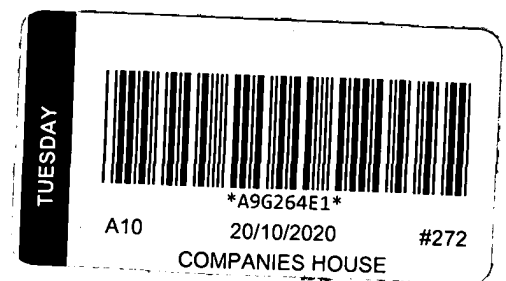


Hickson Limited

**Annual report and financial
statements**

Registered number 00328747

31 December 2019



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Strategic report

Business objectives and strategy

Arch Timber Protection Limited operates as agent for Hickson Limited in its business of manufacturing and selling timber protection chemicals. Hickson Chemical Supplies Limited and Hickson WA Chemicals Limited are dormant subsidiaries

Business model

As a participating employer in the Hickson Group Pension Scheme, the Company is exposed to risks in relation to the on-going funding of the Scheme, through asset devaluations, increased mortality and pension law obligations. The Company monitors these risks via regular and open communication with the Trustees of these schemes and by taking independent actuarial advice, where appropriate.

Development and performance during the year

Whilst total sales have increased slightly, the Company's third party net sales reduced by 5% in 2019, primarily due to a significant one-off sale in 2018 which was not repeated in 2019, the discontinuation of part of the timber treatment business in June 2018, the loss of a major customer in the second half of the year, and adverse exchange rates. Gross profit was also 5% lower than last year because of these reasons.

Our "Right First Time" achievement was 99.2% in 2018 and 99.1% in 2019.

At our primary manufacturing location output was c28,533 tonnes compared to c30,059 tonnes in 2018, as we continued to bring previously outsourced processes in-house, and drive efficiencies. An initiative in 2017 to reduce our dependence on external warehouses has resulted in significant reduction in freight costs, which was maintained in 2019.

Once again, ongoing management of EHS resulted in Castleford and Huddersfield experiencing no lost time accidents.

Position at year end and prospects

The directors feel that the market for timber preservatives remains strong despite the Covid-19 pandemic, and that Arch Timber Protection is well placed to maintain its current level of sales, from its existing product portfolio, new product initiatives and the development of new markets.

The Principal risks and uncertainties facing the business

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

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 %	28.3	35.2
Operating (loss)/profit %	(16.9)	(5.0)

Strategic report *(continued)*

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 the year there were no lost time accidents at our Huddersfield manufacturing facility which now boasts 11 years accident free.

By order of the board



N Carter
Director

Wheldon Road
Castleford
West Yorkshire
WF10 2JT

8th October 2020

Directors' report

The directors present their annual report and the audited financial statements 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.

Directors

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

Peter J Kitchen
Alexander H Hoy
Anthony W Kelly
Franklin D Kicklighter (resigned 15.02.2019)
Nicholas T Carter

Result and dividends

The profit after taxation amounted to a loss of £5,300,000 (2018: £2,869,000 loss). No dividend (2018: *£nil*) was declared during the year, and nor is one recommended at the year end.

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.

Supplier payment policy

The company's policy is to negotiate terms of payment with suppliers when agreeing 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 2019 were 77 days (2018: 64 days).

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.

Directors' report *(continued)*

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, 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 101 *Reduced Disclosure Framework*.

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 HICKSON LIMITED

Opinion

We have audited the financial statements of Hickson 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 loss 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.

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 HICKSON LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 5, 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.

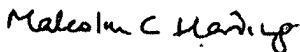
Auditor's responsibilities

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	59,837	59,455
Cost of sales		(42,927)	(38,519)
Gross profit		16,910	20,936
Distribution costs		(2,342)	(2,698)
Administrative expenses		(24,680)	(21,197)
Operating loss		(10,112)	(2,959)
Other interest receivable and similar income	6	53	81
Interest payable and similar charges	7	(221)	(20)
Loss on ordinary activities before taxation		(10,280)	(2,898)
Taxation	8	4,979	29
Loss for financial year		(5,301)	(2,869)
Other Comprehensive Income/(Expense)		-	-
Total comprehensive expense for the year		(5,301)	(2,869)

All the company's operations are classified as continuing.

