

Registered number: 00649192

Ecolab Limited

Annual Report and Financial Statements for the year ended
30 November 2019

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Ecolab Limited

Annual report and financial statements for the year ended 30 November 2019

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Ecolab Limited

Strategic report for the year ended 30 November 2019

The directors present their Strategic report on the company for the year ended 30 November 2019.

Principal activities and business review

Ecolab Limited is a subsidiary of a world-wide hygiene solutions business. The principal activity of the company is the manufacture and sale of hygiene products and provision of related hygiene services. The company trades primarily from the United Kingdom and has a branch in the Republic of Ireland.

The results for the year are set out in the income statement on page 8. The profit for the financial year was £17,959,000 (2018: £8,757,000) on increased turnover of £174,118,000 (2018: £162,268,000).

Total comprehensive income in the year after taking account of the actuarial loss on the pension plans was £11,986,000 (2018: total comprehensive income: £10,903,000). The directors do not propose to pay a dividend in respect of the year (2018: £nil). Net assets increased from £90,616,000 to £102,853,000 during the year due to trading profits and movements on the company's pension plans.

Principal risks and uncertainties, and future outlook

The external commercial environment is expected to remain competitive in 2020 with continued pressure on both sales pricing and raw material costs. However, the directors remain confident that the company will improve on its current level of performance in the future. The key business risks facing the company are the general global economic climate, competitive pressures and the potential variability in the pension plan surplus.

Key performance indicators

Management monitors the business using the following key performance indicators in the year as follows:

		2019	2018
Sales per average employee	£000	156	145
Operating profit margin	%	11.2	6.3
Average number of employees		1,112	1,121

Sales per average employee

Sales per average employee has been satisfactory during the year.

Operating profit

The operating profit performance has been adversely impacted by increases in the cost of raw materials during the year.

Headcount

The headcount is in line with ongoing business requirements.

Financial risk management

The company's operations expose it to a variety of financial risks that include price risk, exchange rate risk, credit risk, liquidity risk and interest rate cash flow risk. The company operates in conjunction with the treasury, tax and other relevant departments within the Ecolab Inc group on matters of risk management, including the implementation of Ecolab Inc group policies, to limit the adverse effects on the financial performance.

Price risk

The company is exposed to some commodity price risk as a result of its operations and the exit from the EU. This risk is managed on a European basis within the Ecolab Inc group. The company closely monitors ongoing developments and future scenarios related to Brexit.

Ecolab Limited

Strategic report for the year ended 30 November 2019 (continued)

Financial risk management (continued)

Exchange rate risk

The company is exposed to exchange rate fluctuations in respect of import purchases, export sales and its foreign currency bank accounts. This risk is monitored and controlled by Ecolab Inc's treasury department in conjunction with the company's finance department through the hedging of forecast open positions. Volatility in foreign currency markets is closely monitored with a specific focus on the potential for heightened volatility arising from the future withdrawal from the EU.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company is part of a larger group and works with the group's treasury department to actively maintain an appropriate level of finance that is designed to ensure the company has sufficient available funds for operations.

Interest rate cash flow risk

The company has both interest-bearing assets and interest-bearing liabilities, being primarily cash and external borrowings. Interest rates are based on market rates available to the Ecolab Inc group. The company monitors its short term working capital requirements, as well as its longer term strategic cash requirements, and in conjunction with the Ecolab Inc treasury and tax departments, it arranges the most appropriate type of financing in order to mitigate and control the cash flow and interest rate risks.

The Ecolab group has a diverse product and balanced market portfolio which has minimised the risk of Covid 19 to the company.

On behalf of the board



E de Villemeur
Director
22 October 2020

Ecolab Limited

Directors' report for the year ended 30 November 2019

The directors present their annual report and the audited financial statements for the year ended 30 November 2019.

A review of the business of the company and future developments is included in the Strategic report on page 1.

Directors

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

E de Villemeur	(appointed 28 June 2019)
P Hey	
C R Lee	(resigned 28 June 2019)
P Rawding	(appointed 20 December 2018; resigned 8 July 2019)
D Walker	(resigned 20 December 2018)

The directors have the benefit of qualifying third party indemnity provisions for the purpose of sections 234 of the Companies Act 2006. Indemnity provisions of this nature have been in place during the financial year but have not been utilised by the directors.

Going concern

The effect of Covid 19 has been considered by the directors and it has not impacted on the going concern of the company. The entity remains profitable and cashflow forecasts have been prepared which show that the company will have sufficient cash reserves to continue for the next 12 months and beyond.

Employees

The company's policy is to consult and discuss with employees, through staff meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through emails, information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Employees are encouraged to participate in the progress and profitability of the company through performance-related bonus plans.

Disabled employees

It is the policy of the company in the United Kingdom that disabled people, whether registered or not, should receive full and fair consideration for all job vacancies for which they are suitable applicants.

Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment, wherever it is practicable, so that full use can be made of an individual's abilities.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

By order of the board



E de Villemeur
Director
22 October 2020

Ecolab Limited

Statement of directors' responsibilities in respect of the financial statements

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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.



E de Villemeur
Director
22 October 2020

Ecolab Limited

Independent auditors' report to the members of Ecolab Limited

Report on the audit of the financial statements

Opinion

In our opinion, Ecolab Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2019 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 30 November 2019; the income statement; the statement of comprehensive income; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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.

Ecolab Limited

Independent auditors' report to the members of Ecolab 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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 30 November 2019 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 Statement of Directors' Responsibilities, 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.

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.

Ecolab Limited

Independent auditors' report to the members of Ecolab Limited (continued)

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 received 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.



Edward Moss (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
22 October 2020

Ecolab Limited**Income statement for the year ended 30 November 2019**

	Note	2019 £'000	2018 £'000
Turnover	5	174,118	162,268
Cost of sales		(110,915)	(105,250)
Gross profit		63,203	57,018
Operating expenses	6	(43,678)	(46,805)
Operating profit	7	19,525	10,213
Exceptional items – restructuring		-	41
Other interest receivable and similar income	10	155	153
Interest payable and similar expenses	11	(36)	(40)
Other finance income	26	753	706
Profit activities before taxation		20,397	11,073
Tax on profit	12	(2,438)	(2,316)
Profit for the financial year		17,959	8,757

The results above are derived entirely from continuing operations.

