

SPECIALITY CHEMICALS UK 1 LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
REGISTRATION NUMBER: 09729399



1.

Directors	Alexander George Browning Natalie Ramsden (appointed on 11 May 2018) Roger Neil Smith (resigned on 11 May 2018)
Legal Form	Private limited company
Registered Office	16 Palace Street London England SW1E 5JD
Bankers	Royal Bank of Scotland International PO Box 64 71 Bath Street St Helier Jersey Channel Islands JE4 8PJ

SPECIALITY CHEMICALS UK 1 LIMITED
REGISTRATION NUMBER: 09729399
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

2.

The directors present their report and the unaudited financial statements of Speciality Chemicals UK 1 Limited (the "Company") for the year ended 31 December 2017.

This report of the directors has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

The Company is a private company limited by shares and is incorporated and domiciled in England. The principal place of business is 16 Palace Street, London, England, SW1E 5JD.

Results

The results for the year are set out on page 5.

EUR 381,323,000 of dividends were declared and paid during the year ended 31 December 2017 (year ended 31 December 2016: EUR nil).

Going concern

On 2 May 2016, the Company agreed to sell its investments. The transaction closed in May 2017 and the Company is expected to be liquidated following such sale. It is for this reason that the financial statements have been prepared on a non-going concern basis.

Events after the reporting period and future developments

There were no events after reporting period and future developments to disclose.

Directors

The directors in office during the period and when these financial statements were approved are shown on page 1. The directors did not receive any remuneration from the Company for the period ended 31 December 2017.

Employees

The Company had no employees during the year.

SPECIALITY CHEMICALS UK 1 LIMITED
REGISTRATION NUMBER: 09729399
REPORT OF THE DIRECTORS - CONTINUED
FOR THE YEAR ENDED 31 DECEMBER 2017

3.

Statement of directors' responsibilities

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

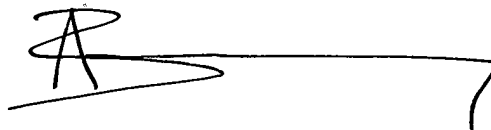
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102).

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 judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. As disclosed in Note 1, the financial statements have been prepared on a non-going concern basis.

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.

By Order of the Board:



Director **ALEX BROWNING**
Date: **28.9.2018**

SPECIALITY CHEMICALS UK 1 LIMITED
REGISTRATION NUMBER: 09729399
BALANCE SHEET
AS AT 31 DECEMBER 2017

4.

	Notes	31 December 2017 EUR	31 December 2016 EUR
Assets			
Current assets			
Investments	2		466,408,913
Debtors		1	1
Cash and cash equivalents		19,240	2,754
Total current assets		19,241	466,411,668
Creditors - amounts falling due within one year	3	(19,241)	(20,431)
Net current assets		-	466,391,237
Total assets less current liabilities			466,391,237
Net assets			466,391,237
Capital and reserves			
Share capital	4	100	100
Share premium	4	-	99,990,175
Profit and loss account		(100)	(308,764)
Revaluation reserve			366,709,726
Shareholders' funds			466,391,237

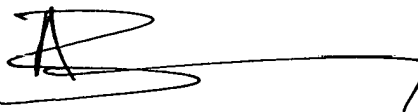
For the year ended 31 December 2017, the Company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements set out on pages 4 to 13 were authorised for issue by the Board of Directors on 28.09.18 and were signed on its behalf by:


 Alex Brown

The notes on pages 7 to 13 form an integral part of these unaudited financial statements

SPECIALITY CHEMICALS UK 1 LIMITED
REGISTRATION NUMBER: 09729399
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

5.

