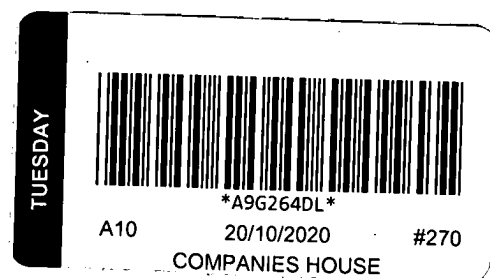


Arch UK Biocides Limited

Annual report and financial statements

Registered number 04987690

31 December 2019



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Strategic report

Business Objectives and Strategy

The company manufactures and distributes chemicals, globally to a wide range of industries.

The company intends to achieve its objectives by further developing substrates and applications of its core products, and seeking alternative markets.

Business model

The principal activity of the company is the manufacture and distribution of biocides for a variety of uses, including building products, textile applications and health and hygiene products.

Development and Performance during the year

Total sales in 2019 were £69.6m compared to prior year £58.3m.

The business strives to optimise its global supply chain costs and administrative burden to enhance overall margin performance.

Overheads remain under tight management control.

Position at year end and prospects

The company remains well positioned at year end with new products in development. The company remains invested in its operation in India.

Prospects for sales growth are deemed to be fair, despite the Covid-19 pandemic.

In February 2019 the company gave notice to exit the tolling agreement at the Grangemouth production plant. The company ceased production at this site in early 2020. A provision of £3.3m was recognised in December 2019 relating to costs associated with this exit.

The Principal Risks and Uncertainties facing the Business

The general pace of economic recovery remains the major threat as does our exposure to certain sectors in certain territories where the recovery is not sustained.

The Company transacts in all the major currencies, and management frequently examine exposure and take the appropriate measures to avoid unnecessary risks from exchange rate fluctuations.

A serious accident or environmental incident could result in operational problems, additional cost and possible regulatory action.

The company is closely monitoring the progress of the Brexit negotiations. The company have established a Brexit committee specifically to monitor developments as the post Brexit landscape evolves and, in particular, to ensure that all potential implications relating to Brexit are considered.

Key Performance Indicators

The directors monitor the following principal key performance indicators:

	2019	2018
Gross Margin %	33.5%	30.1%
Operating profit %	14.0%	12.2%

Health and Safety

The company monitors a number of key ratios in this area, with the primary one being the number of lost-time accidents affecting employees and contractors. In 2019, there were zero lost-time accidents reported, as in 2018.

Section 172 Statement

As a Board we have always taken decisions for the long-term and collectively and individually our aim is always to uphold the highest standard of conduct and act fairly. Similarly, we understand that our business can only grow and prosper over the long-term if we understand and respect the views and needs of our

customers, colleagues and the communities in which we operate, as well as our suppliers, the environment and the shareholders to whom we are accountable.

We ensure that the requirements of s172 Companies Act 2006 are met and the interests of our stakeholder groups are considered through a combination of the following:

- An employee engagement survey is completed periodically.
- The board wants to ensure that customers get the best of the products and services offered, and guarantee continual improvement and stability of supply. This means having a robust supply chain, operational capacity and efficiency, committed project managers, and compliance with strict quality and regulatory standards.
- The Lonza Supplier Code of Conduct governs how the board evaluate and set high standards for suppliers.
- Employees are required to take Code of Conduct training every year which includes an integrity pledge certificate. Additionally, Lonza employees have to pass tests in online training courses on anti-bribery, competition law, insider trading and conflicts of interest. All employees explicitly consent to uphold the values expressed in the Code of Conduct.

By order of the board



N Carter
Director

Wheldon Road
Castleford
West Yorkshire
WF10 2JT
2019

8th October 2020

Directors' report

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 December 2019.

The Principal Activities, the Performance and Developments during the year, the Future Prospects, the Principal Risks and Uncertainties and the Key Performance Indicators are discussed in detail in the Strategic Review.

Dividends

No dividend was paid in the year (2018: £nil) and the directors do not recommend the payment of a dividend.

Directors

The directors who served between 1 January 2019 and the date of this report were:

Franklin D Kicklighter (resigned 01.03.2019)
Alexander H Hoy
Peter J Van Aken
Nicholas T Carter
Anthony W Kelly
Astrid Schmidrig
Gregor Keil

None of the directors who held office at the end of the year had any interest in the share capital of the company.

