

Registered number: 7650493

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**COMPANY INFORMATION**

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**DIRECTORS**

W. Eckman (resigned 2 January 2018)  
S. Einolf (resigned 24 August 2018)  
K. Ghazey (resigned 30 August 2019)  
N. Liptrot  
R. Lay (appointed 2 January 2018, resigned 30 August 2019)  
J Steinfink (appointed 30 August 2019)  
R Nobile (appointed 30 August 2019)

**REGISTERED NUMBER**

7650493

**REGISTERED OFFICE**

One Glass Wharf  
Bristol  
BS2 0ZX

**TRADING ADDRESS**

Charleston Road  
Hardley  
Hythe  
Southampton  
SO45 3ZG

**INDEPENDENT AUDITOR**

Crowe U.K. LLP  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

**BANKERS**

Royal Bank of Scotland PLC  
135 Bishopsgate  
London  
EC2M 3UR

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors present the Strategic Report of Geo Specialty Chemicals UK Limited for the year ended 31 December 2018.

#### **BUSINESS REVIEW**

2018 provided another year of significant growth in sales, which increased 17% to €100.4m (€86.2m 2017). Part of the growth was due to tightness in the Hydroxy monomers market, associated with successful sourcing of its key raw materials, which were also in a tight market. Our new contact lens manufacturing facility contributed to the growth with its first full year of production and we continued to grow our share of the Polyalkylene Glycols market.

Gross profit increased to 13.1% (€13.1m) compared with 12.8% (€11.0m) in 2017, driven primarily by the tightness of the market and growth in our Contact Lens materials business.

We continue to re-invest part of our income into research and development (R&D) activities, mainly carried out by our in-house R&D team. We invested 1.1% of sales in 2018 (€1.1m), compared with 1.3% in 2017 (€1.1m), to bring a number of new products to the market and support improvements in our processes.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The Company recognises there are significant risks and uncertainties existing in the future in both maintaining and building its existing global business as well as the new areas that will be entered into next year. The Company regularly reviews these risks and threats and continues to develop measures to reduce the effects of potential adverse events.

Over 70% of the Company's sales are made to mainland Europe, and over 90% of its raw material purchases come from mainland Europe. Consequently, management is closely monitoring and putting plans in place for the impact of Brexit.

As we report our results in Euros, we are exposed to currency movements, particularly in Sterling and US Dollar. The majority of our production and administration costs are in Sterling, and we aim to mitigate this exposure with a hedging strategy of forward foreign exchange contracts and natural currency hedges.

#### **FINANCIAL KEY PERFORMANCE INDICATORS**

The Company ends 2018 with another strong balance sheet where working capital levels are in line with expectations, due to maintenance of reasonable stock levels and efficient cash collection methods, including participation in customer vendor controlled programmes resulting in no bad or seriously overdue debts. Working capital as expressed as a percentage of sales averaged 19.8% (2017:18.8%).

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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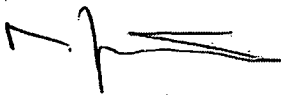
**STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**OTHER KEY PERFORMANCE INDICATORS**

The Company continued its track record in operating safely and responsibly, and monitoring its commitment to protecting the health and safety of their employees, their customers, the public and the environment is a priority.

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



**N. Liptrot**  
Director

Date:

27/9/19

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018**

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

#### **RESULTS**

The profit for the year, after taxation, amounted to €3,221,010 (2017 - €1,751,429).

#### **DIRECTORS**

The directors who served during the year were:

W. Eckman (resigned 2 January 2018)  
S. Einolf (resigned 24 August 2018)  
K. Ghazey (resigned 30 August 2019)  
N. Liptrot  
R. Lay (appointed 2 January 2018, resigned 30 August 2019)

#### **DIRECTORS' RESPONSIBILITIES 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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 for the Company's financial statements 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 to 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.

#### **FUTURE DEVELOPMENTS**

The Company is looking forward to fully increasing capacity to the new manufacturing plant in 2019 and implement further capital investment projects geared to producing further growth.

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**DISCLOSURE OF INFORMATION TO AUDITOR**

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**POST BALANCE SHEET EVENTS**

In August, the company's immediate and ultimate parent undertakings changed to CPS Performance Materials Corp and Arsenal Capital Partners LP, US, respectively.

**STRATEGIC REPORT**

The company has chosen in accordance with s.414C (11) Companies Act 2006 to set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 to be contained in the directors' report.

