

Celanese Production UK Limited

Report and financial statements

For the year ended 31 December 2020



Company Information

| | |
|-------------------|--|
| Director | Karl A Milner |
| Registered number | 05859422 |
| Registered office | 1 Holme Lane Spondon Derby DE21 7BS |
| Auditor | KPMG LLP St Nicholas House Park Row Nottingham NG1 6FQ |

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Strategic report for the year ended 31 December 2020

Results

The profit for the year, after taxation, amounted to £45,000 (2019: loss of £11,000).

Business review

Following the closure of the acetate, flake and tow manufacturing operations in late 2012, the principal activity of the Company is now the manufacture and sale of Clarifoil Cellulose Films. This business manufactures diacetate films for packaging, tape, lamination and specific technical application markets with sales to group companies.

Turnover for 2020 was £12.6 million (2019: £11.7 million).

The Clarifoil Cellulose Films business is not part of the main site plant closure of its acetate flake and tow manufacturing operations. The work to improve the Clarifoil production facility has finished and is completely stand alone. The parent company continues to support and invest in these operations.

Celanese Corporation manages its operations on a divisional basis. For this reason, the Company's director believes that further key performance indicators for the Company are not necessary for an understanding of the development, performance or position of the business. The performance of the division of Celanese Corporation, which includes this Company, is discussed in the group's annual report, which does not form part of this report. The consolidated financial statements of Celanese Corporation are available to the public and can be obtained from 222 West Las Colinas Boulevard, Suite 900N, Irving, Texas, 75039, USA.

The Clarifoil business achieved an operating profit in 2020. Celanese continues to invest and strategically plan for the growth of the Clarifoil business on a long-term basis. Celanese has invested in people, technology, and innovation platforms to grow the business. Business leadership aims to grow both revenue and earnings while reducing cost.

Revenue growth

The focus on new innovation products, namely Antifog, has started to impact the Company's results and this new material continues to be adopted globally, especially by freezer door and eyewear manufacturers. The potential to continue to grow revenue in these end uses is very encouraging and this is one of the Company's major objectives. Revenue growth is also anticipated to occur in the base business as the focus on biodegradable polymers as a replacement for "traditional plastics" continues to dominate the news.

Innovation

In addition to Antifog, additional investments are being incurred to identify other uses for our film products including uses in LED lighting, medical applications and construction. With the combination of these actions, Celanese believes that the Clarifoil business will strengthen its profitability and is in the company's strategic plan to grow earnings for the company as a whole.

Principal risks and uncertainties

The Celanese tow and flake units have been demolished. There is a risk that the actual cost of the environmental cleanup process differs from our best estimate recorded in these financial statements. This risk was mitigated through the use of environmental experts and surveyors in forming our estimate and regularly monitoring actual versus expected expenses. Subsequent to the year end, in Q3 2021, the Company sold this land with a sales price being higher than its book value. The environmental cleanup process and its cost will be managed and paid by the buyer, the Company has no further liability in this matter.

The continuing Clarifoil operation is exposed to cost competition, strategic risk from changes in consumer demand, price risk from both raw material price fluctuations and price competition and exchange risk from operating across global geographic markets. The Company adopted appropriate policies to mitigate such risks where practical in line with group objectives and strategies.

From a supply chain point of view, incoterms and import duties are reviewed and custom clearance is planned to be performed on behalf of our customers. Raw materials level is increased as well to ensure a production plan with extended lead times.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a pandemic, which originated in China and has spread throughout the world to substantially all locations where we have offices, production facilities, customers and suppliers, creating a dynamic and challenging situation worldwide. The COVID-19 pandemic is evolving, and to date has led to the implementation of various responses, including government-imposed quarantines, stay-at-home restrictions, travel restrictions and other public health safety measures.

