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the company's initial direct costs (e.g., commissions) and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the company measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.
Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are [presented separately as non-operating /included in finance cost] in the income statement, unless the costs are included in the carrying amount of another asset applying other applicable standards. Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.
The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above. Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

2 Accounting policies (continued)

Lease modifications

If a lease is modified, the modified contract is evaluated to determine whether it is or contains a lease. If a lease continues to exist, the lease modification will result in either a separate lease or a change in the accounting for the existing lease.
The modification is accounted for as a separate lease if both:
(a) The modification increases the scope of the lease by adding the right to use one or more underlying assets; and
(b) The consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.
If both of these conditions are met, the lease modification results in two separate leases, the unmodified original lease and a separate lease. The company then accounts for these in line with the accounting policy for new leases.
If either of the conditions are not met, the modified lease is not accounted for as a separate lease and the consideration is allocated to the contract and the lease liability is re-measured using the lease term of the modified lease and the discount rate as determined at the effective date of the modification.
For a modification that fully or partially decreases the scope of the lease (e.g., reduces the square footage of leased space), IFRS 16 requires a lessee to decrease the carrying amount of the right-of-use asset to reflect partial or full termination of the lease. Any difference between those adjustments is recognised in profit or loss at the effective date of the modification.
For all other lease modifications which are not accounted for as a separate lease, IFRS 16 requires the lessee to recognise the amount of the re-measurement of the lease liability as an adjustment to the corresponding right-of-use asset without affecting profit or loss.

Short term and low value leases

The company has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).
The company has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.
Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

2 Accounting policies (continued)

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The carrying values of the investments are also reviewed with reference to the future forecast results of the companies in which the investments are held.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

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

2 Accounting policies (continued)

Defined benefit pension obligation

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

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

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

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

The Company is the sponsoring employer of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer, which is the Company.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The company does not hold any assets at fair value in either the current or prior year.

(i) Amortised cost and effective interest method

A financial asset is subsequently measured at amortized cost using effective interest rate method if it is held within a business model whose objective is to hold the asset to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 Accounting policies (continued)

The effective interest rate method is a method of calculating the amortised cost of financial asset and of allocating interest income over the expected life.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The company does not hold any financial liabilities at fair value in the current or prior year.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) held-for-trading, or (ii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

2 Accounting policies (continued)

Financial liabilities measured subsequently at amortised cost (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Impairment of financial assets

Evidence that the financial asset is credit-impaired include the following;

- Significant financial difficulties of the borrower or issuer;
- A breach of contract such as default or past due event;
- The restructuring of the loan or advance by the company on terms that the company would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for the security because of financial difficulties; or
- There is other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the company, or economic conditions that correlate with defaults in the company.

For trade receivables, the company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.
The following are all sources of estimation uncertainty; there are no critical accounting judgements.

Carrying value of tangible and intangible fixed assets
As disclosed on page 3 of the strategic report and in note 13 and 15 to the financial statements, during the year ended 31 December 2020 an impairment of £64.2m was recorded, reducing the value of tangible fixed assets by £56.8m and intangible fixed asset by £7.4m. The impairment resulted from the impact of Covid and the downturn in the aerospace market on the business that has significantly reduced forecast turnover over the next five years and in turn slowed the expected growth compared to prior to the pandemic. In determining the impairment, the estimation of both cash flow forecasts and discount rate involved a significant degree of estimation. The directors have considered the entirety of the company to be one cash generating unit ('CGU') as it is the smallest group of assets that independently generates cash flows. Cash flows are derived from the CGU's strategic forecasts. In line with IAS 36, cash flows were discounted using a pre-tax discount rate of 8%. Whilst the directors are taking every possible measure to optimise the business' recovery, the carrying value of the Company's tangible and intangible fixed assets remains inherently uncertain. In accordance with IAS 1, this disclosure focuses on assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of result in a material adjustment to the carrying amounts of the Company's tangible and intangible fixed assets within the next financial year. The key areas of estimation uncertainty, and the associated sensitivities, are as follows:

- Turnover growth: turnover is assumed to grow by an average of 7.8% over the period to 2025, which would see the business returning to pre-Covid revenue levels by 2025. If revenue growth of only 4.9%, being the worst case scenario, is achieved over the period to 2025, assets would be impaired by a further £20.1m, representing all tangible and intangible fixed assets. A reduced revenue growth could be the result of a reduced level of general growth and the potential loss of revenue from the Boeing MAX project.
- Discount rate: a pre-tax discount rate of 8% has been assumed. If the discount rate were to increase by 1%, assets would be impaired by a further £4.2m.
- The current model assumes that any inflationary price increases including energy costs are passed to the customer through the pricing strategy. If this is not achieved then this could give rise to a significant risk of a material adjustment in the carrying amounts of the tangible and intangible fixed assets in the next financial year. Historically, the company has been successful in passing on such price increases to customers'
- Further details of the impairment recorded during the year ended 31 December 2020 are provided in note 13.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Retirement benefits

This is an area that requires certain assumptions to be made in order to value our obligations and determine the costs charged to the income statement. These figures are particularly sensitive to assumptions in discount rates, mortality, rates of inflation and expected return on assets. Details of the assumptions made are given in note 24.

Assumptions made are mutually consistent but may not be borne out in practice over the long term. The net surplus stated in note 24 is based upon a valuation of scheme assets that are not intended to be realised in the short term and which may change significantly. The net surplus stated in note 24 is also based upon an actuarial valuation of scheme liabilities which is based upon cash flow projections over very long periods of time thus causing the valuation to be inherently uncertain.

4 Turnover

The analysis of the company's turnover for the year from continuing operations is as follows:

	2020 £'000	2019 £'000
Sale of goods	54,987	76,931

The analysis of the company's turnover for the year by class of business is as follows:

	2020 £'000	2019 £'000
Sale of goods	54,987	76,931

The analysis of the company's turnover for the year by market is as follows:

	2020 £'000	2019 £'000
UK	8,637	14,287
Europe	30,830	52,350
Rest of world	15,520	10,294
	54,987	76,931

5 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2020 £'000	2019 £'000
Commissions received	4,756	7,852

6 Operating (loss)/profit

Arrived at after charging/(crediting)

	2020 £'000	2019 £'000
Depreciation expense	4,040	3,370
Depreciation on right of use assets - Property	79	40
Depreciation on right of use assets - Other	135	221
Amortisation expense	1,235	-
Impairment loss on tangible fixed assets	56,833	-
Impairment loss on intangible fixed assets	7,367	-
Research and development cost	4,354	3,775
Foreign exchange gains	(361)	(525)

7 Interest receivable and similar income

	2020 £'000	2019 £'000
Interest income on bank deposits	9	338
Other finance income	-	138
Net interest on defined benefit pension schemes	57	26
	66	502

8 Interest payable and similar expenses

	2020 £'000	2019 £'000
Interest paid to group undertakings	953	737
Interest expense on leases - Machinery	8	9
	961	746

9 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2020 £'000	2019 £'000
Wages and salaries	10,016	12,226
Social security costs	1,545	1,250
Pension costs, defined contribution scheme	1,271	978
Redundancy costs	831	-
	13,663	14,454

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

9 Staff costs (continued)

	2020 No.	2019 No.
Production	154	151
Administration and support	99	114
	253	265

10 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £'000	2019 £'000
Remuneration	308	387
Contributions paid to money purchase schemes	27	40
Compensation for loss of office	254	-
	589	427

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	2	2

In respect of the highest paid director:

	2020 £'000	2019 £'000
Remuneration	165	239
Company contributions to money purchase pension schemes	16	31
Compensation for loss of office	254	-

11 Auditor remuneration

	2020 £'000	2019 £'000
Audit of the financial statements	55	55

There were no non-audit fees in the current year (2019: £nil)