**GOING CONCERN**

The Directors have, in assessing the preparation of the financial statements, considered a period of twelve months from the date of approval of the financial statements. The Directors have carefully considered the company's budget and projected cashflow for this period. Overall they have concluded that the company will have adequate resources and facilities to continue in the foreseeable future and for this reason, continue to adopt the going concern basis in preparing the financial statements.

**AUDITOR**

Crowe U.K. LLP will be deemed to continue in office under s487(2) of the Companies Act 2006.

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



**N. Liptrot**  
Director

Date: 27/2/19

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GEO SPECIALTY CHEMICALS UK LIMITED**

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#### **OPINION**

We have audited the financial statements of GEO Specialty Chemicals UK Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, 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 2018 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 United Kingdom, including the Financial Reporting Council'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.

#### **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.



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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GEO SPECIALTY CHEMICALS UK LIMITED (CONTINUED)**

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#### **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.

#### **OPINION 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 have been prepared in accordance with applicable legal requirements.

#### **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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.

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.

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## GEO SPECIALTY CHEMICALS UK LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GEO SPECIALTY CHEMICALS UK LIMITED (CONTINUED)

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#### RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement on page 3, 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.

#### USE OF OUR REPORT

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.



Matthew Stallabrass (Senior Statutory Auditor)

for and on behalf of  
**Crowe U.K. LLP**

Statutory Auditor

St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EH

Date: 27 September 2019

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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	Note	2018 €	2017 €
Turnover	4	100,395,889	86,170,480
Cost of sales		(87,279,093)	(75,130,357)
<b>GROSS PROFIT</b>		<b>13,116,796</b>	<b>11,040,123</b>
Administrative expenses		(8,058,010)	(8,045,465)
Other operating income	5	120,000	118,000
Fair value movements		2,158	112,017
<b>OPERATING PROFIT</b>	6	<b>5,180,944</b>	<b>3,224,675</b>
Interest payable and expenses	10	(1,198,443)	(1,022,868)
<b>PROFIT BEFORE TAX</b>		<b>3,982,501</b>	<b>2,201,807</b>
Tax on profit	11	(761,491)	(450,378)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>3,221,010</b>	<b>1,751,429</b>

There was no other comprehensive income for 2018 (2017:€NIL).

The notes on pages 12 to 26 form part of these financial statements.

**GEO SPECIALTY CHEMICALS UK LIMITED**  
**REGISTERED NUMBER: 7650493**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 €	2017 €
<b>FIXED ASSETS</b>			
Intangible assets	12	(1,869,537)	(2,577,237)
Tangible assets	13	30,876,211	33,105,987
		<u>29,006,674</u>	<u>30,528,750</u>
<b>CURRENT ASSETS</b>			
Stocks	14	19,060,766	13,356,849
Debtors	15	15,216,794	16,556,542
Cash at bank and in hand	16	2,168,536	2,450,194
		<u>36,446,096</u>	<u>32,363,585</u>
Creditors: amounts falling due within one year	17	(17,448,912)	(12,214,614)
<b>NET CURRENT ASSETS</b>		<u>18,997,184</u>	<u>20,148,971</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>48,003,858</u>	<u>50,677,721</u>
Creditors: amounts falling due after more than one year	18	(13,268,523)	(19,060,252)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	21	(1,841,561)	(1,944,705)
<b>NET ASSETS</b>		<u><u>32,893,774</u></u>	<u><u>29,672,764</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	8,301,625	8,301,625
Profit and loss account		24,592,149	21,371,139
		<u><u>32,893,774</u></u>	<u><u>29,672,764</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

  
**N. Liptrot**  
 Director

Date: 27/12/19

The notes on pages 12 to 26 form part of these financial statements.

**GEO SPECIALTY CHEMICALS UK LIMITED**

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

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>€</b>	<b>€</b>	<b>€</b>
<b>At 1 January 2017</b>	<b>8,301,625</b>	<b>19,619,710</b>	<b>27,921,335</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	1,751,429	1,751,429
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	-
<b>At 1 January 2018</b>	<b>8,301,625</b>	<b>21,371,139</b>	<b>29,672,764</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	3,221,010	3,221,010
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	-	3,221,010	3,221,010
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	-	-
<b>AT 31 DECEMBER 2018</b>	<b>8,301,625</b>	<b>24,592,149</b>	<b>32,893,774</b>

The notes on pages 12 to 26 form part of these financial statements.

