

Tessengerlo Holding UK Limited

Annual report and financial statements

For the year ended 31 December 2018



TESSENDERLO HOLDING UK LIMITED

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TESSENDERLO HOLDING UK LIMITED

STRATEGIC REPORT

For the year ended 31 December 2018

The directors present their strategic report for the year ended 31 December 2018.

Principal activities and business review

The Company acts as an intermediate holding Company within the Tessenderlo Group.

The results of the Company for the year ended 31 December 2018 are shown in the Statement of Comprehensive Income on page 6 and show a loss for the financial year of £1,015,897 (2017: £1,114,597).

The financial position of the Company as at 31 December 2018 is shown on the Statement of Financial Position on page 7. The directors consider that the financial position of the Company as at 31 December 2018 was satisfactory.

Strategy and future developments

The Company is a non-trading intermediate holding Company. As such the directors do not expect any significant changes in the financial position of the Company for the foreseeable future.

Key performance indicators (KPI's)

Given the straightforward nature of the business the Company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

Principal risks and uncertainties

The management of the business and execution of the Tessenderlo Group NV's strategy, of which this Company forms a part, are subject to a number of risks. Key business risks impacting the companies subsidiary investments principally relate to market competition, both from a national and international perspective and the retention of suitably qualified employees. Business risks are reviewed regularly by the directors of the Tessenderlo Group NV and appropriate processes are put in place to monitor and mitigate their impact.

On Behalf of the board


R. Dumont
Director

25-09-19

TESSENDERLO HOLDING UK LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2018

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the financial year of £1,015,897 (2017: 1,114,597) has been transferred to reserves. The directors have not recommended the payment of a dividend during or in respect of the financial year (2017: £nil).

Going concern

The directors wish to draw attention to note 3 of these financial statements regarding the basis of accounting.

Future developments

The strategy and future developments in the business are set out in the Strategic Report on page 1.

Directors

The directors who held office during the year and up to the date of signing the financial statements were as follows:

SA Haspešlagh
R Dumont
MS Mclellan
M Evans

Company secretary

Patrice Gras

Financial risk management policies

The directors have reviewed the financial risk management objectives and policies of the Company. The Company does not as a regular policy enter into hedging instruments, as there is not believed to be any material exposure. It also does not enter into any speculative financial instruments. The directors do not consider there to be any material financial risks with liquidity risk and interest rate risk associated with intercompany debtors and creditors managed at a Tessenderlo group level.

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.

TESSENDERLO HOLDING UK LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2018

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.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that:

- As far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make him aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment was proposed at the Annual General Meeting.

On behalf of the board


K. Dumont
Director

25-09-19

Independent auditors' report to the members of Tessengerlo Holding UK Limited

Report on the audit of the financial statements

• Opinion

In our opinion, Messengerlo Holding UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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 Statement of Financial Position as at 31 December 2018; the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

• Basis for opinion

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

• Independence

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

• Conclusions relating to going concern

- ISAs (UK) require us to report to you when:
 - 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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

• 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.

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.

Independent auditors' report to the members of Tessenderlo Holding UK Limited

• 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 2018 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 3, 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.

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.



Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

25 September 2019

TESSENDERLO HOLDING UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 £	2017 £
Administrative expenses		(201,447)	(200,097)
Operating loss		<u>(201,447)</u>	<u>(200,097)</u>
Interest receivable and similar income	5a	1,244,664	845,877
Interest payable and similar expense	5b	(2,261,303)	(1,975,767)
Net interest expense	5	<u>(1,016,639)</u>	<u>(1,129,890)</u>
Other income		211,552	Nil
Loss before taxation	6	<u>(1,006,534)</u>	<u>(1,329,987)</u>
Tax on loss	7	<u>(9,363)</u>	<u>215,390</u>
Loss for the financial year		<u>(1,015,897)</u>	<u>(1,114,597)</u>
Other comprehensive income:			
Actuarial gain relating to pension scheme		1,959,841	3,188,117
Tax on actuarial gain relating to pension schemes		(333,173)	(541,980)
Other comprehensive income for the year, net of tax		<u>1,626,668</u>	<u>2,646,137</u>
Total comprehensive income for the year		<u><u>610,771</u></u>	<u><u>1,531,540</u></u>

All activities derive from continuing operations in the current and prior year.

The accompanying notes are an integral part of these financial statements.