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Employees

It is company policy to keep employees informed of matters affecting their interests through normal management channels and due consideration is given to their interest when making management decisions. The company arranges presentations by directors and managers together with briefing groups at which topical information is discussed with employees. The involvement of employees in the company's performance is encouraged through participation in profit related incentive payment schemes.

The policy of the company for the employment of disabled persons is to give them equal opportunities with other employees to train for and attain any position in the company having regard to the maintenance of a safe working environment and the constraints of their disabilities.

Close attention is given to the welfare of employees with particular regard to the requirements of the health and safety legislation.

Donations

Charitable donations during the year amounted to £nil (2018: £nil).

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed, KPMG LLP will therefore continue in office.

By order of the board



N Carter
Director

Wheldon Road
Castleford
West Yorkshire
WF10 2JT

8th October 2020

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCH UK BIOCIDES LIMITED

Opinion

We have audited the financial statements of Arch UK Biocides Limited ("the company") for the year ended 31st December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the ultimate parent company (Lonza Group AG) has decided to sell the LSI business, of which this company is a part. As such, there is an uncertainty as to whether the current trading form of the company will be restructured prior or subsequent to the disposal and as to the availability of necessary financial support. These events and conditions constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information, which comprises the strategic report and the directors' report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the other information;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARCH UK BIOCIDES LIMITED (continued)

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Malcolm Harding (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

9th October 2020

Profit and loss account
for the year ended 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Turnover	2	69,750	58,283
Cost of sales		(46,273)	(40,769)
		<hr/>	<hr/>
Gross profit		23,477	17,514
Distribution costs		(904)	(736)
Administrative expenses		(13,165)	(9,881)
Other operating income		460	215
		<hr/>	<hr/>
Operating profit		9,868	7,112
Other interest receivable and similar income	4	615	1,404
Interest payable and similar charges	5	(944)	(963)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		9,539	7,553
Taxation	8	(2,506)	(1,410)
		<hr/>	<hr/>
Profit for financial year		7,033	6,143
Other comprehensive income			
Remeasurements gains on defined benefit pension schemes		775	1,537
Deferred tax		(162)	(261)
		<hr/>	<hr/>
Total comprehensive income for the year		7,646	7,419
		<hr/> <hr/>	<hr/> <hr/>

All the company's operations are classified as continuing.

Notes on pages 13 to 32 form part of the financial statements

Balance sheet
at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	<i>9</i>	1,182	3,006
Investments	<i>10</i>	819	819
Pension assets	<i>17</i>	6,294	4,213
		<hr/> 8,295 <hr/>	<hr/> 8,038 <hr/>
Current assets			
Stocks	<i>11</i>	13,327	8,500
Debtors	<i>12</i>	34,745	25,218
Cash at bank and in hand		9,225	6,552
		<hr/> 57,297 <hr/>	<hr/> 40,270 <hr/>
Creditors: amounts falling due within one year	<i>13</i>	(18,837)	(12,519)
Net current assets		<hr/> 38,460 <hr/>	<hr/> 27,751 <hr/>
Total assets less current liabilities		46,755	35,789
Provisions for liabilities and charges			
Other Provisions	<i>15</i>	(3,624)	(304)
Net assets		<hr/> 43,131 <hr/>	<hr/> 35,485 <hr/>
Capital and reserves			
Called up equity share capital	<i>18</i>	1,644	1,644
Share premium account		26,204	26,204
Profit and loss account		15,283	7,637
Shareholders' funds		<hr/> 43,131 <hr/>	<hr/> 35,485 <hr/>

Notes on pages 13 to 32 form part of the financial statements.

These financial statements were approved by the board of directors on 8th October 2020 and were signed on its behalf by:



N Carter
Director

Statement of Changes in Equity

	Called up Share Capital £000	Share Premium Account £000	Profit and loss account £000
Balance at 31 December 2018	1,644	26,204	7,637
<i>Total Comprehensive income for the period</i>			
Profit for the financial year	-	-	7,033
Remeasurement gain on defined benefit pension scheme	-	-	775
Deferred tax on remeasurement gain on defined benefit pension scheme	-	-	(162)
Balance at 31 December 2019	1,644	26,204	15,283

	Called up Share Capital £000	Share Premium Account £000	Profit and loss account £000
Balance at 31 December 2017	1,644	26,204	218
<i>Total Comprehensive income for the period</i>			
Profit for the financial year	-	-	6,143
Remeasurement gains on defined benefit pension scheme	-	-	1,537
Deferred tax on Remeasurement gains on defined benefit pension scheme	-	-	(261)
Balance at 31 December 2018	1,644	26,204	7,637

Notes on pages 13 to 32 form part of the financial statements

Notes

(Forming part of the financial statements)

1 Accounting policies

Arch UK Biocides Limited (the “Company”) is a company limited by shares and incorporated and domiciled in the UK.