Statement of comprehensive income for the year ended 30 November 2019

	Note	2019 £'000	2018 £'000
Profit for the financial year		17,959	8,757
Actuarial (loss)/gain on pension plans	26	(7,374)	2,585
Deferred tax effect of actuarial gain		1,401	(439)
Other comprehensive (expense)/income for the year, net of tax		(5,973)	2,146
Total comprehensive income for the year		11,986	10,903

Ecolab Limited**Balance sheet as at 30 November 2019**

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
Fixed assets					
Intangible assets	13		840		1,769
Tangible assets	14		11,818		10,958
			12,658		12,727
Current assets					
Stocks	15		18,717		17,295
Debtors: amounts falling due within one year	16	59,255		57,871	
Debtors: amounts falling due after more than one year	16	2,565		2,409	
Total debtors			61,820		60,280
Cash at bank and in hand			44,939		24,425
			125,476		102,000
Creditors: Amounts falling due within one year	17		(48,788)		(46,336)
Net current assets			76,688		55,664
Total assets less current liabilities			89,346		68,391
Deferred tax liability	18		(2,858)		(4,657)
Provisions for liabilities	19		(450)		(512)
Net assets before pension surplus			86,038		63,222
Pension surplus	26		16,815		27,394
Net assets			102,853		90,616
Capital and reserves					
Called up share capital	20		7,944		7,944
Capital contribution reserve	21		83,568		83,568
Accumulated profit/(losses)			11,341		(896)
Total equity			102,853		90,616

These financial statements on pages 8 to 42 were approved by the board of directors on 22 October 2020 and were signed on its behalf by:



E de Villemeur
Director

Registered number: 00649192

Ecolab Limited

Statement of changes in equity for the year ended 30 November 2019

	Called up share capital £'000	Capital contribution reserve £'000	Accumulated profit/(losses) £'000	Total equity £'000
Balance as at 1 December 2017	7,944	83,568	(12,208)	79,304
Transactions with owners, recognised direct in equity	-	-	409	409
Profit for the financial year	-	-	8,757	8,757
Other comprehensive income for the year	-	-	2,146	2,146
Total comprehensive income for the year	-	-	10,903	10,903
Balance at 30 November 2018	7,944	83,568	(896)	90,616
Balance as at 1 December 2018	7,944	83,568	(896)	90,616
Transactions with owners, recognised direct in equity	-	-	251	251
Profit for the financial year	-	-	17,959	17,959
Other comprehensive expense for the year	-	-	(5,973)	(5,973)
Total comprehensive income for the year	-	-	11,986	11,986
Balance at 30 November 2019	7,944	83,568	11,341	102,853

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

1. General information

Ecolab Limited's ("the Company") principal activity is the manufacture and sale of hygiene products and provision of related hygiene services. The Company is a private company limited by shares and is incorporated in England, United Kingdom. The address of its registered office is PO Box 11, Winnington Avenue, Northwich, Cheshire, CW8 4DX.

2. Statement of compliance

The financial statements of Ecolab Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and the Companies Act 2006.

3. Summary of significant accounting policies

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

Basis of accounting

These financial statements are prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements 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, are disclosed in note 4.

Exemptions for qualifying entities under FRS102

FRS102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of exemptions by the company's shareholders.

The company has taken advantage of the following exemptions on the basis that the information is included in the consolidated financial statements of the company's ultimate parent undertaking, Ecolab Inc, a company registered in the USA:

- from preparing a statement of cash flows;
- from the financial instrument disclosures, required under FRS102 paragraphs 11.39 to 11.48A and the paragraphs 12.26 to 12.29; and
- from disclosing the company key management personnel compensation, as required by FRS102 paragraph 33.7.

Consolidation

The company has taken advantage of the exemption under Section 401 of the Companies Act 2006 from publishing consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the financial statements of Ecolab Inc.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

3. Summary of significant accounting policies (continued)

Turnover

Turnover represents the invoiced value of products, equipment, services and short-term engineering projects, net of value added tax and trade discounts. Where sales of services are invoiced in advance, turnover is recognised monthly over the period covered by the invoice. Turnover from sales of products and equipment is recognised once title has passed to the customer on delivery. Turnover from the provision of services is recognised once the service has been provided. Turnover from sales of short-term engineering projects is recognised when contractual performance is substantially complete, any outstanding obligations are considered to be incidental to completion of the contract and customer acceptance has been received. Accrued income is recognised when goods have been delivered or services rendered but not invoiced at the balance sheet date.

Research and development

Research and development expenditure is written off in the income statement in the year in which it is incurred.

Pensions

The company operates funded defined benefit schemes for some of its employees. Contributions are charged to the income statement so as to spread the cost of pensions over the expected service lives of the employees in the schemes, having regard to any actuarial surplus or deficiency. The assets of the scheme are held in separately administered funds held independently of the company. These have been accounted for under the requirements of FRS102.

Under FRS102, defined benefit scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of liabilities of the company's defined benefit pension schemes expected to arise from employee service in the period is charged against operating profit. The net interest cost is calculated by applying the discount rate to the net balance of defined benefit obligation and the fair value of the plan assets. This cost is recognised in the Income statement as finance expense/income. Actuarial gains and losses are recognised in the Statement of comprehensive income.

Contributions payable by the company in respect of defined contribution plans are charged to operating profit as incurred.

Foreign currencies

Transactions in foreign currencies are translated using the rate of exchange ruling at the end of the month prior to the date of the transaction. Monetary assets and liabilities denominated in, or to be settled in, foreign currencies are translated into sterling using the hedged rate if there is a hedge contract in place or the rate of exchange ruling at the balance sheet date, if not. The gains or losses on translation are included in the income statement. Ecolab Inc operates currency hedging on behalf of the company. The difference between the hedge forward rate and the spot rate at the date of hedge maturity is taken to the income statement.