**GEO SPECIALTY CHEMICALS UK LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 €	2017 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the financial year	3,221,010	1,751,429
<b>ADJUSTMENTS FOR:</b>		
Amortisation of intangible assets	(707,700)	(707,700)
Depreciation of tangible assets	3,898,876	3,838,546
Interest paid	1,198,443	1,022,868
Taxation charge	761,491	450,378
(Increase) in stocks	(5,703,916)	(2,229,373)
Decrease/(increase) in debtors	1,126,656	(4,566,052)
Increase in creditors	822,027	2,942,000
Increase in amounts owed to groups	4,259,310	-
Net fair value (gains) recognised in P&L	(2,158)	(112,018)
Corporation tax (paid)	(496,425)	(547,784)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>8,377,614</b>	<b>1,842,294</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of tangible fixed assets	(1,884,826)	(673,235)
Reassessment of costs	215,726	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(1,669,100)</b>	<b>(673,235)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in intercompany borrowing	(5,791,729)	1,633,816
Interest paid	(1,198,443)	(1,022,868)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(6,990,172)</b>	<b>610,948</b>
<b>(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(281,658)</b>	<b>1,780,007</b>
Cash and cash equivalents at beginning of year	2,450,194	670,187
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	<b>2,168,536</b>	<b>2,450,194</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR COMPRISE:</b>		
Cash at bank and in hand	2,168,536	2,450,194

The notes on pages 12 to 26 form part of these financial statements.

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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#### **1. GENERAL INFORMATION**

The principal activity of Geo Specialty Chemicals UK Limited is that of a manufacturer and distributor of specialty chemical products.

The company is a private company (limited by shares), which is incorporated and domiciled in the UK. The address of the company's registered office is One Glass Wharf, Bristol, BS2 0ZX.

#### **2. ACCOUNTING POLICIES**

##### **2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

##### **2.2 GOING CONCERN**

The Directors have, in assessing the preparation of the financial statements, considered a period of twelve months from the date of approval of the financial statements. The Directors have carefully considered the company's budget and projected cashflow for this period. Overall they have concluded that the company will have adequate resources and facilities to continue in the foreseeable future and for this reason, continue to adopt the going concern basis in preparing the financial statements.

##### **2.3 FOREIGN CURRENCY TRANSLATION**

###### **Functional and presentation currency**

The Company's functional and presentational currency is Euros.

###### **Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.4 REVENUE**

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

#### **Sale of goods**

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### **2.5 FINANCE COSTS**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

### **2.6 PENSIONS**

#### **Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

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



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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.7 CURRENT AND DEFERRED TAXATION**

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

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

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

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

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

### **2.8 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Negative goodwill	-	10 % straight line
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### **2.9 TANGIBLE FIXED ASSETS**

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

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.9 TANGIBLE FIXED ASSETS (continued)**

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

Depreciation is provided on the following basis:

Freehold property	- 10 - 40 years
Plant & machinery	- 3 - 12 years
Computer equipment	- 3 - 5 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

### **2.10 STOCKS**

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

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

### **2.11 DEBTORS**

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

### **2.12 CASH AND CASH EQUIVALENTS**

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

### **2.13 CREDITORS**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### **2.14 FINANCIAL INSTRUMENTS**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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## **GEO SPECIALTY CHEMICALS UK LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018**

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## **2. ACCOUNTING POLICIES (CONTINUED)**

### **2.14 FINANCIAL INSTRUMENTS (continued)**

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

## **3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are the useful lives of tangible and intangible assets and provisions against stock and trade debtors.

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**4. TURNOVER**

The whole of the turnover is attributable to the company's principal activities.

Analysis of turnover by destination:

	2018 €	2017 €
Europe	75,214,216	63,030,697
Rest of the world	25,181,673	23,139,783
	<u>100,395,889</u>	<u>86,170,480</u>

**5. OTHER OPERATING INCOME**

	2018 €	2017 €
Research and development credit	<u>120,000</u>	<u>118,000</u>

**6. OPERATING PROFIT**

The operating profit is stated after charging:

	2018 €	2017 €
Exchange differences	32,560	806,224
Other operating lease rentals	828,923	612,300
Amortisation of intangible assets	(707,000)	(707,000)
Depreciation of tangible assets	<u>3,898,876</u>	<u>3,838,546</u>

**7. AUDITOR'S REMUNERATION**

	2018 €	2017 €
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>72,423</u>	<u>67,569</u>