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (“FRS 102”) as issued in August 2014. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The ultimate parent undertaking is Lonza Group AG, which is incorporated in Switzerland and has its principal office in Basel, Switzerland. The accounts and annual report of Lonza Group AG incorporate the results of the company and can be obtained from the website www.lonza.com, or alternatively from Lonza Group AG, Muenchensteinerstrasse38, CH-4002 Basel. Financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”). In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Lonza Group AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The company made a profit before tax for the year of £9,539k and at the end of the year had net current assets of £38,460k and net assets of £43,131k.

In July 2020 the ultimate parent company (Lonza Group AG) announced that their Board of Directors has decided to sell the LSI business, of which this company is part. The sale process is still at an early stage as of the date of the approval of the financial statements.

As in previous years, the company continues to be dependent on Lonza Group AG (“Group”) not seeking the repayment of debt and providing additional financial support during the period. This dependency will continue up until the point that the LSI business is sold and, depending on the structure of sale, could continue subsequent to the sale, albeit from the potential acquirer. There is also a potential for a pre-disposal restructuring of the LSI business to facilitate a sale, which could include moving trade to another entity and no longer continuing activity, or not selling, this legal entity. In addition, there is an uncertainty as to intentions of any potential acquirer to continue the company in its current form. Ultimately, the directors of the company are unable to assess or control all scenarios in both the period before and after the potential disposal.

The ultimate parent company (Lonza AG) has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for 12 months from the date of signing. The directors acknowledge that there can be no certainty that this support will continue until the point of any

Notes (continued)

1 Accounting policies (continued)

sale of the LSI business, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Additionally, the directors have a realistic expectation that a potential acquirer would continue to provide support to the company.

Based on these expectations the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries,

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

plant and equipment	8-10 years
fixtures and fittings	3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes (continued)

1 Accounting policies (continued)

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.9 Impairment excluding stocks, and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Notes (continued)

1.10 Employee benefits

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans and other long term employee benefits is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed tri-annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.11 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.12 Turnover

Turnover is derived from the principal activity of the company and represents the value of goods supplied, excluding value added tax. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. (see note 2)

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.14 Expenses (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes (continued)

2 Turnover

The analysis of turnover by activity:

	2019 £000	2018 £000
Sale of goods	69,750	58,283
Total turnover	69,750	58,283

3 Expenses and auditor's remuneration

	2019 £000	2018 £000
Included in profit/loss are the following:		
Research and development expensed as incurred	3,007	2,818
Costs associated with Grangemouth exit	3,320	-
Auditor's remuneration:		
Audit of these financial statements	92	98

Auditor's remuneration is borne by a fellow group company.

4 Other interest receivable and similar income

	2019 £000	2018 £000
Foreign exchange gains	393	1,316
On loans to fellow group undertakings	84	30
Net interest on net defined benefit plan assets	138	58
	615	1,404

Notes (continued)

5 Interest payable and similar charges

	2019 £000	2018 £000
Foreign exchange losses	944	963
	944	963
	944	963

6 Staff numbers and costs

	2019 £000	2018 £000
Staff costs		
Wages and salaries	3,360	3,673
Social Security costs	326	392
Contributions to defined benefits plan	950	950
Expenses related to defined benefits plan	129	114
	4,765	5,129
	4,765	5,129

	Number	Number
Average number of employees		
Administration	18	20
Selling & Distribution	28	29
Production	25	27
	71	76
	71	76

7 Directors remuneration

	2019 £000	2018 £000
Directors' emoluments	335	340
	335	340

The directors working within this company may also work in other companies within the Lonza Group and are remunerated by another fellow group company; they may have retirement benefits accruing under the defined benefit pension scheme. The highest paid director in the group received remuneration of £270,438 (2018: £242,958) and the company paid contributions on their behalf to the relevant pension scheme of £40,173 (2018: £40,173). The directors' remuneration is apportioned between the companies for whom they perform duties.

