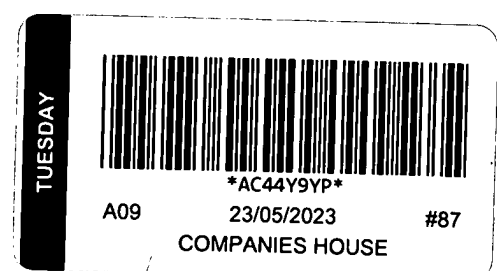


**Armacell UK Limited**

**Annual report and financial statements  
for the year ended 31 December 2021**



# **Armacell UK Limited**

## **Company information**

<b>Directors</b>	M R Barankiewicz A Holmes C Pfeiffer M Witt
<b>Registered number</b>	03729805
<b>Registered office</b>	Armacell UK Mars Street Oldham Lancashire OL9 6LY
<b>Auditor</b>	Mazars LLP Chartered Accountants and Statutory Auditor 1 St Peter's Square Manchester M2 3DE

# **Armacell UK Limited**

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# **Armacell UK Limited**

## **Strategic report for the year ended 31 December 2021**

The directors present their strategic report and the audited financial statements of Armacell UK Limited (the "company") for the year ended 31 December 2021.

### **Principal activity**

Armacell UK Limited manufactures insulation, specifically foams and rubber solutions for products for automotive, industrial and a wide range of custom applications.

### **Business review**

The company is the UK's sole manufacturer of elastomeric insulation and engineered foam products, which it distributes from its Oldham based facilities throughout the UK, north and south of Ireland. The company serves a range of key market sectors; including Drinks Industry, Insulation Wholesale, Heating and Plumbing and Refrigeration via a number of large plc groups and smaller independent customers.

Turnover in 2021 has increased by 19% to £15,209,000 from the prior year's turnover of £12,790,000 with operating loss decreasing to a loss of £830,000 from the prior year's operating loss of £865,000. This was offset by the receipt of government support such as the furlough scheme which the company took advantage of along with reduced travel and entertaining costs. There has been continued turnover recovery from the levels seen in 2020 due to the pandemic and the company has sustained this recovery throughout 2022. The increase in trade within the sector was seen across the market worldwide but saw a strong recovery throughout 2021 which continued into 2022. Turnover has not yet recovered to pre pandemic levels however there is steady growth and sales continued to increase throughout 2021 and 2022.

Due to the restrictions put in place to fight the pandemic, especially to the hospitality sector, our sales of drink industry coils have been negatively affected. Since these restrictions were lifted, we have seen some recovery within the sector. Critical infrastructure projects continued well, despite the drops in areas such as HVAC and refrigeration caused by COVID – 19. There has been a recovery within the refrigeration sector during the year which we have seen continue into 2022 however we have not seen such a strong recovery within the HVAC sector. We were able to maintain a very good relationship with our top 20 distributors. Online product training, CPD and added value projects have continued and we have also started face to face training and plant tours, both of which have been welcomed by these customers, helping to support the business in 2021 and into 2022.

On Saturday 12 December 2020 our systems detected there had been a cyber attack in the Armacell Group, headquartered in Luxembourg. This led to an immediate response including the shutdown of our network as well as temporary halt to production in our sites globally. Investigations and close cooperation with the law enforcement in Luxembourg in conjunction with EUROPOL demonstrated the initial network intrusion goes back to September 2020. The malicious party started an attack on Armacell in November 2020 which resulted in the loss and encryption of some of our data and backups. All crucial systems that enable us to produce material and deliver this to our customers resumed within 48 hours of the attack being recognised. Since the attack, the company has successfully implemented systems designed to prevent future attacks with large investments in cyber security. All IT systems are now back online and the company is back to being fully functioning after the attack.

# Armacell UK Limited

## Strategic report (continued) for the year ended 31 December 2021

### Key performance indicators ("KPIs")

The company uses a number of key financial performance indicators in assessing the performance. The key financial performance indicators used by the company are as follows:

	2021 £'000	2020 £'000	Definition, method of calculation and analysis
Turnover	15,209	12,790	Turnover value year on year.
Gross Margin	19%	17%	This is the ratio of gross profit to turnover expressed as a percentage.
Operating loss	(830)	(865)	Operating loss year on year.
Stock turnover	42 days	50 days	Ratio of year end stock to cost of sales for the year multiplied by 365 days. Stock turnover decreased due to increased turnover combined with stable stock levels and continued work improving the inventory levels.
Debtor days	50 days	45 days	Ratio of year end trade debtors to turnover for the year multiplied by 365 days. Debtor days have increased as a result of a higher percentage of business being done with larger companies who have more flexible credit terms combined with a reduction in sales.
Creditor days	27 days	26 days	Ratio of year end trade creditors to cost of sales for the year multiplied by 365 days.

The directors aim to improve these ratios on a continuing basis.

### Principal risks and uncertainties

A significant proportion of the company's raw materials and finished products are purchased from associated companies in Europe and the U.S.A. leaving the company exposed to fluctuations in exchange rates against both the Euro and US dollar. These are monitored closely and care is taken to minimise the impact on the profit and loss account.

The company holds loans receivable from and payable to fellow group undertakings denominated in either Euros or US Dollars. The interest receivable/payable on loans are also denominated in either Euros or US Dollars and are charged at fixed rate interest rates as shown in notes 18 and 19. The company also considers the interest rate risk to be minimal due to the loans receivable and payable effectively hedging each other.

