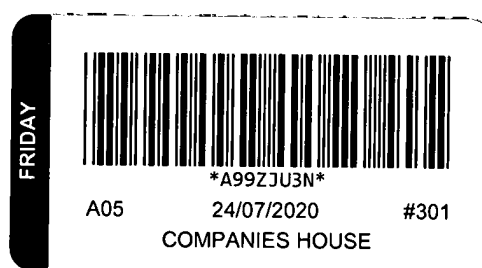




CalaChem Limited

Annual Report and Financial Statements

Registered Number: 5369235
1 January to 31 December 2019



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Directors and advisors

Director:

Colin Loudon

Registered Office:

One St. Peters Square
Manchester
M2 3DE

Independent Statutory Auditor:

KPMG LLP
Chartered Accountants and Statutory Auditor
319 St Vincent Street
Glasgow
G2 5AS

Solicitors:

Dickson Minto
16 Charlotte Square
Edinburgh
EH2 4DF

Charles Russell Speechlys LLP
One London Square
Cross Lanes
Guildford
GU1 1UN

Banker:

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2AD

Strategic report

The directors present their strategic report on the company for the year ended 31 December 2019.

Principal activities

The company undertakes contract manufacture of fine chemical products from its site in Grangemouth, Scotland. It also provides a range of industrial services to customers located alongside its Grangemouth site and elsewhere in the UK.

Manufacturing

The business provides contract manufacturing of intermediates and actives for major agrochemical companies, on a contractual basis. In the agrochemicals segment CalaChem is recognised as one of the leading custom synthesis suppliers, and the business actively seeks extended and new contracts. The business also continues to manufacture specialty chemicals in support of a number of established contracts.

Industrial services

The business offers industrial services, including effluent treatment and the supply of steam, electricity, water and other utilities together with other various landlord services.

Results and performance

For the year ended December 2019, the company made a pre-tax profit before exceptional items of £2.6m (2018: profit of £2.6m). The company incurred exceptional pre-tax charges of £1.8m million in 2019 (2018: £8.3m) which solely relate to the buy-out of the company's defined benefit pension scheme (refer to notes 8 and 23) leading to reported pre-tax profit of £0.8 million (2018: loss of £5.7 million).

The company generated turnover of £52.9m (2018: £47.8m) and operating EBITDA* of £3.0m (2018: £4.5m). The sales increase was largely attributable to our lower margin products at the expense of more profitable ones and an increase in services revenue also at relatively low margins.

Construction of a new Combined Heat and Power (CHP) plant commenced in early 2019. The energy from this new CHP is expected to reduce CalaChem's dependence on National Grid derived gas and electricity and its associated volatile pricing.

CalaChem also continued to progress the buy-out process in relation to its defined benefit scheme. By 31 December 2019 the final data set had been checked, data cleansed and compiled in preparation of the final buy-out and transfer by the end of September 2020. Once complete, the company will have wholly discharged all liabilities in relation to the defined benefit obligation.

* The company defines Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), as its operating profit plus depreciation, amortisation, foreign exchange differences and exceptional items.

Strategy

The business objective is now to achieve steady and sustainable rates of growth and returns, primarily from organic growth across its agrochemicals and industrial services business sectors in which it is currently involved. The Board confirm the strategy as follows:

1. managing existing contracts across all business sectors;
2. targeting new opportunities primarily in the chemical sector with existing and new customers;
3. seeking new opportunities and long term relationships with customers for industrial services;
4. taking the opportunity to sell surplus land and/or buildings for development purposes.

Strategic report (continued)

S172 Statement

Employee Engagement

The management of the company is fully committed to keeping its employees informed of material matters which affect them both in the short and longer term. This information is communicated in variety of forms and frequency depending the nature and importance of the information being disseminated.

This includes but not limited to:-

- Discussions with unions on the financial health of the company
- Weekly communications to all employees on the Covid-19, on how it is affecting the company's ability to trade, the effects on working conditions for employees, risk assessments on working practices and all other relevant information relating to employment matters. This communication also contains other helpful information and shares experiences of other employees on how they are dealing with challenges of Covid-19 especially in the most challenging period of lock-down. It also contains up-to-date information from the latest government advice and any legal updates considered relevant to employees
- On-line presentations on Covid-19 to ensure all employees aware of actions company is taking, and to allow feedback / questions from employees
- Managers are encouraged to cascade relevant information discussed at monthly management meetings
- Monthly communications pack
- Strategy statement incorporating cores values for the company being displayed on notice boards throughout the site
- Weekly updates on health and safety metrics
- E-mail announcements on strategic decisions likely to affect the company's business performance
- Regular updates of recruitment and/or departure of key senior staff and / or directors

The company is in the process of developing a new monthly pack consolidating a number of KPI's for dissemination to all employees to keep them informed of the progress on these matters, and explaining their relevance both in terms of company performance and the individuals role within this. Allied to this will be feedback questionnaires to engage employees and solicit opinion on the information being provided

Other stakeholders

The company views, as key to its success, positive interactions with all other stakeholders including customers, suppliers and others relevant parties such government agencies and the local community. There are on-going periodic communications and interactions with all of these parties including:-

- Weekly, monthly and quarterly conference calls and meetings with customers to review performance to date (delivery, quality, price, responsiveness, etc), future business requirements and any other relevant information
- Periodic meetings with suppliers to discuss performance and on-going requirements
- Minimum two sites visits per annum with SEPA (Scottish Environment Protection Agency) to discuss performance of site on the local environment
- Minimum two site visits per annum with HSE (Health and Safety Executive)
- Regular interaction with local college to facilitate on-site apprenticeships
- Sponsorship of local charities and schools
- Engagement with the local council to keep them informed on future plans and effects on the local community
- Open day to celebrate 100 years on site in Grangemouth to which all employees and members of the local community were invited.