Notes (continued)

8 Taxation

Analysis of charge in the period:

	2019	2018
	£000	£000
<i>UK corporation tax</i>		
UK corporation tax on profits for the period	2,418	1,125
Adjustments in respect of prior periods	43	10
	2,461	1,135
<i>Deferred tax</i>		
Reversal/origination of timing differences	80	305
Change in tax rate on opening liability	(8)	(32)
Adjustment in respect of prior periods	(25)	2
	2,507	1,410
	2,507	1,410
	2019	2018
	£000	£000
<i>Total tax reconciliation</i>		
Profit on ordinary activities before tax	9,539	7,553
	1,812	1,435
<i>Tax at 19% (2018: 19.25%)</i>		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	705	9
Tax rate changes	(8)	(45)
Adjustment in respect of prior periods	17	21
Income not taxable	(20)	-
	2,506	1,410
	2,506	1,410

The company has capital tax losses of £1,301,767 (2018: £1,301,767) that are available indefinitely for offset against future taxable profits of the company. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over whether suitable profits will arise in future periods against which the deferred tax assets would reverse.

The Finance Act 2016, which received Royal Assent on 15 September 2016, enacted a reduction in the UK corporation tax rate from 19% to 17% effective from 1 April 2020. On 11 March 2020, it was announced in the UK Budget that the reduction in the corporation tax rate to 17% would be reversed, and the standard rate of corporation tax will remain at 19%. This change was not substantively enacted at the balance sheet date. Deferred tax has therefore been calculated at 17%.

Notes *(continued)*

9 Tangible fixed assets

	Plant and Equipment £000	Fixtures & Fittings £000	Assets Under Construction £000	Total £000
Cost				
Balance at 1 January 2019	6,382	991	220	7,593
Additions	-	-	40	40
Disposals	-	-	-	-
Reclassification	177	41	(218)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	6,559	1,032	42	7,633
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation and impairment				
Balance at 1 January 2019	4,204	383	-	4,587
Depreciation charge for the year	1,784	80	-	1,864
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2019	5,988	463	-	6,451
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value				
At 1 January 2019	2,178	608	220	3,006
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2019	571	569	42	1,182
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Investments

<i>Cost</i>	Undertakings £000
At 31 December 2018 and 31 December 2019	819

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership	
			2019	2018
Arch Protection Chemicals Private Limited	England	Ordinary	99.99%	99.99%
Arch Chemical Products Limited	England	Ordinary	100%	100%

11 Stocks

	2019 £000	2018 £000
Raw materials and consumables	2,173	526
Finished goods	11,154	7,974
	<u>13,327</u>	<u>8,500</u>

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £39,776k (2018: £36,204k). The write-down of stocks to net realisable value amounted to £nil (2018: £51k). The reversal of write-downs amounted to £80k (2018: £125k). The write-down and reversal are included in cost of sales.

12 Debtors

	2019 £000	2018 £000
Trade debtors	7,933	7,750
Amounts owed by fellow subsidiary undertakings	26,578	3,101
Loan due from parent undertaking	-	13,902
Other debtors	109	348
Prepayments	125	117
	<u>34,745</u>	<u>25,218</u>

Notes *(continued)*

13 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	1,607	1,648
Amounts owed to fellow group undertakings	11,240	6,620
Amounts owed to parent undertaking	406	-
Other taxes and social security	3,758	1,457
Other creditors and accruals	1,408	2,584
Deferred tax liability (note 14)	418	210
	18,837	12,519

14 Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Tangible fixed assets	(625)	(501)	-	-	(625)	(501)
Employee benefits			1,070	715	1,070	715
Provisions	(27)	(4)	-	-	(27)	(4)
	(652)	(505)	1,070	715	418	210

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	Recognised in equity £000	31 December 2019 £000
Tangible fixed assets	(501)	(124)	-	(625)
Employee benefits	715	193	162	1,070
Provisions	(4)	(23)	-	(27)
	(501)	(124)	162	(625)

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	Recognised in equity £000	31 December 2018 £000
Tangible fixed assets	(646)	145	-	(501)
Employee benefits	328	126	261	715
Provisions	(8)	4	-	(4)
	(646)	145	261	(501)

Notes (continued)

15 Provisions for liabilities and charges

	Other £000	Environmental liabilities £000	Total £000
At 31 December 2018	-	304	304
Profit and loss movement	3,320	-	3,320
At 31 December 2019	<u>3,320</u>	<u>304</u>	<u>3,624</u>

In February 2019 the company committed to the exit from the Grangemouth plant. A provision is held for the costs associated with the closure, which took place in February 2020.