12 Income tax

Tax (credited) /charged in the profit and loss account

	2020 £'000	2019 £'000
Current taxation		
UK corporation tax	243	116
Deferred taxation		
Arising from origination and reversal of temporary differences	(979)	(508)
Tax credit in the profit and loss account	(736)	(392)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2019 - lower than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £'000	2019 £'000
(Loss)/profit before tax	(71,776)	183
Corporation tax at standard rate	(13,637)	35
Decrease in current tax from adjustment for prior periods	-	(442)
Increase from effect of expenses not deductible in determining taxable profit	94	126
Increase from effect of impairment of tangible and intangible fixed assets	12,197	-
Deferred tax expense relating to impairment of tax assets	713	-
Deferred tax credit from unrecognised temporary difference from a prior period	-	(153)
Deferred tax (credit)/expense relating to changes in tax rates or laws	(103)	42
Total tax credit	(736)	(392)

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. Deferred taxes at the balance sheet date 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.

12 Income tax (continued)

Amounts recognised in other comprehensive income

	2020			2019		
	Before tax £'000	Tax (expense) benefit £'000	Net of tax £'000	Before tax £'000	Tax (expense) benefit £'000	Net of tax £'000
Remeasurements of post-employment benefit obligations	(2,413)	(995)	(3,408)	1,558	(15)	1,543
Deferred tax arising on pension fund asset recognised	-	900	900	-	(853)	(853)
	(2,413)	(95)	(2,508)	1,558	(868)	690

Deferred tax

Deferred tax assets and liabilities

2020	Asset £'000	Liability £'000	Net deferred tax £'000
Amortisation	1,223	(267)	956
Pension benefit obligations	918	(2,138)	(1,220)
	2,141	(2,405)	(264)

2019	Asset £'000	Liability £'000	Net deferred tax £'000
Amortisation	495	(322)	173
Pension benefit obligations	(293)	(1,027)	(1,320)
	202	(1,349)	(1,147)

12 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2020 £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	At 31 December 2020 £'000
Amortisation	173	783	-	956
Pension benefit obligations	(1,320)	196	(95)	(1,219)
Net tax assets/(liabilities)	(1,147)	979	(95)	(263)

Deferred tax movement during the prior year:

	At 1 January 2019 £'000	Recognised in income £'000	Recognised in other comprehensive income £'000	At 31 December 2019 £'000
Amortisation	(652)	825	-	173
Pension benefit obligations	(136)	(316)	(868)	(1,320)
Net tax assets/(liabilities)	(788)	509	(868)	(1,147)

13 Tangible assets

	Freehold land and buildings £'000	Assets under construction £'000	Other property, plant and equipment £'000	Total £'000
Cost or valuation				
At 1 January 2020	31,504	1,904	63,066	96,474
Additions	1	654	254	909
Disposals	-	-	(6)	(6)
Transfers	94	(814)	720	-
At 31 December 2020	31,599	1,744	64,034	97,377
Accumulated depreciation and impairment				
At 1 January 2020	1,968	-	17,830	19,798
Charge for the year	811	-	3,230	4,041
Impairment charge	18,442	1,018	37,373	56,833
Eliminated on disposal	-	-	(5)	(5)
At 31 December 2020	21,221	1,018	58,428	80,667

13 Tangible assets (continued)

Carrying amount	Freehold land and buildings £'000	Assets under construction £'000	Other property, plant and equipment £'000	Total £'000
At 31 December 2020	10,378	726	5,606	16,710
At 31 December 2019	29,536	1,904	45,236	76,676

Impairment

Land and buildings, plant and equipment and assets under construction

An impairment was recognised during the year of £56,833,000 (2019: £nil). Following a review of performance and expected future growth it was determined that the value of tangible and intangible fixed assets at the site could not be supported by the cash flows generated in the business (see strategic report). The tangible fixed assets were therefore impaired to a value that could be supported by the cash flows.