The company offers credit terms to virtually all of its customers and this carries with it an inherent risk of non payment for goods and services. There is a robust system in place for credit checking all customers prior to granting credit and for credit control once the sale has been made. In this way the company tries to reduce the risk of bad debts.

This report was approved by the board on

A.S.

2023 by:

  
O. Pfeiffer  
Director

# **Armacell UK Limited**

## **Directors' report for the year ended 31 December 2021**

The directors present their report and the audited financial statements of Armacell UK Limited (the "company") for the year ended 31 December 2021.

### **Results and dividends**

The loss for the year, after taxation, amounted to £399,000 (2020:£949,000).

The directors do not recommend the payment of a dividend (2020: £nil). No interim dividend was paid during the year.

### **Going concern**

Notwithstanding a loss for the year then ended of £399,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the company will have access to sufficient funds to meet its liabilities as they fall due for that period. In coming to this conclusion, the directors have considered the following:

- The company has received confirmation from its intermediate parent, Armacell International S.A., that it does not intend to seek repayment of the amounts due at the balance sheet date, for a period of at least 12 months; and
- Based on the forecasts for the best case and the severe but plausible downside, the directors concluded that the company has sufficient funding to meet its cash flow requirements assuming no repayment of the amounts currently due to the group;

Those forecasts are dependent on the company's intermediate parent company, Armacell International S.A. both not seeking repayment of the amounts currently due to the wider group from the UK Armacell subsidiaries, which includes the company and a number of holding or management companies, and providing further funding if required. The net amount outstanding at 31 December 2021 from the UK Armacell subsidiaries is £34.1 million but as set out in note 19 the amount owed to group undertakings by the company at the same date is £159.6 million. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

### **Future developments**

The company will continue to trade in its existing markets and will look for, and take advantage of, all opportunities to increase its turnover and profitability.

# **Armacell UK Limited**

## **Directors' report (continued) for the year ended 31 December 2021**

### **Directors**

The directors who served during the year and up to the date of signing the financial statements, unless otherwise indicated, are given below:

M R Barankiewicz  
A Holmes (appointed 31 March 2023)  
G Huguen (resigned 1 April 2021)  
C Pfeiffer  
M Witt (appointed 1 April 2021)

### **Qualifying third party indemnity provisions**

A qualifying third party indemnity provision as defined by Section 232(2) of the Companies Act 2006 is in force for the benefit of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. In respect of those liabilities for which directors may not be indemnified, a directors' and officers' liability insurance policy was maintained by Armacell International Holding GmbH, a fellow group undertaking, throughout the financial year.

### **Directors' responsibilities statement**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), 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 the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Armacell UK Limited

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

#### Events after the reporting period

On the 27th October 2022, an announcement was made that in light of the recent global political and economic climate, the Armacell Group was reviewing its manufacturing footprint to ensure long term supply and development of its product and service proposition. On the 13th December 2022 the business announced that the production of its Polyethylene material along with value added processes would remain at the Oldham site but the Elastomeric production would be integrated into other Armacell Group plants across Europe. Armacell put a focus on providing high levels of service and ensuring the high quality of their product and this will continue with a wider portfolio. Armacell UK assures its customers and partners that order fulfilment, technical training and customer support will be uninterrupted and continue at the levels that they enjoy today.

#### Disclosure of information to auditor

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

#### Independent auditor

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

This report was approved by the board on

19.5. 2023 and signed on its behalf by:



C Pfeiffer  
Director



# **Independent auditor's report to the members of Armacell UK Limited**

## **Opinion**

We have audited the financial statements of Armacell UK Limited (the 'Company') for the year ended 31 December 2021 which comprise of the Profit and loss account, Statement of other comprehensive income, Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **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 FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

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

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

## **Other information**

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

## **Independent auditor's report to the members of Armacell UK Limited (continued)**

### **Other information (continued)**

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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.

### **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.

### **Matters on which we are required to report by exception**

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you 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.

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 4, 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 the financial statements.

## **Independent auditor's report to the members of Armacell UK Limited (continued)**

### **Auditor's responsibilities for the audit of the financial statements (continued)**

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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.

Based on our understanding of the company and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: employment regulation, health and safety regulation, anti-money laundering regulation, and non-compliance with implementation of government support schemes relating to COVID-19.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, revenue recognition (which we pinpointed to the cut off assertion) and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

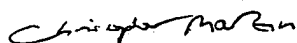
There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Independent auditor's report to the members of Armacell UK Limited (continued)**

### **Use of the audit 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.



**Christopher Martin (Senior Statutory Auditor)**  
**for and on behalf of Mazars LLP**  
**Chartered Accountants and Statutory Auditor**  
One St Peter's Square  
Manchester  
M2 3DE  
Date: 19 May 2023

## Armacell UK Limited

### Profit and loss account for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Turnover	4	15,209	12,790
Cost of sales		(12,259)	(10,643)
<b>Gross profit</b>		<b>2,950</b>	<b>2,147</b>
Administrative expenses		(3,883)	(3,526)
Other operating income	5	103	514
<b>Operating loss</b>	6	<b>(830)</b>	<b>(865)</b>
Interest receivable and similar income	10	8,463	6,788
Interest payable and similar expenses	11	(8,221)	(6,667)
Other finance income		21	15
<b>Loss before taxation</b>		<b>(567)</b>	<b>(729)</b>
Tax on loss	12	168	(220)
<b>Loss for the financial year</b>		<b>(399)</b>	<b>(949)</b>

The notes on pages 15 to 44 form part of these financial statements.

