
CLARIANT OIL SERVICES UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



CLARIANT OIL SERVICES UK LTD

COMPANY INFORMATION

Directors	A J Lock T A Otteslev B Christie (appointed 1 March 2020)
Company secretary	N Scothern & Oakwood Corporate Secretary Limited
Registered number	01216200
Registered office	Clariant House Unit 2, Rawdon Park Yeadon Leeds LS19 7BA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Skandinaviska Enskilda Banken AB 1 Carter Lane London EC4V 5AN

CLARIANT OIL SERVICES UK LTD

CONTENTS

	Pages
Strategic Report	1 - 3
Directors' Report	4 - 6
Independent Auditors' Report	7 - 9
Profit and Loss Account	10
Balance Sheet	11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 34

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

Introduction

Clariant Oil Services UK Ltd ('the Company') is a subsidiary of the global speciality chemicals business, Clariant AG ('the Group'). In 2019 the Group was organised into four business areas; Care Chemicals, Catalysis & Energy, Natural Resources and Plastics & Coatings, of which only Natural Resources was active in the Company.

Business review and future outlook

The Group has five strategic pillars which define its future path:- increase profitability; reposition portfolio; add value with sustainability; foster innovation and R&D; and intensify growth. Clariant's mission is to build leading positions in the business we are in, adopting functional excellence as part of our culture and to create value through appreciating the needs of our customers, our employees, our shareholders and our environment.

Turnover of the Company increased by 18% in 2019 to £41,205,000 (2018 - £34,825,000). The increase is mainly attributable to increased sales in overseas markets, which continues to be the growth area for this business.

The results for the Company show a profit before taxation of £3,713,000 (2018 - £2,526,000). An interim dividend of £NIL (2018 - £5,000,000) has been paid. No final dividend was paid or proposed in the year (2018 - £NIL).

The Company's assets exceeded its liabilities at the end of the year by £11,484,000 (2018 - £8,532,000).

The market place within which the Company operates remains highly competitive and challenging. The Company will therefore continue to focus attention on remaining competitive by seeking new business, improving the efficiency of systems and processes and controlling costs where applicable. It is envisaged that the Company will continue to trade profitably in 2020.

The Company's management is continuing to monitor the impact of Covid-19 on the business. Some negative impact has been seen in the Company in 2020 particularly in a reduction in sales to the Africa region. As a result of Covid-19 there have been a limited number of employees furloughed and production has reduced in line with demand. However, this is expected to improve throughout the latter part of the year with sales actually increasing above the previous level. Profitability and cashflow will move in line with sales and purchases, and the Directors are satisfied that, having considered plausible downturn scenarios, the Company will have sufficient liquidity to continue its business for the foreseeable future.

The Company is closely monitoring the legal and political developments during the 'Transition Phase' towards the UK's exit from the EU ("Brexit"). A Brexit working group was established shortly after the referendum in 2016, to prepare the Company for the post-Brexit economic arrangements. In the absence of an agreed and binding post-Brexit trade arrangement with the EU, Brexit remains a risk for the Company due to its inherent uncertainty. However, the working group has established contingency plans for all possible outcomes to minimise the impact of Brexit on the Company's ongoing business.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Principal risks and uncertainties

As a supplier of chemicals and services to the oil industry, the Company is exposed to various general and sector-specific risks. These include, but are not limited to, environmental, product and country risks. These are reviewed and managed with the assistance of specialists within the Group and external advisers. Specific risk evaluations may be carried out by functions such as Internal Audit, Environmental, Health and Safety and Legal. The Company maintains appropriate levels of insurance cover.

Environmental risks

Environmental and safety issues are addressed as part of the focus on sustainable development in all aspects of production, transport, distribution and use of products and services. The risks identified are routinely reviewed and regular audits monitor compliance with legislative requirements and Group guidelines.

Mandatory principles on Environment, Safety and Health ("ESH") are laid down in the Group's ESH regulations which form an integral part of business processes and strategic planning.

