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## **CalaChem Limited**

### **Annual Report and Financial Statements**

Registered Number: 5369235  
1 January to 31 December 2017



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## **Directors and advisors**

### **Directors:**

Neil Partlett  
Robert Gair

### **Registered Office:**

One St. Peters Square  
Manchester  
M2 3DE

### **Independent Statutory Auditors:**

Grant Thornton UK LLP  
Chartered Accountants and Statutory Auditors  
110 Queen Street  
Glasgow  
G1 3BX

### **Solicitors:**

Dickson Minto  
16 Charlotte Square  
Edinburgh  
EH2 4DF

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

### **Bankers:**

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

## Strategic report for the year ended 31 December 2017

The directors present their strategic report on the company for the year ended 31 December 2017.

### 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 2017, the company made a pre-tax profit of £1.9m (2016: profit of £0.9m).

Sales have improved by £11.2m compared to 2016. This increase comes predominately from chemical manufacturing, following recovery of global agrochemical markets. The company has also seen increased sales and improved performance from recently introduced products.

The company generated an operating EBITDA\* of £3.6m (2016: £2.8m). The company expects the current level of activity and profitability to be sustained during 2018 as the agrochemicals market continues to recover and the company searches for new opportunities to increase capacity.

\* The company defines Earnings Before Interest, Taxation, Depreciation and Amortisation (EBITDA), as its operating profit less depreciation, amortisation, foreign exchange differences, gains and losses from fixed asset disposals.

### 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.

### 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>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| Growth/(Reduction) in sales (%)                           | 32.9%       | (24.2%)     |
| Growth/(Reduction) in EBITDA before exceptional items (%) | 30.7%       | (41.8%)     |
| Growth/(Reduction) in EBITDA after exceptional items (%)  | 30.7%       | (20.0%)     |
| EBITDA to Sales ratio (%)                                 | 8.1%        | 8.2%        |
| Safety Health & Environment performance:                  |             |             |
| - All Environment Incident Rate (1)                       | 0.69        | 1.41        |
| - All Injury Rate (2)                                     | 0.69        | 0.71        |

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

(2) All Injury Rate is defined as 'the number of accidents 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:

#### *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.

#### *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.

**Principal risks and uncertainties (continued)***Financial Risks**Currency Exchange*

The majority of sales and business costs are in sterling and therefore exposure to foreign exchange risk is not significant. 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 more long-term solution to its energy requirements with more predictable cost per unit pricing.

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.



Neil Partlett  
*Director*

17 August 2018

**CalaChem Limited (Registered number: 5369235)****Directors' report for the year ended 31 December 2017**

The directors present their annual report and the audited financial statements for the year ended 31 December 2017.

**Ownership**

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

**Dividends**

Interim dividends of £0.105962 per ordinary share (2016: £0.283164 per ordinary share) amounting to £1,578,400 (2016: £4,218,000) were paid.

The directors do not recommend the payment of a final dividend (2016: £nil).

**Directors**

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

Neil Partlett  
Robert Gair (appointed 20 April 2018)

**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. A forum for employee consultation has been established and is chaired by the Managing Director.

*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.

*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 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Political and charitable contributions**

During the year, the company made donations to UK charities amounting to £8,018 (2016: £6,443).

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

**Auditors**

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.



Neil Partlett  
*Director*

17 August 2018

## 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 2017 which comprise income statement, statement of financial position, statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Who we are reporting to

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.

### Conclusions relating to going concern

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

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

### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

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

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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.

### Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors 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.

### Auditor's 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 auditor's 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

*Grant Thornton UK LLP*

Lorraine Macphail  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Glasgow  
Date: *17 August 2018*

