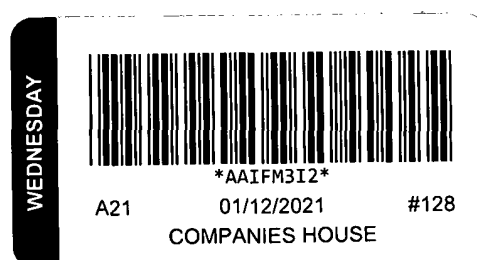


**Arkema UK Limited (formerly Arkema
Coating Resins Limited)**

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

Registered number: 07609424



Arkema UK Limited

Directors

P Martinez-Merello

R Massey

S Maillard

F Hall

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 (formerly Arkema Coating Resins Limited)

Contents

Strategic report for the year ended 31 December 2020	1
Directors' report for the year ended 31 December 2020	3
Independent auditors' report to the members of Arkema UK Limited	6
Income statement for the year ended 31 December 2020	9
Statement of comprehensive income for the year ended 31 December 2020	9
Statement of financial position as at 31 December 2020	10
Statement of changes in equity for the year ended 31 December 2020	11
Notes to the financial statements for the year ended 31 December 2020	12

Arkema UK Limited

Strategic report for the year ended 31 December 2020

The directors present their strategic report on Arkema UK Limited ("Arkema") – formerly Arkema Coatings Resins Limited for the year ended 31 December 2020. The company changed its name on 18 December 2020.

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. The company purchases Arkema Group product at arms length prices dictated by the Group's transfer pricing policy. It is anticipated that this will form the basis of the ongoing business of the company for the foreseeable future.

The company made a profit after tax of £46,000 (2019: loss of £954,000)

Principal risks and uncertainties

Since the cessation of the contract with Polynt in 2019, the company has acted as the distributor of Arkema group product in the U.K. and so the principal risk in this respect is associated with the demand for Arkema group product and the broader economic environment.

The potential impact of Brexit on the day to day operations was minimised due to the actions taken by the company in year leading up to 31 December 2020. Although a trade deal was agreed prior to the exit of the United Kingdom from the European Union, the company was well placed to be able to continue to trade as a consequence of the actions taken to ensure the continuity of supply of goods.

Management of the company are closely monitoring the continued impact of the COVID-19 pandemic on the 2021 financial results and cashflows. The most significant impact on our financial results and cashflows resulting from COVID-19 is driven by customer shutdowns in certain industries, however the results of 2020 show that the company has minimized its losses.

Financial risk management

The directors constantly monitor the risks and uncertainties facing the company.

The main financial risk is exchange rate fluctuations and, in conjunction with the central treasury team, the impact of exchange rate fluctuations is minimised by actively hedging the net foreign currency exposures using the Group treasury facilities.

Subsequent events & future developments

On 1 January 2021, the company acquired the trade and assets of its wholly owned subsidiary, Lambson Limited, for a consideration equal to the value of the acquired assets at 1 January 2021. Consideration is in the form of an intercompany payable. The company will account for this transaction in the next financial year.

Due to this transaction, in 2021 the company expects an increase in its revenue and profit.

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Strategic report for the year ended 31 December 2020 (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 €8 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 planning for the acquisition of the subsidiary company's assets on 1 January 2021 and the subsequent utilisation of the trade and assets acquired.

On behalf of the board



R. Massey
Director

23 November 2021

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Directors' report for the year ended 31 December 2020

The directors present their report and the audited financial statements of the company for the year ended 31 December 2020. 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 (2019: £nil).

Directors

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

P Martinez-Merello
X Aumonier (resigned 14 December 2020)
G Dee (resigned 20 November 2020)
M Martin (resigned 14 December 2020)
F Hall (appointed 14 December 2020)
S Maillard (appointed 14 December 2020)
R Massey (appointed 14 December 2020)

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 £15,000,000 through this group facility and as at 31 October 2021 the company has an overdrawn balance of £4,015,000

Arkema France has confirmed that this funding level will be available for a period until at least 31 December 2022.