TESSENDERLO HOLDING UK LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

Company number: 3514787

	Note	2018	2017
		£	£
Fixed assets			
Investments	8	26,582,176	26,582,176
Current assets			
Debtors (including £nil due after 1 year (2017: £nil))	9	43,887,701	28,982,415
Cash at bank and in hand		1,669,964	1,586,687
		45,557,665	30,569,102
Creditors: amounts falling due within one year	10	(43,264,880)	(26,358,230)
Net current assets		2,292,785	4,210,872
Total assets less current liabilities		28,874,961	30,793,048
Creditors: amounts falling due after more than one year	11	(15,000,000)	(16,000,000)
Pension asset	12	3,479,380	1,637,382
Taxation, including deferred taxation	13	(591,495)	(278,355)
Net assets		16,762,846	16,152,075
Capital and reserves			
Called up share capital	14	1,000,035	1,000,035
Retained earnings		15,762,811	15,152,040
Total Shareholders' funds		16,762,846	16,152,075

The financial statements on pages 6 to 24 of Tessenderlo Holding UK Limited, registered number 03514787, were approved by the Board of Directors and authorised for issue on

Signed on behalf of the Board of Directors

R Dumont

Director

25-01-19

TESSENDERLO HOLDING UK LIMITED

Statement of Changes in Equity For the year ended 31 December 2018

	Called-up share capital £	Retained earnings £	Total shareholders fund £
Balance as at 1 January 2017	1,000,035	13,620,500	14,620,535
Loss for the financial year	-	(1,114,597)	(1,114,597)
Actuarial gain relating to pension scheme	-	3,188,117	3,188,117
Tax on actuarial gain relating to pension scheme	-	(541,980)	(541,980)
Total comprehensive income for the year	-	1,531,540	1,531,540
Balance as at 31 December 2017	1,000,035	15,152,040	16,152,075
Balance as at 1 January 2018	1,000,035	15,152,040	16,152,075
Loss for the financial year	-	(1,015,897)	(1,015,897)
Actuarial gain relating to pension scheme	-	1,959,841	1,959,841
Tax on actuarial gain relating to pension scheme	-	(333,173)	(333,173)
Total comprehensive income for the year	-	610,771	610,771
Balance as at 31 December 2018	1,000,035	15,762,811	16,762,846

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

1. GENERAL INFORMATION

Tessengerlo Holding UK Limited ("the Company") is a private Company limited by shares and it is incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business is Unit A6 Severn Road, Treforest Industrial Estate, Pontypridd, Mid Glamorgan, Wales CF37 5SQ. The registered number of the Company is 3514787.

The principal activity of the Company is that of a holding Company, with investments held in Tessenderlo Group NV UK group companies.

2. STATEMENT OF COMPLIANCE

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of Preparation

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 in conformity with FRS 102 requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the companies accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and the Company's objectives, policies and processes for managing financial risks, are set out in the strategic report and directors' report. The financial position of the Company, its liquidity position and borrowing facilities are shown in the financial statements on pages 6 to 24.

The directors have considered the twelve month period from the date of approval of these financial statements and are satisfied that the Company remains a going concern. The directors have considered the Company's financial position, forecast cash flows and the availability of financial support from its intermediate parent Company within the group structure. The directors rely on the continuing support of Tessenderlo Group NV to enable the Company to meet its obligations as they fall due and to continue to trade and based on this ongoing support the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the Company's shareholders. A qualifying entity is defined as a member of a group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The Company is a qualifying entity as its results are consolidated into the financial statements of Tessengerlo Group NV which are publicly available.

As a qualifying entity, the Company has taken advantage of the following exemptions:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

(d) Consolidated financial statements

The financial statements contain information about Tessengerlo Holding UK Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption from preparing consolidated financial statements available under section 401 of the Companies Act 2006, on the grounds that it is a wholly owned subsidiary of Tessengerlo Group NV which prepares publicly available consolidated financial statements that incorporate the results of the Company.

(e) Foreign currency

(i) Functional and presentation currency

The Company's functional and presentation currency is the pound sterling.

(ii) Transactions and balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee benefits

The Company provides a range of benefits to employees, including paid holiday arrangements and pension benefits.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is rendered.

(ii) Defined Benefits pension plan

The Company operates a defined benefit plan for certain group employees, which is now closed. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

For the defined benefit scheme, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the statement of comprehensive income if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount in other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Company in separate trustee-administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the statement of financial position.

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised directly in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

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

(ii) Deferred tax

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

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

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

(h) Investments

Investments in subsidiary companies is held at historical cost less accumulated impairment losses.