**Income statement***for the year ended 31 December 2017*

|   | <i>Note</i> | <b>2017<br/>£000</b> | <b>2016<br/>£000</b> |
|---|-------------|----------------------|----------------------|
| <b>Turnover</b>   | <i>5</i>    | <b>45,178</b>        | <b>33,984</b>        |
| Cost of sales   |             | <b>(38,681)</b>      | <b>(29,318)</b>      |
| <b>Gross profit</b>   |             | <b>6,497</b>         | <b>4,666</b>         |
| Distribution costs  |             | <b>(739)</b>         | <b>(327)</b>         |
| Administrative costs  |             | <b>(3,298)</b>       | <b>(2,893)</b>       |
| R&D/Technical costs   |             | <b>(450)</b>         | <b>(480)</b>         |
| Other operating costs   | <i>6</i>    | <b>(92)</b>          | <b>(46)</b>          |
| <b>Operating profit</b>   |             | <b>1,918</b>         | <b>920</b>           |
| Net interest receivable   | <i>10</i>   | <b>11</b>            | <b>23</b>            |
| Other Finance costs   | <i>23</i>   | <b>(6)</b>           | <b>(6)</b>           |
| <b>Profit on ordinary activities before taxation</b>                |             | <b>1,923</b>         | <b>937</b>           |
| Tax on ordinary activities  | <i>11</i>   | <b>(95)</b>          | <b>(236)</b>         |
| <b>Profit and total comprehensive income for the financial year</b> |             | <b>1,828</b>         | <b>701</b>           |

The results above all derive from continuing operations.

The notes and accounting policies on pages 13-30 form part of these financial statements.

**Statement of financial position**  
*as at 31 December 2017*

|  | <i>Note</i> | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|--|-------------|----------------------------|----------------------------|
| <b>Fixed assets</b>  |             |                            |                            |
| Goodwill   | 13          | 654                        | 891                        |
| Tangible fixed assets  | 14          | 12,873                     | 12,670                     |
|  |             | <hr/>                      | <hr/>                      |
|  |             | 13,527                     | 13,561                     |
| <b>Current assets</b>  |             |                            |                            |
| Stock  | 15          | 3,459                      | 3,764                      |
| Debtors: amounts falling due within one year                   | 16          | 11,764                     | 7,920                      |
| Debtors: amounts falling due after more than one year          | 16          | 545                        | 713                        |
| Cash at bank and in hand                                       |             | 1,778                      | 1,712                      |
|  |             | <hr/>                      | <hr/>                      |
|  |             | 17,546                     | 14,109                     |
| <b>Creditors: amounts falling due within one year</b>          | 17          | (8,334)                    | (5,176)                    |
|  |             | <hr/>                      | <hr/>                      |
| <b>Net current assets</b>                                      |             | 9,212                      | 8,933                      |
|  |             | <hr/>                      | <hr/>                      |
| <b>Total assets less current liabilities</b>                   |             | 22,739                     | 22,494                     |
| <b>Creditors: amounts falling due after more than one year</b> | 18          | (476)                      | (481)                      |
| <b>Provisions for liabilities and charges</b>                  | 19          | -                          | -                          |
|  |             | <hr/>                      | <hr/>                      |
| <b>Net assets</b>  |             | 22,263                     | 22,013                     |
|  |             | <hr/>                      | <hr/>                      |
| <b>Capital and reserves</b>                                    |             |                            |                            |
| Called-up share capital  | 20          | 14,896                     | 14,896                     |
| Share premium account  |             | 5,512                      | 5,512                      |
| Profit and loss account  |             | 1,855                      | 1,605                      |
|  |             | <hr/>                      | <hr/>                      |
| <b>Equity shareholders' funds</b>                              |             | 22,263                     | 22,013                     |
|  |             | <hr/>                      | <hr/>                      |

The notes and accounting policies on pages 13-30 form part of these financial statements.

These financial statements were approved by the board of directors on 17 August 2018 and were signed on its behalf by:

*N K Partlett*

Neil Partlett  
*Director*

**Statement of changes in equity**  
*as at 31 December 2017*

|  | <i>Note</i> | <b>Called-up share<br/>capital<br/>£000</b> | <b>Share<br/>premium<br/>account<br/>£000</b> | <b>Profit and<br/>loss account<br/>£000</b> | <b>Total<br/>£000</b> |
|--|-------------|---|---|---|-----------------------|
| <b>At 1 January 2016</b>                           |             | <b>14,896</b>                               | <b>5,512</b>                                  | <b>5,122</b>                                | <b>25,530</b>         |
| Profit and total comprehensive income for the year |             | -   | -   | 701   | 701                   |
| Dividends paid                                     | 12          | -   | -   | (4,218)                                     | (4,218)               |
| <b>At 31 December 2016</b>                         |             | <b>14,896</b>                               | <b>5,512</b>                                  | <b>1,605</b>                                | <b>22,013</b>         |
| Profit and total comprehensive income for the year |             | -   | -   | 1,828                                       | 1,828                 |
| Dividends paid                                     | 12          | -   | -   | (1,578)                                     | (1,578)               |
| <b>At 31 December 2017</b>                         |             | <b>14,896</b>                               | <b>5,512</b>                                  | <b>1,855</b>                                | <b>22,263</b>         |

The notes and accounting policies on pages 13-30 form part of these financial statements.