Intellectual property rights

Intellectual property rights that are acquired and which can be separately identified and valued by reference to an independent valuation are capitalised and amortised over their estimated useful economic lives. Intellectual property rights acquired that cannot be measured independently are included and accounted for as part of goodwill.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

3 Summary of significant accounting policies (continued)

Goodwill

On the acquisition of a business, fair values are attributed to the company's share of the net assets acquired. Where the fair value of the cost of acquisition exceeds the fair values attributed to the identifiable net assets acquired, the resulting goodwill is capitalised and eliminated by amortisation through the income statement over its estimated useful economic life. The directors consider that the useful economic life of the goodwill generated on acquisitions made is 15 years from the date of acquisition. Where an impairment trigger exists, the directors of the company evaluate the carrying value of goodwill to determine if there has been any impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the income statement.

Tangible fixed assets and depreciation

Fixed assets are held at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and any costs directly attributable to bringing the asset to its working condition for its intended use. In accordance with the provisions of FRS102, the estimated cost of decommissioning an asset, to the extent that it is recognised as a provision in accordance with FRS 102, is capitalised.

Depreciation is calculated by the company to write off the cost of tangible fixed assets less their estimated residual values, over their expected useful economic lives on a straight line basis as follows:

Land, buildings & leasehold improvements:

Long leasehold land	- Nil until remaining lease term is 50 years. 50 years thereafter
Buildings	- 25 years
Leasehold improvements	- term of lease
Plant and production equipment	- 3 – 11 years
Office fixtures	- 3 – 11 years
Equipment on loan	- 3 – 5 years

Fixed assets which are fully depreciated and not separately identifiable are treated as having been disposed.

Fixed asset investments

Fixed asset investments are recorded at cost less provision for impairment. Impairment reviews are performed by comparing the carrying value of the asset with their recoverable amount determined by estimating the discounted future cash flows arising from the asset. Provision is made against cost to the extent that the directors consider there has been a permanent impairment in value.

Stock

Stock comprises raw materials, work in progress and finished goods held for resale. Stock is stated at the lower of cost and net realisable value. Cost comprises that expenditure which has been incurred in the normal course of business in bringing products to their current location and condition valued at standard cost, adjusted by relevant variances. Standard cost comprises the cost of purchase and the cost of conversion. The costs of purchase includes purchase price including import duties, transport and handling costs and any other directly attributable costs. The costs of conversion comprise costs which are specifically attributable to units of production together with production overheads. Net realisable value is the actual or estimated selling price less any further costs directly attributable to realisation of the sale. Where necessary, provision is made for slow-moving, obsolete or defective stock.

Leasing commitments

Rentals payable under operating leases charges are charged to the income statement on a straight line basis over the life of the lease.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

3 Summary of significant accounting policies (continued)

Provisions

Provisions for redundancy, restructuring costs, dilapidations and onerous leases are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect is material, provisions are determined by discounting the expected future cash flows using appropriate interest rates. As the provisions unwind year on year, the discount is charged to the income statement within interest payable and similar charges.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be sufficient future taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Share-based payments

The company's ultimate parent company operates an equity-settled share-based compensation plan for certain employees. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the company revises its estimate of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The company's ultimate parent company also grants performance based restricted stock units (PBRSU) to certain employees under a long-term incentive plan. Where services are provided by an employee to the company, the fair value of those employee services received in exchange for the grant of PBRSU is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the PBRSU granted. At each balance sheet date, the company revises its estimate of the number of PBRSU that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

3. Summary of significant accounting policies (continued)

Financial assets

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

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price.

Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss.

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.

Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables 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.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

4. Critical accounting judgements and estimation uncertainty

Company management and the board of directors make estimates and assumptions about the future. These estimates and assumptions impact recognised assets and liabilities, as well as revenue and expenses and other disclosures. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities within the financial year include:

Fixed asset investments are recognised at cost, less any impairments. The carrying amount of the company's fixed asset investments is tested as soon as changed conditions show that a need for impairment has arisen. Having identified no indications of potential impairment in investments, management have not performed a review for any potential impairment, and consequently have not made any provision for impairment.

Intangible assets are recognised at cost, less any impairments. The company considers whether intangible assets and goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. With the assistance of an independent actuary, management estimates these factors in determining the net pension obligation or asset in the balance sheet. The assumptions reflect historical experience and current trends.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

5. Turnover

The geographical analysis of the company's turnover by destination is:

	2019 £'000	2018 £'000
United Kingdom	124,356	118,083
Rest of Europe	41,282	36,207
Rest of World	8,480	7,978
Total	174,118	162,268

All turnover arose from one class of business, the manufacture and sale of hygiene products and provision of related hygiene services from continuing operations. Turnover of £4,719,000 (2018: £4,388,000) arose from continuing operations originating outside of the United Kingdom.

6. Operating expenses

	2019 £'000	2018 £'000
Selling, marketing and distribution costs	17,811	20,082
Administrative expenses	25,867	26,723
Total operating expenses	43,678	46,805

7. Operating profit

	2019 £'000	2018 £'000
The operating profit is stated after charging / (crediting):		
Services provided by company's auditor:		
- Fees payable for the statutory audit	102	102
Amortisation of intangible fixed assets (note 13)	929	2,191
Depreciation of tangible fixed assets (note 14)	2,425	2,734
Staff costs (note 9)	54,297	54,283
(Loss)/profit on disposal of fixed assets	(378)	51
Exchange gains/(losses)	196	(67)
Hire of machinery and equipment	564	942
Operating lease charges	4,844	4,160

No fees for non-audit services have been paid to the company's auditors in the year.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

8. Remuneration of directors

	2019 £'000	2018 £'000
Emoluments	72	-

Retirement benefits are accruing to no directors (2018: no directors) under the defined benefit plans.