(i) Impairment of non-current financial assets

At each reporting date non-current financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of non-current financial assets (continued)

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in statement of comprehensive income.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

(k) Financial instruments

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

(i) Financial assets

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

Such assets are subsequently carried at amortised cost using the effective interest method. At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is 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 or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(ii) Financial Liabilities

Basic financial liabilities, including amounts due to group companies and loans from fellow group companies are initially recognised at transaction price.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. The costs are deducted from the liability recognised and will therefore be included in the calculation of amortised cost using the effective interest rate method. They will consequently be recognised in the Statement of Comprehensive Income over the life of the debt instrument.

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

(iii) Offsetting

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

(l) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same group. The Company has taken advantage of the exemption granted under paragraph 33.1A of FRS102 on the grounds that it is a wholly owned subsidiary of a group headed by Tessenderlo Group NV.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumption that have a significant risk of causing a material adjustment to the

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

carrying amounts of assets and liabilities within the next financial year are addressed below.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY (CONTINUED)

(i) Defined benefit pension scheme

The Company has an obligation to pay pension benefits to certain group 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. Actuaries on behalf of management estimate these factors in determining the net pension asset in the balance sheet. The assumptions reflect historical experience and current trends. See note 12 for the disclosures relating to the defined benefit pension scheme.

(ii) Impairment of intercompany debtors

The Company makes an estimate of the recoverable value of inter-Company debtors. When assessing impairment of intercompany debtors, management considered factors including the financial position, profitability and cash generating position of the intercompany counterparty along with the age profile of the debt and historical cash collection experience. See note 9 for the net carrying amount of the debtors and associated impairment provision.

5. NET INTEREST EXPENSE

(a) Interest receivable and similar income

	2018 £	2017 £
Interest on short loans to group undertakings	1,205,677	845,457
Interest on long loans to group undertakings	0	0
Pension financing income	0	420
Net Interest Income on defined benefit pensions	38,987	0
	<hr/>	<hr/>
Total interest income on financial assets not measured at fair value through profit and loss	1,244,664	845,877
	<hr/>	<hr/>
Total interest receivable and similar income	<u>1,244,664</u>	<u>845,877</u>

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

(b) Interest payable and similar expenses	2018	2017
	£	£
Pension financing expense	0	(36,434)
Interest payable on overdrafts and bank loans	(16,807)	(29,715)
Interest payable on short term loans from group undertakings	(1,011,086)	(601,809)
Interest payable on long term loans from group undertakings	(1,233,409)	(1,307,809)
	<u> </u>	<u> </u>
Total interest expense on financial liabilities not measured at fair value through profit and loss	(2,261,303)	(1,975,767)
	<u> </u>	<u> </u>
Net interest expense	(1,016,639)	(1,129,890)
	<u> </u>	<u> </u>

6. LOSS BEFORE TAXATION

Loss before tax is stated after charging:	2018	2017
	£	£
Management charges	30,000	30,000
Pension NPPC administration fee	156,830	170,072
	<u> </u>	<u> </u>
	186,830	200,072

The Company has no employees. The directors are remunerated by other related companies and it is not practicable to quantify the directors' services to this Company. Accordingly the above details include no emoluments in respect of the directors (2017: £nil).

Audit fees amounting to £5,000 (2017: £5,000) are payable to the Company's auditors. The remuneration of the Company's auditors for the provision of non-audit assurance related services to the Company was £nil (2017: £nil).

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

7. TAX ON LOSS

(a) Tax credit included in profit or loss	2018	2017
	£	£
Current tax:		
UK Corporation tax	0	(204,897)
Adjustments in respect of prior years	29,396	24,613
Total current tax	29,396	(180,284)
Deferred Tax:		
Origination and reversal of timing differences	(20,033)	(35,106)
Total deferred tax rate	(20,033)	(35,106)
Tax on loss	9,363	(215,390)
	2018	2017
	£	£
(b) Tax expense included in other comprehensive income		
Deferred tax	333,173	541,980
Total tax expense included in other comprehensive income	333,173	541,980

TESSENDERLO HOLDING UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2018

7. TAX ON LOSS (CONTINUED)**(c) Reconciliation of tax charge**

The tax assessed for the year is higher (2017: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018 £	2017 £
Loss before taxation	(1,006,534)	(1,329,987)
Loss multiplied by the standard rate of tax in the UK of 19% (2017: 19.25%)	(191,242)	(256,022)
Effects of:		
Income not subject to tax	(229,079)	(139,781)
Movement in deferred tax not recognized	(6,811)	151,154
Adjustments in respect of prior years	29,396	24,613
Re-measurement of deferred tax – change in UK tax rate	2,357	4,646
Transfer pricing adjustments	24,598	Nil
Gains / rollover reliefs etc.	380,144	Nil
Total credit for the year	9,363	(215,390)

(d) Factors that may affect future tax charges

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2018.