Corporate Sustainability & Regulatory Affairs have built on the Group's principles by drawing up an ESH strategy, a set of guidelines and targets that are mandatory worldwide and by assigning responsibilities. As well as complying with national laws and regulations, the ESH policy commits Clariant to ethical and sustainable operations in all business activities by participation in the Global Responsible Care initiative of the chemical industry.

Product risks

The Group's integrated product policy ensures the inclusion of environmental and safety issues in all processes along the entire value chain. From supplier selection to providing customers with comprehensive information and services, the Company ensures that its products are used in ways that are safe, which minimise environmental impact and that they can be properly disposed of. The Company is continuing to monitor any developments with regards to Brexit and has implemented appropriate measures to ensure that its products will remain compliant with all applicable regulations.

Country risks

The Company is trading with partners in some countries which have higher than average socio-political risks. These risks are regularly reviewed and appropriate measures are taken to mitigate where considered necessary.

Financial key performance indicators

The management team uses a series of KPIs to monitor and manage performance against strategic objectives. The principal KPIs include:

- Growth of sales (%)
- Control of selling, general and administrative overheads ("SG&A" costs) as a percentage of turnover
- Improvement in net working capital (debtor and stock days)

Turnover for the financial year was £41,205,000 which was 18% above the previous year due to increased sales in overseas markets following a greater focus and investment in these markets. SG&A costs as a percentage of turnover were 40.8% in 2019 compared to 37.2% in 2018.

Debtor days are the number of days third party sales represented by the third party debtors. Stock days are the number of days cost of goods sold represented by the value of stock. Net working capital is monitored on an on-going basis in order to maximise cash flow. Debtor days decreased from 78 in 2018 to 56 days in 2019, with stock days decreasing from 31 days in 2018 to 25 days in 2019.

CLARIANT OIL SERVICES UK LTD

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Other key performance indicators

As part of its commitment to its environmental health and safety obligations the Company monitors the lost time accident rate, which for 2019 was NIL (2018 - NIL). An LTA is recorded where an employee is off work the day after an accident, and the rate is calculated per 200,000 hours worked. There were no prosecutions, major accidents or environmental incidents in the current or prior year.

This report was approved by the board on 16 September 2020 and signed on its behalf.



T A Otteslev
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', 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 UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006.

Principal activities

The principal activity of the Company during the year was the manufacture and supply of chemicals and services to the oil industry. The Company operates from its single base in Aberdeen.

Results and dividends

The profit for the year, after taxation, amounted to £2,952,000 (2018 - £2,050,000).

Details of dividends are given in the Strategic Report.

Directors

The directors who served during the year were:

A J Lock
T A Otteslev
J Jex (resigned 31 January 2019)

Principal risks and uncertainties

The principal risks and uncertainties are discussed in the Strategic Report.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Future developments

The directors' view on the future outlook for the company is outlined in the Strategic Report.

Engagement with employees

Employee Engagement is vital for Clariant's journey to a high performing organisation. Employee engagement starts with providing a shared understanding on Corporate, Business and Service Unit's initiatives to all its employees. Therefore, Clariant is continuously communicating all corporate initiatives throughout the organisation. Communication is cascaded through to the local Company whereby information is then shared through local email correspondence, town hall meetings and team meetings. Within the UK organisation, the Consultative Committee provides a forum for elected employee representatives and the directors to discuss matters of common interest, but also issues of general significance.

In order to secure our long-term success, every employee must commit to a shared goal, shaping who we are and what we stand for: our Vision, Mission and Values. They describe what is important to us, where we want to go, and how we aim to get there. They give us direction and send a clear signal to all stakeholders supporting our business. The Corporate values also form an integral part of the annual performance management cycle, which all UK employees participate in. Performance Management at Clariant is a key driver for employee engagement and it ensures that the strategic business objectives are translated into the employee's day-to-day actions, supporting continuous development and growth. The process enables regular feedback on performance, based on constructive dialogue, respect and trust.