14 Right of use assets

	Short leasehold buildings £'000	Other £'000	Total £'000
Cost or valuation			
At 1 January 2020	240	306	546
Additions	-	72	72
Disposals	(3)	-	(3)
At 31 December 2020	237	378	615
Depreciation			
At 1 January 2020	38	115	153
Charge for the year	79	135	214
At 31 December 2020	117	250	367
Carrying amount			
At 31 December 2020	120	128	248
At 31 December 2019	202	191	393

15 Intangible assets

	Development costs £'000	Total £'000
Cost or valuation		
At 1 January 2020	10,283	10,283
Additions	2,346	2,346
Disposals	(6)	(6)
At 31 December 2020	12,623	12,623
Accumulated amortisation and impairment		
At 1 January 2020	641	641
Amortisation charge	1,235	1,235
Impairment	7,367	7,367
Amortisation eliminated on disposals	(5)	(5)
At 31 December 2020	9,238	9,238
Carrying amount		
At 31 December 2020	3,385	3,385
At 31 December 2019	9,642	9,642

Development costs relate to the new adhesive plant commissioning and are considered to be partly in progress at the year end, Amortisation has been charged since 1 April 2019 on those costs related to commissioning of the fully operational parts of the plant.

An impairment was recognised during the year of £7,367,000 (2019:£nil). Following a review of performance and expected future growth it was determined that the value of tangible and intangible fixed assets at the site could not be supported by the cash flows generated in the business (see strategic report). The intangible assets were therefore impaired to a value that could be supported by the cash flows.

16 Investments

Subsidiaries	£'000
Cost or valuation	
Additions	113,007
At 31 December 2020	113,007
Carrying amount	
At 31 December 2020	113,007
At 31 December 2019	-

16 Investments (continued)

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Holding	Proportion of ownership interest and voting rights held 2020	2019
Umeco Limited	Holding company	Composites House, Sinclair Close, Heanor, Derbyshire, DE75 7SP England & Wales	Ordinary	100%	0%

On 18 December 2020 the company purchased 100 per cent of the issued share capital of Umeco Limited, a fellow subsidiary company whose primary activity it to act as a holding company, from its parent Cytec UK Holdings Limited for a consideration of £113,007,299. The purchase price was settled by way of an intercompany loan between the company and Cytec UK Holdings Limited. The fair value of the total consideration was £113,007,299.

17 Stock

	31 December 2020 £'000	31 December 2019 £'000
Raw materials and consumables	4,098	10,009
Finished goods and goods for resale	3,113	6,256
	7,211	16,265

The cost of stock recognised as an expense in the year amounted to £30,689,022 (2019 - £59,081,275). This is included within cost of sales.

The amount of write-down of stock recognised as an expense in the year is £512,374 (2019 - £nil). This is included within cost of sales.

18 Trade and other debtors

	31 December 2020 £'000	31 December 2019 £'000
Trade debtors	1	6,109
Debtors from related parties	2,234	8,794
Prepayments	326	275
Other debtors	804	1,902
	3,365	17,080

18 Trade and other debtors (continued)

The trade and other receivables classified as financial instruments are disclosed below.

On 1 January 2020 the company joined the Solvay group factoring programme and from that date all trade accounts receivable are factored without recourse to Solvay SA.

Of the amounts owed by related parties £1,340,000 (2019:£4,527,000) are owed by fellow subsidiary companies and are unsecured, repayable on demand and are interest free, and the remaining £894,000 (2019: £4,267,000) are due from the ultimate parent company and are unsecured, repayable on demand and are charged interest at the intercompany monthly rates. The intercompany rate during 2020 averaged 1.7%
There are no amounts due after more than one year.

19 Share capital

Allotted, called up and fully paid shares

	31 December 2020		31 December 2019	
	No. 000	£'000	No. 000	£'000
Ordinary shares of £1 each	8,400	8,400	8,400	8,400

20 Reserves

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments

Other reserves contain the premium arising on issue of equity shares, net of issue expenses.

21 Leases

Leases included in creditors	31 December 2020 £'000	31 December 2019 £'000
Current portion of long term lease liabilities	218	184
Long term lease liabilities	63	209

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2020 £'000	31 December 2019 £'000
Less than one year	218	184
2 years	63	147
3 years	-	62
Total lease liabilities (undiscounted)	281	393

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

Payment	31 December 2020 £'000	31 December 2019 £'000
Right of use assets	108	153
Interest	8	9
Total cash outflow	116	162

22 Other provisions

	Legal proceedings £'000	Employee benefits £'000	Total £'000
At 1 January 2020	13	-	13
Additional provisions	-	1,477	1,477
Increase/(decrease) in existing provisions	-	(568)	(568)
Provisions used	-	(867)	(867)
At 31 December 2020	13	42	55
Current liabilities	13	42	55

22 Other provisions (continued)

During 2020 provisions were created in respect of restructuring programs affecting staff within site operations. These two programs were launched in response to the impact of COVID 19 on site demand and also to align the operations with the group strategy for growth. The redundancies were completed by December 2021.