Notes on pages 11 to 27 form part of the financial statements

Balance sheet
at 31 December 2019

	<i>Note</i>	2019 £000	2018 £000
Fixed assets			
Tangible fixed assets	9	3,907	4,002
		<u>3,907</u>	<u>4,002</u>
Current assets			
Stocks	10	10,001	6,503
Debtors	11	21,942	16,595
Cash at bank and in hand		5,376	10,729
		<u>37,319</u>	<u>33,827</u>
Creditors: amounts falling due within one year	12	(45,624)	(36,849)
Net current liabilities		(8,305)	(3,022)
Total assets less current liabilities		(4,398)	980
Creditors: amounts falling due after one year	13	(48)	-
Provisions for liabilities and charges			
Other provisions	14	(536)	(694)
Deferred tax liability	16	(125)	(92)
Net (liabilities)/assets		(5,107)	194
Called up equity share capital	17	108,161	108,161
Share premium		8,064	8,064
Profit and loss account		(121,332)	(116,031)
Shareholders' (deficit)/funds		(5,107)	194

Notes on pages 11 to 27 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 1 January 2019	108,161	8,064	(116,031)
<i>Total Comprehensive income/expense for the period</i>			
Loss for the year	-	-	(5,301)
Balance at 31 December 2019	108,161	8,064	(121,332)

Notes on pages 11 to 27 form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Hickson Limited (the “Company”) is a company incorporated and domiciled in the UK.

These financial statements have been prepared in accordance with Financial Reporting Standard 101 reduced disclosure framework (“FRS 101”). The amendments to FRS 101 (2013/14 Cycle) issued in July 2014 and effective immediately have been applied.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS101 disclosure exemptions has been taken.

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.

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.

1.2 Going concern

The company made a loss before tax for the year of £10,280 and at the end of the year had net current liabilities of £8,305k and net liabilities of £5,107k.

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,

Notes

(forming part of the financial statements)

1 Accounting policies *(continued)*

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 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.

1.4 *Non-derivative financial instruments*

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

Trade and other debtors

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 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 *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.

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.

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

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:

- Buildings 20 years
- Plant and equipment 8 to 10 years
- Fixtures and fittings 3 years

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

On adoption of IFRS 16, assets for which the company has a right of use are held on the balance sheet, and are depreciated over the life of the lease term on a straight-line basis.

1.7 Research and development

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

Expenditure on development activities is 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 a plan or design for 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.

1.8 Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

1.9 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out 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.

Notes (continued)

1 Accounting policies (continued)

1.10 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.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

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"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

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 in respect of goodwill is not reversed if and only if the reasons for the impairment have ceased to apply.

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.

Notes (continued)

1 Accounting policies (continued)

1.11 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

The Company's employees are members of a group wide defined benefit pension plan which includes other group companies. The contributions to the defined benefit scheme are treated as an expense as permitted by IAS 19 as the assets and liabilities of the scheme cannot be separately identified.

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.

Termination benefits

Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Notes (continued)

1 Accounting policies (continued)

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 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.13 Revenue

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

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.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

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 New standards and interpretations

The company applies, for the first time, IFRS 16 'Leases.'

On transition, the company elected to use the practical expedient allowing the standard to only be applied to those contracts previously identified as leases under IAS 17.

The modified retrospective method of transition has been adopted, accordingly the comparative information presented has not been restated.

The transition disclosures can be found in note 21.

Notes (continued)

2 Turnover

The analysis of turnover by activity:

	2019 £000	2018 £000
Sale of goods	59,837	59,445
	<u>59,837</u>	<u>59,445</u>

3 Expenses and auditor's remuneration

	2019 £000	2018 £000
Included in the loss is the following		
Depreciation	555	467
Auditor's remuneration:		
Audit of these financial statements	91	91
	<u>91</u>	<u>91</u>

The audit fee is borne by a fellow group company.