All permanent employees in the UK also participate in the group bonus plans, which reward employees with an annual cash bonus based on the group company achievements. The key principle of the plans is to ensure a unified "One Clariant" culture whereby employees have a common understanding of the Company performance, and the financial factors affecting this.

Since 2014, Clariant has committed to regular employee engagement surveys to assess levels of engagement and to continuously seek a better understanding of how employees experience their working environment. Clariant uses these assessments as a basis for appropriate and necessary activities and initiatives to enhance and drive future engagement. Following the survey in 2016, the UK organisation implemented a local flexi-time scheme in response to improving work life balance. In November 2018, Clariant conducted its first Pulse employee survey with nearly 2,500 employees from 49 countries taking part, including the UK with a local response rate of 81%. Overall, the work environment at Clariant was perceived positively, demonstrated by an engagement index of 85 which positioned Clariant above benchmark.

Qualifying third party indemnity provisions

A qualifying third party indemnity provision as defined in section 234 of the 2006 Companies Act, applicable to all of the Company's directors was in place during the financial year and continues to be in force as at the date these financial statements were approved.

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 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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2019**

Post balance sheet events

COVID-19 emerged in the UK in the latter part of quarter 1 2020 and is considered a non-adjusting post balance sheet event. The Company's management have been monitoring the situation and have analysed the potential effects on the Company. The full impact of the virus on the supply chain and ongoing demand from customers is not yet fully known, but the Company is deemed to be in a good position to deal with any negative impacts and take any necessary measures to mitigate the risks. Being part of the multinational Clariant Group provides added security in these unusual times.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next board meeting.

This report was approved by the board on 16 September 2020 and signed on its behalf.



T A Otteslev
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLARIANT OIL SERVICES UK LTD

Report on the audit of the financial statements

Opinion

In our opinion, Clariant Oil Services UK Ltd's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 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 101 'Reduced Disclosure Framework', 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 2019; the profit and loss account 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

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLARIANT OIL SERVICES UK LTD

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 31 December 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 Directors' Responsibilities Statement, set out on page 4, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLARIANT OIL SERVICES UK LTD

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.



Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Leeds

16 September 2020

CLARIANT OIL SERVICES UK LTD

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	2019 £000	2018 £000
Turnover	4	41,205	34,825
Change in stocks of finished goods and work in progress		(170)	329
Other operating income		1,167	1,744
Raw materials and consumables		(24,642)	(21,332)
Other external charges		(63)	(105)
Gross profit		17,497	15,461
Staff costs	7	(3,913)	(4,234)
Depreciation and amortisation	11	(450)	(332)
Other operating expenses		(9,417)	(8,380)
Operating profit	5	3,717	2,515
Interest receivable and similar income		19	11
Interest payable and similar expenses		(23)	-
Profit before tax		3,713	2,526
Tax on profit	9	(761)	(476)
Profit for the financial year		2,952	2,050

There was no other comprehensive income for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 13 to 34 form part of these financial statements.

The above results are all derived from continuing activities.

CLARIANT OIL SERVICES UK LTD
REGISTERED NUMBER: 01216200

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	11	1,491	1,080
		<u>1,491</u>	<u>1,080</u>
Current assets			
Stocks	12	1,682	1,819
Debtors: amounts falling due within one year	13	15,938	12,600
Cash at bank and in hand		1,583	560
		<u>19,203</u>	<u>14,979</u>
Creditors: amounts falling due within one year	14	(7,850)	(6,432)
Net current assets		<u>11,353</u>	<u>8,547</u>
Total assets less current liabilities		<u>12,844</u>	<u>9,627</u>
Creditors: amounts falling due after more than one year		(265)	-
		<u>12,579</u>	<u>9,627</u>
Provisions for liabilities			
Other provisions	18	(1,095)	(1,095)
		<u>(1,095)</u>	<u>(1,095)</u>
Net assets		<u><u>11,484</u></u>	<u><u>8,532</u></u>
Capital and reserves			
Called up share capital	20	400	400
Share premium account		593	593
Profit and loss account		10,491	7,539
		<u>11,484</u>	<u>8,532</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 September 2020.

