CalaChem
FINE CHEMICALS

CalaChem Limited

Directors' Report
and
Financial Statements

Registered Number: 5369235
1 January to 31 December 2014

Contents

Directors and advisers

Directors:
Neil Partlett
Gerhard Engleder

Registered Office:
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Independent Statutory Auditors:
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
95 Bothwell Street
Glasgow
G2 7JZ

Solicitors:
Dickson Minto
16 Charlotte Square
Edinburgh

Charles Russell LLP
Buryfields House
Guilford

Bankers:
Royal Bank of Scotland
36 St Andrews Square
Edinburgh

Strategic report for the year ended 31 December 2014

The directors present their strategic report on the company for the year ended 31 December 2014.

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

During the year, the company made a pre-tax profit of £2.5m (2013: profit of £3.9m).

Sales have decreased by £1.0m compared to 2013 principally following a decrease in the volume of chemical sales. Industrial services revenues remained constant over the same period. Margins have remained relatively constant year on year.

The company generated an operating EBITDA* of £3.7m (2013: £4.3m).

During 2014, the company has recognised a deferred tax asset of £3,740,000 (2013: £2,020,000) in respect of capital allowances and trading losses. It expects to use these allowances and losses to offset tax liabilities arising on profits chargeable to corporation tax in 2014 and 2015 and against a tax liability expected to crystallise on extinguishing inter-company debt in 2015.

The company currently expects 2015 to be similar to 2014 as agrochemical customers continue to address working capital issues.

* 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:

	2014	2013
(Reduction)/Growth in sales (%)	(2%)	21%
(Reduction)/Growth in EBITDA (%)	(14%)	16%
EBITDA to Sales ratio (%)	8.6%	9.8%
Safety Health & Environment performance:		
- All Environment Incident Rate *(1)*	2.46	3.14
- All Injury Rate *(2)*	0.31	0.70
Year end employee numbers	184	177

(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 and this is likely to last for the duration of 2015. Although we expect some recovery in the market thereafter, 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.

N K Partlett

Neil Partlett
Director

21 September 2015

CalaChem Limited (Registered number: 5369235)

Directors' report for the year ended 31 December 2014

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

Ownership

During the year, the company elected to reduce the number of its £1 ordinary shares issued. As a result, the number of equity ordinary shares fell from 34,821,550 to 10,000,000. This was completed so that neither equity shareholder's relative holding was diluted. Consequently, the company's majority shareholder, MAAFS Limited, now holds 5,353,582 equity shares, with Tend.ag Limited owning the remainder 4,646,418 equity shares.

Further information is included in note 17.

Dividends

An interim dividend of €0.636957 (2013: €nil) per ordinary share held by MAAFS Limited amounting to €3,410,000 (2013: €nil) was paid on 20 August 2014. In local currency this equated to £2,714,000 (2013: £nil). The company's minority shareholder, Tend.ag Limited, waived its rights to participate in the dividend.

The directors do not recommend the payment of a final dividend (2013: €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

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 directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In respect of each of the Directors 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 £1,065 (2013: £3,047).

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.

N K Partlett

Neil Partlett
Director

21 September 2015

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 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders Funds, the Statement of Total Recognised Gains and Losses 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).

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 (APB'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.

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 2014 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 matter prescribed by the Companies Act 2006

In our opinion 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.

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.

Grant Thornton UK LLP

Lorraine Macphail
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Glasgow
25 September 2015

Profit and loss account

for the year ended 31 December 2014

	Note	2014 £000	2013 £000
Turnover	*3*	**43,147**	**44,156**
Cost of sales		**(36,104)**	**(36,390)**
Gross profit		**7,043**	**7,766**
Distribution costs		**(404)**	**(282)**
Administrative costs		**(3,485)**	**(3,067)**
R&D/Technical costs		**(635)**	**(539)**
Other operating costs	*4*	**32**	**(233)**
Operating profit	*5*	**2,551**	**3,645**
Net interest (payable)/receivable	*8*	**(7)**	**271**
Other Finance costs	*21*	**(9)**	**14**
Profit on ordinary activities before taxation		**2,535**	**3,930**
Tax on ordinary activities	*9*	**1,704**	**227**
Profit on ordinary activities after taxation and retained for the year		**4,239**	**4,157**

The results above all derive from continuing operations.