## Armacell UK Limited

### Statement of other comprehensive income for the year ended 31 December 2021

	Note	2021 £000	2020 £000
Loss for the financial year		(399)	(949)
<b>Other comprehensive income:</b>			
Actuarial gain on defined benefit schemes	24	206	141
Movement of deferred tax relating to pension liability	21	(77)	(33)
<b>Other comprehensive income for the financial year</b>		<b>129</b>	<b>108</b>
<b>Total comprehensive expense for the financial year</b>		<b>(270)</b>	<b>(841)</b>

The company's results for the year have been generated from continuing activities.

The notes on pages 15 to 44 form part of these financial statements.

**Balance sheet  
as at 31 December 2021**

	Note	2021 £000	2020 £000
<b>Fixed assets</b>			
Intangible assets	13	31	36
Tangible assets	14	3,039	3,130
Right-of-use assets	15	476	412
Investments	16	33,419	33,419
		<u>36,965</u>	<u>36,997</u>
<b>Current assets</b>			
Stocks	17	1,402	1,453
Debtors: Amounts falling due after more than one year	18	157,720	149,163
Debtors: Amounts falling due within one year	18	6,454	6,871
Cash at bank and in hand		530	1,497
		<u>166,106</u>	<u>158,984</u>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	19	(161,509)	(153,709)
<b>Net current assets</b>		<u>4,597</u>	<u>5,275</u>
<b>Total assets less current liabilities</b>		<u>41,562</u>	<u>42,272</u>
<b>Non-current liabilities</b>			
Creditors: Amounts falling due after more than one year	20	(315)	(273)
		<u>41,247</u>	<u>41,999</u>
<b>Provisions for liabilities</b>			
Deferred tax	21	(168)	(259)
		<u>(168)</u>	<u>(259)</u>
Pension asset	24	1,664	1,274
<b>Net assets</b>		<u><u>42,743</u></u>	<u><u>43,014</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	4,500	4,500
Share premium account	23	5,164	5,164
Capital contribution reserve	23	28,223	28,223
Retained earnings	23	4,856	5,127
<b>Total equity</b>		<u><u>42,743</u></u>	<u><u>43,014</u></u>

**Balance sheet (continued)  
as at 31 December 2021**

The financial statements were approved and authorised for issue by the board on *19.5.* 2023 by:



**C Pfeiffer  
Director**

The notes on pages 15 to 44 form part of these financial statements.



## Armacell UK Limited

### Statement of changes in equity for the year ended 31 December 2021

	Called up share capital	Share premium account	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2021	4,500	5,164	28,223	5,127	43,014
Loss for the financial year	-	-	-	(399)	(399)
Other comprehensive income for the financial year	-	-	-	128	128
<b>At 31 December 2021</b>	<b>4,500</b>	<b>5,164</b>	<b>28,223</b>	<b>4,856</b>	<b>42,743</b>

### Statement of changes in equity for the year ended 31 December 2020

	Called up share capital	Share premium account	Capital contribution reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
At 1 January 2020	4,500	-	28,223	5,968	38,691
Loss for the financial year	-	-	-	(949)	(949)
Other comprehensive income for the financial year	-	-	-	108	108
Shares issued during the year	-	5,164	-	-	5,164
<b>At 31 December 2020</b>	<b>4,500</b>	<b>5,164</b>	<b>28,223</b>	<b>5,127</b>	<b>43,014</b>

The notes on pages 15 to 44 form part of these financial statements.

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **1. General information**

Armacell UK Limited ("the company") manufactures insulation, specifically foams and rubber solutions for products for automotive, industrial and a wide range of custom applications. The company is a private company limited by shares and is incorporated and domiciled in England. The address of the registered office is Armacell UK, Mars Street, Oldham, Lancashire, OL9 6LY, United Kingdom.

### **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company has adopted Financial Reporting Standard 101, the Reduced Disclosure Framework ("FRS 101") in these financial statements.

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 2. Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation of financial statements

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

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment'; and
  - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation's between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for including a cash flow statement);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third statement of financial position);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, Related party disclosures (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 130(f)(ii) 130(f)(iii), 134(d)-(134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers; and

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 2. Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation of financial statements (continued)

- The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases. The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details in indebtedness relating to amounts payable after 5 years required by company law is presented separately for lease liabilities and other liabilities and in total.

The company has taken advantage of the exemptions listed above as it is a wholly owned subsidiary of Armacell Holdco Luxembourg, S.à.r.l., which prepares consolidated financial statements which are publicly available. See note 27 for further details.

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

#### 2.2 Going concern

Notwithstanding a loss for the year then ended of £399,000, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared forecasts for a period of 12 months from the date of approval of these financial statements which indicate that the company will have access to sufficient funds to meet its liabilities as they fall due for that period. In coming to this conclusion, the directors have considered the following:

- The company has received confirmation from its intermediate parent, Armacell International S.A., that it does not intend to seek repayment of the amounts due at the balance sheet date, for a period of at least 12 months; and
- Based on the forecasts for the best case and the severe but plausible downside, the directors concluded that the company has sufficient funding to meet its cash flow requirements assuming no repayment of the amounts currently due to the group;

Those forecasts are dependent on the company's intermediate parent company, Armacell International S.A. both not seeking repayment of the amounts currently due to the wider group from the UK Armacell subsidiaries, which includes the company and a number of holding or management companies, and providing further funding if required. The net amount outstanding at 31 December 2021 from the UK Armacell subsidiaries is £34.1 million but as set out in note 19 the amount owed to group undertakings by the company at the same date is £159.6 million. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

#### 2.3 Consolidation

The financial statements contain information about Armacell UK Limited as an individual company. The company is exempt under Section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the publicly available consolidated financial statements of an intermediate parent undertaking, Armacell Holdco Luxembourg, S.à.r.l., a company incorporated in Luxembourg.