## Notes to the accounts

*(forming part of the financial statements)*

### 1 Company information

CalaChem Limited is a private limited company incorporated in England and Wales in the United Kingdom. Its principal place of business is Earls Road, Grangemouth, Stirlingshire FK3 8XG.

### 2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland’ (‘FRS102’), and with the Companies Act 2006. 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 (£).

#### Cash flow statement

Under FRS102 Section 1.12(b) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

#### Financial instruments

Under FRS 102 the company has adopted financial instrument disclosure exemptions including categories of financial instruments; items of income, expenses, gains or losses relating to financial instruments and exposure to and management of financial risks.

#### 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). Key management remuneration is the same as is disclosed in note 8, plus £22,000 (2016: £23,000).

#### Going concern

The directors are satisfied the going concern basis is appropriate because the Company is trading profitably on a monthly basis, there is a substantial cash balance and the forward looking projections do not highlight any significant shortfall in funding in the foreseeable future.

### 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 15)

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 2017 is £626,000 (2016: £601,000).

#### Provisions (note 19)

Provision is made for contingencies. These provisions require management’s best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management’s judgement.

#### 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.

## Notes to the accounts *(continued)*

### 4 Principal accounting policies

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

#### *Goodwill*

On the acquisition of the business, values were attributed to the net assets acquired. Goodwill represented the shortfall of the value of the separable net assets over the value of the consideration given, which has been capitalised and is amortised to nil by equal instalments over its estimated useful life of 15 years.

#### *Depreciation and amortisation*

The book value of each tangible asset is written off evenly over its estimated remaining life. 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.

#### *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 income statement.

#### *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.



## Notes to the accounts *(continued)*

### ***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. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses. In the case of defined contribution schemes, the amount charged to the income statement represents the contributions payable to the scheme in the year.

### ***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***

Finished goods are stated at the lower of cost and net realisable value, and raw materials and other stocks at the lower of cost or 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 year and takes into account deferred taxation. 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 average tax rates that are expected to apply in the years in which the timing difference are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

### ***Turnover and revenue recognition***

Turnover excludes value added taxes. The company generates revenue through sales of Fine Chemicals and related services in the open market, through raw material conversion agreements and service 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.

## Notes to the accounts (continued)

### Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and 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.

### 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.

### Cash and cash equivalents

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

## 5 Analysis of turnover

|                               | 2017<br>£000  | 2016<br>£000  |
|-------------------------------|---------------|---------------|
| <i>By geographical market</i> |               |               |
| UK                            | 21,727        | 23,133        |
| Continental Europe            | 10,329        | 9,076         |
| Americas                      | 4,402         | 1,775         |
| Rest of the World             | 8,720         | -             |
|                               | <u>45,178</u> | <u>33,984</u> |

Included above is £63,000 (2016: £70,000) 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 2017 is £6,059,000 (2016: £6,059,000), and the accumulated depreciation is £6,059,000 (2016: £6,059,000).

## 6 Other operating costs

Other operating costs includes £237,000 goodwill amortisation, net of £84,000 income arising from the disposal of carbon credits and the release of accrued grant income of £61,000 (for the year ended 31 December 2016 £238,000 goodwill amortisation, net of the release of accrued grant income of £192,000).

**Notes to the accounts (continued)****7 Operating profit**

|   | <b>2017</b>       | <b>2016</b>       |
|---|-------------------|-------------------|
|   | <b>£000</b>       | <b>£000</b>       |
| <i>Operating profit is stated after charging</i>                  |                   |                   |
| Depreciation and other amounts written off tangible fixed assets: |                   |                   |
| Owned   | 1,453             | 1,385             |
| Leased  | 54                | 55                |
| Amortisation of goodwill  | 237               | 238               |
| Operating lease charges for plant & machinery                     | 235               | 215               |
| Research and development expenditure                              | 450               | 480               |
| Services provided by the company's auditor                        |                   |                   |
| Fees payable for audit  | 42                | 45                |
| Fees payable for other services – grant audit and tax compliance  | 3                 | 16                |
|   | <u>          </u> | <u>          </u> |

