

***CalaChem***



**CalaChem Limited**

Director's Report  
and  
Financial Statements

Registered Number: 5369235  
1 January to 31 December 2016



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**Director and advisers**

**Director:**

Neil Partlett

**Registered Office:**

One St. Peter Square  
Manchester  
M2 3DE

**Independent Statutory Auditors:**

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

**Solicitors:**

Dickson Minto  
16 Charlotte Square  
Edinburgh

Charles Russell LLP  
Buryfields House  
Guilford

**Bankers:**

Royal Bank of Scotland  
36 St Andrew Square  
Edinburgh

## Strategic report for the year ended 31 December 2016

The director presents his strategic report on the company for the year ended 31 December 2016.

### Principal activities

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

#### Manufacturing

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

#### Industrial Services

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

### Results and performance

For the year ended December 2016, the company made a pre-tax profit of £0.9m (2015: profit of £2.1m).

Sales have decreased by £10.9m compared to 2015. This is principally as significant manufacturing customer volumes expected to be made in 2016 are now expected to be produced and sold in 2017. We also anticipate some recovery of underlying product volumes during 2017 as markets normalize.

The company generated an operating EBITDA\* before exceptional costs of £2.8m (2015: £4.8m) and after exceptional costs of £2.8m (2015: £3.5m). Business restructuring during 2015 is expected to mean that, as manufacturing volumes recover in 2017, profitability will recover accordingly.

The company currently expects a marked improvement during 2017 as manufacturing volumes recover to normal levels.

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

## Strategy

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

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

## Key Performance indicators (KPI's)

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

	<u>2016</u>	<u>2015</u>
(Reduction)/Growth in sales (%)	(24.2%)	3.9%
(Reduction)/Growth in EBITDA before exceptional items (%)	(41.8%)	28.6%
Reduction in EBITDA after exceptional items (%)	(20.0%)	(6.4%)
EBITDA to Sales ratio before exceptional items (%)	8.2%	10.7%
EBITDA to Sales ratio after exceptional items (%)	8.2%	7.8%
Safety Health & Environment performance:		
- All Environment Incident Rate (1)	1.41	1.29
- All Injury Rate (2)	0.71	0.00

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

(2) All Injury Rate is defined as 'the number of accidents per 100,000 people hours.' The company has implemented a behavioural based strategy to minimise future risk in relation to personal injury.

## Principal risks and uncertainties

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

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

### *Demand uncertainty*

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

### *Competition and customer service*

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

**Principal risks and uncertainties (continued)***Environmental and legislation*

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

*Employees*

The loss of key staff and/or the inability to recruit high quality staff would impair our ability to meet our objectives and would have a detrimental impact on the business results. The business has traditionally offered a number of schemes linked to business performance designed to retain key individuals.

*Financial Risks**Currency Exchange*

The majority of sales and business costs are in sterling and therefore exposure to foreign exchange risk is not significant. In considering specific business any potential material purchases in foreign currencies are reviewed in advance and if appropriate specific terms agreed with customers.

*Utility Prices*

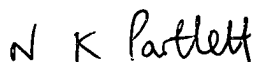
The business incurs significant cost in gas and electricity and prices for these have been volatile in recent years. The company seeks advice from external brokers on likely price movements ahead and where appropriate buys forward against projected needs.

**Future developments**

The market for chemical products, particularly agrochemicals, is empirically cyclical and can be weather dependent. Current expectations are that the market is currently in a downturn, but a return to growth is expected in 2017. Although we expect some recovery in the market, there are inherent uncertainties in the medium term. The company seeks to mitigate these risks by broadening its portfolio of chemical contracts and maintaining a relatively flexible cost base. Notwithstanding potentially difficult trading conditions in the event of a downturn, we will continue to be competitive in the identification of previously uncultivated markets and in new business to existing customers.

On-site manufacturing activities demand significant consumption of energy, particularly electricity and steam. Although the company seeks to hedge its exposure to volatile utility prices, it remains the company's aim to find a more long-term solution to its energy requirements with more predictable cost per unit pricing.

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



Neil Partlett  
Director

19 September 2017

**CalaChem Limited (Registered number: 5369235)**

**Director's report for the year ended 31 December 2016**

The director presents his annual report and the audited financial statements for the year ended 31 December 2016.

**Ownership**

During 2015 both MAAFS Limited and Tend.ag Limited disposed of all their shares in CalaChem Limited. At the balance sheet date, the company was a wholly owned subsidiary of CalaChem Holding Limited.

