Innovative Water Care Limited (Formerly Arch Chemicals Limited)

Annual report and financial statements

Registered number 1354629

31 December 2018

Contents

Strategic report

Principal activities

The principal activities of Innovated Water Care Limited ("the company") are the importation and distribution of water treatment chemicals, and associated products and devices for use in pool and industrial applications.

Business review

Risks and uncertainties

Economic recovery remains uneven by region. Raw material costs are subject to the fluctuations of commodities. Alternative chemicals present a risk to the basic solutions the company distributes.

Performance and development during the year

2018 efforts were concentrated on maintaining and developing the company's position in the traditional residential and commercial segments. In the UK, the focus was on consolidating market share through the company's distributors. The company continues to devote resources in potential growth areas in non-pool applications and in its 'HTH' brand. Cost control of both raw materials and overhead is a key focus.

Profit for the financial year increased from £636,000 in 2017 to £2,062,000 in 2018. The main driver behind this was an increase in revenue in the residential business due to a prolonged spell of hot weather.

Future developments

On 1st March 2019 Arch Chemicals Ltd was sold to Innovative Water Care Global Corporation as part of the Lonza Group AG's divestment of the Water Care business unit.

Future focus will be on strengthening our position in traditional residential and commercial segments while reorganising the business to develop other applications. Testing on pilot water utility sites will continue while developing sales in other industrial applications.

The company is wholly owned by Innovative Water Care Global Corporation. Innovative Water Care Global Corporation is monitoring Brexit developments closely.

Key performance indicators

The directors monitor the following principal key performance indicators:

Operating profit / (loss) -

	2018	2017
	%	%
Gross margin	21.9	18.1
Operating profit/(loss)	9.6	4.7

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. During 2018, there were no lost-time accidents reported, as in the previous year.

By order of the board

Mary Ann Sigler
Director

28 October 2019

Company number: 1354629

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2018 ("the financial year").

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.

Results and dividend

The profit for the year is £2,069,000 *(2017: £649,000 profit)*.

The directors do not propose a final dividend for the year *(2017: £nil)*. An interim dividend of £5million was paid in December 2018.

Directors and directors' interests
The directors who held office during the financial year and to the date of this report are as follows:

Anthony W. Kelly (resigned 28.02.2019)
Christian Wichert (resigned 29.04.2019)
Nicholas T Carter (resigned 28.02.2019)
Ian Michael Stuart Downie (appointed 29.04.2019)
Eva Monica Kalawski (appointed 29.04.2019)
Mary Ann Sigler (appointed 29.04.2019)

None of the directors who held office at the end of the financial year had any interest in the shares 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.

The company is a wholly owned subsidiary of Innovative Water Care Global Corporation, , a corporation formed in the State of Delaware in the USA.

Supplier payment policy

The company's policy is to negotiate terms of payment with suppliers when agreeing to terms of transactions and then to abide by those terms, once satisfactory performance of service or receipt of goods is achieved.

Creditor days at 31 December 2018 were 27 days *(2017: 42 days)*.

Employees

It is the company's 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.

Directors' report *(continued)*

Political and charitable contributions

The company made no political or charitable donations during the year *(2017: £nil)*.

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 and KPMG LLP will therefore continue in office.

By order of the board

Mary Ann Sigler
Director

28th October 2019

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

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

The Companies Act 2006 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 101 Reduced Disclosure Framework.

Under the Companies Act 2006 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 judgments 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; and
- 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 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.

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of Innovative Water Care Limited (formerly Arch Chemicals Limited)

Opinion

We have audited the financial statements of Innovative Water Care Limited ("the company") for the year ended 31 December 2018 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 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors such as recoverability of trade debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for the company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis

Auditors' report (continued)

for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report 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 strategic report and the directors' report;
- in our opinion, the information given in those reports 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.