**8 Remuneration of directors**

|                       | <b>2017</b>       | <b>2016</b>       |
|-----------------------|-------------------|-------------------|
|                       | <b>£000</b>       | <b>£000</b>       |
| Directors' emoluments | 171               | 173               |
|                       | <u>          </u> | <u>          </u> |

The company pays the emoluments of one (2016: one) director. The aggregate emoluments were £171,000 for the year ended 31 December 2017 (2016: aggregate emoluments of £173,000). Company pension contributions of £9,000 were made (2016: £31,000).

|  | <b>2017</b>       | <b>2016</b>       |
|--|-------------------|-------------------|
|  | <b>£000</b>       | <b>£000</b>       |
| Retirement benefits are accruing to the following number of directors under: |                   |                   |
| Defined benefit schemes  | -                 | -                 |
|  | <u>          </u> | <u>          </u> |

**Notes to the accounts** *(continued)***9 Staff numbers and costs**

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

|                           | <b>Number of employees</b> |             |
|---------------------------|----------------------------|-------------|
|                           | <b>2017</b>                | <b>2016</b> |
| Manufacturing             | <b>148</b>                 | <b>142</b>  |
| Research and Development  | <b>9</b>                   | <b>8</b>    |
| Management/Administrative | <b>21</b>                  | <b>20</b>   |
|                           | <hr/>                      | <hr/>       |
|                           | <b>178</b>                 | <b>170</b>  |
|                           | <hr/>                      | <hr/>       |

The aggregate payroll costs of these persons were as follows:

|                                   | <b>2017</b>  | <b>2016</b>  |
|-----------------------------------|--------------|--------------|
|                                   | <b>£000</b>  | <b>£000</b>  |
| Wages and salaries                | <b>7,448</b> | <b>6,799</b> |
| Social security costs             | <b>750</b>   | <b>724</b>   |
| Other pension costs (see Note 23) | <b>617</b>   | <b>549</b>   |
|                                   | <hr/>        | <hr/>        |
|                                   | <b>8,815</b> | <b>8,072</b> |
|                                   | <hr/>        | <hr/>        |

**10 Net interest receivable/(payable)**

|  | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
|  | <b>£000</b> | <b>£000</b> |
| Finance charges payable in respect of finance leases | <b>(2)</b>  | <b>(5)</b>  |
| Group interest receivable                            | <b>5</b>    | <b>-</b>    |
| Interest receivable on deposits                      | <b>-</b>    | <b>19</b>   |
| Interest receivable on long-term loans               | <b>8</b>    | <b>9</b>    |
|  | <hr/>       | <hr/>       |
|  | <b>11</b>   | <b>23</b>   |
|  | <hr/>       | <hr/>       |

**Notes to the accounts** *(continued)***11 Taxation**

|  | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| <b>Current tax:</b>                            |                            |                            |
| UK corporation tax on profits for the year     | -                          | -                          |
| Adjustment in respect of previous year         | -                          | 37                         |
|  | <hr/>                      | <hr/>                      |
| Total current tax                              | -                          | 37                         |
| <b>Deferred tax:</b>                           |                            |                            |
| Origination and reversal of timing differences | 9                          | (220)                      |
| Adjustment in respect of previous year         | (104)                      | (53)                       |
|  | <hr/>                      | <hr/>                      |
| Total deferred tax (note 16)                   | (95)                       | (273)                      |
|  | <hr/>                      | <hr/>                      |
| Tax on profit on ordinary activities           | (95)                       | (236)                      |
|  | <hr/> <hr/>                | <hr/> <hr/>                |

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax 19.25% (2016: 20.00%). The differences are explained below:

|  | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Profit on ordinary activities before tax             | 1,923                      | 937                        |
|  | <hr/>                      | <hr/>                      |
| Current tax at 19.25% (2015: 20.00%)                 | 370                        | 187                        |
| Effects from:  |                            |                            |
| Permanent adjustments                                | 48                         | 54                         |
| Movement in unrecognised deferred tax                | (427)                      | (21)                       |
| Adjustment to tax charge in respect of previous year | 104                        | 16                         |
|  | <hr/>                      | <hr/>                      |
| Tax on profit on ordinary activities                 | 95                         | 236                        |
|  | <hr/> <hr/>                | <hr/> <hr/>                |

The amount of tax losses available to be carried forward at 31 December 2017 is estimated at £4,810,000 (£5,753,000 at 31 December 2016).