	Notes	For the year ended 31 December 2017		For the period 12 August 2015 to 31 December 2016	
		EUR	EUR	EUR	EUR
Income					
Dividend income		381,373,000		-	
			381,373,000		-
Expenses					
Administration fees		10,114		16,592	
Professional fees		13,575		-	
Liquidation expenses and other on- going costs	1.2, 3	6,774		-	
Sundry expenses		194		765	
Finance cost		1,520		-	
Bank charges		293		212	
Foreign exchange (gains)/losses		(146)		108	
Total operating expenses			(32,324)		(17,677)
Operating income / loss			381,340,676		(17,677)
Net (losses)/gains on investments	2		(466,408,913)		366,418,639
Taxation	5		-		-
Net (loss)/gains and comprehensive income for the year/period			(85,068,237)		366,400,962

The notes on pages 7 to 13 form an integral part of these unaudited financial statements

SPECIALITY CHEMICALS UK 1 LIMITED
REGISTRATION NUMBER: 09729399
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

6.

	Share Capital EUR	Share Premium EUR	Profit and Loss Account EUR	Revaluation Reserve EUR	Total EUR
Balance at 12 August 2015	-	-	-	-	-
Issuance of shares	100	99,990,175	-	-	99,990,275
Net gains and comprehensive income for the period	-	-	(308,764)	366,709,726	366,400,962
Balance at 31 December 2016	100	99,990,175	(308,764)	366,709,726	466,391,237
Reduction of capital and conversion of reserves	-	(99,990,175)	290,988	99,699,187	-
Dividends paid during the year	-	-	(381,323,000)	-	(381,323,000)
Net gains and comprehensive income for the period	-	-	381,340,676	(466,408,913)	(85,068,237)
Balance at 31 December 2017	100	-	(100)	-	-

The notes on pages 7 to 13 form an integral part of these unaudited financial statements

1. Summary of significant accounting policies

1.1 Basis of preparation

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102").

The financial statements are prepared in Euro ("EUR"), the primary currency in which the Company operates ("Functional currency").

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period unless otherwise stated.

1.2 Going concern

In May 2016, the Company agreed to sell its investments. The transaction closed in May 2017 and the Company is expected to be liquidated following such sale. It is for this reason that the financial statements have been prepared on a non-going concern basis. As a result, liquidation costs of EUR 6,774 have been accrued as at year-end.

1.3 Critical accounting judgement and estimation uncertainty

The preparation of financial statements requires the use of accounting estimates and exercise of judgement by management while applying the Company's accounting policies. These estimates are based on management's best knowledge of the events which existed at the financial position date; however, the actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. One of the areas requiring a higher degree of judgement and which involves significant assumptions is the valuation of investments which are carried at fair value.

1.4 Income recognition

The major income generating sources and their recognition principles are described below:

- Interest income is recognised using effective interest rate method.
- Investment income is recognised on an accruals basis.

1.5 Expenses

All items of expense are recognised on an accruals basis. Provisions are recognised when:

- The Company has a present obligation (legal or constructive) as a result of past events;
- 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 after taking into account relevant risks and uncertainties, which, in the opinion of the Company's management, will affect the amount of the provision at the time of its settlement.

1. Summary of significant accounting policies - continued

1.6 Foreign currency translation

Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the EUR, which is most representative of the Company's cash flows. The Company's 'presentation currency' is EUR, which is the same as its functional currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

1.7 Taxation

Income tax on the profit or loss for the period comprises current tax. Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the date of the balance sheet.

1.8 Investments

The Company's investments in subsidiaries were excluded from consolidation as they were held exclusively with a view to subsequent resale. In accordance with Section 9.26 of FRS 102, these investments are carried at fair value and the changes in fair value are recognised in other comprehensive income. Further details of the fair value estimation for such investments have been provided in Note 1.11 to these financial statements.

1.9 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.

1.10 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

a. Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances, are initially recognised at transaction price.

Such assets are subsequently carried at amortised cost using the effective interest method. Given the nature of these assets, and the short time length involved between their origination and settlement, their amortised cost is the same as their carrying value at the date of origination.