Further information is included in note 20.

**Dividends**

Interim dividends of £0.283164 per ordinary share (2015: £0.3034379 per ordinary share) amounting to £4,218,000 (2015: £4,520,000) were paid.

The director does not recommend the payment of a final dividend (2015: £nil).

**Directors**

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

Neil Partlett  
Gerhard Engleder (resigned 11 April 2016)

**Training and Development**

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

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

**Research and development**

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

**Employees***Employee involvement*

The company adopts an approach of being open with employees about matters affecting the business. The company is fully committed to keeping all employees informed about the performance, progress and issues relating to their business or work unit, and about wider business issues. A forum for employee consultation has been established and is chaired by the Managing Director.

*Equal opportunities*

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

*Employment of people with disabilities*

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



**Statement of director's responsibilities**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 director is required to:

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

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

In respect of the Director serving at the time these accounts were approved:

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

**Political and charitable contributions**

During the year, the company made donations to UK charities amounting to £6,443 (2015: £5,413).

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

**Auditors**

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



Neil Partlett  
Director

19 September 2017

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

We have audited the financial statements of Calachem Limited for the year ended 31 December 2016 which comprise the income statement, statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.

### 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and Directors' Report has been prepared in accordance with applicable legal requirements.

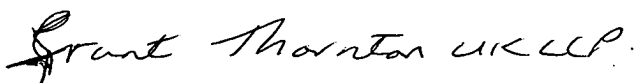
### Matter on which we are required to report under the Companies Act 2006

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

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

We have nothing to report in respect of the following matters where 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.



Lorraine Macphail

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Glasgow

Date: 19 September 2017.

**Income statement**  
for the year ended 31 December 2016

	<i>Note</i>	<b>2016 £000</b>	<b>2015 £000</b>
<b>Turnover</b>	<b>5</b>	<b>33,984</b>	<b>44,849</b>
Cost of sales		(29,318)	(37,106)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>4,666</b>	<b>7,743</b>
Distribution costs		(327)	(348)
Administrative costs		(2,893)	(3,691)
R&D/Technical costs		(480)	(671)
Exceptional operating costs	7	-	(1,306)
Other operating costs	6	(46)	12
		<hr/>	<hr/>
<b>Operating profit</b>	<b>7</b>	<b>920</b>	<b>1,739</b>
Net interest receivable/(payable)	10	23	318
Other Finance costs	23	(6)	(6)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>937</b>	<b>2,051</b>
Tax on ordinary activities	11	(236)	(1,888)
		<hr/>	<hr/>
<b>Profit and total comprehensive income for the financial year</b>		<b>701</b>	<b>163</b>
		<hr/>	<hr/>

The results above all derive from continuing operations.

The notes on pages 12-29 form part of these financial statements.

**Statement of financial position**  
as at 31 December 2016

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Goodwill	13	891	1,129
Tangible fixed assets	14	12,670	12,348
		<u>13,561</u>	<u>13,477</u>
<b>Current assets</b>			
Stock	15	3,764	2,456
Debtors: amounts falling due within one year	16	7,920	10,481
Debtors: amounts falling due after more than one year	16	713	980
Cash at bank and in hand		1,712	5,561
		<u>14,109</u>	<u>19,478</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(5,176)</u>	<u>(6,370)</u>
<b>Net current assets</b>		<u>8,933</u>	<u>13,108</u>
<b>Total assets less current liabilities</b>		<u>22,494</u>	<u>26,585</u>
<b>Creditors: amounts falling due after more than one year</b>	18	(481)	(723)
<b>Provisions for liabilities and charges</b>	19	-	(332)
<b>Net assets</b>		<u>22,013</u>	<u>25,530</u>
<b>Capital and reserves</b>			
Called-up share capital	20	14,896	14,896
Share premium account		5,512	5,512
Profit and loss account		1,605	5,122
<b>Equity shareholders' funds</b>		<u>22,013</u>	<u>25,530</u>

The notes on pages 12-29 form part of these financial statements.