**Factors affecting future tax charges**

The rate of UK corporation tax is expected to remain at 19% for years starting 1 April 2018 and 2019 and reduce further to 17% from 1 April 2020.

**Notes to the accounts** *(continued)***12 Dividends**

|   | <b>2017</b>              | <b>2016</b>              |
|---|--------------------------|--------------------------|
|   | <b>£000</b>              | <b>£000</b>              |
| <b>Equity - Ordinary</b>                              |                          |                          |
| Interim paid £0.105962 (2016: £0.283164) per £1 share | <b>1,578</b>             | <b>4,218</b>             |
|   | <u><u>          </u></u> | <u><u>          </u></u> |

The directors have not proposed a final dividend for the year ended 31 December 2017.

**13 Goodwill**

|   | <b>Goodwill</b>          |
|---|--------------------------|
|   | <b>£000</b>              |
| <b>Cost</b>                               |                          |
| As at 1 January 2017 and 31 December 2017 | <b>26,082</b>            |
|   | <u>          </u>        |
| <b>Amortisation</b>                       |                          |
| As at 1 January 2017                      | <b>25,191</b>            |
| Charge for the year                       | <b>237</b>               |
|   | <u>          </u>        |
| At 31 December 2017                       | <b>25,428</b>            |
|   | <u>          </u>        |
| <b>Net book value</b>                     |                          |
| At 31 December 2017                       | <b>654</b>               |
|   | <u><u>          </u></u> |
| <b>Net book value</b>                     |                          |
| At 1 January 2017                         | <b>891</b>               |
|   | <u><u>          </u></u> |

**Notes to the accounts** *(continued)***14 Tangible fixed assets**

|                       | Land and<br>buildings<br>£000 | Plant and<br>machinery<br>£000 | Assets in the<br>course of<br>construction<br>£000 | Total<br>£000 |
|-----------------------|-------------------------------|--------------------------------|--|---------------|
| <b>Cost</b>           |                               |                                |  |               |
| As at 1 January 2017  | 10,913                        | 98,881                         | 1,425  | 111,219       |
| Additions             | 6                             | -                              | 1,704  | 1,710         |
| Transfers             | 29                            | 299                            | (328)  | -             |
|                       | <hr/>                         | <hr/>                          | <hr/>  | <hr/>         |
| At 31 December 2017   | 10,948                        | 99,180                         | 2,801  | 112,929       |
|                       | <hr/>                         | <hr/>                          | <hr/>  | <hr/>         |
| <b>Depreciation</b>   |                               |                                |  |               |
| As at 1 January 2017  | 8,770                         | 89,779                         | -  | 98,549        |
| Charge for the year   | 101                           | 1,406                          | -  | 1,507         |
|                       | <hr/>                         | <hr/>                          | <hr/>  | <hr/>         |
| At 31 December 2017   | 8,871                         | 91,185                         | -  | 100,056       |
|                       | <hr/>                         | <hr/>                          | <hr/>  | <hr/>         |
| <b>Net book value</b> |                               |                                |  |               |
| At 31 December 2017   | 2,077                         | 7,995                          | 2,801  | 12,873        |
|                       | <hr/>                         | <hr/>                          | <hr/>  | <hr/>         |
| <b>Net book value</b> |                               |                                |  |               |
| At 1 January 2017     | 2,143                         | 9,102                          | 1,425  | 12,670        |
|                       | <hr/>                         | <hr/>                          | <hr/>  | <hr/>         |

Included in the total net book value of plant and machinery at 31 December 2017 is £59,000 (2016: £113,000) relating to assets held under finance lease. Accumulated depreciation of £213,000 has been recorded on these assets (2016: £159,000).

**Notes to the accounts** *(continued)***15 Stock**

|                                     | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|-------------------------------------|----------------------------|----------------------------|
| Raw materials and consumables       | 2,761                      | 3,463                      |
| Work in progress                    | 319                        | 106                        |
| Finished goods and goods for resale | 379                        | 195                        |
|                                     | <hr/> 3,459 <hr/>          | <hr/> 3,764 <hr/>          |

Stock recognised in cost of sales during the year as an expense was £19,402,000 (2016: £10,858,000).