Our employees' health and well-being continue to be of vital importance. We have implemented contingency planning, and employees who can work remotely are doing so from their homes to a significant extent. We have implemented government recommended protocols and best practices related to social distancing and best hygiene practices, including the use of additional personal protective equipment and enhanced cleaning protocols, where appropriate. We have also restricted visitor access and non-essential business travel.

COVID-19 had a significant, negative impact on the operating results of our Engineered Materials and Acetyl Chain segments during the first three quarters of 2020 for Celanese Group. The extent to which COVID-19 will adversely impact our business, financial condition and results of operations will depend on numerous evolving factors, which are highly uncertain, rapidly changing and cannot be predicted, however the impacts on the Company is limited and not significant. The services rendered by the Company is getting more important, like marketing, consultation and sales support activities along with market data analysis to utilize opportunities during the pandemic situation.

This report was approved by the board on 9 December 2021 and signed on its behalf.



Karl A Milner
Director

Director's report for the year ended 31 December 2020

The director presents this report and the Financial Statements for the year ended 31 December 2020.

Dividends

The director does not recommend the payment of a dividend (2019: £nil).

Director

The director who served during the year of 2020 was: K A Milner.

Political contributions and charitable donations

The Company made no political contributions during the year (2019: £nil) and made charitable donations of £nil (2019: £100).

Future developments

The continuing Clarifoil operation puts a lot of focus on commercialising its new product. The focus on new innovation products, namely Antifog, has started to impact the Company's results and this new material continues to be adopted globally. The management team is constantly seeking future possibilities to expand the market share and improve/guarantee future profitability.

Employees

Where individuals become disabled whilst in the Company's employment, reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose.

In dealing with applications for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

The Company provides information regarding the financial and economic factors affecting its performance to employees in literature circulated periodically. A manual of the Company's policies is available to all employees and consultation with employees takes place on a regular basis.

Going concern

Notwithstanding net current liabilities of £33,899,000 and net liabilities of £16,953,000 as at 31 December 2020 (2019: net current liabilities of £33,084,000 and net liabilities of £16,987,000) and a profit for the year then ended of £45,000 (2019: loss for the year of £11,000) the financial statements have been prepared on a going concern basis which the director considers to be appropriate for the following reasons:

- The director has prepared cash flow forecasts for a period of 12 months from the date of approval of the financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.

- Those forecasts are dependent on the Company's fellow subsidiary company, Celanese Europe B.V. not seeking repayment of the amounts currently due to it, which at 31 December 2020 amounted to £39,341,500. Under the terms of the cash pooling agreement between the Company and Celanese Europe B.V., Celanese Europe B.V. can only require repayment of these amounts if the Company will still have sufficient funds to continue to meet its liabilities as they fall due. Celanese Europe B.V. has the ability to provide continued support to this entity and also the intent to continue supporting this entity. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.
- Consequently, the director is confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently the financial statements have been prepared on a going concern basis.

Disclosure of information to auditor

The director at the time when this director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- he has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to a shareholders' resolution, the Company has reappointed its auditor therefore KPMG LLP will continue in office.

This report was approved by the board on 9 December 2021 and signed on its behalf.



Karl A Milner
Director

1 Holme Lane
Spondon
Derby
DE21 7BS

Statement of Director's responsibilities in respect of the Strategic Report, the Director's Report and the Financial Statements for the year ended 31 December 2020

The Director is responsible for preparing the Strategic Report, Director's report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with UK Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the director must not approve the financial statements unless he is 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 director is required to:

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

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. The director is responsible for such internal control as he determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Celanese Production UK Limited

Opinion

We have audited the financial statements of Celanese Production UK Limited ("the Company") for the year ended 31 December 2020 which comprise the balance sheet, statement of total comprehensive income, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state 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 UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The director has prepared the financial statements on the going concern basis as he does not intend to liquidate the Company or to cease its operations, and as he has concluded that the Company's financial position means that this is realistic. He has also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the director's conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud (“fraud risks”) we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because of the nature of the sales being driven by intercompany transactions.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included journal entries made to unrelated accounts and unusual entries to cash and borrowing accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Company is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Emma Mayer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Chartered Auditor
St Nicholas House
Park Row
Nottingham
NG1 6FQ