These financial statements were approved by the board of director on 19 September 2017 and were signed on its behalf by:

N K Partlett

Neil Partlett  
Director

**Statement of changes in equity**  
*as at 31 December 2016*

	<i>Note</i>	<b>Called-up share capital £000</b>	<b>Share premium account £000</b>	<b>Profit and loss account £000</b>	<b>Total £000</b>
<b>At 1 January 2015</b>		<b>10,000</b>	<b>-</b>	<b>9,816</b>	<b>19,816</b>
Profit and total comprehensive income for the year		-	-	163	163
Proceeds of issue of ordinary share capital	20	4,896	5,175	-	10,071
Transfer to share premium account		-	337	(337)	-
Dividends paid	12	-	-	(4,520)	(4,520)
<b>At 31 December 2015</b>		<b>14,896</b>	<b>5,512</b>	<b>5,122</b>	<b>25,530</b>
Profit and total comprehensive income for the year		-	-	701	701
Dividends paid	12	-	-	(4,218)	(4,218)
<b>At 31 December 2016</b>		<b>14,896</b>	<b>5,512</b>	<b>1,605</b>	<b>22,013</b>

The notes on pages 12-29 form part of these financial statements.

## Notes to the accounts

*(forming part of the financial statements)*

### 1 Company information

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

### 2 Basis of preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The financial statements are presented in Sterling (£).

#### Cash flow statement

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

#### Related party transactions

As 100% of the company's voting rights are controlled within the group headed by CalaChem Holding Limited, the company has taken advantage of the exemption contained in FRS102 Section 1.12(e) and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). Key management remuneration is the same as is disclosed in note 8, plus £23,000 (2015: £18,000).

#### Going concern

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

### 3 Significant judgements and estimates

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

#### Stock (note 15)

Provision is made against stock where the net realisable value is deemed to be lower than the purchased cost. An accurate assessment of a stock's net realisable value is seldom readily available and management therefore make assumptions on the realisable amount at an undetermined point in the future. The value of these provisions at 31 December 2016 is £601,000 (2015: £902,000).

#### Provisions (note 19)

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

#### Defined benefit pension scheme (note 23)

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

## Notes to the accounts *(continued)*

### **4 Principal accounting policies**

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

#### ***Goodwill***

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

#### ***Depreciation and amortisation***

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

#### ***Environmental liabilities***

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

#### ***Foreign currencies***

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

#### ***Leases***

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

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

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

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

**Notes to the accounts (continued)*****Post-retirement benefits***

The company operates both defined benefit and defined contribution schemes, though the Defined Benefit scheme is now closed to future accrual. The assets of the pension schemes are held separately from those of the Company. In the case of defined benefit schemes, assets are measured using mid market values. Liabilities are measured using a projected unit method and discounted at the current rate of return of a high quality corporate bond of equivalent term and currency. Costs and liabilities are assessed in accordance with the advice of independent qualified actuaries. The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of comprehensive income, actuarial gains and losses. In the case of defined contribution schemes, the amount charged to the income statement represents the contributions payable to the scheme in the year.

***Research and development expenditure***

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

***Government grants***

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

***Stock valuation***

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

***Taxation***

The current charge for taxation is based on the profits or losses for the year and takes into account deferred taxation. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where the transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

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

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing difference are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

***Turnover and revenue recognition***

Turnover excludes value added taxes. The company generates revenue through sales of Fine Chemicals and related services in the open market, through raw material conversion agreements and service contracts. Revenue is recognised when ownership of the products are passed to the customer or when services have been rendered. Turnover also includes amounts received from property rentals under short term operating leases.



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

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

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

**Impairment**

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

**Cash and cash equivalents**

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

**5 Analysis of turnover**

	2016 £000	2015 £000
<i>By geographical market</i>		
UK	23,133	24,426
Continental Europe	9,076	14,709
Americas	1,775	5,714
	<hr/>	<hr/>
	33,984	44,849
	<hr/>	<hr/>

Included above is £70,000 (2015: £184,000) with regard to property rental income under short term operating leases. The gross book value of the buildings which have been subject (wholly or in part) to lease in 2016 is £6,059,000 (2015: £6,059,000), and the accumulated depreciation is £6,059,000 (2015: £6,059,000).

**6 Other operating costs**

Other operating costs includes £238,000 goodwill amortisation, net of the release of accrued grant income of £192,000 (for the year ended 31 December 2015 £238,000 goodwill amortisation, net of £129,000 income arising from the disposal of carbon credits and the release of accrued grant income of £121,000).

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

	2016 £000	2015 £000
<i>Operating profit is stated after charging</i>		
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,385	1,217
Leased	55	54
Amortisation of goodwill	238	238
Operating lease charges for plant & machinery	215	227
Research and development expenditure	480	671
Services provided by the company's auditor		
Fees payable for audit	45	48
Fees payable for other services – grant audit and tax compliance	16	25
Exceptional operating cost (see below)	-	1,306
	<u>          </u>	<u>          </u>

During 2015, the company incurred non-recurring costs associated with reshaping the organisation for future growth and, towards the end of the year, for the closure of one production plant. At the end of 2015, £332,000 was provided for costs expected to crystallise in 2016 relating to redundancy and plant mothballing.