Strategic report (continued)

The company operates to the highest standards for business conduct and is a member of the CIA (Chemical Industries Association) and participates in regular meetings to review on-going issues within the industry and help develop best practice, both in commercial terms and with regard to environmental and regulatory matters.

Key Performance indicators (KPI's)

The Board is assisted in monitoring progress on the overall business strategy and the individual strategic elements by reference to a number of measures, including the KPI's noted below:

	<u>2019</u>	<u>2018</u>
Growth in turnover (%)	10.7%	5.8%
Reduction in EBITDA (%)	(32.8%)	23.3%
EBITDA to turnover ratio (%)	5.7%	7.4%
Safety Health & Environment performance:		
- All Environment Incident Rate (1)	1.47	1.49

(1) All Environmental Incident Rate is defined as the 'number of environmental incidents per 100,000 people hours'

Principal risks and uncertainties

Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them.

The key business risks affecting the company are set out below:

Impact of COVID-19 pandemic

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 200 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Company's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. As a key worker industry the company has continued to operate with minimal disruption through the first few months of lockdown, and would expect this would remain the case for the foreseeable future. Additionally the company has been able to use its expertise in chemical manufacturing to supply NHS Scotland with a large volume of Hand Sanitiser in a very short period of time. As demand for this product increases it is possible this will become a regular product in the company's portfolio of offerings.

Demand uncertainty

The business is exposed to demand variability from a number of causes e.g. product competition or weather conditions. To mitigate these risks, our marketing teams work closely with customers to understand the risks facing forward demand for existing products. In addition, we continually seek to build a broader customer/product portfolio.

Competition and customer service

The business operates in a highly competitive and fragmented market place, where price and customer service are often the key determinants of competitiveness. Also, there has been a notable growth in suppliers into this market place in recent years from the Far-East. This results in constant pressure on margins, and our need to ensure a high level of customer service as a differentiation. Our marketing teams work closely with customers on all aspects of customer service to both understand and respond to their needs, to mitigate these risks.

Strategic report (continued)

Environmental and legislation

Many aspects of chemical manufacturing are strictly governed by legislation, and it is critical that we operate safely in all aspects of our work. Our equipment and processes are fully evaluated to identify potential hazards and establish risk control measures before any manufacture commences, and on the occasion of any change in use. Many items of plant are also subject to strict maintenance regimes, and staff are fully trained for the operations that they are asked to conduct. We also collect and monitor a range of operational statistics on various aspects of Safety, Health and Environmental performance.

Employees

The loss of key staff and/or the inability to recruit high quality staff would impair our ability to meet our objectives and would have a detrimental impact on the business results. To mitigate this risk, the business follows a succession planning strategy and incentivises individuals where appropriate.

Brexit

Following the UK's decision to leave the EU following the referendum held on 23 June 2016 there is ongoing uncertainty with regards the UK's future trading relationship with Europe. CalaChem closely monitors potential regulatory and other changes to seek to minimise the impact on the business.

Financial Risks

Currency Exchange

The majority of sales and business costs are in sterling and therefore exposure to foreign exchange risk is not significant. However, as a large proportion of sales are export, the company is aware that exchange differences may have a determination on orders placed by export customers. Our normal business monitoring constantly reviews performance and value for money with our customers and no significant issues in this regard have been raised. In considering specific business any potential material purchases in foreign currencies are reviewed in advance and if appropriate specific terms agreed with customers.

Utility Prices

The business incurs significant cost in gas and electricity and prices for these have been volatile in recent years. The company seeks advice from external brokers on likely price movements ahead and where appropriate buys forward against projected needs.

Future developments

The market for chemical products, particularly agrochemicals, is empirically cyclical and can be weather dependent. Current expectations are that the market will continue to improve following a recent downturn. Although we expect some recovery in the market, there are inherent uncertainties in the medium term. The company seeks to mitigate these risks by broadening its portfolio of chemical contracts and maintaining a relatively flexible cost base. Notwithstanding potentially difficult trading conditions in the event of a downturn, we will continue to be competitive in the identification of previously uncultivated markets and in new business to existing customers.

On-site manufacturing activities demand significant consumption of energy, particularly electricity and steam. Although the company seeks to hedge its exposure to volatile utility prices, it remains the company's aim to find a long-term solution to its energy requirements with more predictable cost per unit pricing. To this end, construction works on a new CHP plant started in 2019.

Changes to environmental legislation impact on the business. However, with continued planned investment in our plant and infrastructure we anticipate that we will be able to increase capacity and be in a better position to offer industrial services to our customers.



Colin Loudon
Director
17 July 2020

Directors' report

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

Ownership

The company was a wholly owned subsidiary of CalaChem Holding Limited. Further information is included in note 24.

