

SYNTHOMER (UK) LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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SYNTHOMER (UK) LIMITED

COMPANY INFORMATION

Directors

Richard Atkinson
Stephen Guy Bennett
Timothy John Hughes
Robert Marcus Tupker
Neil Whitley

Company Secretary

Richard Atkinson

Registered number

00872262

Registered office

Temple Fields, Central Road
Harlow, Essex
CM20 2BH

Independent auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
WD17 1JJ

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 December 2021**

The Directors present their strategic report for the year ended 31 December 2021.

Principal activities and business review

Synthomer (UK) Limited ("the Company") principal activities during the year were the manufacture and sale of synthetic resin dispersions, polyvinyl alcohol, polyvinyl acetate and synthetic rubber latex compounds.

The Company is a private company limited by shares incorporated in the United Kingdom and registered in England. The registered office is Temple Fields, Central Road, Harlow, Essex, CM20 2BH.

The operating profit of the Company for the year before amortisation of goodwill (note 12) and tax was £8,612,000 (2020: £7,532,000). There was an increase in operating profit during the year due to the strong sales and production volumes and the contract manufacturing and distribution arrangements. The Directors are satisfied with the results for the year and the Directors anticipate continued operating profit next year. With net assets of £91,274,000 (2020: £82,110,000), the Company remains in a strong financial position.

Synthomer plc Group ("the Group") manages its operations on a divisional basis. For this reason the Company's Directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Synthomer plc, which includes the results of the Company, is discussed in the Synthomer plc 2021 Annual Report, which does not form part of this report.

Principal risks and uncertainties

To carry out its principal activities the Company requires a reliable and timely supply of raw materials. Many of these raw material markets have experienced uncertainty in recent years, however the Company maintains strong relationships with its suppliers to ensure the availability of material at competitive prices.

The Company's activities are subject to competitive pressure across its global markets. The risk of losing sales or market share is mitigated by the Company's commitment to work closely with its customers to provide an individual and tailored service in line with the customer's needs.

Group risks are discussed in the Synthomer plc 2021 Annual Report.

Financial risk management

The Company trades in Euros and United States Dollars and is therefore subject to the risk of adverse exchange rate movements. These exchange rate risks are managed by the use of forward contracts and internal hedging arrangements.

The Company utilises short-term borrowing facilities to enable flexibility in the normal course of its trading. These borrowings are charged at normal bank variable rates. The Company continues to have access to sources of finance sufficient for its needs.

Group risks are discussed in the Synthomer plc 2021 Annual Report.

Future developments

The company continues to continue to pursue opportunities to enhance growth, through expanding the production and sales of the Company. No other significant future developments are anticipated.

Section 172 (1) statement

The Board of the Company is responsible for promoting the success of the Company for the benefit of its members as a whole, as set out in Section 172 (1) of the Companies Act 2006 ('section 172').

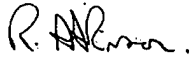
Section 172 separates stakeholders into two groups; employees and 'suppliers, customers and others'. The Directors' Report discusses how the Board engages with these groups of stakeholders.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Section 172 (1) statement (continued)

As a result of the Group's governance and management structure, many aspects of stakeholder engagement are determined by the Group board in relation both to the Company. The Company Board has had regard to the matters set out in section 172 where appropriate applied policies and decisions taken at Group level. An explanation of how the Group board has considered the matters set out in section 172 (for the Group and for the Company) is set out on page 82 of the Group's Annual Report, which does not form part of this report.

This report was approved by the board and signed on its behalf by:



Richard Atkinson
Director

Date: 27 June 2022

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

Directors

The Directors who served during the year and up to the date of signing the financial statements, were:

Richard Atkinson
Stephen Guy Bennett
Timothy John Hughes
Robert Marcus Tupker
Neil Whitley

No Directors' indemnity provision is in place.

Results and dividends

The loss of the Company for the year before interest and tax was £217,000 (2020: £1,559,000). Profit after amortisation, interest, and tax amounted to £922,000 (2020: loss of £3,495,000).

No interim dividend has been proposed or paid in respect of the year ended 31 December 2021 (2020: £nil). The Directors do not recommend the payment of a final dividend (2020: £nil).

Review of the business, principal risks and uncertainties, and financial risk management

The review of the business, the principal risks and uncertainties, and the financial risk management are covered in the Strategic Report.