Directors' responsibilities

As explained more fully in their statement set out on page 4, 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

Auditors' report (continued)

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 C Harding

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

30 October 2019

Profit and loss account
for the year ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	*2*	**16,035**	14,098
Cost of sales		**(12,524)**	(11,544)
Gross profit		**3,511**	2,554
Administrative expenses		**(1,963)**	(1,896)
Operating profit		**1,548**	658
Other interest receivable and similar income	*6*	**4**	143
Profit on sale of subsidiary	*11*	**801**	-
Profit on ordinary activities before taxation		**2,353**	801
Taxation	*7*	**(291)**	(152)
Profit for the financial year		**2,062**	649
Other Comprehensive expense			
Remeasurements losses on defined benefit Pension scheme		**7**	(13)
Total comprehensive income for the year		**2,069**	636

All the company's operations are classified as continuing.

Notes on pages 11 to 23 form part of the financial statements.

Balance sheet

at 31 December 2018

	Note	2018 £000	2017 £000
Fixed assets			
Tangible assets	*9*	1	16
Intangible assets	*10*	-	-
		1	16
Current assets			
Stocks	*12*	2,202	2,227
Debtors	*13*	2,581	2,159
Cash at bank and in hand		2,203	6,137
		6,986	10,523
Creditors: Amounts falling due within one year	*14*	(4,760)	(5,381)
Net current assets		2,226	5,142
Net assets – excluding pension liability		2,227	5,158
Pension liability		-	-
Net assets - including pension liability		2,227	5,158
Capital and reserves			
Called up share capital	*16*	1,000	1,000
Profit and loss account		1,227	4,158
Equity shareholders' funds		2,227	5,158

Notes on pages 11 to 23 form part of the financial statements.

These financial statements were approved by the board of directors on 28th October 2019 and were signed on its behalf by:

Mary Ann Sigler
Director

Statement of Changes in Equity

	Called up Share Capital £000	Profit and loss account £000
Balance at 31 December 2017	1,000	4,158
Profit for the financial year		2,062
Dividend payment		(5,000)
Other comprehensive income	-	7
Balance at 31 December 2018	**1,000**	**1,227**

Notes on pages 11 to 23 form part of these financial statements.

Notes
(Forming part of the financial statements)

1 Accounting policies

Innovative Water Care Limited (formally Arch Chemicals Limited) (the "Company") is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking as at 31 December 2018 Lonza Group AG includes the Company in its consolidated financial statements. The consolidated financial statements of Lonza Group AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from www.lonza.com, or alternatively from Lonza Group AG, Muenchensteinerstrasse 38, CH-4002, Basel.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;

As the consolidated financial statements of Lonza Group AG include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*

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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.2 Going concern

The Directors have prepared forecasts that look out for at least 12 months from the date of signing of these financial statements (the going concern period). These forecasts show the company is forecasted to have positive cash flows and continued profitability that will allow the company to discharge its liabilities as they fall due for the going concern period; accordingly the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, and trade and other creditors.

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in subsidiaries are carried at cost less impairment.

1.6 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect, 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.

1.7 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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. Land is not depreciated. The estimated useful lives are as follows:

- office furniture and equipment 3 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives are as follows:

- patents and trademarks 5 years

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. 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.

1.10 Impairment excluding stocks and deferred tax assets

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 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 pension plans 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, and the fair value of any plan assets (at bid price) are deducted. The Company determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA that have maturity dates approximating the terms of the Company's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

On the 8th December 2018 the Arch Chemicals Limited Retirement and death benefits fund (pension scheme) was transferred to Arch UK Biocides.

Notes *(continued)*

1 Accounting policies *(continued)*

***1.11 Employee benefits** (continued)*

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

1.12 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.13 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of chemical products to customers during the period.

1.14 Expenses

Operating lease payments

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. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity'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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.16 Accounting developments

The following standards and interpretations, issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee, have been adopted by the Company with no significant impact on its financial statements:

IFRS 2 (Amendment) 'Share-based payment' - definition of 'Vesting condition'.

IFRS 9 Financial Instruments (effective date 1 January 2018).

IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018). revenue from contracts with customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replace existing revenue recognition guidance including IAS 18 revenue.