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

Balance sheet
as at 31 December 2014

	Note	2014 £000	2013 £000
Fixed assets			
Goodwill	*11*	1,367	1,605
Tangible fixed assets	*12*	11,973	9,230
		13,340	10,835
Current assets			
Stock	*13*	4,580	6,447
Debtors: amounts falling due within one year	*14*	10,109	12,689
Debtors: amounts falling due after more than one year	*14*	990	1,169
Cash at bank and in hand		5,561	4,209
		21,240	24,514
Creditors: amounts falling due within one year	*15*	(4,074)	(6,607)
Net current assets		17,166	17,907
Total assets less current liabilities		30,506	28,742
Creditors: amounts falling due after more than one year	*16*	(10,690)	(10,451)
Net assets		19,816	18,291
Capital and reserves			
Called up share capital	*17*	10,000	34,822
Profit and loss account	*18*	9,816	(16,531)
Equity shareholders' funds		19,816	18,291

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

These financial statements were approved by the board of directors on 21 September 2015 and were signed on its behalf by:

N K Partlett

Neil Partlett
Director

Reconciliation of movements in shareholders' funds
as at 31December 2014

	Note	2014 £000	2013 £000
Profit for the year		**4,239**	**4,157**
Dividends		**(2,714)**	**-**
Profit for the financial year		**1,525**	**4,157**
Actuarial loss recognised in the pension scheme	*21*	**-**	**(23)**
Net increase in shareholders' funds		**1,525**	**4,134**
Opening shareholders' funds		**18,291**	**14,157**
Closing shareholders' funds		**19,816**	**18,291**

Statement of total recognised gains and losses
for the year ended 31 December 2014

	2014 £000	2013 £000
Profit for the year	**4,239**	**4,157**
Actuarial loss recognised in the pension scheme	**-**	**(23)**
Total recognised gains since last annual report	**4,239**	**4,134**

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

Notes to the accounts

(forming part of the financial statements)

1 Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards.

Cash flow statement
Under Financial Reporting Standard 1 (Revised 1996) 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 MAAFS Limited, the company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Going concern
The directors are 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.

2 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 - 10 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 profit and loss account.

Notes to the accounts *(continued)*

Leases

Assets held under finance leases are capitalised and included in tangible fixed assets at fair value. Each asset is depreciated over the shorter of the lease term or its useful life. The obligations related to finance leases, net of finance charges in respect of future years, are included as appropriate under creditors due within, or creditors due after, one year. The interest element of the rental obligation is allocated to accounting years during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting year.

Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Income from short-term leases is credited to Turnover on a straight-line basis.

Post-retirement benefits

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

Notes to the accounts *(continued)*

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.

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 11 "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 profit and loss 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.

3 Analysis of turnover

	2014 £000	2013 £000
By geographical market		
UK	**25,525**	**24,724**
Continental Europe	**13,757**	**17,395**
Americas	**3,865**	**2,037**
	43,147	**44,156**

Included above is £261,000 (2013: £220,000) 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 2014 is £6,059,000 (2013: £6,059,000), and the accumulated depreciation is £5,898,000 (2013: £5,592,000).

4 Other operating costs

Other operating costs includes £238,000 goodwill amortisation, net of a £212,000 gain arising from the disposal of minor fixed assets and the release of accrued grant income of £58,000 (for the year ended 31 December 2013 £238,000 goodwill amortisation and £4,000 loss on the disposal of minor fixed assets, net of a £3,000 credit arising from services recharged to another group company and the release of accrued grant income of £6,000).

Notes to the accounts *(continued)*

5 Operating profit

	2014 £000	2013 £000
Operating profit is stated after charging		
Depreciation and other amounts written off tangible fixed assets:		
Owned	814	641
Leased	50	-
Amortisation of goodwill	238	238
Operating lease charges for plant & machinery	208	195
Research and development expenditure	635	539
Services provided by the company's auditor		
Fees payable for audit	39	42
Fees payable for other services – grant audit and tax compliance	18	10

6 Remuneration of directors

	2014 £000	2013 £000
Directors' emoluments	147	77

The company pays the emoluments of one (2013: two) 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 £147,000 for the year ended 31 December 2014 (2013: aggregate emoluments of £77,000). Company pension contributions of £9,000 were made (2013: £2,000).