Financial instruments

Details of financial instruments are provided in the notes to the financial statements, see note (3.5).

Going concern

As outlined in the financial statements below, the Directors believe that the Company can continue to operate for a period of at least 12 months from the date of approval of these financial statements and therefore continue to adopt the going concern basis of preparation. Furthermore, the Company has received a letter of support from Synthomer plc, the ultimate parent company.

Directors' liabilities

Directors' and officers' liability insurance has been renewed during the year.

Creditor payment policy

The Company ensures that, wherever possible, its payments to creditors and other suppliers are made in accordance with terms of payment agreed at the time the contract of supply is made, subject to all the terms and conditions of the order being satisfied by the supplier. Trade creditor days of the company for the year ended 31 December 2021 were 48 days (2020: 60).

Research and development

The Company follows a policy of internal research and development of its products and has access to information resulting from the research activities of the Group and co-operating Universities. All research and development activities are focused towards enhancement and extension of the Company's product portfolio.

Disabled employees

It is the Company's policy to give full consideration to suitable applications for employment by disabled persons. Disabled employees are eligible to participate in all career development opportunities available to staff.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Disabled employees (continued)

Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions in the Company.

Equal opportunities

The Company is an equal opportunities employer. The Company's aim is that no employee receives less favourable treatment in any sphere of employment on the grounds of gender or marital status, race or ethnic origins or is disadvantaged.

Employee involvement

The Company promotes employee involvement and better communications with its employees. The Company makes its employees aware of the financial and economic factors affecting the performance of the Company and obtains the opinions of employees by means of employee committees. A profit-related bonus scheme is in operation.

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and develops and implements policies to reduce any damage which might be caused by the Group's activities. The Company operates in accordance with Group policies, which are described in the Synthomer plc 2021 Annual Report, which does not form part of this report.

Stakeholder statements

Employees

From the perspective of the Board, as a result of the Group governance structure, the Group board has taken the lead in carrying out the duties of a board in respect of the Company's employees, including engaging with them, having regard to their interests and the effect of that regard (including on the principal decisions taken by the Company during the financial year). The Board of the Company has also considered relevant matters where appropriate. An explanation of how the Group Board has carried out these responsibilities (for the Group and for the Company) is set out on pages 62 to 66 of the Group's Annual Report, which does not form part of this report.

Other stakeholders

The Group Board also takes a lead in carrying out the duties of the Company Board for engagement with other stakeholders. The Group Board's approach to stakeholder engagement is set out on pages 96 and 97 of the Group's Annual Report with the Group's Environmental, Social and Governance reporting set out on pages 54 to 129. The Company Board also has regard for these matters where appropriate, such as the need to foster the Company's relationships with suppliers and customers, and the impact of decisions taken by the Company Board during the financial year.

Disclosure 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 the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that he 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 auditors are aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021**

Future developments

Future developments are discussed in the Strategic Report on page 1.

Independent auditors

Resolutions to dispense with holding annual general meetings, the laying of financial statements before the Company in a general meeting and the appointment of auditors annually are currently in force. The auditors, PricewaterhouseCoopers LLP, will therefore be deemed to have been reappointed at the end of the year within 28 days beginning with the day on which copies of this report and financial statements are sent to members unless a resolution is passed under section 485 of the Companies Act 2006 to the effect that their appointment be brought to an end.

This report was approved by the Board and signed on its behalf by:



Richard Atkinson
Director

Date: 27 June 2022

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This statement was approved by the Board and signed on its behalf by:



Richard Atkinson
Director

Date: 27 June 2022

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNTHOMER (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Synthomer (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2021; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report, other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNTHOMER (UK) LIMITED (CONTINUED)

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety and competition regulations and tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate accounting entries to manipulate financial results and management bias in accounting estimates. Audit procedures performed by the engagement team included:

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SYNTHOMER (UK) LIMITED
(CONTINUED)**

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of defined benefit scheme liabilities;
- Evaluation of management's controls designed to prevent and detect irregularities; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations (for example credits to revenue with a debit entry to an unexpected account) or journals posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



David Beer (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Watford

Date: 27 June 2022

SYNTHOMER (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDING 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Turnover	5	311,248	223,735
Net operating costs	6	<u>(311,465)</u>	<u>(225,294)</u>
Loss before interest and taxation		(217)	(1,559)
Interest payable and similar expenses	10	(268)	(401)
Loss before taxation		<u>(485)</u>	<u>(1,960)</u>
Tax on loss	11	1,407	(1,535)
Profit / (loss) for the financial year		<u>922</u>	<u>(3,495)</u>

All items dealt with in arriving at the profit/(loss) before taxation relate to continuing operations.