Dividends

Interim dividends of £nil per ordinary share (2018: £0.152061 per ordinary share) amounting to £nil (2018: £2,265,100) were paid.

The directors do not recommend the payment of a final dividend (2018: £nil).

Directors

The directors who held office during the year and up to the date of signing this report was as follows:

Colin Loudon (appointed 28/01/20)

Robert Gair (resigned 31/12/19)

Neil Partlett (resigned 19/02/20)

Training and Development

We have consistently sought to recruit and retain the best employees available, to provide the level of response and customer service demanded by our customers.

The company training programme focuses on safety and other factors required to maintain its licence to operate, whilst allowing it to exist peacefully with its neighbours, but also provides a range of professional and personal training to meet the development needs of staff.

Research and development

Product development and process technology innovation are driven by the specific requirements of each of our customers. Where appropriate, development and process technology efforts are managed in cross-functional teams which involve commercial and manufacturing personnel. It is believed that this structure supports clear business and customer focus. Process technology groups are all located at the site in Grangemouth.

Employees

Employee involvement

The company adopts an approach of being open with employees about matters affecting the business. The company is fully committed to keeping all employees informed about the performance, progress and issues relating to their business or work unit, and about wider business issues.

Equal opportunities

The company believes that every employee should be treated with the same respect and dignity. It values the rich diversity and creative potential of people with differing backgrounds and abilities, and encourages a culture of equal opportunities in which personal success depends on personal merit and performance. It is company policy that there should be no discrimination against any person for any reason that is not relevant to the effective performance of their job. All judgements about people for the purposes of recruitment, development and promotion will be made solely on the basis of their ability and potential in relation to the needs of the job. Every manager is responsible for implementing this policy.

Directors' report (continued)

Employment of people with disabilities

It is company policy that people with disabilities should have the same consideration as others with respect to recruitment, retention and personal development. Depending on their skills and abilities, they enjoy the same career prospects as other employees and the same scope for realising potential. The company also takes all reasonable steps to ensure that its working environments can accommodate special needs. The company also makes every effort to continue to employ staff who may become disabled whilst employed, providing appropriate training and adapting facilities to allow them to continue working where possible.

Directors' responsibility statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 these financial statements, the directors are required to:

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

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. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors' report (continued)

Disclosure of information to the auditor

The directors confirm that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that he 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 auditor is aware of that information.

Political and charitable contributions

During the year, the company made donations to UK charities amounting to £2,524 (2018: £4,754).

The company made no political contributions during the current or prior years.

Going Concern

The directors are confident that, having reviewed the company's budgets and forecasts, the company has adequate resources and funding to continue in operation and to enable it to pay its debts as they fall due for the foreseeable future. This review included an analysis of business operating plans, proposed capital expenditure, the availability of alternative sources of funding and associated cash flow projections. The directors, therefore, consider it appropriate to adopt the going concern basis in preparing these financial statements. The company is a member of the Aurelius Equity Opportunities SE & Co KGaA group and is party to the group financing arrangements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.



Colin Loudon
Director
17 July 2020



KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS
United Kingdom

Independent auditor's report to the members of CalaChem Limited

Opinion

We have audited the financial statements of CalaChem Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 4.

In our opinion the 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 UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

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

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

Independent auditor's report to the members of CalaChem Limited (continued)

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Charles (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
KPMG LLP
319 St Vincent Street
Glasgow
G2 5AS

22nd July 2020

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2019

	Note	2019	Excep- tional items (see note 8) 2019	Total 2019	2018	Excep- tional items (see note 8) 2018	Total 2018
		£000	£000	£000	£000	£000	£000
Turnover	5	52,920	-	52,920	47,804	-	47,804
Cost of sales		(46,226)	-	(46,226)	(41,693)	-	(41,693)
Gross profit		6,694	-	6,694	6,111	-	6,111
Distribution costs		(831)	-	(831)	(546)	-	(546)
Administrative costs		(3,208)	(1,811)	(5,019)	(3,226)	(8,340)	(11,566)
Other operating income/(costs)	6	(57)	-	(57)	231	79	310
Operating profit/(loss)	7	2,598	(1,811)	787	2,570	(8,261)	(5,691)
Net interest receivable/(payable)	11	(22)	-	(22)	18	-	18
Other finance costs	23	-	-	-	(6)	-	(6)
Profit/(loss) before taxation		2,576	(1,811)	765	2,582	(8,261)	(5,679)
Tax on profit/(loss)	12	(374)	-	(374)	(272)	-	(272)
Profit/(loss) for the financial year		2,202	(1,811)	391	2,310	(8,261)	(5,951)
Other comprehensive income							
Reduction in previously unrecognised pension surplus	23	-	-	-	-	61,465	61,465
Actuarial loss on fund assets	23	-	-	-	-	(4,109)	(4,109)
Actuarial loss as a result of insurance buy-in	23	-	-	-	-	(49,976)	(49,976)
Total comprehensive income for the year		2,202	(1,811)	391	2,310	(881)	1,429

The notes and accounting policies on pages 14-31 form part of these financial statements.