9 December 2021

Statement of comprehensive income for the year ended 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|-------|---------------|---------------|
| Turnover | 3 | 12,627 | 11,655 |
| Cost of sales | 5-6 | (10,890) | (9,613) |
| Gross profit | | 1,737 | 2,042 |
| Distribution costs | 4 | (368) | (604) |
| Administrative expenses | 4 | (1,081) | (1,046) |
| Operating profit | | 288 | 392 |
| Interest receivable and similar income | 7 | 1 | 103 |
| Interest payable and similar expenses | 8 | (244) | (506) |
| Profit/(loss) before tax | | 45 | (11) |
| Tax on profit/(loss) | 9 | - | - |
| Profit/(loss) for the financial year | | 45 | (11) |
| Total comprehensive profit/(loss) | | 45 | (11) |

Balance sheet as at 31 December 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|--|-------|-----------------|-----------------|
| Intangible fixed assets | 10 | - | - |
| Tangible fixed assets | 11 | 19,421 | 18,581 |
| Fixed assets | | 19,421 | 18,581 |
| Stocks | 12 | 4,372 | 5,108 |
| Debtors | 13 | 3,243 | 6,139 |
| Current assets | | 7,615 | 11,247 |
| Creditors: amounts falling due within one year | 14 | (41,514) | (44,331) |
| Net current liabilities | | (33,899) | (33,084) |
| Total assets less current liabilities | | (14,478) | (14,503) |
| Provisions for liabilities | 15 | (2,475) | (2,484) |
| Net liabilities | | (16,953) | (16,987) |
| Called up share capital | 16 | 43,000 | 43,000 |
| Share premium | 17 | 30,266 | 30,266 |
| Capital redemption reserve | 17 | 2,430 | 2,430 |
| Profit and loss account | | (92,649) | (92,683) |
| Capital and reserves | | (16,953) | (16,987) |

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 9 December 2021.



Karl A Milner

Director

Registered number: 5859422

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

| | Called up share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total equity £'000 |
|-----------------------------------|--|---------------------------|---|-------------------------------|-----------------------|
| At 1 Jan 2019 | 43,000 | 30,266 | 2,430 | (92,638) | (16,942) |
| Loss for the year | - | - | - | (11) | (11) |
| Total comprehensive loss | - | - | - | (11) | (11) |
| Total transactions with owners | - | - | - | (34) | (34) |
| At 1 Jan 2020 | 43,000 | 30,266 | 2,430 | (92,683) | (16,987) |
| Profit for the year | - | - | - | 45 | 45 |
| Total comprehensive income | - | - | - | 45 | 45 |
| Total transactions with owners | - | - | - | (11) | (11) |
| At 31 Dec 2020 | 43,000 | 30,266 | 2,430 | (92,649) | (16,953) |

Notes to the financial statement for the year ended 31 December 2020

1. Accounting policies

1.1. Basis of preparation of financial statements

Celanese Production UK Limited (registered number 5859422) is a private company limited by shares incorporated in England and Wales. The registered office is 1 Holme Lane, Spondon, Derby, DE21 7BS.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006.

The financial statements have been prepared in accordance with applicable accounting standards. The financial statements have been prepared in Sterling which is the functional currency of the Company. All amounts in the financial statements have been rounded to the nearest £1,000.