The notes on pages 14 to 34 form part of these financial statements.

SYNTHOMER (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDING 31 DECEMBER 2021**

	Note	2021 £000	2020 £000
Profit / (loss) for the financial year		922	(3,495)
Other comprehensive income / (expense)			
Remeasurement of net defined benefit liability	18	10,990	(3,955)
Tax on movements on remeasurement of net defined benefit obligation	16	(2,748)	751
Total other comprehensive income / (expense)		8,242	(3,204)
Total comprehensive income / (expense) for the year		9,164	(6,699)

The notes on pages 14 to 34 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2021

	Note	2021 £000	2020 £000
Fixed assets			
Intangible assets	12	9,499	42,256
Tangible assets	13	31,834	31,886
		<u>41,333</u>	<u>74,142</u>
Current assets			
Stocks	14	20,045	15,534
Debtors: due within one year	15	85,312	54,976
Debtors: due after more than one year	16	2,329	3,634
		<u>107,686</u>	<u>74,144</u>
Creditors: amounts falling due within one year	17	<u>(50,769)</u>	<u>(42,548)</u>
Net current assets		<u>56,917</u>	<u>31,596</u>
Total assets less current liabilities		<u>98,250</u>	<u>105,738</u>
Post-employment benefits	18	(1,601)	(18,305)
Provision for liabilities	19	(5,375)	(5,323)
Net assets		<u>91,274</u>	<u>82,110</u>
Capital and reserves			
Share capital	20	26,301	26,301
Share premium account	21	30,000	30,000
Profit and loss account	21	34,973	25,809
Shareholders' funds		<u>91,274</u>	<u>82,110</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



Richard Atkinson
Director

Date: 27 June 2022

The notes on pages 14 to 34 form part of these financial statements.

SYNTHOMER (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Share capital	Share premium account	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000
At 1 January 2021	26,301	30,000	25,809	82,110
Comprehensive income for the year				
Loss for the year	—	—	922	922
Other comprehensive income - net of tax	—	—	8,242	8,242
Total comprehensive income for the year	—	—	9,164	9,164
Balance at 31 December 2021	26,301	30,000	34,973	91,274

	Share capital	Share premium account	Profit and loss account	Shareholders' funds
	£000	£000	£000	£000
At 1 January 2020	26,301	30,000	32,508	88,809
Comprehensive expense for the year				
Loss for the year	—	—	(3,495)	(3,495)
Other comprehensive expense - net of tax	—	—	(3,204)	(3,204)
Total comprehensive expense for the year	—	—	(6,699)	(6,699)
Balance at 31 December 2020	26,301	30,000	25,809	82,110

The notes on pages 14 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

1. General information

Synthomer (UK) Limited ("the Company") is a private company limited by shares incorporated in the United Kingdom and registered in England.

The address of the registered office is:

Temple Fields, Central Road
Harlow, Essex
CM20 2BH

The principal activities of the Company during the year were the manufacture and sale of synthetic resin dispersions, polyvinyl alcohol, polyvinyl acetate and synthetic rubber latex compounds.

2. Statement of compliance

The Company's financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102.

3. Significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention as modified by certain financial assets and liabilities measured at fair value through the profit or loss, where applicable. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in note 4.

The financial statements are prepared in sterling which is the functional currency of the Company and rounded to the nearest £'000.

Disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 102:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of 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 and key management personnel compensation in total.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

3. Significant accounting policies (continued)

3.1 Basis of preparation (continued)

Disclosure exemptions (continued)

This information is included in the consolidated financial statements of Synthomer plc as at 31 December 2021 and these financial statements may be obtained from the registered office at Central Road, Temple Fields, Harlow, Essex, United Kingdom.

Going concern

The Directors have assessed the ability of the Company to continue as a going concern, considering the principal risks and uncertainties outlined in the Strategic Report, the financial position and the expected timing of the settlement of intercompany balances. The Company is a member of the Synthomer plc Group which is considered to be a going concern. The basis for this, and the related assumptions and risks, are disclosed within the Synthomer plc 2021 Annual Report.