	2014 £000	2013 £000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	-

7 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	
	2014	2013
Manufacturing	154	142
Research and Development	12	11
Management/Administrative	21	21
	187	174

Notes to the accounts *(continued)*

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**7,612**	**7,048**
Social security costs	**828**	**753**
Other pension costs (see Note 21)	**611**	**566**
	9,051	**8,367**

8 Net interest (payable)/receivable

	2014 £000	2013 £000
Finance charges payable in respect of finance leases	**(11)**	**(1)**
Group interest payable	**(169)**	**(19)**
Group interest receivable	**117**	**122**
Interest receivable on deposits	**18**	**22**
Interest receivable on long-term loans	**38**	**147**
	(7)	**271**

9 Taxation

	2014 £000	2013 £000
Current tax:		
UK corporation tax on profits for the year	**(5)**	**(63)**
Adjustment in respect of previous year	**(11)**	**-**
Total current tax	**(16)**	**(63)**
Deferred tax:		
Origination and reversal of timing differences (note 14)	**1,720**	**290**
Total deferred tax	**1,720**	**290**
Tax on profit on ordinary activities	**1,704**	**227**

Notes to the accounts *(continued)*

9 Taxation *(continued)*

The tax assessed for the year is lower (2013: lower) than the standard rate of corporation tax 21.50% (2013: 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	2,535	3,930
Current tax at 21.50% (2013: 23.25%)	545	914
Effects from:		
Capital allowances in excess of depreciation	(534)	(639)
Research and development allowances	(8)	(8)
Unutilised losses	-	-
Permanent adjustments	56	55
Pension allowances in excess of pension charge	-	-
Timing Differences	10	(2)
Utilisation of losses	(64)	(257)
Adjustment to tax charge in respect of previous year	11	-
Current Taxes	16	63

The amount of tax losses available to be carried forward at 31 December 2014 is estimated at £16,051,000 (£16,547,000 at 31 December 2013).

Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 21.50%. With effect from 1 April 2015, the standard rate of corporation tax will change to 20% from 1 April 2015. The deferred tax asset has been reflected at these rates in line with when the asset is expected to reverse.

10 Dividends

	2014 £000	2013 £000
Equity - Ordinary		
Interim paid €0.636957 (2013: €nil) per £1 share	2,714	-

During the year an interim dividend was paid to the company's majority shareholder, MAAFS Limited, equal to €0.636957 per £1 ordinary share. The company's minority shareholder, Tend.ag Limited, waived its right to participate in this dividend.

The directors have not proposed a final dividend for the year ended 31 December 2014.

Notes to the accounts *(continued)*

11 Goodwill

	Goodwill £000
Cost	
As at 1 January 2014 and 31 December 2014	**26,082**
Depreciation	
As at 1 January 2014	**24,477**
Charge for the year	**238**
At 31 December 2014	**24,715**
Net book value	
At 31 December 2014	**1,367**
Net book value	
At 1 January 2014	**1,605**

Notes to the accounts *(continued)*

12 Tangible fixed assets

	Land and buildings	Plant and machinery	Assets in the course of construction	Total
	£000	£000	£000	£000
Cost				
As at 1 January 2014	10,770	90,058	3,379	104,207
Additions	4	-	3,604	3,608
Transfers	115	4,156	(4,271)	-
Disposals	-	(4)	-	(4)
At 31 December 2014	10,889	94,210	2,712	107,811
Depreciation				
As at 1 January 2014	8,414	86,563	-	94,977
Charge for the year	137	727	-	864
Disposals	-	(3)	-	(3)
At 31 December 2014	8,551	87,287	-	95,838
Net book value				
At 31 December 2014	2,338	6,923	2,712	11,973
Net book value				
At 1 January 2014	2,356	3,495	3,379	9,230

Included in the total net book value of plant and machinery at 31 December 2014 is £222,000 (2013: £272,000 held in asset under construction) relating to assets held under finance lease. Accumulated depreciation of £50,000 has been recorded on these assets (2013: £nil).

Notes to the accounts *(continued)*

13 Stock

	2014 £000	2013 £000
Raw materials and consumables	3,439	3,152
Work in progress	78	11
Finished goods and goods for resale	1,063	3,284
	4,580	6,447

14 Debtors

	2014 £000	2013 £000
Amounts falling due within one year:		
Trade debtors	4,353	8,688
Amounts owed by group undertakings	1,951	1,956
Other debtors (see below)	3,023	1,603
Prepayments and accrued income	782	442
	10,109	12,689

	2014 £000	2013 £000
Amounts falling due after more than one year:		
Other debtors (see below)	990	1,169

Other debtors comprise loans receivable of £273,000 (2013: £752,000) and a deferred tax asset of £3,740,000 (2013: £2,020,000). Loans receivable include £nil falling due after more than one year (2013: £125,000). Deferred tax includes an asset in respect of losses and other timing differences amounting to £990,000 (2013: £1,044,000) expected to crystallise in more than one year.