The Finance Act 2016 which was substantively enacted on 15 September 2016 included further legislation to reduce the main rate of corporation tax to 17% from 1 April 2020. As the change was not substantively enacted at the balance sheet date, its effects are not included in these financial statements.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the Company.

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

8. Investments	2018 £	2017 £
As at 1 January	26,582,176	26,582,176
At 31 December	26,582,176	26,582,176
Analysed as:	2018 £	2017 £
P B Gelatins UK Limited	3,732,176	3,732,176
DYKA UK Limited	22,850,000	22,850,000
	26,582,176	26,582,176

Fixed asset investments comprise equity shares in the trading entities PB Gelatins UK Limited and DYKA UK Limited and the non trading entity Britphos Limited. The Company's direct and indirect subsidiary undertakings, all of which are wholly owned through 100% holdings of their respective issued ordinary share capital, are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
PB Gelatins UK Limited	England and Wales	Manufacture and sale of photographic and pharmaceutical gelatines.	100% ordinary
Dyka UK Ltd	England and Wales	Producer and supplier of plastic pipe systems	100% ordinary
John Davidson(Pipes) Limited*	England and Wales	Producer and supplier of plastic pipe systems	100% ordinary
Britphos Limited	England and Wales	Ceased trading in March 2011. Company dissolved in October 2018.	100% ordinary

*indirectly held

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

9. DEBTORS

	2018 £	2017 £
Amounts owed by group undertakings	43,770,812	28,368,690
Amounts owed by group undertakings – group relief	116,889	613,725
	<u>43,887,701</u>	<u>28,982,415</u>

Amounts owed by group undertakings include impairment provisions of £2,900,000 (2017: £2,900,000).

Amounts owed by group undertakings includes £nil (2017: £nil) falling due after more than one year.

Amounts owed by group undertakings have no fixed date of repayment and are repayable on demand. Interest accrues daily at a rate of LIBOR + 0.9%.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Amounts owed to group undertakings	43,219,700	26,243,306
Amounts owed to group undertakings – group relief	0	71,826
Accruals and deferred income	45,180	43,098
	<u>43,264,880</u>	<u>26,358,230</u>

Amounts owed to group undertakings consist of loans totalling £41,613,290 which have no fixed date of repayment and are repayable on demand. Interest accrues daily at a rate of LIBOR + 0.9%.

Amounts owed to group undertakings consist of loans totalling £1,000,000 repayable on 31 July 2018. Interest accrues at a rate of 7.44% per annum.

Amounts owed to group undertakings consist of loans totalling £0 which have no fixed date of repayment, are repayable on demand and accrue no interest.

Amounts owed to group undertakings include loan interest totalling £606,411 payable on 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2017
	£	£
Amounts owed to group undertakings	<u>15,000,000</u>	<u>16,000,000</u>

Amounts owed to group undertakings falling due after one year consist of loans totalling £15,000,000 with £1,000,000 repayable annually on 31 July 2019 and 2020 with £14,000,000 repayable on 31 July 2021. No security is provided against the loan and interest is charged at a rate of 7.44% per annum.

12. POST-EMPLOYMENT BENEFITS

On the 31 March 2012 a staff pension scheme providing benefits based on final pensionable pay was closed to future accrual of benefits. Prior to closure, the final salary scheme was merged on 31 December 2007 with the schemes of other Tessenderlo Holding UK Limited subsidiaries. Tessenderlo Holding UK Limited is the principle employer. Assets are held in a separately administered fund. The scheme provides retirement benefits on the basis of members final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The latest actuarial valuation of the scheme took place on 1 January 2018.

The key assumptions used by the independent qualified actuaries, Buck Consultants Limited in updating the latest valuation of the scheme for section 28 of FRS 102 purposes were as follows:

	2018	2017
	%	%
Inflation (RPI)	3.20	3.30
Inflation (CPI)	2.20	2.30
Pension increases (RPI max 5% min 3%)	3.65	3.70
Pension increases (RPI max 5%)	3.10	3.15
Pension increases (CPI max 5%)	2.20	2.30
Pension increases (CPI max 3%)	2.05	2.10
Pension increases (CPI max 2%)	1.85	1.90
Discount rate at 31 December	2.95	2.50

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

Mortality assumptions are based on the following:

Non pensioners: 100% S2PMA/100% S2PFA YOB CMI 2017 (1.5%M/1.25%F) from 2007 (2017:S2PMA CMI 2016 1.50% male, 1.25% female trends from 2007).