Notwithstanding net current liabilities of £33,899,000 and net liabilities of £16,953,000 as at 31 December 2020 (2019: net current liabilities of £33,084,000 and net liabilities of £16,987,000) and a profit for the year then ended of £45,000 (2019: loss for the year of £11,000) the financial statements have been prepared on a going concern basis which the director considers to be appropriate for the following reasons:

- The director has prepared cash flow forecasts for a period of 12 months from the date of approval of the financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due for that period.
- Those forecasts are dependent on the Company's fellow subsidiary company, Celanese Europe B.V. not seeking repayment of the amounts currently due to it, which at 31 December 2020 amounted to £39,341,500. Under the terms of the cash pooling agreement between the Company and Celanese Europe B.V., Celanese Europe B.V. can only require repayment of these amounts if the Company will still have sufficient funds to continue to meet its liabilities as they fall due. Celanese Europe B.V. has the ability to provide continued support to this entity and also the intent to continue supporting this entity. As with any company placing reliance on other group entities for financial support, the director acknowledges that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.
- Consequently, the director is confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and consequently the financial statements have been prepared on a going concern basis.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

1.2. Financial reporting standard 102 reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows and Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Celanese Corporation as at 31 December 2020 and these financial statements may be obtained from 222 West Las Colinas Boulevard, Suite 900N, Irving, Texas, 75039, USA.

1.3. Revenue

Turnover comprises revenue recognised by the Company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Revenue is recognised on delivery to customers, when the risks and rewards associated with the underlying products have been substantially transferred. Revenue is earned from group companies based on intercompany agreements at a mark-up of average 7-13%.

1.4. Intangible fixed assets and amortization

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less impairment losses.

| | |
|-------------------------|----------|
| Trademarks | 25 years |
| CO2 Emission allowances | 3 years |

1.5. Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

| | |
|---------------------|-------------|
| Freehold property | 5% - 10% |
| Plant & machinery | 6.67% - 20% |
| Fixtures & Fittings | 6.67% - 20% |

No depreciation is provided on freehold land or capital work in progress.

Fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its income generating unit exceeds its recoverable amount.

Impairment losses recognised in respect of income generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units, then to any capitalised intangible asset and finally to the carrying amount of the tangible assets in the unit on a pro rata or more appropriate basis. An income-generating unit is the smallest identifiable group of assets that generated income that is largely independent of the income streams from other assets or group of assets.

Calculation of recoverable amount. The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment.

1.6. Research and development

Research and development expenditure are charged to the statement of comprehensive income as incurred.

1.7. Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of attributable overheads.

1.8. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

1.9. Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

1.10. Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

1.11. Taxation

Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.12. Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

1.13. Pensions

The cost of providing retirement pensions and related benefits in respect of defined contributions schemes represents the contributions payable to the scheme in respect of the accounting period. The contributions are held in separately administered funds from the Company's assets.

1.14. Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

1.15. Provisions

Provision is made where, the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefit will be required, and a reliable estimate of the obligation can be made. Provisions are discounted where the effect would be material.

1.16. Dividends unpaid on shares presented within shareholder's funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Company performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Provisions

Provisions are measured at the best estimate at the balance sheet date given the information available and considering relevant risks and uncertainties. Each provision is reviewed continuously. A reduction in the provision is charged as an expense to the statement of comprehensive income in the year that the Company becomes aware of the obligation. When payments are eventually made, they are charged to the provision carried in the balance sheet.

There is an obligation for the Company to remediate environmental damage caused to the Spondon site by a previous owner, and a provision has been made for those costs on the basis set out below. In addition, the Company has an agreement with the previous owner of the site for that previous owner to contribute towards those costs; a receivable is recognised in these accounts representing management's best estimate of what they presently expect that contribution to be.

The environmental provision balance was reviewed in detail at the end of 2020 by Technical Accounting and REM Managers (Remediation Group) and the related receivable was determined to be valid as of 31

December 2020 (contained within Trade Debtors and Other Debtors, see corresponding Note 13). The current status is that the amounts making up the provision are an accurate reflection of expected costs, which the receivable is legally valid based on the contract with the previous owner. The provision represents costs incurred or to be incurred to remediate the site and MNA (Monitored Natural Attenuation) methodology has been approved for the site by the governing authorities. Celanese and the previous owner have discussed entering into a settlement relating to this site and are currently in negotiations. The settlement is expected to be at or above the current receivable balance. Therefore, the Director believes that there are no collectability issues with the receivable at this time (see note 21 – subsequent events).