Notes to the accounts *(continued)*

14 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:-

	2014 £000	2013 £000
In one year or less or on demand	274	627
In more than one year, but not more than two years	-	125
	274	752

Deferred tax

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

	2014 £000	2013 £000
Accelerated capital allowances	1,300	1,364
Other timing differences	39	31
Losses	2,401	625
Total deferred tax asset	3,740	2,020
At 1 January	2,020	1,730
Deferred tax credit in the profit and loss account (note 9)	1,720	290
At 31 December	3,740	2,020

Estimated accelerated capital allowances of £14,079,000 (2013: £15,121,000) and tax losses available of £15,702,000 (2013: £13,424,000) are not recognised in the above as in the opinion of the directors these will not be utilised in the short-term.

15 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Trade creditors	1,848	3,901
Finance leases (Note 16)	62	59
Tax and social security	219	290
Accruals and deferred income	1,945	2,357
	4,074	6,607

Included within accruals and deferred income are outstanding pension contributions of £83,000 (2013: £71,000).

Notes to the accounts *(continued)*

16 Creditors: amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owed to group undertakings (non interest bearing)	7,271	7,271
Amounts owed to group undertakings (interest bearing)	2,989	2,819
Finance leases (Note 15)	114	175
Accruals and deferred income	316	186
	10,690	10,451

The amount owed to group undertakings of £10,260,000 (2013: £10,090,000), has been reported within creditor amounts falling due after more than one year. This is based on the agreement reached with the parent, MAAFS Limited, that it does not expect to demand repayment of these loans before 31 December 2015.

At 31 December 2014 the amount owed to group undertakings which is interest bearing consists of one long-term loan, which has no formal repayment requirements. The loan bears interest at a rate of 6.00% per annum and is secured against a floating charge over the assets of the company. Interest accrues from November 2013 following an interest waiver for a period of 3 years from November 2010.

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:

	2014 £000	2013 £000
Within one year	69	69
In more than one year, but not more than five years	121	190
Total gross payments	190	259
Less finance charges included above	(14)	(25)
	176	234

Notes to the accounts *(continued)*

17 Called up share capital

	2014 £000	2013 £000
Authorised		
Equity: 10,000,000 (2013: 34,821,550) Ordinary shares of £1.00 each	**10,000**	**34,822**
Allotted, called up and fully paid		
Equity: 10,000,000 (2013: 34,821,550) Ordinary shares of £1.00 each	**10,000**	**34,822**

During the year the directors resolved to reduce the company's share capital from 34,821,550 ordinary shares of £1 each to 10,000,000 ordinary shares of £1 each by cancelling and extinguishing in full 24,821,550 ordinary £1 shares.

The number of shares extinguished was in proportion to the relative shareholdings of CalaChem Limited's two shareholders, MAAFS Limited and Tend.ag Limited. Consequently, neither party suffered a dilution of ownership.

The value of the cancelled shares of £24,821,550 was credited to profit and loss as distributable reserves.

18 Profit and loss account

	2014 £000	2013 £000
At beginning of year	**(16,531)**	**(20,665)**
Profit arising in the year	**1,525**	**4,157**
Total actuarial losses	**-**	**(23)**
Transfer to profit and loss reserve (note 17)	**24,822**	**-**
At end of year	**9,816**	**(16,531)**

19 Contingent liabilities

Environmental matters

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

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

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

Notes to the accounts *(continued)*

20 Commitments

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

	2014 £000	2013 £000
Contracted	**508**	**1,147**

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

	2014 £000	2013 £000
Maturing within one year:		
- to hedge utility prices	**3,402**	**3,550**

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

At 31 December 2013 the company had annual commitments under non-cancellable operating leases for assets other than land and buildings expiring as follows:

	2014 £000	2013 £000
- expiring within one year:	**9**	**-**
- expiring between two to five years	**164**	**25**
- expiring between two to five years	**-**	**150**
	173	**175**

Notes to the accounts *(continued)*

21 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

	2014	**2013**
Rate of general increase in salaries *(1)*	**n/a**	**n/a**
Rate of increase to pensions in payment	**3.00%**	**3.10%**
Discount rate for scheme liabilities	**3.60%**	**4.45%**
RPI Inflation	**3.10%**	**3.40%**
CPI Inflation	**2.10%**	**2.40%**
Expected rate of return on assets *(2)*	**n/a**	**5.20%**

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 27 years for males and 29 years for females.