Based upon the above, the Directors believe that the Company can continue to operate for a period of at least 12 months from the date of approval of these financial statements and therefore continue to adopt the going concern basis of preparation. Furthermore, the Company has received a letter of support from Synthomer plc, the ultimate parent company.

3.2 Foreign currencies

(i) Functional and presentation currency

The Company's functional and presentation currency is Great British Pounds.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

3.3 Intangible assets

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of twenty years. Provision is made for any impairment in value. The value of Know-how is being amortised over four years. Provision is made for any impairment in value.

The intangible fixed asset arising on the purchase of customer lists from Group companies, representing the future economic benefit of the purchase of the customer list, is capitalised and written off on a straight line basis over its expected useful economic life of five years as estimated by the Directors. Provision is made for any impairment in value.

REACH is a European Union regulation concerning the Registration, Evaluation, Authorisation and Restrictions of Chemicals. Expenses incurred with REACH registration are capitalised and amortised over 5 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

3. Significant accounting policies (continued)**3.4 Tangible fixed assets**

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price and costs directly attributable to bringing the asset to its working condition for its intended use.

Except for freehold land and assets work in progress, the cost or valuation of tangible fixed assets is depreciated using the straight line method over their expected useful lives as follows:

Freehold buildings	- 50 years
Long leasehold land & buildings	- lesser of 50 years or lease term
Plant, machinery and equipment	- 5 to 10 years
Fixtures and fittings	- 3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating (losses)/gains'.

Assets under construction are not depreciated. Assets under construction are transferred to software or land and building or plant and machinery or fixture and fittings upon completion. Depreciation is charged when these assets become available for use.

3.5 Financial instruments**(i) Financial assets**

Basic financial assets, including trade and other debtors, amounts owed by group undertakings and cash and bank balances are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest method.

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.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, amounts owed to group undertakings and bank overdrafts are initially recognised at transaction price.

Trade and other creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Amount owed to group undertakings which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

3. Significant accounting policies (continued)

3.5 Financial instruments (continued)

(iii) Offsetting

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

(iv) Investments in subsidiaries

Investment in a subsidiary company is held at cost less accumulated impairment losses. Impairment of investments is assessed as described above in note 3.7.

3.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Provision is made for obsolete, slow-moving or defective items where appropriate.

3.7 Impairment of assets

(i) Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

(ii) Non-financial assets

The Company assesses at each reporting date whether an asset may be impaired. If any such indication exists the Company estimates recoverable amount of the asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, carrying amount of the asset is impaired and it is reduced to its recoverable amount through impairment in profit and loss. An impairment loss recognised for all assets, including goodwill, is reversed in a subsequent year if and only if the reasons for the impairment loss have ceased to apply.

3.8 Prepayments and accrued income

Prepayments comprise payments made in advance relating to the following year, and income relating to the current year which will not be received until after the balance sheet date. Prepayments are recognised at the transaction price.

3.9 Accruals and deferred income

Accruals and deferred income comprise expenses relating to the current year which will not be paid until after the balance sheet date and income received in advance, relating to the following year. Accruals and deferred income are recognised at the transaction price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

3. Significant accounting policies (continued)**3.10 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 Employee benefits

The company provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

(i) Defined contribution pension plans

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

(ii) Defined benefit pension plan

The Company participates in a funded defined benefits scheme (the Yule Catto Group Retirement Benefits Scheme) together with a number of other Synthomer Group companies. The assets of the scheme are held separately from those of the Company or any of the Synthomer Group companies. The Group's defined benefit scheme was closed to new members with effect from 31 December 1998.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

(iii) Annual bonus plan

The company operates an annual bonus plan for employees. An expense is recognised in the profit and loss account when the company has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

Other long-term employee benefits are measured at the present value of the benefit obligation at the reporting date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

3. Significant accounting policies (continued)**3.12 Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease - Company as a lessee

Leases where the lessor retains substantially all the benefits and risks of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognised as an expense in the Profit and Loss Account on a straight line basis over the lease term, including the effect of lease incentives.

3.13 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the Profit and Loss Account and Statement of Comprehensive Income.

(i) Current tax

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

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3.14 Turnover

Turnover represents the invoiced amount of goods sold net of sales rebates, early settlement discounts and VAT. The turnover is wholly attributable to the principal activities of the Company.