The principal manufacturing site was acquired in 2004 and a provision is held for environmental liabilities, principally ground contamination, that attach to the land that are not otherwise the responsibility of the landlord

16 Operating leases

	2019 £000	2018 £000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	125	129
Between one and five years	463	481
More than five years	28	155
	<u>616</u>	<u>765</u>

During the year £139k was recognised as an expense in the profit and loss account in respect of operating leases (2018: £90k).

17 Arch UK Biocides Pension scheme

Defined Benefit Plan

The company operates one final salary defined benefit plan in the UK. This Plan is closed to new entrants, and no further defined benefits are being earned. Instead, members' future pension benefit is provided within a defined contribution section of the Plan. A full actuarial valuation was carried out as at 31 March 2017, the results of this valuation have been updated to 31 December 2019 by a qualified independent actuary.

The Plan is approved by HMRC for tax purposes, and is operated separately from the Group and managed by an independent Corporate Trustee. The Trustee is responsible for payment of benefits and management of the Plan's assets.

The Plan is subject to UK regulations, which require the Company and Trustee to agree a funding strategy and contribution schedule for the Plan. The last valuation was undertaken at 31 March 2017, and as a result the Company is expected to pay £836k pa until 30 September 2024. The contribution schedule was revised in December 2018 to also include £155k pa payable in January 2019, 2020 and 2021 (in addition to the £836k pa).

Notes (continued)

17 Arch UK Biocides Pension scheme (continued)

	2019 £000	2018 £000
Actuarial assumptions		
Discount rate	2.10%	2.90%
Future salary increases	3.25%	3.25%
Future pension increases in payment	2.80%	3.10%

The assumptions have been derived in a similar way to previous periods and are based on the estimated duration of the Plan's liabilities (21 years, 2018: 21 years) and market yields.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average future life expectancy and an individual retiring at the age of 65 on 31 December 2019 is 21.0 (2018: 21.0) for males and 23.0 (2018: 23.0) for females.

The salary increase assumption has been taken as 3.25% pa, which represents the company's current expectation for the rate of future salary increases over the long term.

Information about the risks of the Plan to the Employer

The ultimate cost of the Plan to the Employer will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the Plan may be higher (or lower) than disclosed. In general, the risk to the Employer is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Employer is higher than expected. This could result in higher contributions required from the Employer and a higher deficit /lower surplus disclosed.

More specifically, the assumptions not being borne out in practice could include:

- The assets being lower than assumed and in particular falls in asset values (particularly equities) not being matched by similar falls in liabilities, resulting in an unaffordable increase in the required Employer contributions;
- Unanticipated future changes in mortality patterns leading to an increase in the Plan's liabilities. Future mortality rates cannot be predicted with certainty. This is especially so bearing in mind that the youngest Plan members could be expected to still be alive in 40 years or more and it is not possible to reliably predict what medical advances may or may not have occurred by this time;
- The actual number of members exercising options within the Plan, for example taking early retirement or exchanging a portion of pension for a cash lump sum which could alter the long term cost of benefits;
- The relatively small number of Plan members is particularly likely to lead to volatility in the funding level and the Employer contributions, as the future demographic experience of such a group is more uncertain than would be the case for a larger group;

To help mitigate the risks that the Plan is exposed to, the Plan's Investment strategy includes "matching" assets to broadly reflect the liabilities in respect of pensioner members.

Notes *(continued)*

17 Arch UK Biocides Pension scheme *(continued)*

	2019 £000	2018 £000
Present value of funded defined benefit obligations	(30,761)	(28,401)
Fair value of Plan assets	37,055	32,614
	<hr/>	<hr/>
Recognised asset for defined benefit obligations	6,294	4,213
	<hr/> <hr/>	<hr/> <hr/>
Plan assets consist of the following:		
	2019 £000	2018 £000
Equities	15,342	13,657
Corporate Bonds	380	274
Cash	7,230	3,339
Real Estate	5,758	5,586
Liability Driven Investment	8,345	9,758
	<hr/>	<hr/>
Total fair value	37,055	32,614
	<hr/> <hr/>	<hr/> <hr/>

Movement in the liability for defined benefit obligation and the fair value of Plan assets