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **2. Summary of significant accounting policies (continued)**

#### **2.4 New standards, amendments, IFRIC interpretations and disclosure requirements**

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2021 that have a material impact on the company's financial statements.

#### **2.5 Functional and presentational currency**

The company's functional and presentational currency is UK Pound Sterling. All financial information presented in UK Pound Sterling has been rounded to the nearest thousand.

#### **2.6 Turnover**

Turnover comprises revenue recognised by the company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts.

Revenue is recognised per IFRS 15 when the company has satisfied its performance obligation which occurs at a point in time when the customer has control of the goods.

#### **2.7 Government grants**

Government grants received on capital expenditure are initially recognised within deferred income on the company's balance sheet and are subsequently recognised in profit or loss on a systematic basis over the useful life of the related capital expenditure.

Grants for revenue expenditure have been accounted for under the accruals model and are presented as part of the profit or loss in the periods in which the expenditure is recognised.

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **2. Summary of significant accounting policies (continued)**

#### **2.8 Leases**

The company leases land, building and other equipment. Rental contracts are typically made for fixed periods of 3 - 99 years but may have extension options.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

#### **2.9 Foreign currency translation**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in profit or loss.

#### **2.10 Interest receivable**

Interest receivable is recognised in profit or loss using the effective interest method.

#### **2.11 Interest payable and similar charges**

Interest payable is charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated instrument.

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 2. Summary of significant accounting policies (continued)

#### 2.12 Taxation

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

Current or deferred taxation assets and liabilities are not discounted.

##### (i) Current tax

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

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

##### (ii) Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

**Notes to the financial statements  
for the year ended 31 December 2021**

**2. Summary of significant accounting policies (continued)**

**2.13 Intangible assets**

**(i) Licences**

Separately acquired licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 3 years.

**(ii) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 3 years.

The amortisation expense is recognised within profit or loss within administrative expenses.



# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 2. Summary of significant accounting policies (continued)

#### 2.14 Tangible assets

Tangible fixed assets are recognised at cost and subsequently stated at cost less accumulated depreciation.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 2.5% or over the period of the lease (whichever is higher)
Plant, equipment and software licences	- 5 - 33%

The carrying value of fixtures, fittings and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable as well as at the end of each reporting period. Any impairment in the value of assets below depreciated cost is charged to profit or loss.

#### 2.15 Assets under the course of construction

Assets under course of construction relate to items that are fixed assets in nature but are not yet complete. These costs are held in the balance sheet but are not depreciated. Once all the costs relating to a particular asset have been incurred and the asset is in use the asset is transferred to the relevant section within tangible fixed assets and depreciation is then applied.

#### 2.16 Investments

Investments in subsidiary undertakings are recognised and carried at cost less amounts written off.

The company reviews its investments for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be supported by their underlying assets. Any impairment in value is charged through profit or loss.

#### 2.17 Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale the first-in, first-out ("FIFO") basis is used. For goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads. Net realisable value represents the estimated amount at which stock could be realised after allowing for costs of completion and realisation.

**Notes to the financial statements  
for the year ended 31 December 2021**

**2. Summary of significant accounting policies (continued)**

**2.18 Financial instruments**

**(i) Financial assets**

*Classification*

The company classifies its financial instruments in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial instrument and the contractual terms of the cash flows.

In order for a financial asset to be classified and measured at amortised cost its contractual cash flows should be 'solely payments of principal and interest (SPPI)' on the principal amount outstanding and the financial assets should be held under a business model where cash flows result from collecting contractual cash flows. Financial assets which are debt instruments are measured at fair value through other comprehensive income where the contractual cash flows are SPPI and the assets are managed under a business model where cash flows result from both collecting contractual cash flows and selling the financial assets.

For instruments measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

The company reclassifies debt instruments when and only when its business model for managing those assets changes.

*Recognition, measurement and derecognition*

Financial assets are recognised on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit and loss ('FVTPL'), directly attributable transaction costs. A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, except for those subsequently measured at fair value through other comprehensive income ('FVTOCI'), the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in profit or loss.

For derecognition of financial assets measured at FVTOCI, any cumulative gain or loss is recognised in other comprehensive income. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 2. Summary of significant accounting policies (continued)

#### 2.18 Financial instruments (continued)

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the entity's business model for managing the asset and the cash flow characteristics of the asset. All the company's debt instruments are measured at amortised cost as the assets are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

The company's debt instruments consist of the following:

- Amounts owed by parent and fellow subsidiary undertakings
- Trade debtors and other debtors

##### *Impairment*

For trade debtors, including intercompany trade debtors, the entity applies the simplified approach permitted by IFRS 9, 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 company uses judgement in making assumptions around the risk of default and expected loss rates, based on the company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The expected loss rates are based on the payment profiles of sales over a period of 24 months before 31 December 2021 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables.

For amounts owed by parent and fellow subsidiary undertakings, the company applies the general approach to providing for expected credit losses, as prescribed by IFRS 9. The general expected credit loss model under IFRS 9 requires the calculation of '12 month expected credit losses' (losses based on defaults which are possible within 12 months of the reporting date) for financial assets, unless the asset at the reporting date is not considered to be 'low credit risk' and is deemed to have had a 'significant increase in credit risk' since the initial recognition, in which case lifetime expected credit losses should be recorded.