At 30 November 2019, one director held options to acquire shares in Ecolab Inc (2018: two directors). No directors holding office during the year exercised share options during the year which had been granted for services rendered to the company (2018: no directors exercised options granted for services to the company).

9. Staff numbers and costs

The monthly average number of persons employed by the company (including executive directors) during the year, analysed by category, was as follows:

	Average number of employees	
	2019	2018
Production	213	215
Sales and distribution	838	843
Administration	61	63
	1,112	1,121

	2019 £'000	2018 £'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	43,790	43,140
Social security costs	5,419	4,884
Other pension costs (note 26)	4,837	5,850
Share based payment charge (note 27)	251	409
	54,297	54,283

The above excludes restructuring charges of £1,461,000 associated with redundancies (2018: £322,000).

10. Other interest receivable and similar income

	2019 £'000	2018 £'000
Bank interest receivable	155	153

11. Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest payable on overdrafts and bank loans	36	40

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

12. Tax on profit

	2019 £'000	2018 £'000
UK Corporation tax	1,704	2,459
Adjustments in respect of prior years	334	(634)
Foreign tax	3	77
Current tax	2,041	1,902
Deferred tax		
Origination and reversal of timing differences	198	(69)
Change in tax rates	127	7
Adjustments in respect of prior years	72	476
Total deferred	397	414
Net tax	2,438	2,316

Factors affecting the tax for the year

The tax assessed on the profit for the year is lower (2018: higher) than the standard effective rate of corporation tax in the United Kingdom of 19.0% (2018: 19.0%).

The differences are reconciled below:

	2019 £'000	2018 £'000
Profit before taxation	20,397	11,073
Profit at standard effective rate of tax 19.0% (2018: 19.0%)	3,875	2,104
Effects of:		
Expenses not allowable for tax purposes	211	462
Group relief free of charge	(2,184)	(176)
Change in tax rates	127	7
Adjustments in respect of prior years	406	(158)
Foreign taxation	3	77
Total tax	2,438	2,316

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. At Budget 2020, the government announced that the corporation tax main rate for the years starting 1 April 2020 and 2021 would remain at 19%.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

13. Intangible assets

	Goodwill £'000	Intellectual Property Rights £'000	Total £'000
Cost			
At 1 December 2018 and at 30 November 2019	43,278	1,260	44,538
Accumulated amortisation			
At 1 December 2018	41,509	1,260	42,769
Charge for the year	929	-	929
At 30 November 2019	42,438	1,260	43,698
Net book value			
At 30 November 2019	840	-	840
At 30 November 2018	1,769	-	1,769

14. Tangible assets

	Land, buildings and leasehold improvements £'000	Plant and production equipment £'000	Office fixtures £'000	Equipment on loan £'000	Total £'000
Cost					
At 1 December 2018	3,989	5,460	2,179	8,186	19,814
On acquisition	-	21	8	385	414
Additions	144	1,286	504	1,112	3,046
Disposals	(443)	(49)	(192)	(1,867)	(2,551)
Exchange differences	-	-	(4)	-	(4)
At 30 November 2019	3,690	6,718	2,495	7,816	20,719
Accumulated depreciation					
At 1 December 2018	2,178	847	1,743	4,088	8,856
Charge for the year	257	447	294	1,427	2,425
Disposals	(291)	(31)	(186)	(1,867)	(2,375)
Exchange differences	-	-	(5)	-	(5)
At 30 November 2019	2,144	1,263	1,846	3,648	8,901
Net book value					
At 30 November 2019	1,546	5,455	649	4,168	11,818
At 30 November 2018	1,811	4,613	436	4,098	10,958

In the directors' opinion there is no material difference between the book value and market value of freehold land and buildings.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

15. Stock

	2019	2018
	£'000	£'000
Raw materials and consumables	4,987	4,119
Work in progress	1,887	1,055
Finished goods and goods held for resale	11,843	12,121
	18,717	17,295

16. Debtors

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	43,280	39,716
Amounts owed by group undertakings	13,497	14,375
Derivative financial assets	-	2
Deferred tax asset	259	263
Prepayments and accrued income	2,219	3,515
	59,255	57,871
Amounts falling due after more than one year:		
Deferred tax asset	1,508	1,917
Prepayments and accrued income	1,057	492
	2,565	2,409
Total debtors	61,820	60,280

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The elements of the deferred taxation asset are as follows:

	2019	2018
	£'000	£'000
Depreciation in advance of capital allowances	1,508	1,917
Other timing differences	259	263
Total deferred tax assets	1,767	2,180

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

17. Creditors: Amounts falling due within one year

	2019	2018
	£'000	£'000
Bank loans and overdrafts	-	150
Trade creditors	5,988	5,827
Amounts owed to group undertakings	6,902	8,125
Taxation and social security	6,786	6,997
Accruals and deferred income	29,112	25,237
	48,788	46,336

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

18. Deferred tax liability

	2019	2018
	£'000	£'000
Deferred tax – post employment benefits	2,858	4,657

19. Provisions for liabilities

	Dilapidations £'000	Total £'000
At 1 December 2018	512	512
Credit to the income statement	(62)	(62)
Utilised during the year	-	-
At 30 November 2019	450	450

Dilapidations

The provision for dilapidations represents the estimated costs of dilapidation repairs on leased properties. The liability is expected to be utilised up to and including the year ending 30 November 2020.

20. Called up share capital

	2019	2018
	£'000	£'000
Authorised and fully paid 79,440 (2018: 79,440) ordinary shares of £100 each	7,944	7,944

21. Capital contribution reserve

	2019	2018
	£'000	£'000
At 1 December and 30 November	83,568	83,568

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

22. Contingent liabilities

At 30 November 2019, the company had no contingent liabilities (2018: £Nil).