The company recognises revenue when:

- a. the significant risks and rewards of ownership have been transferred to the buyer;
- b. the company retains no continuing involvement or control over the goods;
- c. the amount of revenue can be measured reliably;
- d. it is probable that future economic benefits will flow to the entity; and
- e. when the specific criteria relating to each of the company's sales channels have been met, as described below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

3. Significant accounting policies (continued)

3.14 Turnover (continued)

Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Specific sales channels and their criteria are as follows:

Sales of goods and raw materials

The Company manufactures and sells goods and sales of raw materials to companies within the Group and third party customers. Sale of goods and sale of raw materials are recognised at the point of delivery depending on the agreed delivery terms with the customer.

3.15 Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Critical judgements in applying the Company's accounting policies

The critical judgements that the Directors have made in the process of applying the Company's accounting policies are discussed below.

Current and deferred tax balances

The Company's measurement of tax balances is based on management's interpretations of applicable laws, regulations and relevant court decisions. Refer to notes 11 and 16 for amounts.

4.2. Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2. Key sources of estimation uncertainty (continued)

Pensions and post-retirement benefits

The Company has obligations to pay pension benefits to certain employees. The measurement of these obligations are supported by actuaries calculations which incorporate a number of assumptions, a change in any of these assumptions will impact the carrying value of the obligations. Refer to note 18 for the carrying values.

Onerous provisions

Provision is made for the future discounted costs to the Company of an onerous rental contract and associated rates due to expire in 2070 for which there is no future economic benefit to the Company. This provision requires management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the costs require management's judgement. Refer to note 19 for the carrying values.

5. Turnover

Turnover represents the invoiced amount of goods sold net of sales rebates, early settlement discounts and VAT. The turnover is wholly attributable to the principal activities of the Company.

An analysis of turnover by geographical market is given below:

	2021	2020
	£000	£000
United Kingdom	42,911	34,267
Europe (excluding United Kingdom)	226,183	152,416
Rest of the World	42,154	37,052
	<u>311,248</u>	<u>223,735</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

6. Loss before interest and taxation

Operating loss before interest and taxation is stated after (crediting)/charging:

	2021	2020
	£000	£000
Other operating income	(2,560)	(888)
Change in stocks of finished goods and work in progress	(4,411)	795
Raw materials and consumables	255,704	169,420
Own work capitalised	(153)	(65)
Staff costs (note 8)	40,885	40,663
Amortisation of grants	(5)	(5)
Amortisation of intangible fixed assets (note 12)	9,129	9,091
Depreciation of owned fixed assets (note 13)	5,540	5,296
Operating lease rentals	1,046	1,110
Loss on disposals of fixed assets	86	95
Research & development costs	3,138	2,700
Foreign exchange loss	168	47
Provision for inventory obsolescence	149	150
Provision for doubtful debts	49	137
Other operating charges/(income)	2,700	(3,252)
	311,465	225,294

7. Auditors' remuneration

The remuneration of the auditors' or its associates is analysed as follows:

	2021	2020
	£000	£000
Audit of financial statements	125	121
	125	121

8. Employees

Staff costs were as follows:

	2021	2020
	£000	£000
Wages and salaries	36,296	36,363
Social security costs	2,526	2,403
Other pension costs	2,063	1,897
	40,885	40,663

Refer to note 18 in respect of the Company's pension costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

8. Employees (continued)

The average monthly number of employees (including executive directors) employed by the Company during the year was as follows:

	2021	2020
	No.	No.
Average number of employees (incl. executive Directors)	<u>452</u>	<u>423</u>

9. Directors' remuneration

	2021	2020
	£000	£000
All directors		
Aggregate remuneration	2,801	2,929
Share based payments	331	22
Pension	233	191
	<u>3,365</u>	<u>3,142</u>
	2021	2020
	£000	£000
Highest paid director		
Aggregate remuneration	938	901
Share based payments	129	—
Pension	76	71
	<u>1,143</u>	<u>972</u>

The number of directors for whom pension contributions were wholly or partly borne by the Company and who were members of the Group Pension Scheme was as follows:

	2021	2020
	No.	No.
Defined contribution schemes	<u>1</u>	<u>1</u>

None of the Directors who served during the year had any interest in the shares of the Company.