4 Staff numbers and costs

	2019 £000	2018 £000
Wages and salaries	4,125	4,656
PAYE/NI Costs	518	511
Contributions to defined contribution plans	184	114
	<u>4,827</u>	<u>5,281</u>

	2019	2018
Average number of employees (including directors)		
Administration	15	17
Selling & Distribution	28	30
Production	44	45
	<u>87</u>	<u>92</u>

Notes (continued)

5 Directors remuneration

	2019	2018
	£000	£000
Directors' emoluments	313	317

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.

6 Interest receivable and similar income

	2019	2018
	£000	£000
Intercompany interest	-	2
Other income	3	22
Dividends	51	42
Foreign exchange gains	-	15
	<u>54</u>	<u>81</u>

7 Interest payable and similar charges

	2019	2018
	£000	£000
Intercompany interest	(123)	(20)
Foreign exchange losses	(94)	-
Lease liability interest	(4)	-
	<u>(221)</u>	<u>(20)</u>

Notes (continued)

8 Taxation

	2019 £000	2018 £000
<i>UK corporation tax</i>		
Current tax or income for the period	(2,670)	-
Adjustment in respect of prior years	(2,313)	1
	(4,983)	1
Current tax charge	(4,983)	1
Deferred tax current year	4	(30)
	(4,979)	(29)
	(4,979)	(29)
	2019 £000	2018 £000
Profit / (loss) on ordinary activities before tax	(10,279)	(2,898)
Current tax at 19% (2018: 19.%)	(1,953)	(551)
<i>Effects of:</i>		
Adjustments in respect of prior years	(2,313)	1
Expense not deductible for tax purposes	35	44
Income not taxable	(27)	(25)
Effects of changes in tax rate	(77)	8
Anti-Hybrid disallowance	-	460
Movement in unrecognised deferred tax	(725)	71
Deferred tax on investments	81	(37)
	(4,979)	(29)
	(4,979)	(29)

The company has unrecognised tax losses of £24,336,638 (2018: £23,145,740) that are available indefinitely for offset against certain future taxable profits of the company. In addition, a potential deferred tax asset of £2,683,274 (2018: £5,592,198) has not been recognised in respect of other timing differences. Deferred tax assets have not been recognised as there is uncertainty 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

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Total £000
<i>Cost</i>				
At 1 January 2019 under IAS 17	2,339	8,624	223	11,186
Right of use assets	-	200	-	200
	<u>2,339</u>	<u>8,825</u>	<u>223</u>	<u>11,386</u>
At 1 January 2019 under IFRS 16	2,339	8,825	223	11,386
Additions	-	259	-	259
Disposals	-	-	-	-
	<u>2,339</u>	<u>9,084</u>	<u>223</u>	<u>11,645</u>
At 31 December 2019	2,339	9,084	223	11,645
<i>Depreciation and impairment</i>				
Balance at 1 January 2019	(2,067)	(4,900)	(216)	(7,183)
Depreciation charge for the year	(97)	(453)	(5)	(555)
Disposals	-	-	-	-
	<u>(2,164)</u>	<u>(5,353)</u>	<u>(221)</u>	<u>(7,738)</u>
Balance at 31 December 2019	(2,164)	(5,353)	(221)	(7,738)
<i>Net book value</i>				
At 1 January 2019	271	3,924	7	4,203
	<u>271</u>	<u>3,924</u>	<u>7</u>	<u>4,203</u>
At 31 December 2019	174	3,730	2	3,907
	<u><u>174</u></u>	<u><u>3,730</u></u>	<u><u>2</u></u>	<u><u>3,907</u></u>

Included in plant and machinery is £259,000 (2018: £482,000) in relation to the assets in the course of construction. Land and buildings comprises land value of £1,028,880.30 which is not depreciated.