	2019 £000	2018 £000
At 1 January	28,401	30,219
Current service cost	129	114
Past service cost	-	150
Interest cost	814	722
Actuarial loss/(gain)	2,110	(2,530)
Benefits paid	(693)	(274)
	<hr/>	<hr/>
Present value of obligation as at 31 December	30,761	28,401
	<hr/> <hr/>	<hr/> <hr/>
	2019 £000	2018 £000
At 1 January	32,614	32,152
Interest income on Plan assets	952	780
Return on plan assets	3,062	(994)
Contributions by employer	1,120	950
Benefits paid	(693)	(274)
	<hr/>	<hr/>
Fair value of Plan assets as at 31 December	37,055	32,614
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

17 Arch UK Biocides Pension scheme *(continued)*

Expense recognised in the income statement

	2019	2018
	£000	£000
a) operating costs:		
Current service cost	129	114
Past service cost	-	150
	<hr/>	<hr/>
Total operating costs	129	264
	<hr/> <hr/>	<hr/> <hr/>
b) finance costs:		
Interest cost on defined benefit obligation	814	722
Interest income on Plan assets	(952)	(780)
	<hr/>	<hr/>
Total finance income	(138)	(58)
	<hr/>	<hr/>
Recognised pension costs		
	2019	2018
	£000	£000
Interest income on Plan assets		780
Actuarial (loss)/gain on Plan		(994)
	<hr/>	<hr/>
Total return on Plan assets		(214)
	<hr/> <hr/>	<hr/> <hr/>
	2019	2018
	£000	£000
Components of defined benefit costs in other comprehensive income		
Actuarial gain on defined benefit obligation	2,110	(2,530)
Actuarial (gain)/loss on Plan assets	(3,062)	994
	<hr/>	<hr/>
Defined benefit credit recognised in other comprehensive income	(952)	(1,536)
	<hr/> <hr/>	<hr/> <hr/>

There was no investment held by the Plan in the company or any assets used by the company. The company expects to pay £950k in contributions to the Plan in 2019.

Notes (continued)

17 Arch Chemicals Ltd Pension scheme

The Arch Chemicals Ltd Pension scheme was transferred to Arch UK Biocides in December 2018 due to the divestment of Arch Chemicals Ltd.

Defined benefit plan

The company operates a final salary defined benefit scheme in the UK. A full actuarial valuation was carried out as at 31 March 2017, the results of this valuation have been updated to 31 December 2019 by a qualified independent actuary.

Funding

The defined benefit scheme is now closed to future accrual. The company does not expect to need to make contributions in the next accounting period towards the Scheme's funding deficit as the scheme was fully funded after the last valuation following payment of a lump sum contribution in 2017. However, following a change of the Scheme's Sponsoring Employer the company agreed to pay lump sums of £166,600 in January 2019, 2020 and 2021 as mitigation for the impact on the employer covenant.

	2019	2018
	%	%
Actuarial assumptions		
Discount rate	2.05	2.8
Future pension increase in payment	3.00	3.00

The assumptions have been derived in a similar way to previous periods and are based on the estimated duration of the Plan's liabilities (17 years) and market yields.

Assumptions regarding future mortality are based on published statistics and mortality tables. The average future life expectancy and an individual retiring at the age of 65 on 31 December 2019 is 21.0 (2018: 20.9) for males and 24.3 (2018: 24.2) for females.

Information about the risks of the Plan to the Employer.

The ultimate cost of the Plan to the Employer will depend upon actual future events rather than the assumptions made. Many of the assumptions made are unlikely to be borne out in practice and as such the cost of the Scheme may be higher (or lower) than disclosed. In general, the risk to the Employer is that the assumptions underlying the disclosures, or the calculation of contribution requirements are not borne out in practice and the cost to the Employer is higher than expected. This could result in higher contributions required from the Employer and a higher deficit/lower surplus disclosed.

More specifically, the assumptions not being borne out in practice could include:

- i. The return on the Scheme's assets being lower than assumed, resulting in an unaffordable increase in the required Employer contribution rate;
- ii. Falls in asset values (particularly equities) not being matched by similar falls in the value of liabilities;
- iii. Unanticipated future changes in mortality patterns leading to an increase in the Scheme's liabilities. Future mortality rates cannot be predicted with certainty. This is especially so bearing in mind that the youngest Plan members could be expected to still be alive in 60 years or more and it is not possible to reliably predict what medical advances may or may not have occurred by this time;
- iv. The potential exercise (by members or others) of options against the Scheme, for example taking early retirement or exchanging a portion of pension for a cash lump sum;
- v. The relatively small number of Scheme members is likely to lead to particular volatility in the funding level and the Employer contributions as the future demographic experience of such a group is more uncertain than would be the case for a larger group.