3. Turnover

An analysis of turnover by class of business is as follows:

| | 2020 | 2019 |
|----------------|--------------|--------------|
| | £'000 | £'000 |
| Sales of goods | 12,627 | 11,655 |

The core business operation changed in 2015 since the 'principal operation company' model was implemented. Celanese Production UK Ltd as a production entity sells goods and services only to Celanese Europe BV, domiciled in the Netherlands, so there are no direct sales to third-party customers.

4. Operating profit

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

| | 2020 | 2019 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Foreign exchange difference | (51) | (57) |
| Depreciation of tangible fixed assets (note 11) | 897 | 825 |

Audit fee amounted to £26,000 (2019: £19,000).

5. Employees

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

| | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Wages and salaries | 2,354 | 2,312 |
| Social security costs | 256 | 281 |
| Cost of defined contribution scheme | 163 | 178 |
| Total | 2,773 | 2,771 |

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

| | 2020 No. | 2019 No. |
|----------------|---------------------|---------------------|
| Production | 55 | 55 |
| Administration | 1 | 2 |
| Total | 56 | 57 |

6. Directors' remuneration

| | 2020 £'000 | 2019 £'000 |
|------------|-----------------------|-----------------------|
| Emoluments | 91 | 243 |

The aggregate of remuneration and amounts receivable under long-term incentive scheme of the highest paid director was £91,000 (2019: £230,000). In 2019, included within directors' emoluments are settlements and payments in lieu of notice of £145,000 – as Mr Lington resigned in November 2019. In both years, both directors exercised their share options during the year.

7. Interest receivable and similar income

| | 2020 £'000 | 2019 £'000 |
|--|-----------------------|-----------------------|
| Interest receivable from group companies | 1 | 103 |

The interest receivable is calculated daily, based on the financial position with the in-house bank at the end of the day. Receivables from group undertakings are unsecured at an interest rate of average one-month LIBOR plus a spread of 10 bps.

8. Interest payable and similar expenses

| | 2020 £'000 | 2019 £'000 |
|------------------------------|-----------------------|-----------------------|
| Loan interest payable | 285 | 517 |
| Capitalised interest expense | (41) | (11) |
| Total | 244 | 506 |

Amounts owed to group undertakings are unsecured at an interest rate of average one-month LIBOR plus a spread of 50bps and are repayable on demand. The Company owed to the cash-pool leader, Celanese Europe BV.

9. Taxation

| | 2020 £'000 | 2019 £'000 |
|---|---------------|---------------|
| Total current tax | - | - |
| Total deferred tax | - | - |
| Taxation on profit of ordinary activities | - | - |

Factors affecting tax charge for the year

The tax rate assessed for the year is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19%. The differences are explained below:

| | 2020 £'000 | 2019 £'000 |
|--|---------------|---------------|
| Profit/(loss) on ordinary activities before tax | 45 | (11) |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 – 19%) | 9 | (2) |
| Effects of: | | |
| Expenses not deductible (permanent difference) | 33 | 23 |
| Income not taxable | (15) | - |
| Share options | - | (5) |
| Deferred tax not recognised | (27) | (16) |
| Tax charge for the year | - | - |

Factors that may affect future tax charges

The UK Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% would not occur and the UK Corporation Tax Rate would instead remain at 19%. As the 19% rate was substantively enacted by the balance sheet date, deferred tax balances have been calculated at 19% (2019: 17%).

In the UK Budget on 3 March 2021, it was announced that legislation will be introduced in Finance Bill 2021 to increase the main rate of UK corporation tax from 19% to 25%, effective 1 April 2023. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2020 continue to be measured at a rate of 19%.

