
CLARIANT DISTRIBUTION UK LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



CLARIANT DISTRIBUTION UK LTD

COMPANY INFORMATION

Directors	A J Lock T A Otteslev
Company secretary	N Scothern & Oakwood Corporate Secretary Limited
Registered number	00868373
Registered office	Clariant House Unit 2, Rawdon Park Yeadon Leeds LS19 7BA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL
Bankers	Skandinaviska Enskilda Banken AB 1 Carter Lane London EC4V 5AN

CLARIANT DISTRIBUTION UK LTD

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

Introduction

Clariant Distribution UK Ltd ('the Company') is a subsidiary of the global speciality chemicals business, Clariant AG (the "Group"). In 2019 the Company was active in the business areas of Care Chemicals, Catalysis & Energy and Natural Resources. Since 2010, when the Group integrated its European sales activities within a new company, Clariant SE, the UK Branch of Clariant SE has taken on the responsibility of sales and related activities of the Company. The Company employs sales and customer services employees, the costs of which are recharged to Group companies, primarily the UK Branch of Clariant SE. The Company also operates a laboratory and office for the Oil Refinery business.

Business review and future outlook

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

Profit before tax increased to £34,000 in 2019 (2018: £3,000). No dividends were paid or proposed in the year (2018 - £NIL). The Company's assets exceeded its liabilities at the end of the year by £1,482,000 (2018 - £1,456,000).

As the companies, primarily the UK Branch of Clariant SE, to which the Company provides its services are expected to continue to trade profitably in 2020, it is envisaged that the Company will also remain profitable in the coming year. The Company's management is continuing to monitor the impact of Covid-19 on the business. Two FTEs have been placed on furlough during July and August as a result of Covid-19's impact on the Oil Refinery business. Due to the operating structure of the Company little impact is expected in other business units as a result of Covid-19.

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

Principal risks and uncertainties

As the Company provides sales and marketing services to Group companies it must adapt to operating changes in those companies to ensure it provides the appropriate level of service at an acceptable level of cost.

Environmental risks

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

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

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

Financial key performance indicators

The management team uses KPIs to monitor and manage performance against strategic objectives. The principal KPI for the Company is the control of operating expenses.

Operating expenses were around 10% down in 2019 compared with 2018, coming from reductions in staff costs following a reduction in headcount in 2018.

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



T A Otteslev
Director

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

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

Directors' responsibilities statement

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

Company law requires the directors to prepare audited financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these audited financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the audited financial statements comply with the Companies Act 2006.

Principal activity

The principal activity of the company is to provide sales and marketing services to Group companies, primarily to the UK Branch of Clariant SE.

Results and dividends

The profit for the year, after taxation, amounted to £26,000 (2018 - loss £3,000).

Details of dividends are given in the Strategic Report.

Directors

The directors who served during the year were:

A J Lock
T A Otteslev

Principal risks and uncertainties

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

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

Future developments

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

Qualifying third party indemnity provisions

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

Disclosure of information to auditors

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

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

Post balance sheet events

COVID-19 emerged in the UK in the latter part of quarter 1 2020 and is considered a non-adjusting post balance sheet event. The Company's management have been monitoring the situation and have analysed the potential effects on the Company. As the Company is mainly supplying services to other Group companies the impact of the virus is deemed low. The management has already implemented some measures to mitigate the effects and will take further steps as and when they are deemed necessary. The Company is considered to be in a strong position to deal with any negative impacts and being part of the multinational Clariant Group provides added security in these unusual times.

Independent Auditors

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

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



T A Otteslev
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLARIANT DISTRIBUTION UK LTD

Report on the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting in other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLARIANT DISTRIBUTION UK LTD

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLARIANT DISTRIBUTION UK LTD

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

Leeds

16 September 2020

CLARIANT DISTRIBUTION UK LTD

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

	Note	2019 £000	2018 £000
Other operating income		959	1,029
Gross profit		959	1,029
Staff costs		(298)	(419)
Depreciation and amortisation	9	(31)	(10)
Other operating expenses		(595)	(597)
Operating profit	4	35	3
Interest payable and similar expenses		(1)	-
Profit before tax		34	3
Tax on profit	8	(8)	(6)
Profit/(loss) for the financial year		26	(3)

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

The notes on pages 11 to 24 form part of these financial statements.

The above results are all derived from continuing activities.

