Arkema UK Limited

Annual report and financial statements

for the year ended 31 December 2021

Registered number: 07609424

Arkema UK Limited

Directors
X Durand-Delacre
R Massey
K Kane
N Tariq

Company secretary
K Kane

Auditors
Ernst & Young LLP
No.1 Colmore Square
Birmingham
B4 6HQ

Bankers
HSBC Bank

Registered Office
c/o Bostik Limited
Common Road
Stafford
ST16 3EH

Arkema UK Limited

Contents

Arkema UK Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report on Arkema UK Limited ("Arkema") for the year ended 31 December 2021.

Principal activities and business review

Operations.
During the financial year, the company acted as the primary distributor of Arkema group product in the U.K. as well as, from 1 January 2021, trading in the products that were previously sold by its subsidiary Lambson Limited. The company purchases Arkema Group product at arms length prices dictated by the Group's transfer pricing policy.

On 1 January 2021, the company acquired the trade and majority of the net assets of its subsidiary company, Lambson Limited, into the company and this has resulted in higher sales, margins and profits. The company acquired the trade and net assets of its subsidiary for consideration based on the net book value of the assets settled in the form of an intercompany balance which is due on demand. The company recorded the net assets transferred using the pooling of interest method based on amounts recorded in the consolidated financial statements of Arkema S.A. and as a result recognised intangible assets of £20,657,000 in respect of the Lambson customer list and a merger reserve of £16,734,000 within equity. As Lambson Limited is no longer trading, the company has impaired its investment in Lambson Limited to the remaining net asset value.

The company has elected to reflect the results of the businesses hived up through this process prospectively from 1 January 2021, the effective date of the underlying agreement, such that the comparative information reported is unchanged.

The company made a loss after tax of £41,258,000 (2020: profit of £46,000), including an exceptional write off of the investment balance of £39,911,000 and amortization in respect of the acquired customer list of £2,746,000.

The directors are satisfied with the company's performance given the impact of the hive up in 2021 and hope to see further enhancements in the trading performance in the forthcoming years.

Principal risks and uncertainties
The company now acts both as the distributor of Arkema group product in the U.K as well as the products formerly traded by Lambson Limited and so the principal risk in this respect is associated with the demand for these products and changes in the broader economic environment.

The Company has the risk of losing customers; this is managed by continued research investment and adoption of modern techniques to ensure that the Company retains its competitive advantage.

The company has a risk of disruption to its supply chain for the shipment of products from around the globe.

Arkema UK Limited

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

Financial risk management

The Directors constantly monitor the risks and uncertainties facing the Company with particular reference to the exposure to foreign currency risk, liquidity risk and credit risk. They are confident that there are suitable policies in place and there are no material risks and uncertainties which have not been considered. The Company's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade debtors and trade creditors, which arise directly from its operations. During the year no speculative trading in financial instruments was undertaken.

Foreign currency risk

The risk in USD & EUR currency fluctuation is minimised by effective foreign exchange management via spot currency purchases. The Directors will revisit the appropriateness of this policy should the exposures change significantly.

Liquidity risk

The Company has sufficient available funds for operations and planned activities. Funding comes from the parent company. The remainder of the Company's funding comes from the cash flow it generates from its operations. The current treasury agreements in place with the Arkema treasury department are reviewed and adapted annually if necessary, to meet the requirements of the Company.

Commodity price risk

The Company faces possibility of greater-than-forecast increases in raw material price and inflation and energy costs, where not all the increases are able to be passed onto customers.

Brexit

The management team continue to monitor the ongoing events related to 'Brexit' for any potential impact that this may have on the business. Management is keeping up to date with the latest developments and, where required, action plans are put in place. Management will continue to react to any further changes that could impact our ability to trade with the EU, but are happy to record that business interruptions in 2021 have not occurred as a result of Brexit.

Arkema UK Limited

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

Financial risk management (continued)

COVID-19 and Ukraine

Whilst management of the Company continue to monitor the impact of the COVID-19 pandemic and the conflict in Ukraine on the Company's financial results and cashflows, the Company continues to operate profitably, and this is expected to continue throughout 2022 and 2023

Financial key performance indicators

The Board has assessed that the following financial Key Performance Indicators (KPIs) as the most effective measures of progress towards achieving the Company's strategic objectives.