Right of use assets

At 31 December 2019, property, plant and equipment includes right of use assets as follows:

	Plant and equipment £000	Total £000
Balance at 1 January 2019	200	200
Depreciation charge for the year	(89)	(89)
	<u>200</u>	<u>200</u>
Balance at 31 December 2019	111	111
	<u><u>111</u></u>	<u><u>111</u></u>

Notes (continued)

10 Stocks

	2019	2018
	£000	£000
Raw materials and consumables	3,642	2,151
Stocks in process and finished goods	6,359	4,352
	<u>10,001</u>	<u>6,503</u>

11 Debtors

	2019	2018
	£000	£000
Trade debtors	7,452	8,728
Amounts owed by parent undertaking	7,531	2,655
Amounts owed by fellow group undertakings	3,093	4,846
Other debtors	3,762	127
Prepayments	98	239
	<u>21,936</u>	<u>16,595</u>

12 Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	3,778	4,903
Amount owed to parent undertaking	33,514	26,670
Amounts owed to other group undertakings	5,132	1,864
Other creditors	798	312
Accruals and deferred income	2,337	3,100
Lease liability	65	-
	<u>45,624</u>	<u>36,849</u>

13 Creditors: amounts falling due after one year

	2019	2018
	£000	£000
Lease liability	48	-
	<u>48</u>	<u>-</u>

14 Provisions for liabilities and charges

	Other Claims £000
At 31 December 2018	694
Utilized - Paid	(85)
Profit and loss movement	(73)
	<hr/>
At 31 December 2019	536
	<hr/> <hr/>

Other claims:-

These liabilities relate to legacy employment issues, principally latent insurance claims.

15 Leases

	2019 £000	2018 £000
Lease expense (under IAS 17)	-	161
Interest expense on lease liabilities	4	-
Depreciation expense on right of use assets	89	-
	<hr/>	
	93	161
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000
Losses	(25)	(31)	-	-	(25)	(31)
Industrial buildings	-	-	25	31	25	31
Investments	-	-	96	92	96	92
	<u>(25)</u>	<u>(31)</u>	<u>121</u>	<u>123</u>	<u>96</u>	<u>92</u>
Tax (assets) / liabilities						

Movement in deferred tax during the year

	1 January 2019 £000	Recognised in income £000	31 December 2019 £000
Losses	(31)	6	(25)
Industrial buildings	31	(6)	25
Investments	92	4	96

Movement in deferred tax during the prior year

	1 January 2018 £000	Recognised in income £000	31 December 2018 £000
Losses	(34)	3	(31)
Industrial buildings	34	(3)	31
Investments	122	(30)	92

17 Capital

In thousand shares	Ordinary Shares	
	2019	2018
On issue at 1 January	108,161	108,161
On issue 31 December	108,161	108,161
	<u>108,161</u>	<u>108,161</u>
	2019	2018
	£000	£000
Ordinary shares of £1.00 each	108,161	108,161
	<u>108,161</u>	<u>108,161</u>

Notes (continued)

18 Pension scheme

The company participates in a funded defined benefit pension scheme. The assets of the schemes are held under trust and are managed by outside investment managers.

During the year company contributions were submitted to the Group Pension Scheme of £14,865,000 (2017: £10,675,000).

The immediate parent undertaking, Hickson International Limited is the sponsor of the Hickson pension scheme, and as such, the pension liability is accounted for within those accounts, under FRS 101.

19 Subsidiary undertakings

The Company has the following investments in subsidiaries:

	Country of Incorporation	Class of shares held	Ownership
Hickson Chemical Supplies W.A Limited	England	Ordinary	100%

20 Ultimate parent company

The immediate parent undertaking is Hickson International Limited, which is registered in England and Wales. Copies of the financial statements of Hickson International 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.

21 Change in significant accounting policy

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

(a) Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

(b) As a lessee

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Notes (continued)

21 Change in significant accounting policy (continued)

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term; and
- used a single discount rate to a portfolio of leases with reasonably similar characteristics.

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

	As reported	Adjustments	Balances without adoption of IFRS 16
	£'000	£'000	£'000
Balance sheet			
Property, plant and equipment	3,907	(111)	3,796
Creditors: amounts falling due within one year	(45,654)	65	(45,589)
Creditors: amounts falling due after one year	(48)	48	-
Retained Earnings	(126,310)	2	(126,309)

Notes (continued)

21 Change in significant accounting policy (continued)

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 2.45%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	£000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	273
Discounted at the incremental borrowing rate at 1 January 2019	(4)
Recognition exemption for leases with less than 12 months of lease term at transition	(68)
Lease liabilities recognised as at 1 January 2019	201