Management consider amounts owed by parent and fellow subsidiary undertakings to have 'low credit risk' when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the short term.

**Notes to the financial statements  
for the year ended 31 December 2021**

**2. Summary of significant accounting policies (continued)**

**2.18 Financial instruments (continued)**

**(ii) Financial liabilities**

Financial liabilities at amortised cost include borrowings and trade and other creditors. These financial instruments are initially measured at fair value, net of any transaction costs in the case of borrowings, and subsequently measured at amortised cost using the effective interest rate. Borrowings are classified as current liabilities (creditors due within one year), unless the company has an unconditional right to defer settlement of the liability for at least one year after the statement of financial position date.

Financial liabilities are derecognised when the company's obligations specified in the contract expire, are discharged or cancelled. Interest expense is recognised using the effective interest rate method

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**2.19 Employee benefit**

*Defined contribution plans*

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

*Defined benefit plans*

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 separately for each plan 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/(asset) 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/(asset).

The company also operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability or deficit. The pension scheme surplus (to the extent that is recoverable) or deficit is recognised in full. The movement in the pension scheme surplus/deficit is split between operating charges and finance items and in the statement of other comprehensive income, actuarial gains and losses.

**2.20 Share capital**

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

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### a. Critical accounting estimates and assumptions

##### (i) Impairment of non-financial assets

Impairment testing is an area involving management judgements, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate. In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters.

##### (ii) Impairment of financial assets

The company makes an estimate of the recoverable value of financial assets. When assessing impairment of financial assets, management considers factors including the current credit rating of the debtor, the aging profile of debtors and historical experience. See note 18 for the net carrying amount of the debtors and associated impairment provision.

##### (iii) Defined benefit scheme

The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate of corporate bonds. Management estimates these factors in determining the net pension asset/liability in the balance sheet. The assumptions reflect historical experience and current trends. See note 24 for the disclosures relating to the defined benefit pension scheme.

##### (iv) Leases - Estimating the incremental borrowing rate

The company cannot readily determine the interest rate implicit in the leases, therefore it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain estimates such as the credit rating. The company used incremental borrowing rates specific to each lease which ranged between 1.33% and 2.31%.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

##### b. Critical judgements in applying the entity's accounting policies

###### (i) Taxes

Determining income tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on temporary differences where it is probable that there will be taxable income against which these can be offset. See note 21 for details of deferred tax recognised.

###### (ii) Going concern

The directors make estimates on the companies ability to continue to meets its liabilities as they fall due for the coming 12 months. The directors have estimated the macroeconomic and microeconomic factors that will have an effect on the business. A plan is then put in place to mitigate those factors that can not be easily impacted by the company such as government policy or the current COVID-19 pandemic. There is also a risk of losing customers, management therefore analyses the market and reviews competitor movements to inform decisions such as price increases and reacting to customer demands in order to meet sales targets. Based on these sales targets, the directors manage the cost structure to support the business needs and the long term strategy of sales growth.

#### 4. Turnover

Turnover is derived from the sale of goods as part of the company's principal activity.

An analysis of turnover by geographical market is set out below:

	2021 £000	2020 £000
United Kingdom	14,260	10,327
Rest of Europe	949	2,458
Middle East and Africa	-	5
	<u>15,209</u>	<u>12,790</u>

#### 5. Other operating income

	2021 £000	2020 £000
Government grants	75	-
Government Coronavirus job retention scheme	28	514
	<u>103</u>	<u>514</u>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 6. Operating loss

The operating loss is stated after charging/(crediting):

	2021 £000	2020 £000
Depreciation of tangible fixed assets	399	386
Depreciation of right-of-use assets	138	203
Amortisation of intangible assets	8	6
Difference on foreign exchange	268	(169)
	<u>268</u>	<u>(169)</u>

#### 7. Auditor's remuneration

The company paid the following amounts to its auditors in respect of the audit of the financial statement and for other services provided to the company:

	2021 £000	2020 £000
Fees for the audit of the company's financial statements	34	28
	<u>34</u>	<u>28</u>

There were no non-audit services provided by the auditor.

#### 8. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £000	2020 £000
Wages and salaries	4,101	4,387
Social security costs	423	512
Cost of defined benefit scheme	242	240
Cost of defined contribution scheme	297	293
	<u>5,063</u>	<u>5,432</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Administration	49	57
Production	66	66
	<u>115</u>	<u>123</u>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 9. Directors' remuneration

The directors' emoluments were as follows:

	2021 £000	2020 £000
Directors' emoluments	82	294
Company contributions to defined contribution pension schemes	4	11
	<u>86</u>	<u>305</u>

During the year retirement benefits were accruing to 1 director (2020: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £82,000 (2020: £274,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,000 (2020: £10,000).

#### 10. Interest receivable and similar income

	2021 £000	2020 £000
Interest receivable on loans owed by group undertakings	<u>8,463</u>	<u>6,788</u>

#### 11. Interest payable and similar charges

	2021 £000	2020 £000
Interest payable on loans due to group undertakings	<u>8,221</u>	<u>6,667</u>



## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 12. Taxation

There is no current tax for the financial year ended 31 December 2021 or the prior financial year.