1. Revenue
2. Profit before exceptional items
3. EBITDA

The Company's revenue for the year is £96,550,000 (2020: £59,240,000). The improvement has been achieved as a result of the inclusion of the Lambson results in the company as noted above, which has contributed revenue of £28,168,000.

Profit in the business continues to be a fundamental KPI. The business continues to invest in R&D and other key activities to enable it to maintain its profitability targets. The loss in the year before the exceptional impairment of the investment was £1,347,000. The profit before depreciation and amortistaion (EBITDA) was £1,636,000

Arkema UK Limited

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

Reporting under s172(1) of the Companies Act 2006
The directors are required to report on the matters set out in sections 172(1) (a) to (f) of the Companies Act 2006 in respect of the way in which the directors undertake their decision making processes so that the company acts in an ethical manner that is mutually beneficial to all the interested stakeholders of the company.

The company is a member of the Arkema Group, a global material company with sales in excess of €9 billion and employing over 20,000 people. As a wholly-owned subsidiary of the Arkema Group, the company therefore has only has a sole member and the company provides regular updates on the company's performance through its regular reporting lines.

The Arkema Group of companies has strong ethical standards that are shared amongst all the companies that make up the group. These cover all aspects of the business including, but not limited to, protecting the environment and sustainability, ensuring compliance with both legal and international laws and fair and equal treatment of staff.

The directors of the company follow these policies when making decisions that impact the company.

The directors aim to maximise the profit of the company by ensuring that decisions made are both ethical and are made in good faith whilst not taking a disproportionate level of risk. Structures are in place to escalate issues to Group and this is complied with by the directors, again, to minimise risk.

The directors recognise that customers are key to the success of the business and our dealings with them are transparent, consistent and fair. We place great emphasis on ensuring that our dealings are compliant with legislation and that customers also adhere to these principles.

The principal decision that the directors of the company have made in the year relates to the acquisition of the trade and assets acquired on 1 January 2021 of Lambson Limited.

On behalf of the board
DocuSigned by:
Robert Massey
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R Massey
Director

29th September 2022

Arkema UK Limited

Directors' report for the year ended 31 December 2021

The directors present their report and the audited financial statements of the company for the year ended 31 December 2021. These accounts are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Dividends
The directors do not recommend the payment of a dividend (2020: £nil).

Directors
The directors of the company who held office during and after the year were as follows:

P Martinez-Merello (resigned 14 December 2021)
F Hall (resigned 24 February 2022)
S Maillard (resigned 14 December 2021)
R Massey
K Kane (appointed 14 December 2021)
X Durand-Delacre (appointed 14 December 2021)
N Tariq (appointed 7 March 2022)
In accordance with the articles of association, no directors retire by rotation.

Future developments
The future developments of the company are discussed in the strategic report.

Going concern
The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The company is part of the Intra Group Treasury Agreement, with Arkema France. Arkema France has confirmed that the company has available funding of £25,000,000 through this group facility and as at 31 August 2022 the company has an overdrawn balance of £6,398,000. Arkema France has confirmed that this funding level will be available for a period until 31 December 2023. The company has also obtained a confirmation from its subsidiary that the company's intercompany liability of £16m that relates to the hive up transaction will not be required to be repaid until 31 December 2023.

In assessing the going concern position of the company for the year ended 31 December 2021, the Directors have considered the company's cash flows, liquidity and likely business activities over a period until at least 31 December 2023.

The Company expects to be cash generative over this period. The Directors consider that the Company has access to sufficient resources, as set out above, to meet its obligations. This includes the downsides scenarios that have been applied by the Directors in their assessment of going concern. The directors have also considered a reverse stress test to identify the downside sensitivity assumptions which would need to arise in order for the business to need additional funding to continue in operation. Having identified and considered these assumptions, and after taking into consideration potential mitigating actions that the directors could take, including right sizing the cost base to reflect the potential trading downturn and the deferral of non-contractual payments, the directors have concluded that such a scenario is not plausible. For this reason, the directors continue to adopt the going concern basis for the preparation of the financial statements.

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

Streamlined Energy and Carbon Reporting (SECR)

The Company is required to report its annual greenhouse gas emissions pursuant to the Directors' Report and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("Regulations"). The 2018 regulations, known as Streamlined Energy and Carbon Reporting (SECR) came into effect on 1 April 2019 and the Company is required to report the emissions and energy consumption on an ongoing basis.