23. Financial instruments

The company has the following financial instruments:

	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost:		
Trade receivables	43,280	39,716
Other receivables	18,000	20,562
Changes in value dealt with in the income statement:		
Derivative financial instruments	-	2
Total financial assets	61,280	60,280
Financial liabilities measured at amortised cost:		
Trade creditors	5,988	5,827
Accruals	29,112	25,237
Other liabilities	13,688	15,272
Changes in value dealt with in the income statement:		
Derivative financial instruments	-	-
Total financial liabilities	48,788	46,336

The forward foreign currency contracts are measured at fair value which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:Euro. All outstanding contracts mature within 5 months of the year end.

Ecolab Limited

24. Deferred taxation

Deferred taxation consists of the following:

	At 1 Dec 2018 £'000	On acquisition £'000	(Charged)/ credited to profit & loss £'000	Credited to OCI £'000	At 30 Nov 2019 £'000
Depreciation in advance of capital allowances	1,917	(103)	(306)	-	1,508
Accruals not deducted	263	(6)	2	-	259
Post-employment benefits	(4,657)	491	(93)	1,401	(2,858)
	(2,477)	382	(397)	1,401	(1,091)

Deferred tax assets are recognised only to the extent that it is probable that there will be suitable taxable profits in the foreseeable future.

25. Commitments

a) Capital commitments

At 30 November 2019, the company had made no capital commitments (2018: £Nil).

b) Operating lease commitments

Lease payments under non-cancellable operating leases, excluding those recognised in the onerous lease provision (note 19), are as follows:

	2019		2018	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	-	-	438
In the second to fifth years inclusive	3,956	1,579	1,322	8,455
After five years	1,277	1,313	1,725	-
	5,233	2,892	3,047	8,893

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26. Pension plans

On 16 October 2014, the Ecolab Pension and Life Assurance Plan and the Ecolab Pest and Property Plan merged with a UK pension scheme sponsored by Nalco Limited to create the One Ecolab Pension Plan. Separate sections of the Plan were created, which relate to the three legacy defined benefit arrangements combined with the existing defined contribution arrangement. A further section was created from 30 November 2018 following the merger with the RP Adam Limited Retirement Benefits Scheme. The four sections of the One Ecolab Pension Plan have segregated assets and liabilities, with the assets of all sections held in separately administered funds, and therefore appear separately in the company reports. There were no changes to members' benefits or to Ecolab Limited's pension commitments in respect of the former Ecolab Pension and Life Assurance Plan and Ecolab Pest and Property Plan, renamed the Chemicals Plan Section of the One Ecolab Pension Plan (the 'Chemicals Section'), the Pest Plan Section of the One Ecolab Pension Plan (the 'Pest Section') and the former RP Adam Limited Retirement Benefits Scheme, renamed the RP Adam Plan Section of the One Ecolab Pension Plan (the 'RP Adam Section') respectively, as a result of these mergers.

The company is the principal employer for the Chemicals Section, the Pest Section and the RP Adam section of the One Ecolab Pension Plan.

Contributions to the defined benefit sections of the One Ecolab Pension Plan are determined on the basis of an actuarial valuation carried out by an independent qualified actuary at least every three years. The defined benefit sections are closed to new entrants and closed to future accrual from 31 December 2019. At 30 November 2019 there were no prepaid or outstanding contributions due to the defined contribution sections (2018: £Nil).

Defined Contribution scheme

The charge for the scheme represents contributions payable by the Company to this scheme and amounted to £3,425,000 (2018: £2,877,000).

Overview of all Pension plans

Analysis of amount recognised in the income statement in respect of all defined benefit plans

	2019	2018
	£'000	£'000
Chemicals Section – current service cost	349	418
Chemicals Section – administration expenses	509	249
Pest Section – current service cost	227	254
Pest Section – administration expenses	327	138
Total operating charge	1,412	1,059
Financing income:		
Chemicals Section – Interest on net defined benefit asset	(271)	(213)
Pest Section – Interest on net defined benefit asset	(577)	(493)
R P Adams Section – Interest on net defined benefit liability	95	-
Total financing income	(753)	(706)
Expense recognised in the income statement	659	353

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26. Pension plans (continued)

Analysis of amount charged in statement of comprehensive income

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	2019 £'000	2018 £'000
Asset gains/(losses) arising during the year	11,347	(3,138)
Liability (losses)/gains arising during the year	(18,721)	5,723
Total amount recognised in the statement of comprehensive income	(7,374)	2,585

Funded status in respect of all pension plans

	2019 £'000	2018 £'000
Fair value of plan assets	170,284	154,986
Present value of plan liabilities	(153,469)	(127,592)
Net surplus recognised	16,815	27,394

The movement in the pension plans surplus during the year is analysed as follows:

	2019 £'000	2018 £'000
Movement in surplus during the year in respect of all pension plans		
Surplus in plans at the beginning of the year	27,394	26,849
Movement in the year:		
On acquisition	(2,891)	-
Current service cost	(576)	(672)
Past service cost	-	(1,914)
Employer contributions	345	227
Other finance income	753	706
Actuarial (loss)/gain	(7,374)	2,585
Administration costs paid out	(836)	(387)
Surplus in plans at end of the year	16,815	27,394

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26. Pension plans (continued)

Defined Benefit Plans:

Chemicals Section

The most recent actuarial valuation was carried out as at 31 March 2018 on the Projected Unit Credit Method. The results of this valuation have been updated by a qualified independent actuary to determine the pension accounting liabilities for the 2019 financial year.

With effect from 1 July 2019 the Trustees and the Employer agreed that administrative and other expenses relating solely to the Chemicals section (including the amount of the PPF levy) will be met from the assets of the Chemicals section, up to an annual "Expense Allowance" of £0.6 million. If this expense allowance has not been fully used up in the period running from 1 August to the following 31 July it can be used as an offset to that year's Employer contributions for future benefit accrual. With effect from 1 July 2019, the employer contributions in respect of future benefit accrual are 26.3% of pensionable salaries of active members and must be paid by the Employer by 19 December, following each 31 July year end. The employer also pays participant contributions as required under the salary sacrifice arrangement.