10. Interest payable and similar expenses

	2021	2020
	£000	£000
Interest on loans with group undertakings	58	51
Net interest expense on post-employment benefits	210	350
	<u>268</u>	<u>401</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

11. Tax on loss

	2021 £000	2020 £000
Corporation tax		
Foreign tax	36	—
Adjustments in respect of previous years	—	416
Total current tax	<u>36</u>	<u>416</u>
Deferred tax		
Origination and reversal of timing differences	1,691	(279)
Adjustments in respect of previous years	(1,916)	1,398
Changes in tax rates or laws	(1,218)	—
Total deferred tax	<u>(1,443)</u>	<u>1,119</u>
Tax on loss	<u>(1,407)</u>	<u>1,535</u>

Factors affecting tax charge for the year

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

	2021 £000	2020 £000
Loss before tax	<u>(485)</u>	<u>(1,960)</u>
Loss multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	(92)	(372)
Effects of:		
Expenses not deductible for tax purposes	1,775	1,766
Effects of overseas tax rates	36	—
Movement on deferred tax not recognised	—	(44)
Changes in tax rates or laws	(1,218)	(476)
Adjustment in respect of previous years	(1,916)	1,814
Group relief for nil consideration	8	(1,153)
Total tax (credit)/charge	<u>(1,407)</u>	<u>1,535</u>

Factors that may affect future tax charges

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

SYNTHOMER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

12. Intangible assets

	Reach £000	Customer list £000	Know-how £000	Goodwill £000	Assets under construction £000	Total £000
Cost						
At 1 January 2021	1,460	2,106	4,000	176,577	23,909	208,052
Additions	220	—	—	—	8,376	8,596
Disposals	—	—	—	—	(32,224)	(32,224)
At 31 December 2021	<u>1,680</u>	<u>2,106</u>	<u>4,000</u>	<u>176,577</u>	<u>61</u>	<u>184,424</u>
Accumulated amortisation						
At 1 January 2021	(504)	(2,106)	(4,000)	(159,186)	—	(165,796)
Charge for the year	(300)	—	—	(8,829)	—	(9,129)
At 31 December 2021	<u>(804)</u>	<u>(2,106)</u>	<u>(4,000)</u>	<u>(168,015)</u>	<u>—</u>	<u>(174,925)</u>
Net book value						
At 31 December 2021	<u>876</u>	<u>—</u>	<u>—</u>	<u>8,562</u>	<u>61</u>	<u>9,499</u>
At 31 December 2020	<u>956</u>	<u>—</u>	<u>—</u>	<u>17,391</u>	<u>23,909</u>	<u>42,256</u>

Assets under construction relate solely to the development of the Company's business software. During the year the assets under construction of business software was transferred to the Ultimate Parent company.

Goodwill arose as a result of a business combination in 2002 and has a remaining amortisation period of 1 year (2020: 2 years).

SYNTHOMER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

13. Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Plant, machinery and equipment £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost						
At 1 January 2021	2,731	6,424	81,201	7,676	9,417	107,449
Additions	—	—	692	171	4,712	5,575
Disposals	—	—	(238)	(44)	—	(282)
Transfers	—	—	5,166	1,848	(7,014)	—
At 31 December 2021	2,731	6,424	86,821	9,651	7,115	112,742
Accumulated depreciation						
At 1 January 2021	(1,060)	(3,801)	(63,548)	(7,154)	—	(75,563)
Charge for the year	(46)	(115)	(4,350)	(1,029)	—	(5,540)
Disposals	—	—	158	37	—	195
At 31 December 2021	(1,106)	(3,916)	(67,740)	(8,146)	—	(80,908)
Net book value						
At 31 December 2021	1,625	2,508	19,081	1,505	7,115	31,834
At 31 December 2020	1,671	2,623	17,653	522	9,417	31,886

Assets under construction mainly include the installation of a new malenisation plant facility. The spend in the year amounted to £375,000 (2020: £1,453,000). Further new projects were undertaken during the year, the Alcotex expansion project £416,000, the installation of the Bead control system £370,000, and the Lithene Expansion £318,000. The remaining asset under construction spend is allocated to various smaller projects.

SYNTHOMER (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

14. Stocks

	2021	2020
	£000	£000
Raw materials and consumables	9,352	7,433
Finished goods	10,693	8,101
	<u>20,045</u>	<u>15,534</u>

The difference between the purchase price of stocks and their replacement cost is not material.

Stocks are stated after provisions for impairment of £695,000 (2020: £117,000).