1. Summary of significant accounting policies - continued

1.10 Financial instruments - continued

a. Financial assets - continued

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b. Financial liabilities

Financial liabilities, including trade, loans payable and other creditors, are initially recognised at transaction price. The Company's creditors arise when the Company either receives services from another entity or purchases any security the settlement of which remains outstanding as at the financial position date. These are subsequently measured at amortised cost using the effective interest method. Given the nature of payables, the short length of time involved between their origination and settlement and the basis of the interest rate of the interest bearing loans, their amortised cost is the same as their carrying value at the date of origination.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

1.11 Offsetting financial instruments

Financial instruments are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.12 Fair value estimates

The fair value of the investments has been determined using a combination of discounted cash flow approach and multiples approach.

The discounted cash flow methodology uses operating free cash flows based on the financial projections of the entities up to December 2019. The weighted average cost of capital used in discounting such cash flows has been determined using a panel of listed companies which are deemed comparable to the entities from an operational standpoint and collection of data from third parties. Under this approach the terminal value was calculated using a computation of a long term sustainable flow by normalisation of the cash flows projected up to December 2019.

The multiples approach uses both the market multiples and transaction multiples. Under the market approach, the multiple has been determined as the average multiple using the enterprise value and results of comparable companies. The transaction approach, on the other hand, uses the average multiple of comparable transactions completed in the last three years among firms operating within the same industry.

In order to take into consideration both the projections formulated by the management of the entities and the multiples arising from the market, the enterprise value has been determined as the average of the central cases of the enterprise value ranges obtained from the application of the discounted cash flow and multiples approach.

1. Summary of significant accounting policies - continued

1.12 Fair value estimates - continued

Other factors were also considered such as the reported net debts and other liabilities of the entities and any minorities stake in order to obtain the fair value estimates of the investments.

2. Investments

	31 December 2017 EUR	31 December 2016 EUR
Cost	-	99,990,274
Fair value	-	466,408,913

On 30 November 2015 Speciality Chemicals UK 1 Limited acquired the shares of Polimeri Speciali Holdings S.p.A, Polynt Composites I LLC and Polynt Group Holdings Inc in exchange for the issue of ordinary shares in itself to the vendor. Subsequently Speciality Chemicals UK 2 Limited acquired the same shares from the Company with the consideration again being settled by way of an issue of shares.

At the date of acquisition the Open Market Value of the shares ultimately acquired by the Company was EUR 466,700,000. Upon initial recognition both Speciality Chemicals 2 UK Limited and the Company recorded a combined amount of EUR 99,990,274 to Share Capital and Share Premium Accounts against the underlying investments which were acquired. The difference between this amount and the Open Market Value of the investments on acquisition of EUR 366,709,726 was recorded within the Revaluation Reserve.

In May 2017, the investments of Speciality Chemicals 2 UK Limited were sold. The proceeds from such disposal and the dividends received were distributed to the Company as a dividend. Accordingly, the net loss on investments was EUR 466,408,913.

The following table presents the movement in investments:

	For the year ended 31 December 2017 EUR	For the period from 12 August 2015 to 31 December 2016 EUR
Opening balance	466,408,913	-
Purchases	-	99,990,274
Net (losses)/gains on investments	(466,408,913)	366,418,639
Closing balance	-	466,408,913

The fair value measurement of investments held by the Company are categorised in the table below:

	31 December 2017 EUR	31 December 2016 EUR
Level 1: Quoted prices	-	-
Level 2: Observable market data	-	-
Level 3: Unobservable data	-	466,408,913
	-	466,408,913

3. Creditors - amounts falling due within one year

	31 December 2017 EUR	31 December 2016 EUR
Accruals		
Administration fees	1,310	431
Professional fees	11,157	-
Liquidation and other on-going costs	6,774	-
Loans payable		
Investindustrial III LP	-	20,000
	<u>19,241</u>	<u>20,431</u>

The loans are interest-free and repayable on demand.