The Company has unrecognized tax losses and timing differences at the closing tax rate as follows:

| | 2020 £'000 | 2019 £'000 |
|--------------------------------|-----------------|-----------------|
| Decelerated capital allowances | (7,056) | (7,687) |
| Tax losses | (3,684) | (3,529) |
| Other timing differences | (68) | - |
| Total | (10,808) | (11,216) |

No deferred tax asset has been recognised as the director cannot be reasonably certain that future taxable profits will arise to allow the offset of these losses.

10. Intangible assets

| | Trademarks £'000 | CO2 emission allowances £'000 | Total £'000 |
|--------------------------------------|---------------------|-------------------------------------|----------------|
| Gross value at 1 Jan 2020 | 304 | 358 | 662 |
| Additions | - | - | - |
| Disposals | - | - | - |
| Gross value at 31 Dec 2020 | 304 | 358 | 662 |
| Depreciation at 1 Jan 2020 | (304) | (358) | (662) |
| Charge for the year | - | - | - |
| Disposals | - | - | - |
| Depreciation at 31 Dec 2020 | (304) | (358) | (662) |
| Net Book Value at 31 Dec 2019 | - | - | - |
| Net Book Value at 31 Dec 2020 | - | - | - |

11. Tangible fixed assets

| | Freehold property & land £'000 | Plant & machinery £'000 | Capital work in progress £'000 | Fixtures & fittings £'000 | Total £'000 |
|--|--------------------------------------|-------------------------------|--------------------------------------|---------------------------------|----------------|
| Gross value at 1 Jan 2020 | 15,054 | 57,326 | 1,996 | 532 | 74,908 |
| Additions | - | 137 | 1,600 | - | 1,737 |
| Transfers from work in progress | - | 620 | (620) | - | - |
| Disposals | (10) | (26) | - | - | (36) |
| Gross value at 31 Dec 2020 | 15,044 | 58,057 | 2,976 | 532 | 76,609 |
| Depreciation at 1 Jan 2020 | 7,796 | 47,999 | - | 532 | 56,327 |
| Charge for the year on owned assets | 51 | 846 | - | - | 897 |
| Disposals | (10) | (26) | - | - | (36) |
| Depreciation at 31 Dec 2020 | 7,837 | 48,819 | - | 532 | 57,188 |
| Net Book Value at 31 Dec 2020 | 7,207 | 9,238 | 2,976 | - | 19,421 |
| Net Book Value at 31 Dec 2019 | 7,258 | 9,327 | 1,996 | - | 18,581 |

The net book value of the land is £6,650,000 as at 31 December 2020 for which no depreciation is charged.

12. Stocks

| | 2020 | 2019 |
|------------------|--------------|--------------|
| | £'000 | £'000 |
| Raw materials | 738 | 1,293 |
| Work in progress | 3,071 | 3,172 |
| Finished goods | 563 | 643 |
| Total | 4,372 | 5,108 |

In the opinion of the director, there is no material difference between the cost as shown and the replacement cost of stock.

The write down of stocks to net realisable value amounted to £153,000 (2019: £161,000). This represents the value of stock adjustments related to scrapping of raw materials, work in progress and finished goods and obsolescence reserve made on those items.

The variable cost of stock charged into cost of sales amounted to £4,468,000 (2019: £3,887,000).

13. Debtors

| | 2020 | 2019 |
|-------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Trade debtors | 1,538 | 1,671 |
| Amounts due from group undertakings | 913 | 3,623 |
| Other debtors | 717 | 520 |
| Prepayments & accrued income | 75 | 325 |
| Total | 3,243 | 6,139 |

Re-charged demolition cost to third parties, who are located at the site, are presented as trade or other debtors.

Amounts due from group undertakings are short term trade receivables from the 'principal operating company', Celanese Europe B.V.