23 Trade and other creditors

	31 December 2020 £'000	31 December 2019 £'000
Trade creditors	463	3,437
Amounts due to related parties	166,814	68,466
Social security and other taxes	115	465
Outstanding defined contribution pension costs	-	57
Other creditors	2,064	1,010
	169,456	73,435

The current portion of long term lease liabilities of £218,000 shown in note 21 together with the trade and other creditors in this note constitute the Creditors: Amounts falling due within one year disclosed in the balance sheet

Of the amount due from related parties £115,940,000 (2019: £9,364,000) are unsecured, repayable on demand and interest free, the remaining £50,874,000 (2019: £59,101,000) are unsecured, repayable on demand and are charged interest at the intercompany monthly rate. The monthly rate during 2020 averaged 1.38%. Of the total £113,060,000 is due from the ultimate parent company, with the balance due from fellow subsidiary undertakings.

24 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £1,270,237 (2019 - £978,526).

Contributions totalling £Nil (2019: £56,600) were payable to the scheme at the end of the year and are included in creditors.

Defined benefit pension schemes
Cytec Defined Benefit Plan

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

24 Pension and other schemes (continued)

The plan is subject to the funding legislation, which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, and Guidance Notes adopted by the Financial Reporting Council, set the framework for funding defined benefit occupational pension plans in the UK. The trustees of the plan are required to act in the best interest of the plan's beneficiaries. The appointment of trustees is determined by the plan's trust documentation. It is policy that one third of all trustees should be nominated by the members.

Contributions payable to the pension scheme at the end of the year are £nil (2019 - £nil).

The expected contributions to the plan for the next reporting period are £nil.

The scheme was most recently valued on 31 March 2019. A full actuarial valuation was carried out as at 31 March 2019 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation as at 31 March 2019 showed no deficit. This actuarial valuation as at 31 March 2019 showed no deficit. In accordance with the actuarial valuation, the company has agreed with the trustee that it will meet expenses of the plan and levies to the Pension Protection Fund directly.
For the purposes of FRS101 the actuarial valuation as at 31 March 2019, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 31 December 2020. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

The Company has reviewed implications of the guidance provided by IFRIC 14 and have concluded that it is not necessary to make any adjustments to the FRS101 figures in respect of an asset ceiling or Minimum Funding Requirement as at 31 December 2020.

Risks

Investment 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 create a deficit. The plan 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. As the plan continues to mature, the company intends to reduce the level of investment risk by investing in more assets that better match the liabilities. The first stage of this process was completed in 2019 and continued over 2020, with the transfer of a proportion of the government and corporate bond portfolio to a specialist Liability Driven Investment (LDI) manager. However, the trustee believes that, due to the long term nature of the scheme liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the fund's long term strategy to manage the plans efficiently.

Interest 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 and LDI holdings.

24 Pension and other schemes (continued)

Inflation risk

The pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (in the case of fixed interest bonds) or loosely correlated with (in the case of equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy risk

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Fair value of scheme assets	60,507	57,440
Present value of scheme liabilities	(60,139)	(54,504)
Defined benefit pension scheme surplus	368	2,936

Scheme assets

Changes in the fair value of scheme assets are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Fair value at start of year	57,440	51,482
Interest income	1,122	1,390
Actuarial gains and losses arising from experience adjustments	4,669	6,462
Employer contributions	212	850
Benefits paid	(2,936)	(2,744)
Fair value at end of year	60,507	57,440

Analysis of assets

The major categories of scheme assets are as follows:

24 Pension and other schemes (continued)

	31 December 2020 £'000	31 December 2019 £'000
Cash and cash equivalents	252	475
Equity instruments	22,596	20,741
Debt instruments	20,075	18,704
Liability Driven Investments	17,584	17,520
	60,507	57,440

None of the fair values of the assets include any direct investments in the company's own financial instruments or property occupied by, or other assets used by, the company. All of the scheme assets have a quoted market price in an active market with the exception of the trustee's bank account balance. There are no additional assets pledged, and no additional arrangements agreed between the company and trustees to secure members' benefits under the plan.