	2021 £000	2020 £000
<b>Deferred tax</b>		
Origination and reversal of timing differences	(30)	221
Changes to tax rates	2	(5)
Adjustments with respect of prior periods	(140)	4
<b>Total deferred tax (credit)/charge</b>	<b>(168)</b>	<b>220</b>
<b>Tax on loss</b>	<b>(168)</b>	<b>220</b>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £000	2020 £000
Loss before taxation	(567)	(729)
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(108)	(138)
<b>Effects of:</b>		
Impact of changes in tax rates	2	(5)
Exempt amounts	-	23
Adjustments in respect of prior periods	(140)	4
Deferred tax not recognised	66	281
Expenses not deductible	12	55
<b>Total tax (credit)/charge for the year</b>	<b>(168)</b>	<b>220</b>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 12. Taxation (continued)

##### Factors that may affect future tax charges

The UK Government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%. Companies with profits of £50,000 or less will continue to be taxed at 19%, which is a new small profits rate. Where taxable profits are between £50,000 and £250,000, the higher 25% rate will apply but with a marginal relief applying as profits increase.

#### 13. Intangible assets

	Computer software £000	Licences £000	Total £000
<b>Cost</b>			
At 1 January 2021	106	65	171
Transfers	3	-	3
At 31 December 2021	109	65	174
<b>Amortisation</b>			
At 1 January 2021	83	52	135
Charge for the year	6	2	8
At 31 December 2021	89	54	143
<b>Net book value</b>			
At 31 December 2021	20	11	31
At 31 December 2020	23	13	36

Capitalised licences relate to the cost of gaining a CE marking certification for manufactured products which are sold within the EEA.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 14. Tangible fixed assets

	Freehold land £000	Leasehold Improvements £000	Plant and machinery £000	Assets in the course of construction £000	Total £000
<b>Cost</b>					
At 1 January 2021	54	2,427	7,717	313	10,511
Additions	-	-	-	311	311
Transfers between classes	-	208	211	(422)	(3)
At 31 December 2021	54	2,635	7,928	202	10,819
<b>Depreciation</b>					
At 1 January 2021	-	1,451	5,930	-	7,381
Charge for the year	-	79	320	-	399
At 31 December 2021	-	1,530	6,250	-	7,780
<b>Net book value</b>					
At 31 December 2021	54	1,105	1,678	202	3,039
At 31 December 2020	54	976	1,787	313	3,130

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 15. Leases

Leased assets are presented as a separate line item in the balance sheet.

The balance sheet shows the following amounts relating to leases:

(i) Amounts recognised in the balance sheet

	2021 £000	2020 £000
<b>Right-of-use assets</b>		
Land	36	37
Buildings	112	192
Other equipment	328	183
	<u>476</u>	<u>412</u>
<b>Lease liabilities</b>		
Current	144	144
Non-current	315	273
	<u>459</u>	<u>417</u>

Additions to the right-of-use assets during the 2021 financial year were £230,000 (2020: £400,000) and disposals totalled £28,000 (2020: £484,000).

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2021 £000	2020 £000
<b>Depreciation charge of right-of-use assets</b>		
Land	1	1
Buildings	52	120
Other equipment	85	82
	<u>138</u>	<u>203</u>
<b>Interest expense</b>	<u>10</u>	<u>18</u>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 15. Leases (continued)

(iii) Future minimum finance lease payments are as follows:

	2021 £000	2020 £000
Not later than 1 year	174	136
Later than 1 year and not later than 5 years	268	225
Later than 5 years	88	89
	<hr/>	<hr/>
	530	450
Impact of finance expense	(71)	(33)
	<hr/>	<hr/>
<b>Carrying amount of liability</b>	<b>459</b>	<b>417</b>
	<hr/>	<hr/>

Total cash outflow for leases in 2021 was £151,000 (2020: £246,000).

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 16. Investments

	Investments in subsidiary companies £000
<b>Cost</b>	
At 1 January 2021	33,419
At 31 December 2021	33,419
<b>Net book value</b>	
At 31 December 2021	33,419
At 31 December 2020	33,419

In the opinion of the directors the fair value of the above investments are equivalent to or higher than the carrying amounts and no impairment charge was deemed necessary.

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Registered office	Principal activity	Class of shares	Holding
Armacell Insulation United States Holding Inc	55 Vilcom Center Dr #200, Chapel Hill, NC 27514, USA	Holding company	Ordinary	100%
Insulation United States Holdings LLC*	55 Vilcom Center Dr #200, Chapel Hill, NC 27514, USA	Holding company	Ordinary	100%
Armacell United States Holdings LLC*	55 Vilcom Center Dr #200, Chapel Hill, NC 27514, USA	Holding company	Ordinary	100%
Armacell LLC*	55 Vilcom Center Dr #200, Chapel Hill, NC 27514, USA	Manufactures, markets and distributes elastomeric and polyethylene insulation and engineered foams	Ordinary	100%

\*Undertakings are 100% held by subsidiary undertakings, rather than directly held by the company.

The company indirectly owned 49% of the ordinary share capital of Armacell Thailand Limited, a company registered in Thailand.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 17. Stocks

	2021 £000	2020 £000
Raw materials	382	210
Work in progress	132	311
Finished goods and goods for resale	888	932
	<u>1,402</u>	<u>1,453</u>

There is no significant difference between the replacement cost of the stocks and their carrying amounts.

Stocks are stated after provision for impairment of £69,000 (2020: £62,000).

The value of stock recognised as an expense was £5,930,000 (2020: £5,038,000).