**FEES PAYABLE TO THE COMPANY'S AUDITOR IN RESPECT OF:**

Audit-related assurance services	<u>20,594</u>	<u>20,271</u>
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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**8. EMPLOYEES**

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

	2018 €	2017 €
Wages and salaries	9,490,955	9,142,359
Social security costs	1,039,875	978,833
Cost of defined contribution pension scheme	596,064	562,963
	<u>11,126,894</u>	<u>10,684,155</u>

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

	2018 No.	2017 No.
Operations	120	116
Administration	49	47
	<u>169</u>	<u>163</u>

**9. DIRECTORS' REMUNERATION**

	2018 €	2017 €
Directors' emoluments	238,408	190,390
Company contributions to defined contribution pension schemes	16,446	15,537
	<u>254,854</u>	<u>205,927</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of €238,408 (2017 - €205,415).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to €16,446 (2017 - €15,537).

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**10. INTEREST PAYABLE AND SIMILAR EXPENSES**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
On loans from parent undertaking	<b>1,198,443</b>	<b>1,022,868</b>

**11. TAXATION**

	<b>2018</b>	<b>2017</b>
	<b>€</b>	<b>€</b>
<b>CORPORATION TAX</b>		
Current tax on profits for the year	<b>864,448</b>	<b>440,025</b>
Adjustments in respect of previous periods	<b>187</b>	<b>55,133</b>
<b>TOTAL CURRENT TAX</b>	<b>864,635</b>	<b>495,158</b>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	<b>(115,279)</b>	<b>11,213</b>
Changes to tax rates	<b>12,135</b>	<b>(1,309)</b>
Adjustment in respect of previous periods	<b>-</b>	<b>(54,684)</b>
<b>TOTAL DEFERRED TAX</b>	<b>(103,144)</b>	<b>(44,780)</b>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<b>761,491</b>	<b>450,378</b>

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**11. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE YEAR**

The tax assessed for the year is higher than (2017 - *higher than*) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%). The differences are explained below:

	2018 €	2017 €
Profit on ordinary activities before tax	<u>3,982,500</u>	<u>2,201,807</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.25%)	756,675	423,772
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	126,957	163,674
Adjustments to tax charge in respect of prior periods	187	449
Non-taxable income	(134,463)	(136,208)
Tax rate changes	<u>12,135</u>	<u>(1,309)</u>
<b>TOTAL TAX CHARGE FOR THE YEAR</b>	<u><u>761,491</u></u>	<u><u>450,378</u></u>

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**12. INTANGIBLE ASSETS**

	Trademarks €	Negative goodwill €	Total €
<b>COST</b>			
At 1 January 2018	20,463	(7,077,000)	(7,056,537)
At 31 December 2018	20,463	(7,077,000)	(7,056,537)
At 1 January 2018	-	(4,479,300)	(4,479,300)
Charge for the year	-	(707,700)	(707,700)
At 31 December 2018	-	(5,187,000)	(5,187,000)
<b>NET BOOK VALUE</b>			
At 31 December 2018	20,463	(1,890,000)	(1,869,537)
At 31 December 2017	20,463	(2,597,700)	(2,577,237)



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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**13. TANGIBLE FIXED ASSETS**

	Freehold property €	Plant & machinery €	Computer equipment €	Total €
<b>COST OR VALUATION</b>				
At 1 January 2018	12,647,884	39,408,488	1,684,333	53,740,705
Additions	-	1,884,825	-	1,884,825
Reassessment of costs	(90,605)	(125,121)	-	(215,726)
Transfers between classes	-	(84,126)	84,126	-
At 31 December 2018	<u>12,557,279</u>	<u>41,084,066</u>	<u>1,768,459</u>	<u>55,409,804</u>
<b>DEPRECIATION</b>				
At 1 January 2018	4,074,492	14,890,802	1,669,424	20,634,718
Charge for the year on owned assets	770,894	3,119,691	8,290	3,898,875
At 31 December 2018	<u>4,845,386</u>	<u>18,010,493</u>	<u>1,677,714</u>	<u>24,533,593</u>
<b>NET BOOK VALUE</b>				
At 31 December 2018	<u><u>7,711,893</u></u>	<u><u>23,073,573</u></u>	<u><u>90,745</u></u>	<u><u>30,876,211</u></u>
At 31 December 2017	<u><u>8,573,392</u></u>	<u><u>24,517,686</u></u>	<u><u>14,909</u></u>	<u><u>33,105,987</u></u>