The company has also obtained assurance that the intercompany amount which arose from the purchase of the subsidiary's trade and assets will not be required to be repaid until at least 31 December 2022.

In assessing the going concern position of the company for the year ended 31 December 2020, the Directors have considered the company's cash flows, liquidity and likely business activities over a period until at least 31 December 2022.

In making their assessment, the Directors have considered the potential direct and indirect impact of Covid-19 on the cash flows and liquidity of the company, as well as the steps taken to preserve cash within the business. 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.

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Directors' report for the year ended 31 December 2020 (continued)

Going concern (continued)

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.

Streamlined Energy and Carbon Reporting (SECR)

The company is exempt from SECR reporting as the directors consider that the company's usage within the UK falls below 40,000 kilowatt-hours (kWh) of energy. This calculation indicates the company qualifies as a low energy user and as a result is not required to make disclosures in respect of energy and carbon information. The company has no UK site and so has no gas or electricity usage. There are no dedicated employees and so there is no carbon footprint for employee related costs.

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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Directors' report for the year ended 31 December 2020 (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors

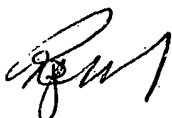
The independent auditors, Ernst & Young LLP, have indicated their willingness to continue in office.

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



R Massey
Director

23

November 2021

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Independent auditors' report to the members of Arkema Coatings Resins Limited

Opinion

We have audited the financial statements of Arkema UK Limited (formerly Arkema Coating Resins Limited) for the year ended 31 December 2020 which comprise the Income statement, the Balance Sheet, the Statement of comprehensive income, the Statement of changes in equity and the related notes 1 to 18, 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 2020 and of its profit 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 2022 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. 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.

Arkema UK Limited (formerly Arkema Coating Resins Limited)

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 there is 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.

Arkema UK Limited (formerly Arkema Coating Resins Limited)

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.


Our approach was as follows:

- 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 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 102 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.


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

24 November 2024

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Income statement for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	3	59,240	45,853
Cost of sales		(58,211)	(45,092)
Gross profit		1,029	761
Administrative expenses		(553)	(1,466)
Distribution expenses		(375)	(243)
Operating profit / (loss)	4	101	(948)
Finance costs	6	(61)	(60)
Profit / (loss) on ordinary activities before income tax		40	(1,008)
Tax on profit/(loss) on ordinary activities	8	6	176
Profit / (loss) from continued operations		46	(832)
Profit / (loss) from discontinued operations	5	-	(122)
Profit / (loss) for the financial year from ordinary activities		46	(954)

Statement of comprehensive income for the year ended 31 December 2020

	Note	2020 £'000	2019 £'000
Profit / (loss) for the year		46	(954)
Total comprehensive income / expenditure for the year		46	(954)

Arkema UK Limited (formerly Arkema Coating Resins Limited)

Statement of financial position as at 31 December 2020

	Note	2020 £'000	2019 £'000
Fixed assets			
Investments	9	56,964	57,139
		56,964	57,139
Current assets			
Inventories	10	2,647	2,050
Trade and other receivables	11	14,782	11,384
Cash and cash equivalents		261	522
		17,690	13,956
Creditors: amounts falling due within one year	12	(23,633)	(19,998)
Net current liabilities		(5,943)	(6,042)
Total assets less current liabilities		51,021	51,097
Provisions for liabilities	13	-	(122)
Net Assets		51,021	50,975
Capital and reserves			
Called up share capital	14	58,165	58,165
Profit and loss account		(7,144)	(7,190)
Total shareholders' funds		51,021	50,975

The financial statements on pages 9 to 25 were approved by the board of directors on 23 November 2021 and were signed on its behalf by:


R. Massey
Director

Registered number: 07609424

Arkema UK Limited (formerly Arkema Coating Resins Limited)