The Employer separately meets the cost of life assurance benefits and any expenses over and above the annual Expense Allowance.

Financial assumptions

The principal financial assumptions used to calculate the plan's liabilities under FRS 102 are as follows:

	2019	2018
	% pa	% pa
Discount rate	1.97	3.13
Rate of RPI price inflation	3.00	3.50
Rate of CPI price inflation	2.00	2.40
Deferred pension revaluation - linked to RPI capped	2.20	2.30
Rate of increase in pensions in payment - linked to CPI capped	1.70	1.90
Salary growth	2.00	2.00

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Mortality assumptions

The principal mortality assumptions used to calculate the plan's liabilities under FRS 102 reflect the characteristics and experience of the membership of the plan and are as shown in the table below.

	2019 Years	2018 Years
Mortality tables	Standard tables SINMA (males) SINFA (females) allowing for individual years of birth and rated down by 1 year for males only	Standard tables SINMA (males) SINFA (females) allowing for individual years of birth and rated down by 1 year for males only
Future improvements in life expectancy	In line with CMI 2019 core projections, with a long term improvement rate of 1% p.a. for males and females	In line with CMI 2018 core projections, with a long term improvement rate of 1% p.a. for males and females
Male member aged 65 (current life expectancy)	21.5	22.0
Female member aged 65 (current life expectancy)	23.4	23.9
Male member aged 45 (life expectancy at age 65)	22.5	23.1
Female member aged 45 (life expectancy at age 65)	24.6	25.1

Funded status

The funded status of the plan is as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	65,305	61,047
Present value of plan liabilities	(59,106)	(52,259)
Surplus recognised	6,199	8,788

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Reconciliation of fair value of plan assets

The movement in the fair value of plan assets during the year is analysed as follows:

	2019 £'000	2018 £'000
Fair value of plan assets at 1 December	61,047	62,223
Movement in the year:		
Interest income on assets	1,869	1,682
Actuarial gain/(loss) on plan assets	5,110	(1,166)
Employer contributions	194	141
Member contributions	-	5
Benefits paid	(2,406)	(1,589)
Administration costs paid out	(509)	(249)
Fair value of plan assets at 30 November	65,305	61,047

Plan assets do not include any of the company's own financial instruments or any property owned or occupied by the company.

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan at the accounting date.

The actual return on plan assets in the year ended 30 November 2019 was a gain of £6,979,000 (2018: gain of £516,000).

Fair value and expected return on assets

The fair value of the plan assets and the expected long-term rate of return on those assets are as follows:

	Value at 30 November 2019 £'000	Value at 30 November 2018 £'000
Equities	32,605	35,910
Bonds/Gilts	31,031	23,314
Property	1,115	1,618
Cash	554	205
Fair value of plan assets	65,305	61,047
Present value of plan liabilities	(59,106)	(52,259)
Pension plan surplus	6,199	8,788

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Reconciliation of present value of plan liabilities

The movement in the present value of plan liabilities during the year is analysed as follows:

	2019 £'000	2018 £'000
Present value of plan liabilities at 1 December	(52,259)	(54,006)
Movement in the year:		
Current service cost	(349)	(418)
Interest on pension liabilities	(1,598)	(1,469)
Member contributions	-	(5)
Actuarial (loss)/gain	(7,306)	2,834
Benefits paid	2,406	1,589
Past service costs	-	(784)
Present value of plan liabilities at 30 November	(59,106)	(52,259)

Analysis of amount recognised in the income statement in respect of defined benefit plan

	2019 £'000	2018 £'000
Current service cost	349	418
Administration expenses	509	249
Past service costs	-	784
Total operating charge	858	1,451
Financing income:		
Interest on net defined benefit asset	(271)	(213)
Expense recognised in the income statement	587	1,238

Analysis of amount charged in statement of comprehensive income

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	2019 £'000	2018 £'000
Asset gains/(losses) arising during the year	5,110	(1,166)
Liability (losses)/gains arising during the year	(7,306)	2,834
Total amount recognised in the statement of comprehensive income	(2,196)	1,668

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Pest Section

The most recent actuarial valuation was carried out as at 31 March 2018 on the Projected Unit Credit Method. The results of this valuation have been updated by a qualified independent actuary to determine the pension accounting liabilities for the 2019 financial year.

With effect from 1 July 2019 the Trustees and the Employer agreed that administrative and other expenses relating solely to the Pest section (including the amount of the PPF levy) will be met from the assets of the Pest section, up to an annual "Expense Allowance" of £0.4 million. If this expense allowance has not been fully used up in the period running from 1 August to the following 31 July it can be used as an offset to that year's Employer contributions for future benefit accrual. With effect from 1 July 2019, the employer contributions in respect of future benefit accrual are 26.2% of pensionable salaries of active members and must be paid by the Employer by 19 December, following each 31 July year end. The employer also pays participant contributions as required under the salary sacrifice arrangement.

The Employer separately meets the cost of life assurance benefits and any expenses over and above the annual Expense Allowance.

Financial assumptions

The principal financial and actuarial assumptions used to calculate the plan's liabilities under FRS 102 are as follows:

	2019 % pa	2018 % pa
Discount rate	1.97	3.12
Rate of RPI price inflation	3.00	3.50
Rate of CPI price inflation	2.00	2.40
Deferred pension revaluation - linked to CPI capped	1.70	1.90
Rate of increase in post-1997 pensions in payment – linked to RPI capped	2.90	3.30
Salary growth	2.00	2.00

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Mortality assumptions

The principal mortality assumptions used to calculate the plan's liabilities under FRS 102 reflect the characteristics and experience of the membership of the plan and are as shown in the table below.