4. Share Capital and Share Premium

	31 December 2017 EUR	31 December 2016 EUR
Share Capital (100 shares at EUR 1 each)	<u>100</u>	<u>100</u>
Share Premium	<u>-</u>	<u>99,990,175</u>

On 31 May 2017, the Board of Directors approved a reduction of capital which has resulted into the conversion of the share premium amounting to EUR 99,990,175 into distributable reserves.

In June 2017, the Board of Directors approved the declaration and payment of dividends amounting in total to EUR 381,323,000.

5. Taxation

	For the year ended 31 December 2017 EUR	For the period from 12 August 2015 to 31 December 2016 EUR
Current tax		
UK Corporation Tax	<u>-</u>	<u>-</u>
Reconciliation of effective tax to Corporation Tax		
Net (loss)/income before taxation	(85,068,237)	366,400,962
Income tax (benefit)/expense at UK tax rate of 19.25% (2016: 20.00%)	(16,372,722)	73,280,192
Effects of:		
Expenses not deductible for tax purposes	89,771,233	-
Income not taxable for tax purposes	(73,401,242)	(73,283,728)
Deferred tax asset not recognised	2,731	3,536
Total taxation	<u>-</u>	<u>-</u>

5. Taxation - continued

As at 31 December 2017, the Company has unrecognised deferred tax assets of EUR 6,267 (2016: EUR 3,536) in relation to tax losses.. These assets are not recognised on the basis of insufficient evidence concerning profits being available against which deferred tax assets could be utilised.

A reduction in the UK corporation tax rate from 20% to 19% (effective 1 April 2017) and a further reduction to 18% (effective 1 April 2020) were substantially enacted on 26 October 2015. A further rate reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Accordingly, deferred tax at 31 December 2017 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

6. Financial instruments

The Company has the following financial instruments:

	Notes	31 December 2017 EUR	31 December 2016 EUR
<i>Financial assets at fair value through other comprehensive income</i>			
Investments		-	466,408,913
<i>Financial assets that are debt instruments measured at amortised cost</i>			
Debtors (see note 8)		1	1
Cash and cash equivalents		19,240	2,754
<i>Financial liabilities that are measured at amortised cost</i>			
Creditors - amounts falling due within one year	3	(19,241)	(20,431)

7. Financial risk management

The Company is exposed to a number of risks arising from the various financial instruments it holds. The main risks to which the Company is exposed are: market risk (including currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The risk management policies employed by the Company to manage these risks are discussed below:

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issue or factors affecting similar financial instruments traded in the market. No listed investments were held by the Company at 31 December 2017 and 31 December 2016.

i. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's principal exposure to foreign currency risk relates to its accruals and loans payable denominated in British Pounds ("GBP") and US Dollars ("USD") amounting to a total amount EUR 12,467 (2016: EUR 431). As at 31 December 2017, a 10% increase/decrease in the exchange rates will result in EUR 1,247 (2016: EUR 43) increase/decrease in the net assets of the Company. 10% is management's assessment of the potential change in foreign exchange rates.

7. Financial risk management - continued

Market risk - continued

ii. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant risk in relation to the fluctuations of the prevailing levels of market interest rates.

Liquidity risk

The liquidity risk is that the Company cannot meet its financial obligations when they fall due. Given the plans to liquidate the Company, the management ensures that there is sufficient cash to meet on-going and liquidation costs.

Credit risk

Credit risk is the risk that financial loss arises from the failure of counterparty to meet its obligations under a contract. The Company's maximum exposure to credit risk is represented by the respective carrying amounts of the relevant financial assets in the Balance Sheet.

8. Related party disclosures

The Company is wholly owned by Global Speciality Chemicals B.V. The amounts due from this entity amounted to EUR 1 as at 31 December 2017 and 31 December 2016.

The Company wholly owns Speciality Chemicals UK 2 Limited. The amounts due to this entity amounted to EUR 1 as at 31 December 2017 and 31 December 2016.

9. Ultimate controlling party

Investindustrial III L.P. is the ultimate controlling party of the Company.