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

	Called up share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2019	6,165	(6,236)	(71)
Share issue	52,000	-	52,000
Loss for the year	-	(954)	(954)
Total comprehensive expenditure for the year	-	(954)	(954)
At 31 December 2019	58,165	(7,190)	(50,975)
Profit for the year	-	46	46
Total comprehensive income for the year	-	46	46
At 31 December 2020	58,165	(7,144)	51,021

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 18 gives details of the Company's ultimate parent and from where its 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 £15,000,000 through this group facility and as at 31 October 2021 the company has an overdrawn balance of £4,015,000

Arkema France has confirmed that this funding level will be available for a period until at least 30 September 2022.

The company has also obtained assurance that the intercompany amount which arose from the purchase of the subsidiary's trade and assets will not be required to be repaid until at least 31 December 2022

In assessing the going concern position of the company for the year ended 31 December 2020, the Directors have considered the company's cash flows, liquidity and likely business activities over a period until at least 30 December 2022.

In making their assessment, the Directors have considered the potential direct and indirect impact of Covid-19 on the cash flows and liquidity of the company, as well as the steps taken to preserve cash within the business. 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.

Arkema UK Limited

Notes to the financial statements

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.

1. Summary of significant accounting policies (continued)

Arkema UK Limited

Notes to the financial statements

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.

Arkema UK Limited

Notes to the financial statements

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.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases. Rentals payable are charges to the income statement on a straight-line basis over the lease term. The company sold all its remaining leases in the period and has therefore not applied IFRS16.

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.

Arkema UK Limited

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.

Arkema UK Limited

Notes to the financial statements

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.

3 Revenue

The company's turnover arises primarily from its principal activity of the sale of industrial chemicals to manufacturers in the UK.

An analysis of revenue by geographical market of the customer is given below:

	2020 £000	2019 £000
United Kingdom	59,057	45,853
Rest of Europe	183	-
	59,240	45,853

4 Operating profit / loss

Profit / (loss) on ordinary activities before taxation is stated after charging:

	2020 £'000	2019 £'000
Auditors' remuneration	41	54
Rental - Hire of plant and machinery	-	26

Arkema UK Limited

Notes to the financial statements

5 Discontinued operations

	2019 £'000
Income from operating contract	25
Administrative expenses and loss on disposals	(147)
Loss on discontinued operations	(122)

The company entered into an operating contract with a key customer (now Polynt Composites UK Limited) on 1 July 2011 and which expired on 30 June 2019. Under the agreement the Company manufactured products requested by Polynt at the Stallingborough Facility. Under the agreement, which excluded depreciation costs, all variable costs incurred by the company were recharged to Polynt at cost. Direct costs, including payroll, were recharged to Polynt at a mark-up. As the Company was not exposed to any fluctuations in cost as a result of this arrangement, the directors considered that the Company was acting as agent under the contract such that only the mark up on direct costs was recorded in the Income Statement. Total costs recharged in 2019 were £824,000.

In 2019 the company also incurred a loss of £100,000 on the disposal of land and buildings to Polynt. Other costs related to the closure of the business in the period. There are no discontinued operation costs in 2020.

6 Finance costs

	2020 £'000	2019 £'000
Interest on inter group debt	(61)	(59)
Bank and other borrowings	-	(1)
	(61)	(60)

Arkema UK Limited

Notes to the financial statements

7 Staff numbers and costs and remuneration of directors

There are no employees in the year ended 31 December 2020.

The average monthly number of persons employed by the company (including directors) during the prior year was 27. The average number of staff employed in 2019 remained static although all the member of staff were transferred to Polynt Limited as part of the sale of the trade and assets associated with the tolling arrangement.

Aggregate payroll costs are included in arriving at the net amount shown in other operating income (note 5). The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	-	533
Social security costs	-	58
Defined contribution pension costs	-	86
	-	677

All directors in 2020 and 2019 were remunerated by other group companies; the services of all the directors to the company is considered inconsequential to their wider group roles.