14. Creditors: Amounts falling due within one year

| | 2020 | 2019 |
|------------------------------------|---------------|---------------|
| | £'000 | £'000 |
| Trade creditors | 1,213 | 1,562 |
| Amounts owed to group undertakings | 39,411 | 42,578 |
| Accruals and deferred income | 890 | 191 |
| Total | 41,514 | 44,331 |

Amounts owed to group undertakings are unsecured cash pool liabilities at an interest rate of average one-month LIBOR plus a spread of 50 bps and are repayable on demand.

Trade creditors are short term, third party suppliers (majority domestic) raw and packaging material suppliers.

15. Provisions

| | Health, safety & environmental £'000 |
|-----------------------|---|
| At 1 Jan 2020 | 2,484 |
| Utilised in year | (9) |
| At 31 Dec 2020 | 2,475 |

The health, safety and environmental provision relates to the expected cost of the environmental clean-up, deactivation of land at the Spondon site. The provision was made on environmental and health in the early 2010s parallel to discontinuing the manufacturing activities. Most of the provision, £2.2m, was utilised in 2021, when the Company sold this land.

16. Share capital

| Allotted, called up & fully paid | 2020 £'000 | 2019 £'000 |
|---|-----------------------|-----------------------|
| 43,000,002 (2019 – 43,000,002) Ordinary shares of £1 each | 43,000 | 43,000 |

17. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

18. Pension commitments

The Company's employees are eligible to join the Celanese Acetate Limited Personal Pension Plan, and the Company is contracted-in to the State Second Pension. The plan, administered through Royal London Mutual Insurance Society Ltd. ('RLMIS'), is a defined contribution arrangement based on a personal contract between each participating employee and RLMIS. Company contributions are related to those of each employee, and in 2020 amounted to £163,000 (2019: £178,000) being an average of 6.96 % of total regular salaries for the relevant period. The commitments outstanding at the year-end amounted to £nil (2019: £nil).

In addition, all Company employees are covered by the Acetate Products Group Life Assurance Scheme. This scheme provides a lump sum payment on the death of any employee equivalent to four times annual salary. The premium for 2020 was £23,218 (2019: £21,233). Members of the Celanese Acetate Group Personal Pension Plan (who joined the scheme at either 1 August 2004 or at the commencement of their employment, whichever is the later) are also covered by a self-insured lump sum scheme providing a

payment to any member leaving the Company's employment on grounds of permanent medical incapacity. Payments made under this scheme in 2020 were £nil (2019: £nil).

19. Related party transactions

The Company has adopted the provisions of FRS 102 'Related Party Disclosures' and has taken advantage of the exemption from the disclosure requirements regarding related party transactions as the Company is a 100% subsidiary of a group whose consolidated accounts are publicly available.

20. Immediate and ultimate parent undertaking

The Company is a subsidiary undertaking of Celanese Services Germany GmbH, Am Unisys Park 1, 65843, Sulzbach (Taunus), Germany, incorporated in Germany. The ultimate parent undertaking and controlling party is Celanese Corporation, incorporated in the USA.

The largest and smallest group in which the results of the Company are consolidated is that headed by Celanese Corporation. The consolidated financial statements of Celanese Corporation are available to the public and can be obtained from 222 West Las Colinas Boulevard, Suite 900N, Irving, Texas, 75039, USA.

21. Subsequent events

In 2021 Celanese has successfully closed the negotiation to sell land comprising the former Celanese factory at Holme Lane, Spondon, Derby. Terms of the agreement have been finalised, and the sale price exceeds the net book value at which the land is held. The purchaser will assume all environmental obligations and liabilities relating to the land sold.

In June 2021 Company received funds in the amount of EUR 46 million from Celanese Services Germany GmbH as a capital contribution in exchange for 1 additional share and used this amount to offset its existing cash-pool liability (amounts owed to group) in the amount of £39,341,500, resulting in current assets being higher than current liabilities.