#### 18. Debtors

	2021 £000	2020 £000
<b>Due after more than one year</b>		
Loans owed by group undertakings	<u>157,720</u>	<u>149,163</u>
	2021 £000	2020 £000
<b>Due within one year</b>		
Trade debtors	2,065	1,561
Amounts owed by group undertakings	4,271	5,147
Other debtors	34	33
Prepayments and contract assets	84	130
	<u>6,454</u>	<u>6,871</u>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 18. Debtors (continued)

##### *Debtors due after more than one year*

On 2 July 2013, the company provided unsecured loan notes to Ultima Acquisition GB Limited, an intermediate parent undertaking, of €2,800,000. The loan notes have a maturity date of July 2023. The accrued interest is included within debtors falling due within one year. The interest rate is fixed at 9% per annum.

No repayments were made during the year and as at 31 December 2021, the balance outstanding including accrued interest amounts to £4,153,000 (2020: £4,239,000).

During July 2013 the company provided a loan to Ultima Acquisition GB Limited of US\$119,112,000. The loan is secured, has a fixed date of repayment and a fixed interest rate of 9% per annum.

No repayments were made during the year and as at 31 December 2021, the balance outstanding including accrued interest amounts to £155,369,000 (2020: £146,647,000).

##### *Debtors due within one year*

Trade debtors are stated after provisions for impairment of £nil (2020: £20,000).

Amounts owed by group undertakings due within one year are unsecured, interest free and are repayable upon demand.

#### 19. Creditors: Amounts falling due within one year

	2021 £000	2020 £000
Loans due to group undertakings	151,354	142,655
Trade creditors	915	746
Amounts due to group undertakings	8,198	8,797
Taxation and social security	308	514
Lease liabilities (see note 15)	144	144
Other creditors	47	41
Accruals and contract liabilities	543	812
	<b>161,509</b>	<b>153,709</b>

On 1 January 2014, the company declared a dividend of \$119,112,000 to Armacell Insulation UK Holding Limited, the immediate parent undertaking. This was not settled in cash, with the amount being treated as a short term loan. The loan is unsecured, has no fixed date of repayment and a fixed interest rate of 9% per annum.

No repayments were made during the year and as at 31 December 2021, the balance outstanding including accrued interest amounts to £151,354,000 (2020: £142,655,000).

All other amounts owed to group undertakings are unsecured, interest free and have no fixed date of repayment.

Amounts and loans due to group undertakings, trade creditors, other taxation and social security, other creditors and accruals are financial liabilities measured at amortised cost.



# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 20. Creditors: Amounts falling due after more than one year

	2021 £000	2020 £000
Lease liabilities (note 15)	315	273

### 21. Deferred taxation

	2021 £000	2020 £000
At beginning of year	(259)	(6)
Credited/(charged) to profit or loss	168	(220)
Charged to other comprehensive income	(77)	(33)
<b>At end of year</b>	<b>(168)</b>	<b>(259)</b>

The deferred taxation balance is made up as follows:

	2021 £000	2020 £000
Accelerated capital allowances	283	(112)
Short term timing differences	(42)	93
Pension scheme	(416)	(243)
Leases	7	3
	<b>(168)</b>	<b>(259)</b>

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 22. Called up share capital

	2021 £000	2020 £000
<b>Authorised, allotted, called up and fully paid</b>		
4,500,002 ordinary shares of £1 each	4,500	4,500
1 ordinary share of €1	-	-
	<u>4,500</u>	<u>4,500</u>

#### 23. Reserves

##### Share premium account

The share premium account represents the difference between the par value of the shares issued and the subscription or issue price.

##### Capital contribution reserve

The capital contribution reserve is a distributable reserve into which the amounts have been transferred following a contribution from the immediate parent.

##### Retained earnings

Retained earnings represents cumulative profits or losses, net of dividends paid and other adjustments.

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 24. Pension commitments

##### *Defined contribution scheme*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £242,000 (2020: £293,000). There were no outstanding or prepaid contributions at 31 December 2021 (2020: £nil).

##### *Defined benefit scheme*

The company operates a defined benefit pension scheme, the Armacell UK Pension Scheme ("Scheme"), which provides benefits based on final pensionable pay. With effect from 31 January 2008, the trustees took the decision to cease future benefit accrual under the scheme and it will run on a closed basis.

The latest full actuarial valuation was carried out on 31 December 2019 by a qualified independent actuary.

The overall expected return on assets is calculated as the weighted average of the expected returns on each individual asset class. The expected return on equities is set taking into account expectations of future inflation, the current dividend yield and the yield on government bonds. The return on bonds is the current market yield on long term bonds. The expected return on other assets is the current interest rate set by the Bank of England.

Through its defined benefit pension plan, the company is exposed to a number of risks, the most significant of which are detailed below:

##### (i) Asset volatility

The liabilities are calculated using a discount rate set with reference to corporate bond yields; if assets under perform this yield, this will create a deficit. The Scheme holds a significant proportion of growth assets (diversified growth fund) which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short term. The allocation to growth assets is monitored such that it is suitable for the Scheme's long term objectives.

##### (ii) Changes in bond yields

A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond holdings. As noted above, the Scheme's investment in liability driven investments ("LDI") partially mitigates this risk.

##### (iii) Inflation risk

The majority of the Scheme's benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increase are in place to protect against extreme inflation). As noted above, the Scheme's investment in LDI partially mitigates this risk.