Balance Sheet
as at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Fixed assets			
Goodwill	<i>14</i>	178	416
Tangible fixed assets	<i>15</i>	14,570	13,532
		<hr/> 14,748	<hr/> 13,948
Current assets			
Stock	<i>16</i>	3,728	3,602
Debtors: amounts falling due within one year	<i>17</i>	13,149	13,646
Debtors: amounts falling due after more than one year	<i>17</i>	604	388
Cash at bank and in hand		69	315
		<hr/> 17,550	<hr/> 17,951
Creditors: amounts falling due within one year	<i>18</i>	(10,141)	(10,132)
		<hr/> 7,409	<hr/> 7,819
Net current assets			
		<hr/> 22,157	<hr/> 21,767
Total assets less current liabilities			
Defined Benefit Pension balance	<i>23</i>	-	-
Creditors: amounts falling due after more than one year	<i>19</i>	(339)	(340)
		<hr/> 21,818	<hr/> 21,427
Net assets		<hr/> 21,818	<hr/> 21,427
Capital and reserves			
Called-up share capital	<i>20</i>	14,896	14,896
Share premium account		5,512	5,512
Profit and loss account		1,410	1,019
		<hr/> 21,818	<hr/> 21,427
Equity shareholders' funds		<hr/> 21,818	<hr/> 21,427

The notes and accounting policies on pages 14-31 form part of these financial statements.

These financial statements were approved by the board of directors on 17th July 2020 and were signed on its behalf by:



Colin Loudon
Director

Statement of Changes in Equity

	<i>Note</i>	Called-up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2018		14,896	5,512	1,855	22,263
Total comprehensive income for the year		-	-	1,429	1,429
Dividends paid	13	-	-	(2,265)	(2,265)
At 31 December 2018		14,896	5,512	1,019	21,427
Total comprehensive income for the year		-	-	391	391
At 31 December 2019		14,896	5,512	1,410	21,818

The notes and accounting policies on pages 14-31 form part of these financial statements.

Notes to the accounts

(forming part of the financial statements)

1 Company information

CalaChem Limited is a private company incorporated, domiciled and registered in England and Wales in the United Kingdom. Its principal place of business is Earls Road, Grangemouth, Stirlingshire FK3 8XG. The registered address is One St. Peters Square, Manchester, M2 3DE.

2 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'). The financial statements have been prepared on the historical cost basis, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£). All amounts have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Aurelius Equity Opportunities SE & Co KGaA, includes the Company in its consolidated financial statements. The consolidated financial statements of Aurelius Equity Opportunities SE & Co KGaA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Aurelius Beteiligungsberatungs AG, Unterer Anger 3, 80331 Munich, Germany. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Aurelius Equity Opportunities SE & Co KGaA include the disclosures equivalent to those required by FRS 102, the Company has also taken the exemptions available in respect of the following disclosure:

- Certain disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

Related party transactions

As 100% of the company's voting rights are controlled within the group headed by CalaChem Holding Limited, the company has taken advantage of the exemption contained in FRS102 Section 1.12(e) and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Going concern

The directors are confident that, having reviewed the Company's budgets and forecasts, the Company has adequate resources and funding to continue in operation and to enable the Company to pay its debts as they fall due for at least twelve months from the date of signing these accounts. This review included an analysis of business operating plans, proposed capital expenditure and the associated cash flow projections. The directors, therefore, consider it appropriate to adopt the going concern basis in preparing the financial statements.

Notes to the accounts *(continued)*

3 Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Stock (note 16)

A provision is made against stock where the net realisable value is deemed to be lower than the purchased cost. An accurate assessment of a stock's net realisable value is seldom readily available and management therefore make assumptions on the realisable amount at an undetermined point in the future. The value of these provisions at 31 December 2019 is £637,000 (2018: £676,000).

Defined benefit pension scheme (note 23)

The company has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

Deferred tax

The company recognises deferred tax assets that are expected to be realised in the next three years of trading.

4 Principal accounting policies

The principal accounting policies are set out below. The accounting policies have been consistently applied throughout.

Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

- Buildings 25 years
- plant and equipment 5-15 years
- fixtures and fittings 5-15 years

Land is not depreciated.

Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear. Under this policy it becomes impracticable to calculate the average asset lives exactly. However, the total lives approximate to 25 years for buildings and 5 - 15 years for plant and equipment. Assets under construction are not subject to depreciation until the asset is brought into use, at which time they are transferred into the appropriate asset category and depreciated over the estimated useful life.

Notes to the accounts (continued)

4 Principal accounting policies (continued)

Environmental liabilities

The company is exposed to environmental liabilities relating to operations, principally in respect of soil and groundwater remediation costs. Provisions for these costs are made when expenditure on remedial work is probable and the cost can be estimated within a reasonable range of possible outcomes.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the Profit and Loss account.

Leases

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

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance lease are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the company recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Post-retirement benefits

The company operates both defined benefit and defined contribution schemes, though the Defined Benefit scheme is now closed to future accrual. The assets of the pension schemes are held separately from those of the Company. In the case of defined benefit schemes, assets are measured using mid market values. Liabilities are measured using a projected unit method and discounted at the current rate of return of a high quality corporate bond of equivalent term and currency. Costs and liabilities are assessed in accordance with the advice of independent qualified actuaries. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

In the case of defined contribution schemes, the amount charged to the income statement represents the contributions payable to the scheme in the year during which services are rendered by employees.