A J Lock
 Director



The notes on pages 13 to 34 form part of these financial statements.

CLARIANT OIL SERVICES UK LTD

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2019	400	593	7,539	8,532
Comprehensive income for the year				
Profit for the year	-	-	2,952	2,952
Total comprehensive income for the year	-	-	2,952	2,952
At 31 December 2019	400	593	10,491	11,484

The notes on pages 13 to 34 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 January 2018	400	593	10,489	11,482
Comprehensive income for the year				
Profit for the year	-	-	2,050	2,050
Total comprehensive income for the year	-	-	2,050	2,050
Dividends: Equity capital	-	-	(5,000)	(5,000)
At 31 December 2018	400	593	7,539	8,532

The notes on pages 13 to 34 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. General information

Clariant Oil Services UK Ltd ("the Company") manufactures and supplies chemicals and services to the oil industry, predominantly in the United Kingdom and Africa.

The Company is a private company, incorporated and domiciled in the United Kingdom. The address of its registered office is Clariant House, Unit 2, Rawdon Park, Leeds, LS19 7BA.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The following statement has been notified to the Company's shareholders and no objections have been received.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.3 Going concern

The Company's management is continuing to monitor the impact of Covid-19 on the business. Some negative impact has been seen in the Company in 2020 particularly in a reduction in sales to the Africa region. As a result of Covid-19 there have been a limited number of employees furloughed and production has reduced in line with demand. However, this is expected to improve throughout the latter part of the year with sales actually increasing above the previous level. Profitability and cashflow will move in line with sales and purchases, and the Directors are satisfied that, having considered plausible downturn scenarios, the Company will have sufficient liquidity to continue its business for the foreseeable future. The Group operates a cash-pool arrangement whereby the GBP cash reserves of the Company are actually held by a fellow Group company. The Company has obtained a letter from the UK parent company confirming that they have access to the funds in the GBP cash-pool and therefore no issues in obtaining these cash reserves are expected over the going concern review period. It is envisaged that the cash-pool will be in place for at least the next 12 months, however should the cash-pool arrangement end the Companies would have their funds returned from the cash-pool leader. Therefore these financial statements have been prepared on a going concern basis.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

Sale of goods

Revenue from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Rendering of services

Revenue from providing services is recognised in the accounting period in which the services are rendered.

2.5 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.5 Leases (continued)

recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

For all other leases the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;

The lease liability is included in 'Creditors' on the Balance Sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.10.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

2.6 Research and development

The company conducts research and development activities on new products and applications which are recharged to fellow group companies, the costs of which are therefore expensed as incurred.

2.7 New standards, amendments and IFRIC interpretations

IFRS 16 has been adopted in 2019 and the relevant disclosures are made within these financial statements. No other new accounting standard, or amendments to accounting standards, or IFRIC interpretations that are effective for the year end 31 December 2019, have had a material impact on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

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 payments obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Multi-employer pension plan

The Company is a member of a multi-employer plan. Where it is not possible for the Company to obtain sufficient information to enable it to account for the plan as a defined benefit plan, it accounts for the plan as a defined contribution plan.

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Short-term leasehold property	- Over the life of the lease
Plant and machinery	- 3 - 16 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

Assets under construction are not depreciated and are transferred to their appropriate category when they are available for use, at which point depreciation starts.

2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a standard cost basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.12 Debtors

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

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.14 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

2. Accounting policies (continued)

2.16 Financial instruments (under IFRS 9)

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

2.17 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property plant and equipment, and note 2.10 for the useful economic lives for each class of assets.

(b) Inventory provisioning

The Company manufactures and distributes chemical products which often have a finite shelf life. As a result it is necessary to consider the recoverability of the cost of inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. See note 12 for the net carrying amount of the inventory and associated provision.

(c) Impairment of trade receivables

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 13 for the net carrying amount of the receivables and associated impairment provision.