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**14. STOCKS**

	2018 €	2017 €
Raw materials and consumables	6,807,869	5,063,770
Work in progress (goods to be sold)	6,570,455	4,916,240
Finished goods and goods for resale	5,682,442	3,376,839
	<u>19,060,766</u>	<u>13,356,849</u>

**15. DEBTORS**

	2018 €	2017 €
Trade debtors	12,441,652	13,876,527
Other debtors	1,141,632	2,093,963
Prepayments and accrued income	1,341,889	586,052
Tax recoverable	291,621	-
	<u>15,216,794</u>	<u>16,556,542</u>

**16. CASH AND CASH EQUIVALENTS**

	2018 €	2017 €
Cash at bank and in hand	<u>2,168,536</u>	<u>2,450,194</u>

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**17. CREDITORS: Amounts falling due within one year**

	2018 €	2017 €
Trade creditors	9,627,406	9,449,284
Amounts owed to group undertakings	4,259,310	-
Corporation tax	155,122	-
Other taxation and social security	274,058	229,684
Other creditors	356	3,021
Accruals and deferred income	3,093,052	2,490,869
Financial instruments	39,608	41,756
	<u>17,448,912</u>	<u>12,214,614</u>

**18. CREDITORS: Amounts falling due after more than one year**

	2018 €	2017 €
Amounts owed to group undertakings	<u>13,268,523</u>	<u>19,060,252</u>

**19. LOANS**

Analysis of the maturity of loans is given below:

	2018 €	2017 €
<b>AMOUNTS FALLING DUE 2-5 YEARS</b>		
Amounts owed to group undertakings	<u>13,268,523</u>	<u>19,060,252</u>

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**20. FINANCIAL INSTRUMENTS**

	2018 €	2017 €
<b>FINANCIAL ASSETS</b>		
Financial assets measured at fair value through profit or loss	2,168,536	2,450,194
Financial assets that are debt instruments measured at amortised cost	12,446,216	14,177,826
	<u>14,614,752</u>	<u>16,628,020</u>
<b>FINANCIAL LIABILITIES</b>		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(39,608)	(41,756)
Financial liabilities measured at amortised cost	(30,247,141)	(31,003,425)
	<u>(30,286,749)</u>	<u>(31,045,181)</u>

Financial assets at amortised cost comprise of trade debtors and other debtors.

Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio comprise of forward exchange contracts.

Financial liabilities measured at amortised cost comprise of amounts due to ultimate parent undertaking, trade and other creditors.

**21. DEFERRED TAXATION**

	2018 €
At beginning of year	(1,944,705)
Charged to the profit or loss	103,144
<b>AT END OF YEAR</b>	<u>(1,841,561)</u>

The provision for deferred taxation is made up as follows:

	2018 €	2017 €
Fixed asset timing differences	(1,823,257)	(1,923,052)
Short term timing differences	(18,304)	(21,653)
	<u>(1,841,561)</u>	<u>(1,944,705)</u>

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**GEO SPECIALTY CHEMICALS UK LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**22. SHARE CAPITAL**

	2018 €	2017 €
<b>Allotted, called up and fully paid</b>		
7,282,127 (2017 - 7,282,127) Ordinary shares of €1.14 each	<u>8,301,625</u>	<u>8,301,625</u>

**23. COMMITMENTS UNDER OPERATING LEASES**

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 €	2017 €
<b>Land &amp; buildings</b>		
Not later than 1 year	497,145	506,184
Later than 1 year and not later than 5 years	1,988,580	2,024,736
Later than 5 years	2,485,725	2,530,920
	<u>4,971,450</u>	<u>5,061,840</u>
	2018 €	2017 €
<b>Other</b>		
Not later than 1 year	42,364	48,092
Later than 1 year and not later than 5 years	25,454	41,212
	<u>67,818</u>	<u>89,304</u>

**24. POST BALANCE SHEET EVENTS**

In August 2019, the company's immediate and ultimate parent undertakings changed to CPS Performance Materials Corp and Arsenal Capital Partners LP, US, respectively.

**25. CONTROLLING PARTY**

The company's immediate and ultimate parent undertaking and controlling party was GEO Specialty Chemicals Inc. until August 2019 when it changed to CPS Performance Materials Corp and Arsenal Capital Partners LP, US, respectively.