The adoption of the other standards had no significant impact on the Company's financial statements.

EU endorsed IFRS and interpretations with effective dates after 31 December 2018 relevant to the Company will be implemented in the financial year when the standards become effective.

Notes *(continued)*

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of chemical products to customers during the period.

The analysis of turnover by geographical area is as follows:

	2018 £000	2017 £000
United Kingdom	**9,206**	5,623
Europe	**6,071**	7,766
Other	**758**	709
	16,035	14,098

The analysis of turnover by activity:

	2018 £000	2017 £000
Sale of goods	**15,986**	14,066
Intercompany service sales	**49**	32
Total turnover	**16,035**	14,098

3 Expenses and auditor's remuneration

	2018 £000	2017 £000
Included in the profit/(loss) are the following:-		
Auditor's remuneration:		
Audit of these financial statements	**29**	29

The audit fee is borne by a fellow group company

Notes *(continued)*

4 Staff numbers and costs

	2018 £000	2017 £000
Wages and salaries	-	-
Social Security Costs	-	-
Expenses related to defined benefits plans	69	44
	69	44

The company has no employees

5 Directors remuneration

	2018 £000	2017 £000
Directors' emoluments	19	52

The directors working within the company may also work in other companies within the Lonza Group AG 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 £242,958 *(2017: £170,444)* and the company paid contributions on their behalf to the relevant pension scheme of £40,173 *(2017: £22,660)*. The directors' remuneration is apportioned between the companies for whom they perform duties.

6 Other interest received and similar income

	2018 £000	2017 £000
Interest receivable on loans	4	-
	4	-
Net exchange gains	-	143
	4	143

Notes *(continued)*

7 Taxation

	2018 £000	2017 £000
UK corporation tax		
Current tax or income for the period	**289**	143
Adjustment in respect of prior years	**(2)**	-
Current tax charge	**287**	143
Deferred tax		
Current year	**5**	10
Adjustment in respect of previous periods	**-**	-
Effect of changes in tax rate	**(1)**	(1)
	291	152

	2018 £000	2017 £000
Profit on ordinary activities	**2,353**	801
Current tax at 19% *(2018: 19.25%)*	**447**	154
Effect of:		
Expenses not deductible for tax purposes	**1**	1
Effects of changes in tax rates	**(1)**	(1)
Income not taxable	**(156)**	-
Effects of group relief/ other reliefs	**-**	(2)
Total Tax Charge	**291**	152

At 31 December 2018 there was a deferred tax asset of £41,598 *(2017: £46,985)* made up of decelerated capital allowances and other timing differences.

The Finance(No. 2) Act 2015 received Royal Assent on 18 November 2015 and enacted a reduction in the UK corporation tax rate from 20% to 19% with effect from 1 April 2017 and a further reduction to 18% from April 2020.

The Finance Act 2016 which received Royal Assent on 15 September 2016 enacted a further reduction in the tax rate to 17% effective from 1 April 2020.

Notes *(continued)*

9 Tangible fixed assets

	Office Furniture & Equipment £000
Cost	
At 1 January 2017	760
Additions	-
Disposals	-
At 31 December 2017	760
At 1 January 2018	760
Additions	-
Disposals	(4)
At 31 December 2018	756
Depreciation and impairment	
At 1 January 2017	(723)
Depreciation charge for the year	(21)
Disposals	-
At 31 December 2017	(744)
Balance at 1 January 2018	(744)
Depreciation charge for the year	(12)
Disposals	1
Balance at 31 December 2018	(755)
Net book value	
At 1 January 2017	37
At January 2018	16
At 31 December 2018	**1**

Notes *(continued)*

10 Intangible assets

	Trademarks £000
Cost	
At 31 December 2017	169
Additions	-
At 31 December 2018	169
Amortisation	
At 31 December 2017	169
Charge for year	-
At 31 December 2018	169
Net book value	
At 31 December 2018	-
At 31 December 2017	-

The above represents trademarks acquired in respect of certain products.