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

	2020 £'000	2019 £'000
Current tax arising in the year	9	(197)
Adjustment in respect of prior years	8	-
Total current tax	17	(197)
Deferred tax:	(23)	21
Total deferred tax	(23)	21
Total tax credit	(6)	(176)

Arkema UK Limited

Notes to the financial statements

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

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19.00% (2019: 19.00%). The actual tax credit for the year is lower (2019: lower) than the standard rate for the reasons set out in the following reconciliation:

	2020 £'000	2019 £'000
Profit / (loss) before tax	40	(1,130)
Tax on profit / (loss) on ordinary activities at standard rate	8	(215)
Factors affecting charge for the year:		
Change in deferred tax rate	(2)	-
Adjustments in respect of prior years	8	(1)
Non-qualifying expenditure	1	81
Unrecognised deferred tax	(21)	(41)
Total tax credit for the year	(6)	(176)

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 19% (2019: 17%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. It is not anticipated that these changes will have a material impact on the company's/group's deferred tax balances.

The recognised deferred tax asset is constituted as follows:

	2020 £'000	2019 £'000
Short term timing differences	23	-
Recognised deferred tax	23	-

Arkema UK Limited

Notes to the financial statements

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

The unrecognised deferred tax asset is constituted as follows:

	2020 £'000	2019 £'000
Short term provisions	81	60
Unrecognised deferred tax	81	60

9. Investments

	Shares in subsidiary undertakings £'000	Total £'000
Cost		
At 1 January 2020	57,139	57,139
Adjustment	(175)	(175)
At 31 December 2020	56,964	56,964
Impairment		
At 1 January 2019 and 31 December 2020	-	-
Net book amount		
At 31 December 2020	56,964	56,964
At 31 December 2019	57,139	57,139

During the year, the company obtained a refund of £175,000 from the former owners of Lambson Limited relating to the acquisition of Lambson Limited.

	Principal activities	Country of registration	Class of share held	Proportion
Lambson Limited	Manufacture and sale of adhesives	England	Ordinary	100%

At 31 December 2020, the registered office of the company is: Clifford House, York Road, Wetherby, West Yorkshire, LS22 7NS. Refer to Note 17 for changes after the year end.

Arkema UK Limited

Notes to the financial statements

10. Inventory

	2020 £'000	2019 £'000
Finished goods and goods for resale	2,647	2,050
	2,647	2,050

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 £nil (2019: £nil).

11. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	14,416	11,185
Corporation tax	171	180
Amounts due from Group undertakings	-	17
Deferred tax	23	-
Prepayments and accrued income	172	2
	14,782	11,384

12. Creditors: amounts falling due within one year

	2019 £'000	2019 £'000
Trade creditors	40	21
Amounts due to group undertakings	23,225	16,922
Other creditors	368	2,688
Accruals and deferred income	-	367
	23,633	19,998

Included in amounts due to group undertakings is £12,014,000 (2019: £10,802,000) on which interest is charged at LIBOR +0.60% per annum. All amounts due to group undertakings are unsecured and repayable on demand.

Arkema UK Limited

Notes to the financial statements

13. Provisions for liabilities

	Customer claims £'000	Total £'000
At 1 January 2020	122	122
Released during the year	(122)	(122)
At 31 December 2020	-	-

14. Share capital

	2020 £	2019 £
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

15. Contingent liabilities

No contingent liabilities exist at 31 December 2020 (2019: £nil).

16. 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.

Arkema UK Limited

Notes to the financial statements

17. Post balance sheet events

On 1 January 2021, the company acquired the trade and assets of its wholly owned subsidiary, Lambson Limited, for consideration equal to the net book value of the acquired assets at 01 January 2021. The company will account for this transaction in the next financial year.

18. Ultimate parent company and controlling party

The company's immediate parent undertaking is Arkema Europe SA, 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.