Following location-based methodology, 164.6 MWh of scope 2 energy was consumed in relation to the Company's UK premises, resulting in 35,000 kg CO2. The scope 2 energy usage was obtained from meter readings from the site and the conversion factors that have been applied have been a combination of those advised by the utility provider and Enablon.

The intensity measure, calculated in relation to the average number of employees is 1,000 kg CO2 per employee.

During the year steps were taken to lower energy consumption. The company monitors the usage of energy within the office environment in order to minimise costs and CO2 emissions. The Company aims to lower this where possible in future.

This is the first year that the company has been required to include the details above as previously the company was exempt from SECR reporting as the directors consider that the company's usage within the UK fell below 40,000 kilowatt-hours (kWh) of energy. This calculation indicated the company qualified as a low energy user and as a result was not required to made disclosures in respect of energy and carbon information. The company had no UK site and so had no gas or electricity usage. There were no dedicated employees and so there was no carbon footprint for employee related costs. This has altered in 2021 following the acquisition of Lambson Limited's trade and assets.

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

Statement of directors' responsibilities
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 the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and Company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and Directors' report, that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Independent auditors

The independent auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

By order of the board

DocuSigned by:

Robert Massey

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R Massey
Director

29th September 2022

Arkema UK Limited

Independent auditors' report to the members of Arkema UK Limited

Opinion

We have audited the financial statements of Arkema UK Limited for the year ended 31 December 2021 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 20, 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 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 until 31 December 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 this 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 the 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 directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or 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 5, 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.

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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.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation and employee legislation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations.
- We understood how the Company is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and by assuming revenue to be a fraud risk. We identified revenue cut-off as a specific revenue recognition risk and we tested transactions backing to source documentation, ensuring appropriate authorisation of the transactions without issue.
- Based on our understanding we designed our audit procedures to identify non-compliance with these laws and regulations. Our procedures included verifying that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through our inquiry with no indication of non-compliance identified.

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

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.

Ernst & Young LLP

Andrew Merrick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, UK
Date: 29 September 2022

Arkema UK Limited

Income statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	3	**96,550**	59,240
Cost of sales		**(90,091)**	(58,211)
Gross profit		**6,459**	1,029
Administrative expenses		**(6,155)**	(553)
Distribution expenses		**(737)**	(375)
Operating (loss) / profit	4	**(433)**	101
Impairment of investment in subsidiaries		**(39,911)**	-
Finance costs	5	**(18)**	(61)
(Loss) / profit on ordinary activities before income tax		**(40,362)**	40
Tax on (loss) / profit on ordinary activities	8	**(896)**	6
(Loss) / profit for the financial year from ordinary activities		**(41,258)**	46

The results for the year ended 31 December 2021 include amounts related to the Lambson Limited trade acquired on 1 January 2021. An indication of the impact of this trade on the result for the year is included in note 10.

Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
(Loss) / profit for the year		**(41,258)**	46
Total comprehensive income for the year		**(41,258)**	46

Arkema UK Limited

Statement of financial position as at 31 December 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	9	**17,053**	56,964
Intangible fixed assets	10	**18,932**	-
Tangible fixed assets	11	**895**	-
		36,880	56,964
Current assets			
Inventories	12	**16,674**	2,647
Trade and other receivables	13	**17,201**	14,782
Cash and cash equivalents		**756**	261
		34,631	17,690
Creditors: amounts falling due within one year	14	**(40,643)**	(23,633)
Net current liabilities		**(6,012)**	(5,943)
Total assets less current liabilities		**30,868**	51,021
Provisions for liabilities and charges	15	**(4,371)**	-
Net Assets		**26,497**	51,021
Capital and reserves			
Called up share capital	16	**58,165**	58,165
Merger reserve	17	**16,734**	-
Profit and loss account		**(48,402)**	(7,144)
Total shareholders' funds		**26,497**	51,021

The financial statements on pages 12 to 31 were approved by the board of directors on 29th September 2022 and were signed on its behalf by:

DocuSigned by:

Robert Massey

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R Massey
Director

Registered number: 07609424

Arkema UK Limited

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

	Called up share capital £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2020	58,165	-	(7,190)	50,975
Profit for the year	-	-	46	46
Total comprehensive expenditure for the year	**-**	**-**	**46**	**46**
At 31 December 2020	**58,165**		**(7,144)**	**51,021**
Loss for the year	-	-	(41,258)	(41,258)
Total comprehensive income for the year	**-**	**-**	**(41,258)**	**(41,258)**
Merger reserve created upon hive up	-	16,734	-	16,734
At 31 December 2021	**58,165**	**16,734**	**(48,402)**	**26,497**

Arkema UK Limited

Notes to the financial statements

General information

The principal activity of the company was to trade as the UK sales subsidiary for Arkema SA products and is expected to remain so for the foreseeable future. The company is subsidiary of Arkema Europe SA and incorporated and domiciled in the UK. The address of its registered office is c/o Bostik Limited, Common Road, Stafford, ST16 3 EH.

1. 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.

Basis of preparation
The financial statements are presented in Sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention. The principal accounting policies applied in the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006 (the Act). FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The financial statements have been prepared under the historical cost accounting rules.

The Company is a qualifying entity for the purposes of FRS 101. Note 19 gives details of the Company's ultimate parent and from where it's consolidated financial statements prepared in accordance with IFRS may be obtained.

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 7 financial instrument disclosures;
- IFRS 13 fair value disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company has no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1), property, plant and equipment (IAS 16).

Arkema UK Limited

Notes to the financial statements

1. Summary of significant accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate.

The company is part of the Intra Group Treasury Agreement, with Arkema France. Arkema France has confirmed that the company has available funding of £25,000,000 through this group facility and as at 31 August 2022 the company has an overdrawn balance of £6,398,000.

Arkema France has confirmed that this funding level will be available for a period until 31 December 2023. The company has also obtained a confirmation from its subsidiary that the company's intercompany liability of £16m that relates to the hive up transaction will not be required to be repaid until 31 December 2023.

In assessing the going concern position of the company for the year ended 31 December 2021, the Directors have considered the company's cash flows, liquidity and likely business activities over a period until at least 31 December 2023.

The Company expects to be cash generative over this period. The Directors consider that the Company has access to sufficient resources, as set out above, to meet its obligations. This includes the downsides scenarios that have been applied by the Directors in their assessment of going concern.

The directors have also considered a reverse stress test to identify the downside sensitivity assumptions which would need to arise in order for the business to need additional funding to continue in operation. Having identified and considered these assumptions, and after taking into consideration potential mitigating actions that the directors could take, including right sizing the cost base to reflect the potential trading downturn and the deferral of non-contractual payments, the directors have concluded that such a scenario is not plausible.

For this reason, the directors continue to adopt the going concern basis for the preparation of the financial statements.

Investments

Investments are recorded at the cost of acquisition less any amount by which the directors believe that the investment has been impaired by. Any impairment will be charged to the income statement.

Foreign currencies

The functional and presentational currency of the company is Sterling. Transactions denominated in foreign currencies are recorded in Sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange prevailing at that date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

1. Summary of significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated on a straight–line basis over the expected useful lives of the assets as follows:

Freehold and leasehold buildings	–	20–40 years
Plant and machinery	–	5–25 years
Office and lab equipment	–	5–10 years

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the income statement in the period of de-recognition.

Provisions
Provisions are recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are discounted if material.

Inventories
Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Cost is based on:

Raw materials and consumables	–	purchase cost on a first–in, first–out basis
Finished goods	–	cost of direct materials and labour, plus a proportion of manufacturing overheads based on normal levels of activity

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Arkema UK Limited

Notes to the financial statements

1. Summary of significant accounting policies (continued)

Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services provided in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Financial instruments - assets

The Company's financial instruments comprise cash at bank and currency account balances held with the parent undertaking as well as debtors, creditors and prepayments. Within the scope of IFRS9 these financial instruments are measured at amortised cost, and are non–derivative Financial instruments are initially recognised at fair value, net of transaction costs incurred and are subsequently held at amortised cost.

Exceptional items

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

1. Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities within the scope of IFRS9 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the statement of financial position bank overdrafts are shown in current liabilities.

Pensions and other post–employment benefits

The Company operated defined contribution pension plans for some of its employees until they were transferred as part of the sale of the trade and assets of the business. The company now has no employees.

For defined contribution plans, the company paid contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions were recognised as employee benefit expense when they became due.