**16 Debtors**

|  | <b>2017</b><br><b>£000</b>     | <b>2016</b><br><b>£000</b>     |
|--|--------------------------------|--------------------------------|
| <b>Amounts falling due within one year:</b>          |                                |                                |
| Trade debtors  | 9,604                          | 6,286                          |
| Amounts owed by group undertakings                   | 145                            |                                |
| Other debtors (see below)                            | 959                            | 1,014                          |
| Prepayments and accrued income                       | 1,056                          | 620                            |
|  | <hr/> 11,764 <hr/>             | <hr/> 7,920 <hr/>              |
|  | <br><b>2017</b><br><b>£000</b> | <br><b>2016</b><br><b>£000</b> |
| <b>Amounts falling due after more than one year:</b> |                                |                                |
| Other debtors (see below)                            | 545                            | 713                            |
|  | <hr/> 545 <hr/>                | <hr/> 713 <hr/>                |

Other debtors comprise loans receivable of £nil (2016: £128,000) and a deferred tax asset of £1,504,000 (2016: £1,599,000).  
Deferred tax includes an asset in respect of losses and other timing differences amounting to £545,000 (2016: £713,000) expected to crystallise in more than one year.

An impairment loss of £nil (2016: £nil) was recognised against trade debtors.



**Notes to the accounts** *(continued)***16 Debtors** *(continued)***Loans receivable**

As part of the company's cash and liquidity management it had an arrangement with a third party to make loans receivable that accrue interest at 7% per annum. Interest on the loans was payable monthly. Repayment terms were as follows:-

|                                  | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|----------------------------------|----------------------------|----------------------------|
| In one year or less or on demand | -                          | 128                        |

**Deferred tax**

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

|  | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|--|----------------------------|----------------------------|
| Accelerated capital allowances                 | 698                        | 929                        |
| Other timing differences                       | 138                        | 142                        |
| Losses   | 668                        | 528                        |
|  | <hr/>                      | <hr/>                      |
| Total deferred tax asset                       | 1,504                      | 1,599                      |
|  | <hr/>                      | <hr/>                      |
| At 1 January                                   | 1,599                      | 1,872                      |
| Deferred tax in the income statement (note 11) | (95)                       | (273)                      |
|  | <hr/>                      | <hr/>                      |
| At 31 December                                 | 1,504                      | 1,599                      |
|  | <hr/>                      | <hr/>                      |

Estimated tax losses available of £1,294,000 (2016: £3,355,000) are not recognised in the above as in the opinion of the director these will not be utilised in the short-term.

**17 Creditors: amounts falling due within one year**

|                              | <b>2017</b><br><b>£000</b> | <b>2016</b><br><b>£000</b> |
|------------------------------|----------------------------|----------------------------|
| Trade creditors              | 4,949                      | 1,906                      |
| Finance leases (Note 18)     | -                          | 51                         |
| Tax and social security      | 205                        | 201                        |
| Accruals and deferred income | 3,180                      | 3,018                      |
|                              | <hr/>                      | <hr/>                      |
|                              | 8,334                      | 5,176                      |
|                              | <hr/>                      | <hr/>                      |

Included within accruals and deferred income are outstanding pension contributions of £106,000 (2016: £88,000).

**Notes to the accounts** *(continued)***18 Creditors: amounts falling due after more than one year**

|                              | 2017<br>£000 | 2016<br>£000 |
|------------------------------|--------------|--------------|
| Accruals and deferred income | 476          | 481          |

**Debt facility**

The company has an invoice discounting facility. This arrangement enables the business to draw down up to £2,000,000 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.

**Finance leases**

Future minimum payments under finance leases are as follows:

|   | 2017<br>£000 | 2016<br>£000 |
|---|--------------|--------------|
| Within one year                                     | -            | 52           |
| In more than one year, but not more than five years | -            | -            |
| Total gross payments                                | -            | 52           |
| Less finance charges included above                 | -            | (1)          |
|   | -            | 51           |

**19 Provisions for liabilities and charges**

|                                 | Restructuring<br>Costs<br>2017<br>£000 | Restructuring<br>Costs<br>2016<br>£000 |
|---------------------------------|--|--|
| At start of year                | -                                      | 332                                    |
| Charged to the income statement | -                                      | -                                      |
| Utilised during the year        | -                                      | (316)                                  |
| Released                        | -                                      | (16)                                   |
| At end of year                  | -                                      | -                                      |

**Notes to the accounts** *(continued)***20 Called up share capital**

|   | <b>2017</b>   | <b>2016</b>   |
|---|---------------|---------------|
|   | <b>£000</b>   | <b>£000</b>   |
| <i>Authorised</i>   |               |               |
| Equity: 14,895,965 (2015: 14,895,965) Ordinary shares of £1.00 each | <b>14,896</b> | <b>14,896</b> |
|   | <hr/>         | <hr/>         |
| <i>Allotted, called up and fully paid</i>                           |               |               |
| Equity: 14,895,965 (2015: 14,895,965) Ordinary shares of £1.00 each | <b>14,896</b> | <b>14,896</b> |
|   | <hr/>         | <hr/>         |

Each member holding ordinary shares has one vote for each ordinary share held.