**8 Remuneration of directors**

	2016 £000	2015 £000
Directors' emoluments	173	140
	<u>          </u>	<u>          </u>

The company pays the emoluments of one (2015: one) director, another has been paid by other Aurelius group companies. There is no direct apportionment of the amount paid by other group companies in relation to services to this company. The aggregate emoluments were £173,000 for the year ended 31 December 2016 (2015: aggregate emoluments of £140,000). Company pension contributions of £31,000 were made (2015: £9,000).

	2016 £000	2015 £000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	-
	<u>          </u>	<u>          </u>

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

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

	Number of employees	
	2016	2015
Manufacturing	142	147
Research and Development	8	11
Management/Administrative	20	20
	<u>170</u>	<u>178</u>

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	6,799	7,676
Social security costs	724	762
Other pension costs (see Note 23)	549	586
	<u>8,072</u>	<u>9,024</u>

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

	2016	2015
	£000	£000
Finance charges payable in respect of finance leases	(5)	(8)
Group interest waived/(payable) <sup>(1)</sup>	-	188
Group interest receivable	-	103
Interest receivable on deposits	19	25
Interest receivable on long-term loans	9	10
	<u>23</u>	<u>318</u>

(1) During 2015, the company extinguished its debt owed to its then immediate parent, MAAFS Limited, by issuing £1 ordinary shares in exchange for the loan principal. Concurrent to this transaction, the accrued loan interest was waived.

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

	2016 £000	2015 £000
<b>Current tax:</b>		
UK corporation tax on profits for the year	-	(40)
Adjustment in respect of previous year	37	20
<b>Total current tax</b>	<b>37</b>	<b>(20)</b>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(220)	(1,868)
Adjustment in respect of previous year	(53)	-
<b>Total deferred tax (note 16)</b>	<b>(273)</b>	<b>(1,868)</b>
<b>Tax on profit on ordinary activities</b>	<b>(236)</b>	<b>(1,888)</b>

The tax assessed for the year is higher (2015: higher) than the standard rate of corporation tax 20.00% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	937	2,051
Current tax at 20.00% (2015: 20.25%)	187	415
Effects from:		
Research and development allowances	-	2
Permanent adjustments	54	52
Movement in unrecognised deferred tax	(21)	(600)
Chargeable gain on loan-equity conversion	-	2,039
Adjustment to tax charge in respect of previous year	16	(20)
<b>Tax on profit on ordinary activities</b>	<b>236</b>	<b>1,888</b>

The amount of tax losses available to be carried forward at 31 December 2016 is estimated at £5,753,000 (£5,736,000 at 31 December 2015).

**Factors affecting future tax charges**

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 20.00% (2015: 20.25%).

The rate of UK corporation tax will decrease to 19% for years starting 1 April 2017, 2018 and 2019 and reduce further to 18% from 1 April 2020. At the Budget 2016, the government announced a further reduction to the Corporation Tax rate for the year starting 1 April 2020, reducing the rate from 18% to 17%.

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

	2016 £000	2015 £000
<b>Equity - Ordinary</b>		
Interim paid £0.283164 (2015: £0.3034379) per £1 share	4,218	4,520
	<u>4,218</u>	<u>4,520</u>

The director has not proposed a final dividend for the year ended 31 December 2016.

**13 Goodwill**

	<b>Goodwill £000</b>
<b>Cost</b>	
As at 1 January 2016 and 31 December 2016	26,082
	<u>26,082</u>
<b>Amortisation</b>	
As at 1 January 2016	24,953
Charge for the year	238
	<u>25,191</u>
At 31 December 2016	25,191
	<u>25,191</u>
<b>Net book value</b>	
At 31 December 2016	891
	<u>891</u>
<b>Net book value</b>	
At 1 January 2016	1,129
	<u>1,129</u>

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

	Land and buildings £000	Plant and machinery £000	Assets in the course of construction £000	Total £000
<i>Cost</i>				
As at 1 January 2016	10,913	97,446	1,098	109,457
Additions	-	-	1,762	1,762
Transfers	-	1,435	(1,435)	-
At 31 December 2016	10,913	98,881	1,425	111,219
<i>Depreciation</i>				
As at 1 January 2016	8,671	88,438	-	97,109
Charge for the year	99	1,341	-	1,440
At 31 December 2015	8,770	89,779	-	98,549
<i>Net book value</i>				
At 31 December 2016	2,143	9,102	1,425	12,670
<i>Net book value</i>				
At 1 January 2016	2,242	9,008	1,098	12,348

Included in the total net book value of plant and machinery at 31 December 2016 is £113,000 (2015: £168,000) relating to assets held under finance lease. Accumulated depreciation of £159,000 has been recorded on these assets (2015: £104,000).