##### (iv) Life expectancy

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

# **Armacell UK Limited**

## **Notes to the financial statements for the year ended 31 December 2021**

### **24. Pension commitments (continued)**

	<b>2021 £000</b>	<b>2020 £000</b>
<b>Reconciliation of scheme assets and liabilities</b>		
At the beginning of the year	<b>1,274</b>	854
Past service cost	-	(5)
Net finance income	<b>21</b>	20
Actuarial gains	<b>206</b>	141
Contributions by employer	<b>242</b>	264
Administration costs	<b>(79)</b>	-
<b>At the end of the year</b>	<b>1,664</b>	1,274

The amounts recognised in profit and loss account are as follows:

	<b>2021 £000</b>	<b>2020 £000</b>
Net finance income	<b>21</b>	20
Past service cost	-	(5)
Administration cost	<b>(79)</b>	-

Reconciliation of scheme liabilities:

	<b>2021 £000</b>	<b>2020 £000</b>
At the beginning of the year	<b>11,056</b>	10,408
Interest expense	<b>152</b>	205
Actuarial losses	<b>106</b>	754
Past service costs	-	5
Benefits paid	<b>(330)</b>	(316)
<b>Closing defined benefit obligation</b>	<b>10,984</b>	11,056

# Armacell UK Limited

## Notes to the financial statements for the year ended 31 December 2021

### 24. Pension commitments (continued)

Reconciliation of scheme assets:

	2021 £000	2020 £000
At the beginning of the year	12,330	11,262
Interest income	173	225
Contributions by employer	242	264
Actuarial gains	312	895
Administration costs	(79)	-
Benefits paid	(330)	(316)
<b>Closing defined scheme assets</b>	<b>12,648</b>	<b>12,330</b>

The company expects to contribute £240,000 to its defined benefit pension scheme in 2022.

The major categories of scheme assets were as follows:

	2021 £000	2020 £000
Gilts and bonds (including LDIs)	3,871	4,865
Diversified growth funds	5,792	5,594
Hedge funds	2,130	1,849
Cash/net current assets	855	22
	<b>12,648</b>	<b>12,330</b>

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	2021 %	2020 %
Discount rate	1.80	1.40
Rate of inflation	2.9	2.00
Future pension increases	2.9	2.45
The mortality assumptions used were as follows (years):		
- for a male aged 60 currently	26.1	25.8
- for a female aged 60 currently	28.7	27.7
- for a male aged 60 who is currently aged 40	28	27.6
- for a female aged 60 who is currently aged 40	30.5	29.6

## Armacell UK Limited

### Notes to the financial statements for the year ended 31 December 2021

#### 24. Pension commitments (continued)

The sensitivity of the defined benefit obligation to changes in the principal assumption is:

	2021	2020
Discount rate - increased by 0.5%	(0.8)	(0.7)
Discount rate - decreased by 0.5%	0.8	0.8
Post retirement pension increase - increased by 0.25%	0.5	0.3
Post retirement pension increase - decreased by 9.25%	(0.5)	(0.3)
Demographic change - Life expectancy increased by 1 year	0.4	0.4
	<b>2021</b>	<b>2020</b>
	<b>£000</b>	<b>£000</b>
Defined benefit obligation	(10,984)	(11,056)
Scheme assets	12,648	12,330
<b>Surplus</b>	<b>1,664</b>	<b>1,274</b>
Experience adjustments on scheme liabilities	(106)	(754)
Experience adjustments on scheme assets	312	895
	<b>206</b>	<b>141</b>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years (2020: 15 years).

#### 25. Contingent liabilities

During May 2016, the company became party to two debenture agreements.

The first debenture is in respect of a security agreement entered into by Armacell Bidco Luxembourg S.à.r.l. and other group members, secured by way of a fixed charge over the right, title and interest in all equity interests and intercompany debts.

The second debenture is in respect of a security agreement entered into by Ultima Holding Limited, a fellow group member, secured by way of a fixed charge over the rights, title, interest and benefits of the company.

#### 26. Related party transactions

The company is exempt from disclosing related party transactions with companies that are wholly owned within the PAI Europe VII Finance S.à.r.l. group.

## **Armacell UK Limited**

### **Notes to the financial statements for the year ended 31 December 2021**

#### **27. Parent undertakings and controlling party**

The company's immediate parent undertaking is Armacell Insulation UK Holding Limited, a company incorporated in the United Kingdom.

The smallest group in which the result of the company are consolidated is that headed by PAI Partners S.a.r.l., 53, Boulevard Royal, L-2449 Luxembourg, GD of Luxembourg. The largest group in which the results of the company are consolidated is that headed by Neptune Holdco S.A.R.L., 53 Boulevard Royal, L-2449 Luxembourg, R.C.S. Luxembourg, B234201. The consolidated financial statements of these group are available to the public and may be obtained from Armacell International SA, 89C rue Pafbruch, West Side Village, L-8308 Capellen, GD of Luxembourg.

#### **28. Events after the reporting period**

On the 27th October 2022, an announcement was made that in light of the recent global political and economic climate, the Armacell Group was reviewing its manufacturing footprint to ensure long term supply and development of its product and service proposition. On the 13th December 2022 the business announced that the production of its Polyethylene material along with value added processes would remain at the Oldham site but the Elastomeric production would be integrated into other Armacell Group plants across Europe. Armacell put a focus on providing high levels of service and ensuring the high quality of their product and this will continue with a wider portfolio. Armacell UK assures its customers and partners that order fulfilment, technical training and customer support will be uninterrupted and continue at the levels that they enjoy today.