	2019 Years	2018 Years
Mortality tables	Standard tables SINMA (males) SINFA (females) allowing for individual years of birth	Standard tables SINMA (males) SINFA (females) allowing for individual years of birth
Future improvements in life expectancy	In line with CMI 2019 core projections, with a long term improvement rate of 1% p.a. for males and females	In line with CMI 2018 core projections, with a long term improvement rate of 1% p.a. for males and females
Male member aged 65 (current life expectancy)	21.5	22.0
Female member aged 65 (current life expectancy)	23.4	23.9
Male member aged 45 (life expectancy at age 65)	22.5	23.1
Female member aged 45 (life expectancy at age 65)	24.6	25.1

Funded status

The funded status of the plan is as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	100,088	93,939
Present value of plan liabilities	(85,705)	(75,333)
Surplus recognised	14,383	18,606

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Reconciliation of fair value of plan assets

The movement in the fair value of plan assets during the year is analysed as follows:

	2019	2018
	£'000	£'000
Fair value of plan assets at 1 December	93,939	95,453
Movement in the year:		
Interest income on assets	2,888	2,577
Actuarial gain/(loss) on plan assets	6,033	(1,972)
Employer contributions	100	86
Member contributions	4	4
Benefits paid	(2,549)	(2,071)
Administration costs paid out	(327)	(138)
Fair value of plan assets at 30 November	100,088	93,939

Plan assets do not include any of the company's own financial instruments or any property owned or occupied by the company.

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan at the accounting date.

The actual return on plan assets in the year ended 30 November 2019 was a gain of £8,921,000 (2018: gain of £605,000).

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Fair value and expected return on assets

The fair value of the plan assets and the expected long-term rate of return on those assets are as follows:

	Value at 30 November 2019 £'000	Value at 30 November 2018 £'000
Equities	30,658	55,822
Bonds/Gilts	68,059	35,597
Property	1,045	2,475
Cash	326	45
Fair value of plan assets	100,088	93,939
Present value of plan liabilities	(85,705)	(75,333)
Pension plan surplus	14,383	18,606

Reconciliation of present value of plan liabilities

The movement in the present value of plan liabilities during the year is analysed as follows:

	2019 £'000	2018 £'000
Present value of plan liabilities at 1 December	(75,333)	(76,821)
Movement in the year:		
Current service cost	(227)	(254)
Past service cost	-	(1,130)
Interest on pension liabilities	(2,311)	(2,084)
Member contributions	(4)	(4)
Actuarial (loss)/gain	(10,379)	2,889
Benefits paid	2,549	2,071
Present value of plan liabilities at 30 November	(85,705)	(75,333)

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Analysis of amount recognised in the income statement in respect of defined benefit plan

	2019	2018
	£'000	£'000
Current service cost	227	254
Administration expenses	327	138
Past service costs	-	1,130
Total operating charge	554	1,522
Financing income:		
Interest on net defined benefit asset	(577)	(493)
Expense recognised in the income statement	(23)	1,029

Analysis of amount charged in statement of comprehensive income

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	2019	2018
	£'000	£'000
Asset gains/(losses) arising during the year	6,033	(1,972)
Liability (losses)/gains arising during the year	(10,379)	2,889
Total amount recognised in the statement of comprehensive income	(4,346)	917

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

RP Adam Section

The most recent actuarial valuation was carried out as at 31 March 2017 on the Projected Unit Credit Method. The results of this valuation have been updated by a qualified independent actuary to determine the pension accounting liabilities for the 2019 financial year.

Following the completion of the 31 March 2017 valuation, it was agreed shortfall contributions of £3,595,200 per annum increasing at 3% per annum would be paid from 1 July 2018. In addition, the employer meets directly the administrative and other expenses (including the amount of the Pension Protection Fund levy) and the cost of life assurance benefits. The R P Adam Section is closed to future accrual.

Financial assumptions

The principal financial and actuarial assumptions used to calculate the plan's liabilities under FRS 102 are as follows:

	2019	2018
	% pa	% pa
Discount rate	1.98	-
Rate of RPI price inflation	3.00	-
Rate of CPI price inflation	2.00	-
Deferred pension revaluation - linked to CPI capped	1.70	-
Rate of increase in pensions in payment – linked to CPI capped	2.00	-
Salary growth	2.00	-

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Mortality assumptions

The principal mortality assumptions used to calculate the plan's liabilities under FRS 102 reflect the characteristics and experience of the membership of the plan and are as shown in the table below.

	2019 Years	2018 Years
Mortality tables	Standard tables SINMA (males) SINFA (females) allowing for individual years of birth	Standard tables SINMA (males) SINFA (females) allowing for individual years of birth
Future improvements in life expectancy	In line with CMI 2019 core projections, with a long term improvement rate of 1% p.a. for males and females	In line with CMI 2018 core projections, with a long term improvement rate of 1% p.a. for males and females
Male member aged 65 (current life expectancy)	21.5	-
Female member aged 65 (current life expectancy)	23.4	-
Male member aged 45 (life expectancy at age 65)	22.5	-
Female member aged 45 (life expectancy at age 65)	24.6	-

Funded status

The funded status of the plan is as follows:

	2019 £'000	2018 £'000
Fair value of plan assets	4,891	-
Present value of plan liabilities	(8,658)	-
Deficit recognised	(3,767)	-

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Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Reconciliation of fair value of plan assets

The movement in the fair value of plan assets during the year is analysed as follows:

	2019	2018
	£'000	£'000
Fair value of plan assets at 1 December	-	-
Movement in the year:		
At acquisition	4,838	-
Interest income on assets	144	-
Actuarial gain on plan assets	204	-
Employer contributions	51	-
Member contributions	-	-
Benefits paid	(346)	-
Administration costs paid out	-	-
Fair value of plan assets at 30 November	4,891	-

Plan assets do not include any of the company's own financial instruments or any property owned or occupied by the company.

The company employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the plan at the accounting date.

The actual return on plan assets in the year ended 30 November 2019 was a gain of £348,000.