Notes to the accounts (continued)

4 Principal accounting policies (continued)

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Government grants

Government grants are credited to deferred income upon receipt and released to the income statement on a straight line basis over the period ending with the expiry of the contractual grant criteria.

Stock valuation

Stocks are stated at the lower of cost and net realisable value. The first in, first out or an average method of valuation is used. In determining cost, an appropriate amount of direct production costs are included, but selling expenses and all overhead expenses (principally central administration costs) are excluded. Net realisable value is determined as selling price less costs of disposal.

Taxation

The current charge for taxation is based on the profits or losses for the period and takes into account deferred taxation. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where the transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Turnover and revenue recognition

Turnover excludes value added taxes. The company generates revenue through sales of fine chemicals through raw material conversion agreements. The company generates revenue through provision of industrial services including utilities and effluent treatment under service level agreements and other contracts. Revenue is recognised when ownership of the products are passed to the customer or when services have been rendered. Turnover also includes amounts received from property rentals under short term operating leases.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A restructuring provision is recognised when a detailed formal plan exists, the expenditure required or termination benefits to be paid is known, it is known when the plan will be implemented, there is no realistic possibility of withdrawal from the plan and the redundancies have been communicated to the employees concerned.

Notes to the accounts *(continued)*

4 Principal accounting policies *(continued)*

Impairment

In accordance with FRS 102 S27 “Impairment of Fixed Assets and Goodwill”, fixed assets and goodwill are subject to an impairment review if circumstances or events change to indicate that the carrying value may not be fully recoverable. The review is performed by comparing the carrying value to its recoverable amount, being the higher of net realisable value and value in use. The net realisable value is considered to be the amount that could be obtained on disposal of the asset. The value in use of this asset is determined by discounting, at a market based, pre-tax discount rate, the expected future cash flows from its continued use. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. When the carrying values of fixed assets or goodwill are written down by any impairment amount, the loss is recognised in the income statement in the period in which the impairment occurred. An impairment loss recognised for goodwill is not reversed, as the write down of goodwill over 11 years is consistent with expectations on realisable values. Impairment losses recognised for other amounts is reversed only if the reasons for the impairment have ceased to apply.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest receivable

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

5 Analysis of turnover

	2019 £000	2018 £000
<i>By business activity</i>		
Contract manufacturing	33,458	29,591
Industrial services	19,462	18,213
	<hr/> 52,920 <hr/>	<hr/> 47,804 <hr/>

Notes to the accounts *(continued)*

5 Analysis of turnover *(continued)*

	2019 £000	2018 £000
<i>By geographical market</i>		
UK	24,426	23,494
Continental Europe	12,986	8,566
Americas	15,338	7,525
Rest of the World	170	8,219
	<hr/> 52,920 <hr/>	<hr/> 47,804 <hr/>

Included above is £99,000 (2018: £99,000) with regard to property rental income under short term operating leases. The gross book value of the buildings which have been subject (wholly or in part) to lease in 2019 is £6,059,000 (2018: £6,059,000), and the accumulated depreciation is £6,059,000 (2018: £6,059,000).

6 Other operating income / (costs)

	2019 £000	2018 £000
Amortisation of goodwill	(238)	(238)
Disposal of carbon credits	-	171
Project completion income	-	162
Gain on land sale	-	79
Release of accrued grant income	181	136
	<hr/> (57) <hr/>	<hr/> 310 <hr/>

7 Operating profit/(loss)

	2019 £000	2018 £000
<i>Operating profit is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,523	1,563
Leased	-	54
Amortisation of goodwill	238	238
Operating lease charges for plant & machinery	173	163
Research and development expenditure	1,039	436
Foreign exchange losses	20	64
Services provided by the company's auditor		
Fees payable for audit	65	48
Fees payable for other services – grant audit and tax compliance	-	14
	<hr/> <hr/>	<hr/> <hr/>

Notes to the accounts (continued)

8 Exceptional items

	2019 £000	2018 £000
Pension advisor costs	(1,052)	(960)
Past service cost in relation to buy-in	(759)	(7,380)
Gain on land sale	-	79
	<u>(1,811)</u>	<u>(8,261)</u>

During 2018 the company made two significant changes to its employee pension arrangements. The first saw a transfer of its defined contribution scheme from the occupation pension scheme to a Group Personal Pension Plan (GPPP) operated by Aviva. The second saw the start of the process to buy-out the company's defined benefit pension scheme. By 31 December 2018, the pension trustees had executed the initial buy-in stage of this process, securing an insurance policy with Aviva. During 2019, the company continued to advance the buy-out process and expects this exercise to be completed by the end of 2020.

9 Remuneration of directors

	2019 £000	2018 £000
Directors' emoluments	<u>211</u>	<u>194</u>

The company paid the emoluments for qualifying services of two (2018: two) directors, one of whom left on 31st December 2019. Since April 2018, the directors have allocated their time across multiple companies in the Aurelius group. The aggregate of remuneration for qualifying services of the highest paid director was £129,000 for the year ended 31 December 2019 (2018: £144,000), and company pension contributions of £7,000 were made (2018: £7,000) were made on his behalf.