Leases as a Lessee

Assets held under a lease, which transfers to the Company substantially all the risks and benefits associated with ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised as for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under a finance lease are depreciated over the shorter of the estimated useful life of the asset and the lease term.

The company has applied the short term lease exemption for leases less than 12 months and the lease of low-value assets exemption for leases considered to be for low value assets. These are recognised on a straight-line basis over the lease term.

Revenue recognition

Revenue from the sale of goods is recognised when the company satisfies an identified performance obligation by transferring promised goods to the customer. Goods are generally considered to be transferred when the customer obtains the control of the goods. Control means that the customer can direct the use of and obtain benefit from the goods and also prevent others directing the use of and receiving the benefits from the goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes.

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Notes to the financial statements

1. Summary of significant accounting policies (continued)

Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions; When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment. Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

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Notes to the financial statements

1. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Operating intangible assets are acquired in the ordinary course of business and typically include computer software. Non-operating intangible assets acquired in a business combination such as brands, patents and customer relationships with cost deemed to be their fair value at the date of acquisition. Following initial recognition, they are carried at cost less any accumulated amortisation and accumulated impairment losses.

Goodwill is not amortised. Other intangible assets are amortised over their estimated useful economic lives. Estimated useful economic lives and amortisation rates are as follows: Customer relationships - 10 years straight-line.

2 Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Inventory provisioning
The company designs, manufactures and sells adhesives, sealants and other chemicals and is subject to changing industry and consumer demands. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required.

When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials.

Impairment of trade receivables
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables on an expected credit loss basis, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

Valuation of intangibles

The company is required to test its intangible assets for impairment if indicators of impairment exist. The recoverable amount of the CGUs has been based on a value in use calculation. The Lambson division comprises the CGU. This uses cash flow projections included in the most recent budget, which has been approved and reflects management's expectations of revenue growth and operating costs and margin.

Arkema UK Limited

Notes to the financial statements

3 Revenue

The company's turnover arises primarily from its principal activity of the sale of industrial chemicals to manufacturers. An analysis of revenue by geographical market of the customer is given below:

	2021	2020
	£000	£000
United Kingdom	**74,019**	59,057
Rest of Europe	**15,342**	183
North America	**5,657**	-
Rest of world	**1,532**	-
	96,550	59,240

4 Operating (loss) / profit

(Loss) / profit on ordinary activities before taxation is stated after charging:

	2021	2020
	£'000	£'000
Auditors' remuneration	**61**	41
Research & development	**938**	-
Depreciation	**72**	-
Amortisation	**2,911**	-
Foreign exchange losses	**46**	2
Rental - other rental charges	**8**	-

5 Finance costs

	2021	2020
	£'000	£'000
Interest on inter group debt	**(18)**	(61)
	(18)	(61)

Arkema UK Limited

Notes to the financial statements

6 Staff numbers and costs and remuneration of directors

The average monthly number of persons employed by the company (including directors) during the year was 31. These employees are engaged in the trade transferred from Lambson and there are no employees directly in respect of the ongoing Arkema product distribution business employed by the company in either the current or prior year.

Aggregate payroll costs are included in arriving at the net amount shown in other operating income (note 4). The aggregate payroll costs of these persons were as follows:

	2021	2020
	£'000	£'000
Wages and salaries	**1,585**	-
Social security costs	**187**	-
Defined contribution pension costs	**87**	-
	1,859	-

7. Directors' remuneration

	2021	2020
	£'000	£'000
Directors' emoluments	**286**	-
Company contribution to defined benefit pension scheme	-	-
	286	-

No comparative figures are recognised as the only director that was reimbursed by the company did not join the board of directors until 14 December 2020.

All other directors in 2021 and 2020 were remunerated by other group companies; the services of all the directors to the company is considered inconsequential to their wider group roles.

During the year retirement benefits were accruing to 1 director in respect of defined contribution pension schemes.

The highest paid director received total remuneration of £285,800

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £nil.