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

	2016 £000	2015 £000
Raw materials and consumables	3,463	1,904
Work in progress	106	116
Finished goods and goods for resale	195	436
	<u>3,764</u>	<u>2,456</u>

**16 Debtors**

	2016 £000	2015 £000
<b>Amounts falling due within one year:</b>		
Trade debtors	6,286	9,221
Other debtors (see below)	1,014	1,003
Prepayments and accrued income	620	257
	<u>7,920</u>	<u>10,481</u>

	2016 £000	2015 £000
<b>Amounts falling due after more than one year:</b>		
Other debtors (see below)	<u>713</u>	<u>980</u>

Other debtors comprise loans receivable of £128,000 (2015: £111,000) and a deferred tax asset of £1,599,000 (2015: £1,872,000). Deferred tax includes an asset in respect of losses and other timing differences amounting to £713,000 (2015: £980,000) expected to crystallise in more than one year.

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

As part of the company's cash and liquidity management it has an arrangement with a third party to make loans receivable that accrue interest at 7% per annum. Interest on the loans is payable monthly. The lender has the option to repay the principal amount of the loan early, but otherwise repayment terms are as follows:-

	2016 £000	2015 £000
In one year or less or on demand	128	111

**Deferred tax**

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

	2016 £000	2015 £000
Accelerated capital allowances	929	1,151
Other timing differences	142	155
Losses	528	566
Total deferred tax asset	1,599	1,872
At 1 January	1,872	3,740
Deferred tax in the income statement (note 11)	(273)	(1,868)
At 31 December	1,599	1,872

Estimated tax losses available of £3,355,000 (2015: £5,170,000) are not recognised in the above as in the opinion of the director these will not be utilised in the short-term.

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

	2016 £000	2015 £000
Trade creditors	1,906	1,967
Finance leases (Note 18)	51	65
Tax and social security	201	197
Other creditors	-	880
Accruals and deferred income	3,018	3,261
	5,176	6,370

Included within accruals and deferred income are outstanding pension contributions of £88,000 (2015: £80,000).



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

	2016 £000	2015 £000
Finance leases	-	50
Accruals and deferred income	481	673
	<u>481</u>	<u>723</u>

**Debt facility**

The company has an invoice discounting facility. This arrangement enables the business to draw down up to £2,000,000 to fund working capital or new projects. Interest is charged on the principal drawn down at Libor plus 2.5%. The facility is secured against a charge on non-vesting debt and, in the event of a draw-down, further security is taken over the company's trade debtors. The company has not drawn down funds from the facility at any point during the year.

**Finance leases**

Future minimum payments under finance leases are as follows:

	2016 £000	2015 £000
Within one year	52	69
In more than one year, but not more than five years	-	52
	<u>52</u>	<u>121</u>
Total gross payments	52	121
Less finance charges included above	(1)	(6)
	<u>51</u>	<u>115</u>

**19 Provisions for liabilities and charges**

	Restructuring Costs 2016 £000	Restructuring Costs 2015 £000
At start of year	332	-
Charged to the income statement (note 7)	-	1,306
Utilised during the year	(316)	(974)
Released	(16)	-
	<u>-</u>	<u>332</u>
At end of year	-	332

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

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

During 2015 4,895,965 ordinary shares were issued in exchange for the principal value of a parent company loan receivable. The nominal value of these shares was £4,895,965 and the consideration received was £10,070,886.