	2019 £000	2018 £000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>-</u>	<u>-</u>

10 Staff numbers and costs

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

	Number of employees	
	2019	2018
Manufacturing	165	161
Research and Development	9	9
Management/Administrative	24	23
	<u>198</u>	<u>193</u>

Notes to the accounts *(continued)*

10 Staff numbers and costs *(continued)*

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	8,494	8,284
Social security costs	836	835
Other pension costs (see Note 23)	629	623
	<u>9,959</u>	<u>9,742</u>

11 Net interest receivable/(payable)

	2019 £000	2018 £000
Finance charges payable in respect of finance leases	-	(1)
Group interest receivable	6	8
Interest receivable on deposits	-	11
Interest payable – Bank	(28)	-
	<u>(22)</u>	<u>18</u>

12 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	2019 £000	2018 £000
Current tax:		
UK corporation tax on profits for the year	(1)	(38)
	<u>(1)</u>	<u>(38)</u>
Deferred tax:		
Origination and reversal of timing differences	(399)	(207)
Adjustment in respect of previous year	26	(27)
	<u>(373)</u>	<u>(234)</u>
Total deferred tax (note 17)	<u>(373)</u>	<u>(234)</u>
Total tax	<u>(374)</u>	<u>(272)</u>

Notes to the accounts *(continued)*

12 Taxation (continued)

Reconciliation of effective tax rate:

	2019 £000	2018 £000
Profit/(loss) before tax	765	(5,679)
Current tax at 19% (2018: 19%)	145	(1,079)
Effects from:		
Non-deductible expenses	52	48
Pension buy-in adjustment	-	1,402
Utilisation of losses brought forward	49	220
Movement in unrecognised deferred tax	154	(376)
Chargeable gain on property transactions	-	30
Adjustment to tax charge in respect of previous year	(26)	27
Total tax expense included in profit and loss	374	272

The amount of tax losses available to be carried forward at 31 December 2019 is estimated at £3,764,000 (£3,786,000 at 31 December 2018).

Factors affecting the future current and total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

13 Dividends

	2019 £000	2018 £000
Equity – Ordinary		
Interim paid £nil (2018: £0.152061) per £1 share	-	2,265

The directors have not proposed a final dividend for the year ended 31 December 2019.

Notes to the accounts (continued)

14 Goodwill

	Goodwill £000
Cost	
As at 1 January 2019 and 31 December 2019	26,082
Amortisation	
As at 1 January 2019	25,666
Charge for the year	238
At 31 December 2019	25,904
Net book value	
At 31 December 2019	178
Net book value	
At 1 January 2019	416

15 Tangible Fixed Assets

	Land and buildings £000	Plant and machinery £000	Assets in the course of construction £000	Total £000
Cost				
As at 1 January 2019	10,855	101,238	3,112	115,205
Additions	-	-	2,561	2,561
Transfers	332	3,147	(3,479)	-
At 31 December 2019	11,187	104,385	2,194	117,766
Depreciation				
As at 1 January 2019	8,973	92,700	-	101,673
Charge for the year	344	1,179	-	1,523
At 31 December 2019	9,317	93,879	-	103,196
Net book value				
At 31 December 2019	1,870	10,506	2,194	14,570
Net book value				
At 1 January 2019	1,883	8,537	3,112	13,532

Included in the total net book value of plant and machinery at 31 December 2019 is nil (2018: £5,000) relating to assets held under finance lease. Accumulated depreciation of £273,000 has been recorded on these assets (2018: £267,000). Land and buildings includes £462,000 (2018: £462,000) which is not being depreciated.

Notes to the accounts *(continued)*

16 Stock

	2019 £000	2018 £000
Raw materials and consumables	2,993	3,064
Work in progress	333	217
Finished goods and goods for resale	402	321
	<hr/> 3,728 <hr/>	<hr/> 3,602 <hr/>

Stock recognised in cost of sales during the year as an expense was £18,765,335 (2018: £20,966,000). Stock provisions were £637,000 in 2019 (2018: £676,000).

17 Debtors

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade debtors	10,669	10,654
Amounts owed by group undertakings	214	200
Deferred tax asset (see below)	294	882
Prepayments and accrued income	1,972	1,910
	<hr/> 13,149 <hr/>	<hr/> 13,646 <hr/>
	 2019 £000	 2018 £000
Amounts falling due after more than one year:		
Deferred tax asset (see below)	<hr/> 604 <hr/>	<hr/> 388 <hr/>

Amounts owed by Group undertaking are repayable on demand and are accruing interest at 4.0% per annum.

Other debtors include a deferred tax asset of £898,000 (2018: £1,270,000). Deferred tax includes an asset in respect of losses and other timing differences amounting to £604,000 (2018: £388,000) expected to crystallise in more than one year.

An impairment loss of £nil (2018: £nil) was recognised against trade debtors.

Notes to the accounts *(continued)*

17 Debtors *(continued)*

Deferred tax

Details of the deferred tax asset recognised are as follows:-

	2019 £000	2018 £000
Accelerated capital allowances	118	510
Other timing differences	93	137
Losses	687	623
	<hr/>	<hr/>
Total deferred tax asset	898	1,270
	<hr/>	<hr/>
At 1 January	1,270	1,504
Deferred tax in the income statement (note 12)	(373)	(234)
	<hr/>	<hr/>
At 31 December	898	1,270
	<hr/>	<hr/>

18 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	6,900	4,131
Amounts owed to group undertakings	-	36
Tax and social security	229	232
Accruals and deferred income	3,012	5,733
	<hr/>	<hr/>
	10,141	10,132
	<hr/>	<hr/>

Included within accruals and deferred income are outstanding pension contributions of £ nil (2018: £ nil).