Notes (continued)

17 Arch Chemicals Ltd Pension scheme (continued)

All of the Scheme's investments are held in protection assets such as government and corporate bonds the funded status of the Plan is as follows:

	2019 £000	2018 £000
Present value of funded defined benefit obligations	(5,337)	(4,734)
Fair value of scheme assets	5,574	5,209
Adjustment to asset ceiling	(237)	(475)
	-	-
Recognised liability for defined benefit obligations	-	-

Scheme assets consist of the following:

	2019 £000	2018 £000
Corporate/Government bonds	3,412	3,199
Cash	115	121
Annuity policies	2,047	1,889
	5,574	5,209
Total fair value of Scheme assets	5,574	5,209

Movement in the liability for defined benefit obligation and the fair value of plan assets

	2019 £'000	2018 £'000
At 1 January	4,734	5,010
Interest on defined benefit obligation	132	124
Administration cost	100	69
Actuarial loss/(gain)	537	(335)
Benefits paid (including expenses)	(166)	(134)
	5,337	4,734
Present value of obligation as at 31 December	5,337	4,734

	2019 £'000	2018 £'000
At 1 January	5,209	5,446
Interest income on plan assets	147	135
Return on plan assets excluding interest income	129	(299)
Contributions by employer	255	61
Benefits paid (including expenses)	(166)	(134)
	5,574	5,209
Fair value of plan assets as at 31 December	5,574	5,209

Notes (continued)

17 Arch Chemicals Ltd Pension scheme (continued)

Expense recognised in the income statement

	2019 £'000	2018 £'000
(a) Operating costs:		
Administration cost (excl. cost of managing plan assets)	100	69
	<hr/>	<hr/>
Total operating costs	100	69
	<hr/>	<hr/>
(b) Finance costs:		
Interest on defined benefit obligation	132	124
Interest income on plan assets	147	(135)
Interest on asset ceiling	15	11
	<hr/>	<hr/>
Return on plan asset	294	69
	<hr/> <hr/>	<hr/> <hr/>

	2019 £000	2018 £000
Components of defined benefit costs in OCI		
Actuarial loss/(gain) on defined benefit obligation	537	(335)
Return on plan assets excluding interest income	(129)	299
Change in effect of asset ceiling	(253)	28
	<hr/>	<hr/>
Defined benefit cost recognised in OCI	155	(8)
	<hr/> <hr/>	<hr/> <hr/>

	2019 £000	2018 £000
Sensitivity		
Defined benefit obligation at 31 December		
with discount rate – 0.25%	5,567	4,929
with discount rate + 0.25%	5,123	4,550
with life expectancy + 1 year	5,556	4,920
with life expectancy – 1 year	5,121	4,547

There was no investment held by the scheme in the company or any assets used by the company.

The company expects to pay approximately £100,000 in contributions to the Scheme in 2020 towards scheme expenses, plus the additional lump sum of £166,600 agreed as part of the change of sponsoring Employer.

Notes *(continued)*

18 Capital and reserves

	Ordinary shares	
	2019	2018
Share capital		
In thousand shares		
On issue at 1 January	1,644	1,644
On issue at 31 December	1,644	1,644
	£000	£000
Allotted, called up and fully paid		
1,644,236 Ordinary shares of £1.00 each	1,644	1,644

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

19 Contingent liabilities

The company has guaranteed the overdrafts of certain fellow subsidiary companies up to a maximum of £0.5 million. The amount outstanding at the end of the year was £nil (2018: £nil).

20 Ultimate parent company

The company's immediate parent undertaking is Arch Chemicals UK Holdings Limited, which is registered in England. Copies of the financial statements of Arch Chemicals UK Holdings Limited are available from Wheldon Road, Castleford, West Yorkshire, WF10 2JT.

The ultimate parent undertaking is Lonza Group AG, which is incorporated in Switzerland and has its principal office in Basel, Switzerland. The accounts and annual report of Lonza Group AG incorporate the results of the company and can be obtained from the website www.lonza.com, or alternatively from Lonza Group AG, Muenchensteinerstrasse38, CH-4002 Basel, Switzerland.