15. Debtors: due within one year

	2021	2020
	£000	£000
Trade debtors	22,882	18,332
Less: Provision for doubtful debts	(161)	(142)
	<u>22,721</u>	<u>18,190</u>
Amounts owed by group undertakings	59,602	35,560
Other debtors	2,369	833
Prepayments and accrued income	620	393
	<u>85,312</u>	<u>54,976</u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment, and are repayable on demand. Interest is charged at arm's length and receivable per the agreement in place. Any trading balances relating to outstanding invoices are repayable as per agreed payment terms and are not subject to interest charges.

16. Debtors: due after more than one year

	2021
	£000
Deferred taxation	
At 1 January 2021	3,634
Deferred tax credited to the profit and loss account for the year	1,443
Deferred tax charged to other comprehensive income	(2,748)
At 31 December 2021	<u><u>2,329</u></u>

The deferred tax asset is made up as follows:

	2021	2020
	£000	£000
Fixed assets	2,126	82
Other timing differences	203	3,552
	<u>2,329</u>	<u>3,634</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

17. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	34,191	28,348
Amounts owed to group undertakings	6,334	3,791
Other taxation and social security	956	1,045
Other creditors	6,256	5,936
Accruals and deferred income	3,032	3,428
	50,769	42,548

Amounts owed to group undertakings are unsecured, have no fixed date of repayment, and are repayable on demand. Interest is charged at arm's length and payable per the agreement in place. Any trading balances relating to outstanding invoices are repayable as per agreed payment terms and are not subject to interest charges.

18. Post-employment benefits

The Company operates a defined contribution scheme for its employees. Costs recognised in respect of the defined contribution pension plan for the year were £2,063,000 (2020: £1,897,000).

Defined benefit scheme

The Group's UK defined benefit scheme is administered by a fund that is legally separate from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension are responsible for the investment policy with regard to the assets of the fund. The scheme was closed to future accrual in 2009 and all retirement benefits since that time are provided by way of a defined benefit contribution scheme. The assets of the scheme are held separately from those of the companies concerned. A triennial actuarial valuation of the scheme was undertaken in 2021 and is in the process of being finalised by the trustees of the scheme and the Company.

The Group remains committed to funding its deficit recovery plan for the UK scheme and the shortfall is expected to be eliminated by 2023. Contributions from the Company are expected to be £6,265,000 in 2022.

Risks

The scheme is exposed to a number of risks, the most significant of which are detailed below:

Asset return risk

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds on the long term while providing volatility and risk in the short term.

Interest rate risk

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Longevity risk

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

18. Post-employment benefits (continued)**Assumptions**

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2021	2020
	%	%
Rate of increase in pensions in payment	3.20 %	2.80 %
Rate of increase in pensions in deferment	2.90 %	2.20 %
Discount rate	1.80 %	1.40 %
Inflation assumption	3.40 %	2.90 %

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a pensioner retiring at 65 as follows:

	2021	2020
	years	years
<i>Retiring today</i>		
Males	87.2	87.3
Females	89.5	89.5
<i>Retiring in 20 years</i>		
Males	88.8	88.9
Females	90.9	91.4

The weighted average duration of benefit obligations at the end of the reporting period is 14.9 (2020: 16.2).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Decrease by 1%	Increase by £25.2 million
Rate of mortality	Increase by 1 year	Increase by £6.65 million

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

18. Post-employment benefits (continued)**Plan assets**

The asset classes which form the investment of the plan are as follows:

	2021	2020
	£000	£000
Hedge funds	6,125	7,280
Equity instruments	33,775	37,520
Debt instruments	94,535	90,405
Property	3,220	3,080
Annuity assets	1,085	1,820
Cash	3,185	1,330
Fair value of scheme assets	141,925	141,435

All investments in equities, bonds, and property are quoted.