Amounts owed to Group undertaking are repayable on demand and are not accruing interest.

Notes to the accounts (*continued*)

19 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Accruals and deferred income	339	340

Amounts included above comprise release of grant income.

Debt facility

The company has an invoice discounting facility. This arrangement enables the business to draw down up to £4,000,000 to fund working capital or new projects. Interest is charged on the principal drawn down at Libor plus 2.0%. The facility is secured against a charge on non-vesting debt and, in the event of a draw-down, further security is taken over the company's trade debtors. The company had no drawings against this facility at year end.

20 Called up share capital

	2019 £000	2018 £000
<i>Allotted, called up and fully paid</i>		
Equity: 14,895,965 (2018: 14,895,965) Ordinary shares of £1.00 each	14,896	14,896

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

21 Contingent liabilities

Environmental matters

The business has contingent liabilities on its Grangemouth site and is subject to contingencies pursuant to laws and regulations which in the future may require it to take action to correct the effects on the environment of the prior disposal, release or escape of chemical substances.

While the continued outcome of some of these matters cannot be readily foreseen, the directors believe that any issues will be disposed of without material effect on the financial position as shown in these financial statements.

Notes to the accounts *(continued)*

22 Commitments

Capital commitments at the end of the year, for which no provision has been made, are as follows:

	2019 £000	2018 £000
Contracted	640	1,174

Unsettled forward transactions at the end of the year to hedge forward gas and electricity purchases are as follows:

	2019 £000	2018 £000
Maturing within one year:		
- to hedge utility prices	3,332	1,899

The above values represent the fair value of the unsettled forward gas and electricity purchases at 31 December.

The company's future minimum operating lease payments for assets other than land and buildings expiring as follows:

	2019 £000	2018 £000
- Less than one year	6	82
- Between one and five years	-	6
- More than five years	-	-
	6	88

23 Pension scheme

CalaChem Limited participates in retirement plans which cover the majority of its employees. Members of the fund build up account balances either on a defined contribution basis (Investment Account), or on a defined benefit basis (Retirement Account). The balances are converted to a pension at retirement on either fixed conversion factors as set out in the Fund Rules or market related conversion factors which are updated from time to time, depending on the category to which the member belongs. In general all plans are funded through separate trustee-administered funds. The pension cost for the main defined benefit plans is established in accordance with the advice of independent qualified actuaries based on valuations undertaken on varying dates.

The defined benefit (Retirement Account) part of the Fund was closed to future accrual with effect from November 2010.

The majority of the Fund's liabilities relate to the Retirement Account members, and accounts converted on the fixed conversion factors.

Notes to the accounts *(continued)*

23 Pension scheme (continued)

The Retirement Account (including Investment Account member with fixed conversion factors)

Major assumptions

	2019	2018
Rate of general increase in salaries <i>(1)</i>	n/a	n/a
Rate of increase to pensions in payment	2.95%	3.10%
Discount rate for scheme liabilities	2.05%	2.80%
RPI Inflation	3.00%	3.20%
CPI Inflation	2.10%	2.20%

The mortality assumptions used in determining the company's expected pension liabilities are based on standard mortality tables which allow for future mortality improvements. Based on these assumptions, life expectancies for current pensioners aged 60 are estimated as being 26 years for males and 27 years for females.

(1) The Fund is closed to future accrual and therefore no salary increase assumption is required.

The assets in the schemes and the expected rate of return were:

	Value as at 31 December 2019 £000	Value as at 31 December 2018 £000
Equities	-	4
Bonds	-	1,566
Advance Payments to Aviva	5,084	-
Buy-in policy	142,634	132,578
Dynamic Asset Allocation	-	923
Other including Cash	525	728
	<hr/>	<hr/>
Market value of assets	148,243	135,799
Present value scheme liabilities	(145,385)	(131,917)
	<hr/>	<hr/>
Surplus	2,858	3,882
Adjustment due to surplus cap	(2,858)	(3,882)
	<hr/>	<hr/>
Recoverable surplus/(deficit)	-	-
	<hr/>	<hr/>
Analysis of the amounts charged to operating profit:		
	2019 £000	2018 £000
Past service cost in relation to buy-in	759	7,380
	<hr/>	<hr/>
	759	7,380
	<hr/>	<hr/>

Notes to the accounts *(continued)*

23 Pension scheme (continued)

Net pension asset:

	2019 £000	2018 £000
Defined benefit obligation	(145,385)	(131,917)
Plan assets	148,243	135,799
	<hr/>	<hr/>
Net pension asset	2,858	3,882
	<hr/>	<hr/>

Movements in present value of defined benefits obligation:

	2019 £000	2018 £000
At 1 January	131,917	133,901
Interest cost	3,653	3,206
Actuarial gains/(losses) on Fund liabilities	15,101	(1,204)
Net benefits paid out	(9,194)	(11,366)
Past service costs	3,908	7,380
	<hr/>	<hr/>
At 31 December	145,385	131,917
	<hr/>	<hr/>

Movements in fair value of plan assets:

	2019 £000	2018 £000
At 1 January	135,799	196,479
Expected return on Fund assets	6,314	4,771
Actuarial gains/(losses) on Fund assets	15,324	(4,109)
Actuarial loss as a result of insurance buy-in	-	(49,976)
Net benefits paid out	(9,194)	(11,366)
	<hr/>	<hr/>
At 31 December	148,243	135,799
	<hr/>	<hr/>

The actuarial valuation as at 31 December 2019 showed a decrease in the surplus from £3,882,000 to £2,858,000. However, the surplus has been restricted to £nil, as the company does not have an unconditional right to the surplus per the scheme rules and is therefore not considered recoverable. As the retirement account is now closed there are no future accrual contributions to the Fund.