**21 Contingent liabilities***Environmental matters*

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

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

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

**22 Commitments**

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

	2016 £000	2015 £000
Contracted	160	321
	<u>160</u>	<u>321</u>

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

	2016 £000	2015 £000
Maturing within one year:		
- to hedge utility prices	4,972	6,290
	<u>4,972</u>	<u>6,290</u>

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

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

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

	2016 £000	2015 £000
- expiring within one year:	171	168
- expiring between two to five years	240	404
	<u>411</u>	<u>572</u>

**23 Pension scheme**

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

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

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

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

	2016	2015
Rate of general increase in salaries <i>(1)</i>	n/a	n/a
Rate of increase to pensions in payment	3.30%	3.10%
Discount rate for scheme liabilities	2.65%	3.85%
RPI Inflation	3.40%	3.20%
CPI Inflation	2.40%	2.20%

The mortality assumptions used in determining the company's expected pension liabilities are based on standard mortality tables which allow for future mortality improvements. Based on these assumptions, life expectancies for current pensioners aged 60 are estimated as being 28 years for males and 29 years for females.

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

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

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

	Value as at 31 December 2016 £000	Value as at 31 December 2015 £000
Bonds	116,309	104,165
Structured Equity Product	47,066	35,470
Dynamic Asset Allocation	28,386	28,816
Other including Cash	317	366
	<u>192,078</u>	<u>168,817</u>
Interest Rate & Inflation Overlay	8,089	(4,366)
Market value of assets	<u>200,167</u>	<u>164,451</u>
Present value scheme liabilities	(157,907)	(124,100)
Surplus	<u>42,260</u>	<u>40,351</u>
Adjustment due to surplus cap	(42,260)	(40,351)
Recoverable surplus/(deficit)	<u>-</u>	<u>-</u>
	<u>2016</u> £000	<u>2015</u> £000
Analysis of the amounts charged to operating profit:		
Current service cost	-	-
	<u>-</u>	<u>-</u>

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

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

	2016 £000	2015 £000
Opening defined benefit obligation	124,100	130,478
Interest cost	4,669	4,621
Actuarial gains/(losses) on Fund liabilities	34,807	(6,751)
Net benefits paid out	(5,669)	(4,248)
	<hr/>	<hr/>
Closing defined benefit obligation	157,907	124,100
	<hr/>	<hr/>

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

	2016 £000	2015 £000
Opening fair value of Fund assets	164,451	168,871
Expected return on Fund assets	4,669	4,621
Actuarial gains on Fund assets	36,729	(4,781)
Net benefits paid out	(5,682)	(4,260)
	<hr/>	<hr/>
Closing fair value of Fund assets	200,167	164,451
	<hr/>	<hr/>

The actuarial valuation as at 31 December 2016 showed an increase in the surplus from £40,351,000 to £42,260,000. However, the surplus has been restricted to £nil, as it is not currently considered recoverable. As the retirement account is now closed there are no future accrual contributions to the Fund. The valuation was carried out by PricewaterhouseCoopers LLP, professionally qualified actuaries, using the projected unit method. The last full formal valuation of the pension scheme was carried out as at 31 March 2013 by Aon Hewitt Limited.

CalaChem Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the asset allocation for the Fund at 31 December 2016.

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

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Difference between the expected and actual return on scheme assets	36,729	(4,781)	13,089	4,152	2,026
Percentage of scheme assets	18.3%	(2.9%)	7.8%	2.7%	1.4%
Experience gains and (losses) on the scheme liabilities	2,329	1,481	(51)	8,708	(2,557)
Percentage of scheme liabilities	1.5%	1.2%	(0.0%)	7.7%	(2.3%)
Changes in assumptions underlying the present value of scheme liabilities	34,807	(6,751)	15,572	109	7,386
Percentage of scheme liabilities	22.0%	5.4%	11.9%	0.0%	6.6%
Total amount recognised in the statement of comprehensive income	-	-	-	(23)	(38)
Percentage of scheme liabilities	0.0%	0.0%	0.0%	0.0%	(0.0%)

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

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of Fund assets	200,167	164,451	168,871	154,195	149,103
Defined benefit obligation	(157,907)	(124,100)	(130,478)	(113,319)	(112,293)
Surplus in Fund	42,260	40,351	38,393	40,876	36,810
Surplus reported in the Financial Statements	-	-	-	-	-

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

	2016 £000	2015 £000
Retirement Accounts:		
Expected return on pension scheme assets	4,669	4,621
Interest on pension scheme liabilities	(4,669)	(4,621)
	-	-
Pension Protection Levy & other Fund expenses paid by the company	(6)	(6)
Net Return	(6)	(6)

## Notes to the accounts *(continued)*

### **The Investment Account (Members with market related conversion factors)**

The cost of contributions to the defined contribution scheme during the year amounts to £549,000 (2015: £586,000).

### **24 Ultimate parent company and parent undertaking**

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