**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 director believes that any issues will be disposed of without material effect on the financial position as shown in these financial statements.

The directors are not currently aware of any specific environmental liabilities that require a liability to be recognised in the financial statements.

**22 Commitments**

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

|            | <b>2017</b> | <b>2016</b> |
|------------|-------------|-------------|
|            | <b>£000</b> | <b>£000</b> |
| Contracted | <b>628</b>  | <b>160</b>  |
|            | <hr/>       | <hr/>       |

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

|                           | <b>2017</b>  | <b>2016</b>  |
|---------------------------|--------------|--------------|
|                           | <b>£000</b>  | <b>£000</b>  |
| Maturing within one year: |              |              |
| - to hedge utility prices | <b>2,777</b> | <b>4,972</b> |
|                           | <hr/>        | <hr/>        |

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

**Notes to the accounts** *(continued)*

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

|                                      | 2017<br>£000 | 2016<br>£000 |
|--------------------------------------|--------------|--------------|
| - expiring within one year:          | 163          | 171          |
| - expiring between two to five years | 76           | 240          |
|                                      | <hr/>        | <hr/>        |
|                                      | 239          | 411          |
|                                      | <hr/>        | <hr/>        |

**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.

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

|   | 2017  | 2016  |
|---|-------|-------|
| Rate of general increase in salaries <i>(1)</i> | n/a   | n/a   |
| Rate of increase to pensions in payment         | 3.05% | 3.30% |
| Discount rate for scheme liabilities            | 2.50% | 2.65% |
| RPI Inflation                                   | 3.15% | 3.40% |
| CPI Inflation                                   | 2.15% | 2.40% |

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.

**Notes to the accounts** *(continued)*

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

|  | Value as at 31<br>December 2017<br>£000 | Value as at 31<br>December 2016<br>£000 |
|--|---|---|
| Bonds  | 145,928                                 | 116,309                                 |
| Structured Equity Product                            | 17,362                                  | 47,066                                  |
| Dynamic Asset Allocation                             | 30,506                                  | 28,386                                  |
| Other including Cash                                 | 477                                     | 317                                     |
|  | <hr/>                                   | <hr/>                                   |
|  | 194,273                                 | 192,078                                 |
| Interest Rate & Inflation Overlay                    | 2,206                                   | 8,089                                   |
|  | <hr/>                                   | <hr/>                                   |
| Market value of assets                               | 196,479                                 | 200,167                                 |
| Present value scheme liabilities                     | (133,901)                               | (157,907)                               |
|  | <hr/>                                   | <hr/>                                   |
| Surplus  | 62,578                                  | 42,260                                  |
| Adjustment due to surplus cap                        | (62,578)                                | (42,260)                                |
|  | <hr/>                                   | <hr/>                                   |
| Recoverable surplus/(deficit)                        | -                                       | -                                       |
|  | <hr/>                                   | <hr/>                                   |
|  | 2017<br>£000                            | 2016<br>£000                            |
| Analysis of the amounts charged to operating profit: |   |   |
| Current service cost                                 | -                                       | -                                       |
|  | <hr/>                                   | <hr/>                                   |

**Notes to the accounts** *(continued)*

Changes to the present value of the defined benefit obligation during the year:-

|  | 2017<br>£000 | 2016<br>£000 |
|--|--------------|--------------|
| Opening defined benefit obligation           | 157,907      | 124,100      |
| Interest cost                                | 3,988        | 4,669        |
| Actuarial (gains)/losses on Fund liabilities | (13,058)     | 34,807       |
| Net benefits paid out                        | (14,936)     | (5,669)      |
|  | <hr/>        | <hr/>        |
| Closing defined benefit obligation           | 133,901      | 157,907      |
|  | <hr/>        | <hr/>        |