During 2018, the measured surplus on the scheme was judged to be sufficient to begin a “buy-out” process, whereby the liabilities of the Fund would be secured with a third party. Once complete, the company will have wholly discharged all liabilities in relation to the defined benefit obligation. During 2018, the company secured an insurance policy with Aviva. Past service costs incurred, principally to make the Fund insurable, and actuarial re-measurements of assets to reflect the fair value of the buy-in insurance policy are recognised in the movements on the Fund surplus above.

During 2019, the company has continued to progress the “buy-out” process which is expected to complete in by the end of 2020.

Notes to the accounts (continued)

23 Pension scheme (continued)

Certain of these movements in the Fund surplus crystallised by the “buy-out” process require to be charged through the profit and loss account. Accordingly, the Company has charged past service costs of £0 (2018: £7,380,000) to the income statement under Other Exceptional Administrative Costs. In line with FRS102, as the company has not wholly discharged all liabilities at the balance sheet date, no settlement loss has been charged to the profit and loss account and the loss on the buy-in of the insurance policy of £0 (2018: £49,976,000) has been charged as an actuarial loss through Other Comprehensive Income. These charges were non-cash and as the scheme surplus has not been historically recognised a corresponding offsetting amount has been included within Other Comprehensive Income. During the year, the company has not had to make any cash contributions to the Fund, but has paid for professional advice in respect of this project as detailed in note 8.

The valuation was carried out by PricewaterhouseCoopers LLP, professionally qualified actuaries, using the projected unit method. The last full formal valuation of the pension scheme was carried out as at 31 March 2016 by Aon Hewitt Limited.

CalaChem Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the asset allocation for the Fund at 31 December 2019.

Analysis of amount recognised in the statement of comprehensive income:

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Difference between the expected and actual return on scheme assets	15,324	(54,085)	7,260	36,729	(4,781)
Percentage of scheme assets	10.3%	(39.8%)	3.7%	18.3%	(2.9%)
Experience gains and (losses) on the scheme liabilities	(6,314)	(4,771)	6,791	2,329	1,481
Percentage of scheme liabilities	(4.3%)	(3.5%)	5.1%	1.5%	1.2%
Changes in assumptions underlying the present value of scheme liabilities	15,101	(1,204)	(13,058)	34,807	(6,751)
Percentage of scheme liabilities	10.4%	(0.9%)	(9.8%)	22.0%	5.4%
Total amount recognised in the statement of comprehensive income	-	-	-	-	-
Percentage of scheme liabilities	0.0%	0.0%	0.0%	0.0%	0.0%

History of asset value, defined benefit obligations, and surplus/deficit in the fund

	2019 £000	2018 £000	2017 £000	2016 £000	2013 £000
Fair value of Fund assets	148,243	135,799	196,479	200,167	164,451
Defined benefit obligation	(145,385)	(131,917)	(133,901)	(157,907)	(124,100)
Surplus in Fund	2,858	3,882	62,578	42,260	40,351
Surplus reported in the Financial Statements	-	-	-	-	-

Notes to the accounts *(continued)*

23 Pension scheme (continued)

Analysis of amount (charged)/credited to other finance costs:

	2019 £000	2018 £000
Retirement Accounts:		
Expected return on pension scheme assets	3,737	4,771
Interest on pension scheme liabilities	(3,653)	(3,206)
Asset ceiling	(84)	(1,565)
	<hr/>	<hr/>
	-	-
Pension Protection Levy & other Fund expenses paid by the company	-	(6)
	<hr/>	<hr/>
Net expense	-	(6)
	<hr/> <hr/>	<hr/> <hr/>

Defined Contribution Plans

The company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £629,000 (2018: £623,000).

24 Ultimate parent company and parent undertaking

The company is a wholly owned subsidiary undertaking of CalaChem Holding Limited (which is incorporated in England and Wales). The largest and smallest group in which the results of the company are consolidated is that headed by Aurelius Equity Opportunities SE & Co KGaA. Copies of the Aurelius Equity Opportunities SE & Co KGaA consolidated financial statements can be obtained from Aurelius Beteiligungsberatungs AG, Unterer Anger 3, 80331 Munich, Germany.

25 Subsequent events

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic, due to its rapid spread throughout the world, having affected more than 110 countries at that time. The impact of COVID-19 is not expected to have a material impact on the assets or liabilities of the company and arose after 31 December 2019, therefore this is considered a non-adjusting post balance sheet event for the year ending 31 December 2019. See the Strategic Report on the Company's response to COVID-19.