CLARIANT DISTRIBUTION UK LTD
REGISTERED NUMBER: 00868373

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Tangible assets	9	132	47
		<u>132</u>	<u>47</u>
Current assets			
Debtors: amounts falling due after more than one year	10	17	20
Debtors: amounts falling due within one year	10	1,555	1,501
		<u>1,572</u>	<u>1,521</u>
Creditors: amounts falling due within one year	11	(173)	(112)
Net current assets		<u>1,399</u>	<u>1,409</u>
Total assets less current liabilities		<u>1,531</u>	<u>1,456</u>
Creditors: amounts falling due after more than one year	12	(49)	-
Net assets		<u><u>1,482</u></u>	<u><u>1,456</u></u>
Capital and reserves			
Called up share capital	14	500	500
Profit and loss account		982	956
		<u><u>1,482</u></u>	<u><u>1,456</u></u>

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



A J Lock
Director

The notes on pages 11 to 24 form part of these financial statements.

CLARIANT DISTRIBUTION UK LTD

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

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2019	500	956	1,456
Comprehensive income for the year			
Profit for the year	-	26	26
Total comprehensive income for the year	-	26	26
At 31 December 2019	500	982	1,482

The notes on pages 11 to 24 form part of these financial statements.

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

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2018	500	959	1,459
Comprehensive expense for the year			
Loss for the year	-	(3)	(3)
Total comprehensive expense for the year	-	(3)	(3)
At 31 December 2018	500	956	1,456

The notes on pages 11 to 24 form part of these financial statements.

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

1. General information

Clariant Distribution UK Ltd ("the Company") provides sales and marketing services to Group companies, mainly in the United Kingdom.

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

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

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

2.2 Financial reporting standard 101 - reduced disclosure exemptions

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

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

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

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

2. Accounting policies (continued)

2.3 Going concern

The Company's management is continuing to monitor the impact of Covid-19 on the business. Two FTEs have been placed on furlough during July and August as a result of Covid-19's impact on the Oil Refinery business. Due to the operating structure of the Company little impact is expected in other business units as a result of Covid-19. The Group operates a cash-pool arrangement whereby the GBP cash reserves of the Company are actually held by a fellow Group company. The Company has obtained a letter from the UK parent company confirming that they have access to the funds in the GBP cash-pool and therefore no issues in obtaining these cash reserves are expected over the going concern review period. It is envisaged that the cash-pool will be in place for at least the next 12 months, however should the cash-pool arrangement end the Companies would have their funds returned from the cash-pool leader. Therefore these financial statements have been prepared on a going concern basis.

2.4 Revenue

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

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

Rendering of services

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

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

2. Accounting policies (continued)

2.5 Current and deferred taxation

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

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

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

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

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

2.6 New standards, amendments and IFRIC interpretations

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

2.7 Tangible fixed assets

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

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

2. Accounting policies (continued)

2.7 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:

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

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

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

2.8 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.

2.9 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.

2.10 Creditors

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

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

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

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

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

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

Multi-employer pension plan

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

2.12 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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

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

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

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

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

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

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

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and

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

2. Accounting policies (continued)**2.12 Leases (continued)**

'Investment Property' lines, as applicable, in the Balance Sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.7.

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

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

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

Useful economic lives of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of the property plant and equipment, and note 2.8 for the useful economic lives for each class of assets.

4. Operating profit

The operating profit is stated after charging:

	2019	2018
	£000	£000
Depreciation of tangible fixed assets	32	10
Defined contribution pension cost	28	36
	<hr/>	<hr/>

5. Auditors' remuneration

	2019	2018
	£000	£000
Fees payable to the Company's auditors and its associates for the audit of the Company's annual financial statements	9	9
	<hr/>	<hr/>

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

CLARIANT DISTRIBUTION UK LTD

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

6. Employees

Staff costs were as follows:

	2019	2018
	£000	£000
Wages and salaries	242	349
Social security costs	28	34
Cost of defined contribution scheme	28	36
	298	419

There are no additional employment costs included in wages and salaries (2018 - £69,000) in respect of severance payments.

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

	2019	2018
	No.	No.
Selling and marketing	5	5

7. Directors' remuneration

The directors received no remuneration for their services to the Company during the year (2018 - £NIL). A J Lock and T A Otteslev are remunerated for their services to the UK Group and their costs are borne by the parent company, Clariant Services UK Ltd.