Arkema UK Limited

Notes to the financial statements

8. Tax on (loss) / profit on ordinary activities

	2021 £'000	2020 £'000
Current tax arising in the year	**432**	9
Adjustment in respect of prior years	**(5)**	8
Total current tax	**427**	17
Deferred tax:	**497**	(23)
Adjustment in respect of prior years	**(28)**	-
Total deferred tax	**469**	(23)
Total tax charge / (credit)	**896**	(6)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19.00% (2020: 19.00%). The actual tax credit for the year is higher (2020: lower) than the standard rate for the reasons set out in the following reconciliation:

	2021 £'000	2020 £'000
(Loss) / profit before tax	**(40,362)**	40
Tax on profit on ordinary activities at standard rate	**(7,669)**	8
Factors affecting charge for the year:		
Change in deferred tax rate	**935**	(2)
Amounts not subject to tax	**7,606**	-
Adjustments in respect of prior years	**(33)**	8
Non-qualifying expenditure	**-**	1
Other reconciling items	**57**	-
Unrecognised deferred tax	**-**	(21)
Total tax charge/(credit) for the year	**896**	(6)

The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25% from 19%, which is due to be effective from 1 April 2023. These changes were substantively enacted at the balance sheet date and hence have been reflected in the measurement of deferred tax balances at the period end dependant on the expected date of reversal (2019: 19%).

8. Tax on (loss) / profit on ordinary activities (continued)

The recognised deferred tax position is constituted as follows:

	2021	2020
	£'000	£'000
Intangible assets	**(4,311)**	-
Depreciation in excess of capital allowances	**(60)**	23
Recognised deferred tax	**(4,371)**	23

The unrecognised deferred tax asset is constituted as follows:

	2021	2020
	£'000	£'000
Short term provisions	**106**	81
Unrecognised deferred tax	**106**	81

The amount is unrecognised as it relates to capital losses which the company is uncertain of the date of use.

Reconciliation of deferred tax

	2021	2020
	£'000	£'000
At 1 January	**23**	-
Recognised on hive up of subsidiary (note 11)	**(3,925)**	23
Recognised in income statement	**(469)**	
At 31 December	**(4,371)**	23

Arkema UK Limited

Notes to the financial statements

9. Investments

	Shares in subsidiary undertakings	Total
	£'000	£'000
Cost		
At 1 January 2021 and 31 December 2021	**56,964**	**56,964**
Impairment		
At 1 January 2021	-	-
Impairment charge	(39,911)	(39.911)
31 December 2021	**(39,911)**	**(39,911)**
Net book amount		
At 31 December 2021	**17,053**	**17,053**
At 31 December 2020	56,964	56,964

Name	Principal activities	Country of registration	Class of share held	Proportion
Lambson Limited	Non-trading – previously manufacture and sale of adhesives	England	Ordinary	100%

At 31 December 2021, the registered office of the company is: Clifford House, York Road, Wetherby, West Yorkshire, LS22 7NS. Refer to Note 10 for changes in the year involving the company.

Following the acquisition by the Company of the trade and the majority of the net assets of Lambson Limited, as described in note 10, the investment in Lambson has been impaired down to an amount equal to the remaining net asset value of Lambson.

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Notes to the financial statements

10. Intangible assets

	Intangible - Customer list £'000	Other intangible assets £'000	Total £'000
Cost			
At 1 January 2021	-	-	-
Acquired upon business hive up	20,657	732	21,389
Additions	-	454	454
At 31 December 2021	**20,657**	**1,186**	**21,843**
Amortisation			
At 1 January 2021	-	-	-
Amortisation	(2,746)	(165)	(2,911)
At 31 December 2021	**(2,746)**	**(165)**	**(2,911)**
Net book amount			
At 31 December 2021	**17,911**	**1,021**	**18,932**
At 31 December 2020	-	-	-

On 1 January 2021, the company acquired through a hive up the trade and majority of the net assets of its subsidiary company, Lambson Limited, into the company and this has resulted in higher sales, margins and profits. The company acquiring the trade and net assets of its subsidiary for consideration of £16,077,000 based on the net book value of the assets settled in the form of an intercompany balance due on demand. The company recorded the net assets transferred based on amounts recorded in the consolidated financial statements of Arkema S.A. adjusted to reflect the outcome of an impairment assessment the results of which eliminated goodwill recorded at a Arkema level where it is assessed for impairment based on a cash generating unit which includes activities outside of those previously undertaken by Lambson and transferred to the company. As a result the company has recognised an intangible asset related to the Lambson customer list of £20,657,000 and a merger reserve of £16,734,000 within equity.

During the year ended 31 December 2021, the business transferred from Lambson has generated turnover of £26,188,000, gross profit of £2,772,000 and an operating loss of £227,000 after charging amortization in respect of its customer list of £2,746,000.