Actual return on scheme's assets

	31 December 2020 £'000	31 December 2019 £'000
Actual return on scheme assets	5,791	7,852

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	31 December 2020 £'000	31 December 2019 £'000
Present value at start of year	54,504	50,982
Past service cost	424	-
Actuarial gains and losses arising from changes in demographic assumptions	362	(996)
Actuarial gains and losses arising from changes in financial assumptions	7,281	5,185
Actuarial gains and losses arising from experience adjustments	(561)	713
Interest cost	1,065	1,364
Benefits paid	(2,936)	(2,744)
Present value at end of year	60,139	54,504

24 Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	31 December 2020 %	31 December 2019 %
Discount rate	1.25	2.00
Future salary increases	2.00	1.90
Future pension increases	2.70	2.90
Inflation	2.75	3.00

Post retirement mortality assumptions

	31 December 2020 Years	31 December 2019 Years
Current UK pensioners at retirement age - male	21.30	21.40
Current UK pensioners at retirement age - female	23.20	23.20
Future UK pensioners at retirement age - male	22.40	22.40
Future UK pensioners at retirement age - female	24.40	24.50

Amounts recognised in the income statement

	31 December 2020 £'000	31 December 2019 £'000
Amounts recognised in operating profit		
Past service cost	424	-
Amounts recognised in finance income or costs		
Net interest	(57)	(26)
Total recognised in the income statement	367	(26)

It has been agreed that the Company will pay all administration expenses directly including death in service premiums and PPF levy, expenses have therefore been excluded from the pension disclosures and will be allowed for elsewhere in the financial statements.

Amounts taken to the Statement of Comprehensive Income

24 Pension and other schemes (continued)

	31 December 2020 £'000	31 December 2019 £'000
Actuarial gains and losses arising from changes in demographic assumptions	(362)	996
Actuarial gains and losses arising from changes in financial assumptions	(7,281)	(5,185)
Actuarial gains and losses arising from experience adjustments	561	(713)
Return on plan assets, excluding amounts included in interest income/(expense)	4,669	6,462
Amounts recognised in the Statement of Comprehensive Income	(2,413)	1,560

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	31 December 2020			31 December 2019		
	+ 0.25$	0.0%	- 0.25$	+ 0.25%	0.0%	- 0.25%
Adjustment to discount rate	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**	**£ 000**
Present value of total obligation	57,374	60,140	62,906	60,082	54,504	-

	31 December 2020			31 December 2019		
Adjustment to rate of inflation	**+ 0.25% £ 000**	**0.0% £ 000**	**- 0.25% £ 000**	**+ 0.25% £ 000**	**0.0% £ 000**	**- 0.25% £ 000**
Present value of total obligation	62,245	60,140	58,215	56,466	54,504	-

	31 December 2020			31 December 2019		
Adjustment to mortality age rating assumption	**+ 1 Year £ 000**	**None £ 000**	**- 1 Year £ 000**	**+ 1 Year £ 000**	**None £ 000**	**- 1 Year £ 000**
Present value of total obligation	62,064	60,140	-	56,248	54,504	-

The sensitivities are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ended 31 December 2020 is 18 years,

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements for the acquisition of plant & equipment was £333,000 (2019 - £33,206).

26 Contingent liabilities

The company has guaranteed duty charges to HM Customs & Excise, the maximum liability at the end of the year was £51,000.

27 Parent of group in whose consolidated financial statements the company is consolidated

The name of the parent of the group in whose consolidated financial statements the company's financial statements are consolidated is Solvay SA.