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

(2) The expected rate of return on assets is no longer required under FRS 17 and has therefore not been provided for 2014.

Notes to the accounts *(continued)*

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

	Long Term Rate of Return expected 31 December 2014	Value as at 31 December 2014	Long Term Rate of Return expected 31 December 2013	Value as at 31 December 2013
	% pa [1]	£000	% pa	£000
Equities	n/a	9,684	7.50	1,331
Bonds	n/a	111,603	3.76	93,806
Structured Equity Product	n/a	50,513	7.50	43,823
Dynamic Asset Allocation	n/a	-	7.50	14,573
Other including Cash	n/a	1,970	3.30	140
		173,770		153,673
Interest Rate & Inflation Overlay		(4,899)		522
Market value of assets		168,871		154,195
Present value scheme liabilities		(130,478)		(113,319)
Surplus		38,393		40,876
Adjustment due to surplus cap		(38,393)		(40,876)
Recoverable surplus/(deficit)		-		-

	2014 £000	2013 £000
Analysis of the amounts charged to operating profit:		
Current service cost *(2)*	-	25
	-	25

(1) The expected rate of return on assets is no longer required under FRS 17 and has therefore not been provided for 2014.

(2) The above Current service costs are included within both cost of sales and administrative costs, although disclosure of the allocation of actual amounts is not possible.

Notes to the accounts *(continued)*

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

	2014 £000	2013 £000
Opening defined benefit obligation	113,319	112,293
Current Service costs	-	25
Interest cost	4,968	5,071
Contributions by Fund participants	-	4
Actuarial losses on Fund liabilities	15,572	109
Net benefits paid out	(3,381)	(4,183)
Closing defined benefit obligation	130,478	113,319

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

	2014 £000	2013 £000
Opening fair value of Fund assets	154,195	149,103
Expected return on Fund assets	4,968	5,096
Actuarial gains on Fund assets	13,089	4,152
Contributions by the employer	-	23
Contributions by Fund participants	-	4
Net benefits paid out	(3,381)	(4,183)
Closing fair value of Fund assets	168,871	154,195

The actuarial valuation as at 31 December 2014 showed a decrease in the surplus from £40,876,000 to £38,393,000. 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 2014.

Notes to the accounts *(continued)*

Analysis of amount recognised in Statement of Total Recognised Gains and Losses:

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Difference between the expected and actual return on scheme assets	13,089	4,152	2,026	26,356	7,655
Percentage of scheme assets	7.8%	2.7%	1.4%	18.0%	6.5%
Experience gains and losses on the scheme liabilities	(51)	8,708	(2,557)	(1,582)	(237)
Percentage of scheme liabilities	(0.0%)	7.7%	(2.3%)	(1.5%)	(0.2%)
Changes in assumptions underlying the present value of scheme liabilities	15,572	109	7,386	5,200	3,586
Percentage of scheme liabilities	11.9%	0.0%	6.6%	5.0%	3.6%
Total amount recognised in STRGL	-	(23)	(38)	(10)	(885)
Percentage of scheme liabilities	0.0%	0.0%	(0.0%)	(0.0%)	(0.9%)

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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of Fund assets	168,871	154,195	149,103	146,196	117,988
Defined benefit obligation	(130,478)	(113,319)	(112,293)	(104,001)	(98,541)
Surplus in Fund	38,393	40,876	36,810	42,195	19,447
Surplus reported in the Financial Statements	-	-	-	-	-

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

	2014 £000	2013 £000
Retirement Accounts:		
Expected return on pension scheme assets	4,968	5,096
Interest on pension scheme liabilities	(4,968)	(5,071)
	-	25
Pension Protection Levy & other Fund expenses paid by the company	(9)	(11)
Net Return	(9)	14

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 £611,000 (2013: £541,000).

22 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of MAAFS Limited (which is incorporated in Ireland). The largest and smallest group in which the results of the company are consolidated is that headed by Aurelius AG. Copies of the Aurelius AG consolidated financial statements can be obtained from Aurelius Beteiligungsberatungs AG, Unterer Anger 3, 80331 Munich, Germany.