CLARIANT OIL SERVICES UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

4. Turnover

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

	2019	2018
	£000	£000
Sales of goods	38,683	32,177
Provision of services	2,522	2,648
	41,205	34,825

Analysis of turnover by country of destination:

	2019	2018
	£000	£000
United Kingdom	15,323	15,841
Rest of Europe	9,151	8,380
Rest of the world	16,731	10,604
	41,205	34,825

5. Operating profit

The operating profit is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	450	332
Defined contribution pension cost	359	393

6. Auditors' remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	12	12

No fees were paid to the auditors for other services (2018 - £NIL).

CLARIANT OIL SERVICES UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

7. Employees

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

	2019 £000	2018 £000
Staff salaries	3,168	3,414
Social security costs	386	427
Cost of defined contribution scheme	359	393
	<u>3,913</u>	<u>4,234</u>

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

	2019 No.	2018 No.
Production	13	12
Selling and distribution	34	39
Administration	6	6
	<u>53</u>	<u>57</u>

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	9	87
	<u>9</u>	<u>87</u>

Only J Jex received remuneration through the Company for his services. The other directors received no remuneration for their services to the Company during the year ended 31 December 2019 (2018 - £NIL). A J Lock and T A Otteslev are remunerated for their services to the UK Group and their costs are borne by a fellow subsidiary company, Clariant Services UK Ltd and consequently no figures are included above.

The directors' emoluments paid by Clariant Services UK Ltd are solely in respect of duties under the directors' contracts of employment with Clariant Services UK Ltd and no separate directors' fees are payable.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Tax on profit on ordinary activities

	2019	2018
	£000	£000
Corporation tax		
Current tax on profits for the year	541	353
Adjustments in respect of previous periods	195	68
	736	421
Total current tax	736	421
Deferred tax		
Origination and reversal of timing differences	36	23
Changes to tax rates	(4)	(3)
Adjustments in respect of previous periods	(7)	35
Total deferred tax	25	55
Taxation on profit on ordinary activities	761	476

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019	2018
	£000	£000
Profit on ordinary activities before tax	3,713	2,526
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	705	480
Effects of:		
Expenses not deductible for tax purposes	5	5
Adjustments to tax charge in respect of prior periods	188	103
Impact of change in tax rate	(4)	(3)
Non-taxable income	(6)	-
Group relief	(127)	(109)
Total tax charge for the year	761	476

CLARIANT OIL SERVICES UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

9. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges

Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As substantive enactment is after the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at a rate of 17%.

10. Dividends

	2019	2018
	£000	£000
Interim paid: £NIL (2018: £12.50) per £1 share	-	5,000
	<u>-</u>	<u>5,000</u>
	<u>-</u>	<u>5,000</u>

CLARIANT OIL SERVICES UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

11. Tangible fixed assets

	Plant and machinery £000	Motor vehicles £000	Short-term leasehold property £000	Computer equipment £000	Assets under construction £000	Total £000
Cost or valuation						
At 1 January 2019	3,194	-	1,515	-	97	4,806
Impact of change in accounting policy	-	55	706	11	-	772
At 1 January 2019 (adjusted balance)	3,194	55	2,221	11	97	5,578
Additions	68	-	-	-	46	114
Disposals	(67)	-	-	-	-	(67)
At 31 December 2019	3,195	55	2,221	11	143	5,625
Depreciation						
At 1 January 2019	2,250	-	1,475	-	-	3,725
Charge for the year on owned assets	187	-	20	-	-	207
Charge for the year on right-of-use assets	-	24	213	6	-	243
Disposals	(41)	-	-	-	-	(41)
At 31 December 2019	2,396	24	1,708	6	-	4,134
Net book value						
At 31 December 2019	799	31	513	5	143	1,491
At 31 December 2018	944	-	39	-	97	1,080

CLARIANT OIL SERVICES UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

11. Tangible fixed assets (continued)

The net book value of owned and leased assets included as "Tangible fixed assets" in the Balance Sheet is as follows:

	2019 £000
Tangible fixed assets owned	961
Right-of-use tangible fixed assets	530
	<u>1,491</u>

Information about right-of-use assets is summarised below:

Net book value

	2019 £000
Property	493
Motor vehicles	32
Office and computer equipment	5
	<u>530</u>

Depreciation charge for the year ended

	2019 £000
Property	(213)
Motor vehicles	(24)
Office and computer equipment	(6)
	<u>(243)</u>

Additions to right-of-use assets

	2019 £000
Additions to right-of-use assets	<u>773</u>

CLARIANT OIL SERVICES UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

12. Stocks

	2019	2018
	£000	£000
Raw materials and consumables	1,172	1,155
Work in progress (goods to be sold)	15	-
Finished goods and goods for resale	495	664
	1,682	1,819

Stocks are stated after provisions for impairment of £24,000 (2018 - £57,000).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

13. Debtors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade debtors	7,171	5,455
Amounts owed by group undertakings	8,378	6,516
Other debtors	267	435
Prepayments and accrued income	72	119
Deferred taxation	50	75
	15,938	12,600

Trade debtors, which are all due within one year, are stated after provisions for impairment of £189,000 (2018 - £873,000).

Included in amounts owed by group undertakings are loans receivable of £4,389,000 (2018: £2,203,000) which are unsecured and repayable on demand with no interest charged.

Included in amounts owed by group undertakings is a loan receivable of £548,000 (2018: £352,000) denominated in Euros, repayable on demand with no interest charged.

Other amounts owed by group undertakings represent trading balances, which are unsecured, do not bear interest and are payable in accordance with the Group's inter-company payments terms.

14. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	3,826	3,427
Amounts owed to group undertakings	2,170	1,814
Corporation tax	490	-
Other taxation and social security	79	2
Lease liabilities	242	-
Other creditors	37	64
Accruals	1,006	1,125
	7,850	6,432

Amounts owed to group undertakings represent trading balances, which are unsecured, do not bear interest and are payable in accordance with the Group's inter-company payments terms.

CLARIANT OIL SERVICES UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

15. Creditors: Amounts falling due after more than one year

	2019	2018
	£000	£000
Lease liabilities	265	-
	265	-

16. Financial instruments

	2019	2018
	£000	£000
Financial assets		
Financial assets measured at fair value through profit or loss	1,584	560
Financial assets that are debt instruments measured at amortised cost	15,816	12,231
	17,400	12,791
Financial liabilities		
Financial liabilities measured at amortised cost	(7,039)	(6,430)

Financial assets measured at fair value through profit or loss comprise cash at bank.

Financial assets that are debt instruments measured at amortised cost comprise trade, group and other amounts receivable.

Financial liabilities measured at amortised cost comprise trade, group and other amounts payable.

17. Deferred taxation

	2019
	£000
At beginning of year	75
Charged to profit or loss	(25)
At end of year	50

CLARIANT OIL SERVICES UK LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

17. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	39	59
Temporary trading differences	11	16
	<u>50</u>	<u>75</u>

18. Other provisions

	Dilapidation £000
At 1 January 2019	1,095
At 31 December 2019	<u>1,095</u>

The dilapidation provision arises from the legal obligation to reinstate leasehold properties to their original state at the end of the lease terms. It is envisaged that these amounts will be settled at the end of the leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

19. Leases**Company as a lessee**

The Company has lease contracts for various buildings, vehicles and IT equipment. The amounts recognised as assets are shown in Note 11. The amounts shown as liabilities are analysed below:

Lease liabilities are due as follows:

	2019 £000
Not later than one year	242
Between one year and five years	265
	507

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit or loss:

	2019 £000
Interest expense on lease liabilities	23
Expenses relating to short-term leases	9

20. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
400,000 (2018 - 400,000) Ordinary shares of £1 each	400	400

21. Capital commitments

At 31 December 2019 the Company had capital commitments as follows:

	2019 £000	2018 £000
Contracted for but not provided in these financial statements	-	16
	-	16

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

22. Pension commitments

The Company is a participating employer of the Clariant Pension Plan (the "Plan"), a scheme which is managed by an independent Trustee body and comprises both Defined Benefit and Defined Contribution sections. The Plan is funded by contributions from the Company and its employees. Total contributions in respect of the Defined Benefit Section are based on the advice of a qualified independent actuary. On 31 December 2001 the existing Defined Benefit Section of the Plan was closed to new members and a new Defined Contribution Section of the Plan was established for new employees from 1 January 2002.