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

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

8. Tax on profit on ordinary activities

	2019	2018
	£000	£000
Deferred tax		
Origination and reversal of timing differences	8	6
Total deferred tax	8	6

Factors affecting tax charge for the year

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

	2019	2018
	£000	£000
Profit on ordinary activities before tax	34	3
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	6	1
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	4	1
Adjustments to tax charge in respect of prior periods	-	2
Impact of change in tax rate	(1)	(1)
Group relief	(1)	3
Total tax charge/(credit) for the year	8	6

Factors that may affect future tax charges

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

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

9. Tangible fixed assets

	Plant and machinery £000	Short-term leasehold property £000	Total £000
Cost or valuation			
At 1 January 2019	127	32	159
Impact of change in accounting policy	-	15	15
At 1 January 2019 (adjusted balance)	127	47	174
Additions	34	67	101
At 31 December 2019	161	114	275
Depreciation			
At 1 January 2019	80	32	112
Charge for the year on owned assets	14	-	14
Charge for the year on right-of-use assets	-	17	17
At 31 December 2019	94	49	143
Net book value			
At 31 December 2019	67	65	132
At 31 December 2018	47	-	47

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

	2019 £000
Tangible fixed assets owned	67
Right-of-use tangible fixed assets	65
	<u>132</u>

CLARIANT DISTRIBUTION UK LTD

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

9. Tangible fixed assets (continued)

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

Net book value

	2019 £000
Property	65
	65

Depreciation charge for the year ended 31 December 2019

	2019 £000
Property	(17)
	(17)

Additions to right-of-use assets

	2019 £000
Additions to right-of-use assets	82

CLARIANT DISTRIBUTION UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
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10. Debtors

	2019 £000	2018 £000
Due after more than one year		
Deferred tax asset	17	20
	<u>17</u>	<u>20</u>
	2019 £000	2018 £000
Due within one year		
Amounts owed by group undertakings	1,539	1,476
Other debtors	16	16
Prepayments and accrued income	-	4
Deferred taxation	-	5
	<u>1,555</u>	<u>1,501</u>

Included in amounts owed by group undertakings are loans receivable of £1,314,000 (2018 - £1,324,000) which are unsecured and repayable on demand with no interest charged.

Included in amounts owed by group undertakings is a loan receivable of £9,000 (2018 - £6,000) which is denominated in Euros, unsecured and repayable on demand with no interest charged.

Other amounts owed by group companies represent trading balances, which are unsecured and are payable in accordance with the Group's intercompany payment terms.

11. Creditors: Amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	49	15
Amounts owed to group undertakings	52	44
Other taxation and social security	14	12
Lease liabilities	13	-
Other creditors	1	6
Accruals	44	35
	<u>173</u>	<u>112</u>

Amounts owed to group undertakings represent trading balances, which are unsecured and are payable in accordance with the Group's intercompany payment terms.

CLARIANT DISTRIBUTION UK LTD

**NOTES TO THE FINANCIAL STATEMENTS
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12. Creditors: Amounts falling due after more than one year

	2019 £000	2018 £000
Lease liabilities	49	-
	<u>49</u>	<u>-</u>

13. Deferred taxation

	2019 £000
At beginning of year	25
Charged to profit or loss	(8)
At end of year	<u><u>17</u></u>

The deferred tax asset is made up as follows:

	2019 £000	2018 £000
Accelerated capital allowances	17	25
	<u>17</u>	<u>25</u>

14. Called up share capital

	2019 £000	2018 £000
Allotted, called up and fully paid		
500,000 (2018 - 500,000) Ordinary shares of £1 each	500	500
	<u>500</u>	<u>500</u>

**NOTES TO THE FINANCIAL STATEMENTS
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15. Pension commitments

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

The pension charge for the year to 31 December 2019 was £28,000 (2018 - £36,000) in relation to the Defined Contribution section.

The details of the scheme are as follows:

The Clariant Pension Plan – Defined Benefit Section

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

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

IAS 19 disclosures

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

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

The Clariant Pension Plan – Defined Contribution Section

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

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

16. Commitments under operating leases

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

	2019 £000	2018 £000
Land and buildings		
Not later than 1 year	-	15
	<u>-</u>	<u>15</u>

Effect of adoption of IFRS 16 'Leases'

The company has adopted IFRS 16 using the simplified approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions of the standard.

On adoption of IFRS 16 the Company recognised lease liabilities in relation to leases which had been previously classified as operating leases under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate which for this lease was 3.59%.

	2019 £000	2018 £000
Reconciliation to lease liabilities		
Operating lease commitments as at 31 December 2018	15	-
Lease liabilities recognised as at 1 January 2019	<u>15</u>	<u>-</u>

17. Post balance sheet events

COVID-19 emerged in the UK in the latter part of quarter 1 2020 and is considered a non-adjusting post balance sheet event. This is discussed in more detail within the Directors' Report on page 4.

18. Controlling party

The immediate parent undertaking is Clariant Services UK Ltd.

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

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