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Notes to the financial statements

10. Intangible assets (continued)

As permitted under FRS101 the company has elected to record the carrying value of the underlying assets and liabilities acquired via the hive across using the pooling of interest method at amounts equal to those stated in the consolidated accounts of the parent entity, Arkema SA, in respect of the same assets and liabilities. The resulting difference from the hived up entities being accounted for as a merger reserve within equity. Refer to the table below for further information.

	Hive up
	£'000
Intangible assets – software	**732**
Intangible – customer list	**20,657**
Fixed assets	**932**
Trade and other receivables	**7,242**
Inventory	**2,890**
Cash	**7,207**
Liabilities	**(2,924)**
Deferred tax	**(3,925)**
Net assets acquired	**32,811**
Consideration (in the form of an intercompany balance payable on demand)	**16,077**
Merger reserve	**16,734**

11. Tangible assets

	Property, plant and equipment £'000	Total £'000
Cost		
At 1 January 2021	-	-
Acquired upon business hive up	932	932
Additions	35	35
At 31 December 2021	**967**	**967**
Amortisation		
At 1 January 2021	-	-
Depreciation	(72)	(72)
At 31 December 2021	**(72)**	**(72)**
Net book amount		
At 31 December 2021	**895**	**895**
At 31 December 2020	-	-

12. Inventory

	2021 £'000	2020 £'000
Finished goods and goods for resale	**16,674**	2,647
	16,674	2,647

In the opinion of the directors there is no significant difference between the replacement cost of stocks and their value above. Stocks are stated after provisions for impairment of £156,000 (2020: £nil).

Arkema UK Limited

Notes to the financial statements

13. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**11,489**	14,416
Corporation tax	**157**	-
Amount due from Group Relief	**171**	171
Amounts due from Group undertakings	**4,730**	-
Deferred tax	**-**	23
Prepayments and accrued income	**654**	172
	17,201	14,782

14. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	**11,983**	40
Amounts due to group undertakings	**26,992**	23,225
Other creditors	**1,668**	368
	40,643	23,633

Included in amounts due to group undertakings is £2,543,000 (2020: £12,014,000) on which interest is charged at LIBOR +0.60% per annum. All amounts due to group undertakings are unsecured and repayable on demand.

15. Provisions for liabilities and charges

	2021 £'000	2020 £'000
Deferred tax	**4,371**	-
	4,371	-

16. Share capital

	2021 £	2020 £
Allotted and fully paid		
7,000,000 ordinary shares of €1 each	**6,165**	6,165
52,000,000 ordinary shares of £1 each	**52,000**	52,000
	58,165	58,165

17. Merger reserve

On 1 January 2021, as part of a hive-up the trade and assets of certain of the company's subsidiaries were transferred to the company for consideration based on book values.

The company adopted the pooling-of-interest method under which the net assets acquired were recorded at amounts equal to those used for the same net assets in Arkema SA consolidated financial statements. As set out in note 10, this gives rise to a difference compared to the consideration paid of £16,734,000 which has been recognised in the merger reserve.

18. Capital management, financial risk management objectives and policies

An explanation of the Company's financial instrument risk management objectives, policies and strategies is set out in the directors' report.

The directors consider that the Company has minimal sensitivity to interest rate and foreign currency risk and hence have not presented sensitivity analysis.

The primary objectives of the Company's capital management are to ensure that the Company maintains strong credit ratings, manages its cash flow and debtors and maintains healthy capital ratios in order to support its business and to maximise shareholders' value, in conjunction with Arkema SA Group treasury.

19. Ultimate parent company and controlling party

The company's immediate parent undertaking is Arkema Participations (formerly Arkema Europe), a company incorporated in France. Its registered office is at 420 rue d'Estienne d'Orves, 92700 Colombes, registered with the Nanterre Register of Companies, registration number 319 632 790 R.C.S.

In the directors' opinion the company's ultimate parent undertaking and controlling party (and the smallest and largest group to consolidate these financial statements) is Arkema SA, a company incorporated in France. Its registered office and the address from which consolidated group financial statements can be obtained is at 420 rue d'Estienne d'Orves, 92700 Colombes, registered with the Nanterre Register of Companies, registration number 445 074 685 R.C.S.