These financial statements are available upon request from Office of Solvay SA
310 Rue de Ransbeek,
1120 Brussels
Belgium.

28 Parent and ultimate parent undertaking

The company's immediate parent is Cytec UK Holdings Limited., which is registered in the UK.

The ultimate parent is Solvay SA. which is registered in Belgium

The most senior parent entity producing publicly available financial statements is Solvay SA. These financial statements are available upon request from the Registered Office of Solvay SA
310 Rue de Ransbeek,
1120 Brussels
Belgium

28 Parent and ultimate parent undertaking (continued)

Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is Solvay SA, incorporated in Belgium.

The address of Solvay SA is:
Office of Solvay SA
310 Rue de Ransbeek,
1120 Brussels
Belgium

The parent of the smallest group in which these financial statements are consolidated is Solvay SA, incorporated in Belgium.

The address of Solvay SA is:
Office of Solvay SA
310 Rue de Ransbeek,
1120 Brussels
Belgium

29 Important non adjusting events after the financial period

Under the Solvay group's direction, the UK management were working to reduce the number of legal entities. The decision was made, therefore, to transfer the Cytec Industrial Materials (Derby) Limited ("CIM") manufacturing business over to its parent Company, Cytec Engineered Materials, through the hive up of its assets and liabilities. This event took place on the 1st July 2021. Following the re-arrangement of the group structure, in 2022 CIM will take on the role of intermediate holding company for a number of smaller group companies.

As part of the continued local entity reduction program, on 26 May 2021, the Company purchased investments in Cytec Industrial Materials (Derby) Ltd and Umeco Composites Ltd from its subsidiary company Umeco Ltd The consideration paid amounted to £15,600,001. This transfer has no effect on the trading and function of the subsidiary, Umeco Limited.

On 12 August 2021, the Company acquired the operational trading of its subsidiary company, Umeco Ltd. At this point all assets and liabilities with the exception of the Environmental provision and VAT exposure discovered during the VAT inspection during 2021, were transferred from the subsidiary company. The transfer of trade and assets took place at net book value with the consideration payable on this agreement to be an intercompany loan payable on demand, bearing no interest and the debt being unsecured. No objection was received from the Trustees of the pension scheme, for the transfer of the pension scheme to the Company.

As part of the local entity reduction scheme subsidiary company, Umeco Ltd carried out a share premium reduction. This took the form of reducing the share premium account by £50,947,000 and increasing the distributable reserves by the same amount. This allowed for a dividend payment to the Company in the amount of £30,947,000 in September 2021. There was also a subdivision of shares where the price per share was reduced from £1 per share to £0.25p per share, with no change in overall share capital.

Important non adjusting events after the financial period (continued)

On 24 February 2022, the Government of Russia launched a large-scale military operation in Ukraine. As a result, the international community imposed sanctions on Russia, which in turn prompted the Russian government to impose sanctions against some countries, including those in the European Union creating turmoil in the energy markets, raw materials sourcing, financing and banking systems. Our company is implementing a strict compliance policy, which also covers export control and application of all the sanctions defined against Russia.

The anticipated impact of the conflict is a surge in inflationary pressure, which is already intense and is expected to be mitigated in 2022 through additional pricing and sourcing initiatives. The Company will continue to closely monitor the situation and the evolution of the conflict.

On March 15, 2022, the Group announced its plans to separate into two independent publicly traded companies:

- EssentialCo would comprise leading mono-technology businesses including Soda Ash, Peroxides, Silica and Coatis, which are reported as the Company's Chemicals segment, as well as the Special Chem business.
- SpecialtyCo would comprise the Company's currently reported Materials segment, including its high-growth, high-margin Specialty Polymers, its high-performance Composites business, as well as the majority of its Solutions segment, including Novecare, Technology Solutions, Aroma Performance, and Oil & Gas.

The transaction is subject to general market conditions and customary closing conditions, including final approval by Solvay's Board of Directors, consent of certain financing providers and shareholder approval at an extraordinary general meeting, and is expected to be completed in the second half of 2023. The Board of Directors of Solvac, Solvay's long-standing reference shareholder, has confirmed its support of Solvay's transaction.