Pensioners: 93% S2PMA/89% S2PFA YOB CMI 2017 (1.5%M/1.25%F) from 2016. (2017: 100% S2PMA/81% S2PFA CMI 2016 1.50% male, 1.25% female trend from 2008)

Amounts recognised in the statement of comprehensive income in respect of this defined benefit scheme are as follows:

	31 December 2018 £	31 December 2017 £
Current service cost	156,830	170,072
Interest on the net defined benefit asset	(38,987)	36,433
	<u>117,843</u>	<u>206,505</u>
Expense in statement of comprehensive income		
	<u>117,843</u>	<u>206,505</u>
Actual return on scheme assets	(1,257,667)	3,513,772
	<u>(1,257,667)</u>	<u>3,513,772</u>
Analysis of amount recognised in other comprehensive income:		
	2018 £	2017 £
Actual return less expected return on assets	(2,300,757)	2,490,214
Experience gains on liabilities	(106,048)	259,398
Changes in assumptions	4,366,646	438,505
	<u>1,959,841</u>	<u>3,188,117</u>
Actuarial profit/ (loss) recognised in other comprehensive income		
	<u>1,959,841</u>	<u>3,188,117</u>

The amount included in the statement of financial position arising from the Company's obligation in respect of its defined benefit scheme is as follows:

	Value at 31 December 2018 £	Value at 31 December 2017 £
Fair value of scheme assets	39,602,556	42,576,350
Present value of defined benefit obligations	(36,123,176)	(40,938,968)
Surplus/(Liability) in scheme	<u>3,479,380</u>	<u>1,637,382</u>
Asset/(Liability) recognised in the statement of financial position	<u>3,479,380</u>	<u>1,637,382</u>

TESSENDERLO HOLDING UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

12. POST-EMPLOYMENT BENEFITS (CONTINUED)

Movements in the present value of the defined benefit obligation were as follows:

	2018 £
Opening defined benefit obligation	40,938,968
Interest on pension liabilities	1,004,103
Actuarial gains on scheme liabilities	(4,260,598)
Net benefits paid out	(1,559,297)
	<hr/>
Closing defined benefit obligation	36,123,176
	<hr/>

Movements in the fair value of scheme assets were as follows:

	2018 £
Opening fair value of plan assets	42,576,350
Expected return on scheme assets	1,043,090
Actuarial gains on scheme assets	(2,300,757)
Administration cost	(156,830)
Net benefits paid out	(1,559,297)
	<hr/>
Closing fair value of plan assets	39,602,556
	<hr/>

	Value at 31 December 2018 £	Value at 31 December 2017 £
UK equity instruments	2,317,650	3,748,470
Overseas equity instruments	6,596,390	7,276,442
Fixed interest gilts	-	4,204,675
Index linked gilts	-	-
Corporate bonds	17,281,303	13,832,559
Cash	935,610	1,228,675
Diversified growth fund	11,489,703	11,173,293
Insured pensions	981,900	1,112,236
	<hr/>	<hr/>
	39,602,556	42,576,350
	<hr/>	<hr/>

TESSENDERLO HOLDING UK LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

Year ended 31 December 2018

13. TAXATION, INCLUDING DEFERRED TAXATION

	2018 £	2017 £
Deferred taxation		
At 1 January	278,355	(228,519)
Credit in profit or loss	(20,033)	(35,106)
Debit in other comprehensive income	333,173	541,980
At 31 December	591,495	278,355

14. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Issued, called up and fully paid		
1,000,035 (2017: 1,000,035) Ordinary shares of £1 each	1,000,035	1,000,035

15. RELATED PARTIES

The Company has taken advantage of the exemptions under the terms of paragraph 33.1A of FRS 102 which does not require disclosure of transactions between a subsidiary and other group undertakings, where 100% of the Company's voting rights are controlled within the group and the consolidated financial statements of the ultimate parent Company are publicly available.

16. CONTROLLING PARTIES

The Company's immediate parent undertaking, and ultimate parent undertaking, is Tessenderlo Group NV, a Company registered in Belgium which owns 60% share capital. Tessenderlo NL Holding BV also registered in Belgium owns 40% share capital.

The results of the Company are included in the consolidated financial statements of these companies. Copies of these financial statements are publicly available and may be obtained from Tessenderlo Group NV website.