11 Investments

The company owned 100% of the issued ordinary share capital of Arch Chemicals Products Limited, registered office Wheldon Road, Castleford, WF10 2JT, which is incorporated in England and Wales. Arch Chemical Products Limited's principal activity is a sales and marketing office in India. All ordinary shares were sold on 17th September 2018 to Arch UK Biocides Limited for £801,000.

12 Stocks

	2018 £000	2017 £000
Finished Goods	**2,175**	2,218
Raw Materials	**27**	9
	2,202	2,227

13 Debtors

	2018 £000	2017 £000
Trade debtors	**2,054**	1,991
Amounts owed by group undertakings	**214**	110
Prepayments and accrued income	**15**	11
Deferred tax asset	**42**	47
Other debtor – VAT recoverable	**256**	-
	2,581	2,159

Notes *(continued)*

14 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	**281**	703
Amounts owed to group undertakings	**3,761**	4,155
Accruals and deferred income	**240**	253
VAT payable	**48**	127
Corporation Tax Payable	**430**	143
	4,760	5,381

15 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2018 £	2017 £	Net 2018 £	2017 £
Tangible fixed assets	**(39,558)**	(44,945)	**(39,558)**	(44,945)
Temporary differences trading	**(2,040)**	(2,040)	**(2,040)**	(2,040)
Tax (assets) / liabilities	**(41,598)**	(46,985)	**(41,598)**	(46,985)

Movement in deferred tax during the year

	1 January 2018 £	Recognised in income £	Recognised in equity £	31 December 2018 £
Tangible fixed assets	**(44,945)**	**5,387**	**-**	**(39,558)**
Temporary differences trading	**(2,040)**	**-**	**-**	**(2,040)**
Tax (assets) / liabilities	**(46,985)**	**5,387**	**-**	**(41,598)**

Movement in deferred tax during the prior year

	1 January 2017 £	Recognised in income £	Recognised in equity £	31 December 2017 £
Tangible fixed assets	(51,855)	6,910	-	(44,945)
Temporary differences trading	(2,040)	-	-	(2,040)
	(53,895)	6,910	-	(46,985)

Notes *(continued)*

16 Capital

Share capital In thousands of shares	**Ordinary shares** **2018**	 2017
On issue at 1 January 2017	**1,000**	1,000
On issue at 31 December 2018	**1,000**	1,000

	2018 **£000**	2017 £000
Allotted, called up and fully paid		
Ordinary shares of £ 1 each	**1,000**	1,000
	1,000	1,000

17 Commitments and guarantees

(a) Annual commitments under non-cancellable operating leases are as follows:

	Other **2018** **£000**	 2017 £000
Operating leases which expire:		
Within one year	**26**	24
In the second to fifth years inclusive	**25**	32
	51	56

(b) Guarantees

In the normal course of business, the company has given a bank guarantee of £300,000 *(2017: £300,000)* to HM Customs & Excise.

18 Related parties

	Sales to 2018 £000	2017 £000	Administrative expenses incurred from 2018 £000	2017 £000
Parent				
Other related parties	**4,030**	4,191	**1,102**	1,341
	4,030	4,191	**1,102**	1,341

	Receivables outstanding 2018 £000	2017 £000	Creditors outstanding 2018 £000	Creditors outstanding 2017 £000
Parent	**10**	-	**3**	399
Subsidiaries	-	-	-	406
Other related parties	**204**	110	**3,758**	3,350
	214	110	**3,761**	4,155

20 Pension Scheme

During the year the company transferred its defined benefits pension scheme to Arch UK Biocides Limited under a flexible apportionment arrangement.

21 Ultimate parent company

The company is a subsidiary undertaking of Innovative Water Care Global Corporation, a company formed in the State of Delaware in the USA.

The ultimate parent undertaking as at the balance sheet date was 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.

22 Subsequent Events

On 1st March 2019 Arch Chemicals Ltd was sold to Innovative Water Care Global Corporation as part of the parent's divestment of the water care business unit.