Changes to the fair value of Fund assets during the year:-

|                                   | 2017<br>£000 | 2016<br>£000 |
|-----------------------------------|--------------|--------------|
| Opening fair value of Fund assets | 200,167      | 164,451      |
| Expected return on Fund assets    | 3,988        | 4,669        |
| Actuarial gains on Fund assets    | 7,260        | 36,729       |
| Net benefits paid out             | (14,936)     | (5,682)      |
|                                   | <hr/>        | <hr/>        |
| Closing fair value of Fund assets | 196,479      | 200,167      |
|                                   | <hr/>        | <hr/>        |

The actuarial valuation as at 31 December 2017 showed an increase in the surplus from £42,260,000 to £62,578,000. However, the surplus has been restricted to £nil, as it is not currently considered recoverable. As the retirement account is now closed there are no future accrual contributions to the Fund. 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 2017.

**Notes to the accounts (continued)****Analysis of amount recognised in the statement of comprehensive income:**

|   | <b>2017</b>     | <b>2016</b>   | <b>2015</b>    | <b>2014</b>   | <b>2013</b>  |
|---|-----------------|---------------|----------------|---------------|--------------|
|   | <b>£000</b>     | <b>£000</b>   | <b>£000</b>    | <b>£000</b>   | <b>£000</b>  |
| Difference between the expected and actual return on scheme assets        | <b>7,260</b>    | <b>36,729</b> | <b>(4,781)</b> | <b>13,089</b> | <b>4,152</b> |
| Percentage of scheme assets   | <b>3.7%</b>     | <b>18.3%</b>  | <b>(2.9%)</b>  | <b>7.8%</b>   | <b>2.7%</b>  |
| Experience gains and (losses) on the scheme liabilities                   | <b>6,791</b>    | <b>2,329</b>  | <b>1,481</b>   | <b>(51)</b>   | <b>8,708</b> |
| Percentage of scheme liabilities  | <b>5.1%</b>     | <b>1.5%</b>   | <b>1.2%</b>    | <b>(0.0%)</b> | <b>7.7%</b>  |
| Changes in assumptions underlying the present value of scheme liabilities | <b>(13,058)</b> | <b>34,807</b> | <b>(6,751)</b> | <b>15,572</b> | <b>109</b>   |
| Percentage of scheme liabilities  | <b>(9.8%)</b>   | <b>22.0%</b>  | <b>5.4%</b>    | <b>11.9%</b>  | <b>0.0%</b>  |
| Total amount recognised in the statement of comprehensive income          | <b>-</b>        | <b>-</b>      | <b>-</b>       | <b>-</b>      | <b>(23)</b>  |
| Percentage of scheme liabilities  | <b>0.0%</b>     | <b>0.0%</b>   | <b>0.0%</b>    | <b>0.0%</b>   | <b>0.0%</b>  |

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

|  | <b>2017</b>      | <b>2016</b>      | <b>2013</b>      | <b>2012</b>      | <b>2011</b>      |
|--|------------------|------------------|------------------|------------------|------------------|
|  | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      | <b>£000</b>      |
| Fair value of Fund assets                    | <b>196,479</b>   | <b>200,167</b>   | <b>164,451</b>   | <b>168,871</b>   | <b>154,195</b>   |
| Defined benefit obligation                   | <b>(133,901)</b> | <b>(157,907)</b> | <b>(124,100)</b> | <b>(130,478)</b> | <b>(113,319)</b> |
| Surplus in Fund                              | <b>62,578</b>    | <b>42,260</b>    | <b>40,351</b>    | <b>38,393</b>    | <b>40,876</b>    |
| Surplus reported in the Financial Statements | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         |

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

|   | <b>2017</b>    | <b>2016</b>    |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Retirement Accounts:  |                |                |
| Expected return on pension scheme assets                          | <b>3,988</b>   | <b>4,669</b>   |
| Interest on pension scheme liabilities                            | <b>(3,988)</b> | <b>(4,669)</b> |
|   | <b>-</b>       | <b>-</b>       |
| Pension Protection Levy & other Fund expenses paid by the company | <b>(6)</b>     | <b>(6)</b>     |
| Net Return  | <b>(6)</b>     | <b>(6)</b>     |

**Notes to the accounts** *(continued)***The Investment Account**

The cost of contributions to the defined contribution scheme during the year amounts to £617,000 (2016: £549,000).

**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.