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Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Fair value and expected return on assets

The fair value of the plan assets and the expected long-term rate of return on those assets are as follows:

	Value at 30 November 2019 £'000	Value at 30 November 2018 £'000
Diversified growth	3,639	-
Bonds/Gilts	1,199	-
Property	-	-
Cash	53	-
Fair value of plan assets	4,891	-
Present value of plan liabilities	(8,658)	-
Pension plan deficit	(3,767)	-

Reconciliation of present value of plan liabilities

The movement in the present value of plan liabilities during the year is analysed as follows:

	2019 £'000	2018 £'000
Present value of plan liabilities at 1 December	-	-
Movement in the year:		
On acquisition	(7,729)	-
Current service cost	-	-
Interest on pension liabilities	(239)	-
Member contributions	-	-
Actuarial loss	(1,036)	-
Benefits paid	346	-
Present value of plan liabilities at 30 November	(8,658)	-

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Notes to the financial statements for the year ended 30 November 2019

26 Pension plans (continued)

Analysis of amount recognised in the income statement in respect of defined benefit plan

	2019	2018
	£'000	£'000
Current service cost	-	-
Administration expenses	-	-
Total operating charge	-	-
Financing income:		
Interest on net defined benefit asset	(95)	-
Expense recognised in the income statement	(95)	-

Analysis of amount charged in statement of comprehensive income

The analysis of the amounts shown in the statement of comprehensive income is as follows:

	2019	2018
	£'000	£'000
Asset gains arising during the year	204	-
Liability (losses) arising during the year	(1,036)	-
Total amount recognised in the statement of comprehensive income	(832)	-

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

27 Share based payments

Certain employees of the company who provide full time services to Ecolab Limited have been granted options to acquire shares in Ecolab Inc, the company's ultimate parent company, and granted performance-based restricted stock unit awards ('PBRU') under the terms of the Ecolab Inc 2002 Stock Incentive Plan and the Ecolab Inc 2005 Stock Incentive Plan.

The total cost for the year ended 30 November 2019 relating to employee share-based payment plans was £1,872,000 (2018: £855,000), all of which related to equity-settled share-based payment transactions.

Share options

Options granted vest annually in equal amounts over a three-year service period and expire ten years from the date of grant. Options are granted to purchase shares at the average daily share price on the date of grant. The lattice (binomial) option-pricing model is used to estimate the fair value of options at grant date.

The weighted average fair value of each option granted in the year was £29.34 (2018: £22.47).

The assumptions used in the measurement of the fair value of the options were:

	2019	2018
	6 December 2018	6 December 2017
Grant date		
Average share price at grant date	£124.38	£101.40
Exercise price	£124.38	£101.40
Number of employees	9	7
Shares under option	6,080	6,426
Vesting period (years)	3	3
Expected volatility	22.46%	22.67%
Option life (years)	10	10
Expected life (years)	6.15	6.15
Risk-free rate	2.80%	2.19%
Expected dividend yield	1.16%	1.20%
Fair value per option	£29.39	£22.47

The risk-free rate of return is determined based on a yield curve of US treasury rates from one month to ten years and a period commensurate with the expected life of the options granted. Expected volatility is established based on historical volatility of Ecolab Inc's share price. The expected dividend yield is determined based on Ecolab Inc's annual dividend amount as a percentage of the average share price at the time of the grant.

The expense associated with options awards is based on the estimated fair value of options granted plus any gains or losses from the estimated fair value at exercise. The company recognises the expense over the three-year vesting period.

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Share-based payments (continued)

Information on outstanding share options is as follows:

	2019		2018	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 December	28,060	£83.43	29,105	£79.30
Granted	6,080	£124.38	6,426	£101.40
Lapsed	(518)	£101.40	(2,824)	£88.60
Exercised	(385)	£88.84	(4,647)	£79.05
Outstanding at 30 November	33,237	£90.58	28,060	£83.43
Exercisable at 30 November	20,971	£78.42	14,790	£72.71
			2019	2018
Range of exercise prices:				
Low			£44.61	£44.61
High			£101.40	£94.03
Weighted average remaining contractual life (years):			7.0	7.4

Performance-based restricted stock units

The expense associated with PBRU awards is based on the average of the high and low share price of Ecolab Inc's common stock on the date of grant, adjusted for the absence of future dividends. The awards vest based on Ecolab Inc achieving a defined performance target and with continued service for a three-year period. Upon vesting, Ecolab Inc will issue shares of its common stock such that one award unit equals one share of common stock. The company assesses the probability of achieving the performance target and recognises the expense over the three-year vesting period when it is probable that the performance target will be met.

The assumptions used in the measurement of the fair value of the PBRU awards were:

	2019	2018
	6 December 2018	6 December 2017
Grant date		
Average share price at grant date	£124.38	£101.40
Number of employees	9	5
Shares under option	1,460	1,414
Vesting period (years)	3	3

Ecolab Limited

Notes to the financial statements for the year ended 30 November 2019

26 Share-based payments (continued)

Information on outstanding PBRU awards is as follows:

	2019		2018	
	Number	Weighted average value	Number	Weighted average value
Outstanding at 1 December	9,884	£83.59	14,544	£83.59
Restatement	-	-	109	£94.03
Granted	1,460	£124.38	1,414	£101.40
Lapsed	(171)	£101.40	(1,722)	£84.48
Exercised	(2,668)	£120.96	(4,461)	£103.09
Outstanding at 30 November	8,505	£89.51	9,884	£83.59

27 Related party transactions

Under FRS 102, the company is exempt from the requirement to disclose transactions or balances with entities which form part of the Ecolab Inc group on the grounds that it is a wholly owned subsidiary of Ecolab Inc and its results are included in the published consolidated financial statements of Ecolab Inc.

28 Immediate and ultimate parent undertakings and controlling party

The immediate parent undertaking is Ecolab (U.K.) Holdings Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Ecolab Inc, a company incorporated in the United States of America. Ecolab Inc is the parent undertaking of the smallest and largest group of undertakings to consolidate these financial statements at 30 November 2019.

The consolidated financial statements of Ecolab Inc are available to the public from Ecolab Inc, Ecolab Center, 370 Wabasha Street North, St Paul, Minnesota 55102, USA.