On 1 April 2016 the Defined Benefit Section of the Plan was closed for future accrual and all employees transferred to the Defined Contribution Section of the Plan.

The pension charge for the year to 31 December 2019 was £359,000 (2018 - £393,000) in relation to the Defined Contribution section.

The details of the main scheme are as follows:

The Clariant Pension Plan – Defined Benefit Section

The most recent actuarial valuation was carried out at 1 April 2018 by an independent actuary using the projected unit method. The review indicated that the value of the assets of the Plan exceeded the benefits earned up to the valuation date by £10,200,000 allowing for a pre-retirement discount rate of Gilt Curve +2.2% and a post retirement discount rate of Gilt Curve +0.25%. Future pension increases range between 0% and 5%, dependent on the terms of the pension offered. The market value of the Plan's assets was £403,600,000 as at 1 April 2018.

The Clariant Pension Plan – Defined Contribution Section

The Defined Contribution Section is funded by the payment of contributions into personal accounts held under trust. These personal accounts are independent of the Company and are invested with a professional investment manager appointed by the Trustee. The charge against profit is the amount of employer contributions payable to the pension scheme in respect of the accounting year.

IAS 19 disclosures

As permitted by IAS 19 'Employee benefits' the contributions paid by the Company to the Plan are accounted for as though to a defined contribution scheme. This arises since the share of assets and liabilities relating to the Company cannot be separately identified.

At 31 December 2019 the surplus of the Plan was £25,715,000 (2018 - £16,711,000). Full details of the Plan are given in the financial statements of the principal employer of the Plan, Clariant Production UK Ltd, whose financial statements are publicly available.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

23. Commitments under operating leases

Following the adoption of IFRS 16 in 2019 the Company now accounts for operating leases as right of use assets and therefore at 31 December 2019 there are no commitments under operating leases to report. The Company had future minimum lease payments under non-cancellable operating leases as follows at 31 December 2018:

	2019 £000	2018 £000
Not later than 1 year	-	248
Later than 1 year and not later than 5 years	-	588
	<u>-</u>	<u>836</u>

Effect of adoption of IFRS 16 'Leases'

The company has adopted IFRS 16 using the simplified approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions of the standard. The new accounting policy for leases is disclosed in note 2.5.

On adoption of IFRS 16 the Company recognised lease liabilities in relation to leases which had been previously classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate which for these leases ranges between 2.58% and 3.38%.

	2019 £000
Reconciliation to lease liabilities:-	
Operating lease commitments disclosed as at 31 December 2018	836
Discounted using the lessee's incremental borrowing rate	(33)
Extension incentives on leases	(30)
	<u>773</u>
Lease liabilities recognised as at 1 January 2019	<u>773</u>

Measurement of right of use assets

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet at 1 January 2019.

The change in accounting policy affected no other items in the statement of financial position on 1 January 2019 other than the right of use assets and lease liabilities as disclosed above.

24. Post balance sheet events

COVID-19 emerged in the UK in the latter part of quarter 1 2020 and is considered a non-adjusting post balance sheet event. This is discussed in more detail within the Directors' Report on page 6.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

25. Controlling party

The immediate parent undertaking is Clariant Production UK Ltd.

The ultimate parent undertaking and controlling party is Clariant AG, a company incorporated in Switzerland.

Clariant AG is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 December 2018. The consolidated financial statements of Clariant AG can be obtained from Investor Relations at Hardstrasse 61, CH- 4133, Pratteln, Switzerland.