Net liability

The movements in the net liability attributable to the Company arising from defined benefit obligations over the year are as follows:

SYNTHOMER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)

18. Post-employment benefits (continued)

	2021			2020		
	Present value of funded defined benefit obligations	Fair value of scheme assets	Net liability arising from defined benefit obligations	Present value of funded defined benefit obligations	Fair value of scheme assets	Net liability arising from defined benefit obligations
	£000	£000	£000	£000	£000	£000
At 1 January	(159,740)	141,435	(18,305)	(147,770)	128,276	(19,494)
Past service cost	—	—	—	(280)	—	(280)
Interest (expense)/income	(2,205)	1,995	(210)	(2,870)	2,520	(350)
Amounts recognised in income in respect of defined benefit schemes	(2,205)	1,995	(210)	(3,150)	2,520	(630)
<i>Remeasurement</i>						
Return on plan assets excluding amounts included in interest (expense)/income	—	(1,085)	(1,085)	—	11,200	11,200
Gains/(losses) from change in financial assumptions	5,005	—	5,005	(15,155)	—	(15,155)
Gains in changes in demographic assumptions	2,240	—	2,240	—	—	—
Gains from experience adjustments	4,830	—	4,830	—	—	—
Amounts recognised in the statement of comprehensive income	12,075	(1,085)	10,990	(15,155)	11,200	(3,955)
<i>Contributions</i>						
Employers	—	5,924	5,924	—	5,774	5,774
Benefit payments	6,344	(6,344)	—	6,335	(6,335)	—
	6,344	(420)	5,924	6,335	(561)	5,774
At 31 December	(143,526)	141,925	(1,601)	(159,740)	141,435	(18,305)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

19. Provision for liabilities

The company had the following provisions during the year:

	Onerous contracts £000	Product liability and other £000	Total £000
Cost			
As at 1 January 2021	4,572	751	5,323
Utilised in year	(167)	—	(167)
Charged to profit and loss	—	219	219
As at 31 December 2021	4,405	970	5,375

Onerous contracts

As part of the acquisition of Polymer Latex in 2011, the Group acquired a leasehold property interest in an empty property in Ossett. The provisions reflect this onerous contract and it is expected to be utilised by 2070

Product liability and other

Product liability and other provisions consist of customer claims which are expected to be utilised in the next year.

20. Share capital

	2021 £000	2020 £000
Shares classified as equity		
26,301,001 (2020: 26,301,001) Ordinary shares of £1 each	26,301	26,301

There is a single class of ordinary shares with no restrictions on the distribution of dividends or repayments of capital.

21. Reserves

Profit and loss account

Profit and loss account of £34,973,000 (2020: £25,809,000) represents cumulative profits or losses, net of dividends paid and other adjustments.

Share premium account

Share premium account of £30,000,000 (2020: £30,000,000) represents the excess value subscribed to share capital above the nominal value of shares.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

22. Commitments and contingencies

At 31 December the Company had minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£000	£000
Payments due		
Within one year	1,061	1,017
In two to five years	3,251	3,174
Over five years	29,427	29,535
	<u>33,739</u>	<u>33,726</u>

The Company had the following capital commitments which were not provided for in the balance sheet:

	2021	2020
	£000	£000
Contracted but not provided for	<u>8,498</u>	<u>2,590</u>

The Company had no other off-balance sheet arrangements.

23. Related party transactions

As the company is a wholly owned subsidiary of Synthomer plc, the Directors have decided to apply the available exemption from FRS 102, paragraph 33.1A, to not disclose transactions with wholly owned members of the Synthomer plc Group.

During the year the Company entered into transactions with related parties which are not wholly owned, in the ordinary course of business. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

	2021	Balances outstanding at end of year
	Group ownership %	Goods & services sold £000
		£000
Revertex (Malaysia)	49	197
Synthomer Middle East Company	70	(15)
Synthomer SAE	70	30
Quality Polymer Sdn Bhd	88	28

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021 (continued)**

23. Related party transactions (continued)

		2020	
	Group ownership %	Goods & services sold £000	Balances outstanding at end of year £000
Revertex (Malaysia)	49	134	70
Synthomer Middle East Company	70	1	—
Synthomer SAE	70	(10)	—
Quality Polymer Sdn Bhd	88	43	—

There were no other transactions with related parties that are not wholly owned members of the Synthomer plc Group.

The Company has elected to take advantage of the disclosure exemption for key management personnel compensation under FRS 102 paragraph 1.12(e).

24. Financial guarantees

The Company participates in cross-guaranteed overdrafts and other banking facilities of both Synthomer plc and some of its UK subsidiaries.

25. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Synthomer Holdings Limited and the ultimate parent Company is Synthomer plc, both of which are incorporated in the United Kingdom.

The smallest and largest group to consolidate these financial statements is Synthomer plc. Copies of the Synthomer plc financial statements are available from Central Road, Temple Fields, Harlow, Essex, CM20 2BH.