

Registered number: 00350164

Chemoxy International Limited

Annual report

31 December 2021



Chemoxy International Limited

Company information

Directors	L Castor J Kandin V Milhau H Webster
Registered number	00350164
Registered office	All Saints Refinery Cargo Fleet Road Middlesbrough Cleveland TS3 6AF
Independent auditor	UNW LLP Chartered Accountants Citygate St. James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	Royal Bank of Scotland 22 Albert Road Middlesbrough TS1 1PR National Westminster Bank 1 Trinity Gardens 2nd Floor Broadchare Newcastle upon Tyne NE1 2HF
Solicitors	Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX

Chemoxy International Limited

Contents

	Page
Strategic report	1 - 4
Directors' report	5 - 7
Directors' responsibilities statement	8
Independent auditor's report to the members of Chemoxy International Limited	9 - 12
Statement of comprehensive income	13
Balance sheet	14
Statement of changes in equity	15
Notes to the financial statements	16 - 28

Chemoxy International Limited

Strategic report Year ended 31 December 2021

Introduction

The company has chemical manufacturing facilities at Teesside UK, from which it provides custom processing services for leading chemical companies, manufactures its own range of performance products and undertakes solvent recovery activities.

Business review and future developments

The business has continued to deliver excellent results and to invest in its operating infrastructure and new product development.

During the COVID-19 Pandemic, the company swiftly made changes that allowed it to operate safely. Safety continues to be the number one priority for the company. The company was negatively impacted by the effects of the pandemic mainly around availability of materials and logistics. Towards the back end of the year the global energy market was heavily impacted with price increases on gas and power. This proved challenging for the business who were unable to pass on the impact in its entirety.

Whilst both pricing and volume pressure in most areas of the business continued to be challenging, the businesses agility and flexibility enables it to react quickly in response to new opportunities, which has enabled utilisation rates to remain high. Demand for customer processing services remained strong in a diverse range of markets. The company benefited from continued growth in the company's environmentally friendly solvents and its cosmetics and personal care range.

The company has a robust pipeline of new projects and plans to expand its technology platforms for both its custom processing activities and proprietary products. The company continues to expand its products for the cosmetic and personal care markets in Europe, Asia and the USA which have high growth potential in addition to the introduction of new grades of these products. In line with this, the company launched a major investment to construct a new production facility on its site in Billingham focused on the manufacture of environmentally friendly products for the cosmetics sector. This facility began production in January 2021.

The company has a well-resourced Research & Development department which is focused on the implementation of custom processing projects and the development of new products and technologies and is also able to leverage R&D resource from its parent company in France.

Environmental, Social, and Governance (ESG) issues have become increasingly important for the Chemical producers in the drive for a net-zero carbon future and Seqens Custom Specialties is committed to making sustainable development and ESG a priority. In support of this we have extensive programs in 3 key areas :

- continuing the decarbonization of our activities;
- reducing our environmental footprint, especially air emissions, water effluent and solid wastes; and
- focusing on responsible purchasing channels and on natural resources preservation.

The company believes that continued growth is attainable in custom processing from capacity expansion and increasing its technology offering.

As part of our Corporate Social Responsibility ("CSR") commitment and the increased regulatory drivers promoting recycling, reduction of emissions in paints, and safer cosmetic products the company is well positioned to capture growth opportunities for the business.

Future developments

The company continues to evaluate and assess its markets in order to invest in additional capacity and/or new technologies for its opportunity pipeline.

Chemoxy International Limited

Strategic report (continued) Year ended 31 December 2021

Principal risks and uncertainties

Competitive pressure and currency movements, both within the UK and overseas, are a continuing risk for most companies in our sector. The company manages this risk by providing value added services to its customers, having versatile assets, fast response times and by maintaining strong customer relationships. Currency exposure is supported by the activities of its parent company in France.

BREXIT brings with it uncertainties to all UK companies but the company has taken extra measures to ensure its pipeline in terms of all commercial aspects and a robust supply chain. Potential maximum trade tariffs would not have a material negative impact on the company.

Raw material and energy costs are a significant cost to the business; the company manages energy costs by employing energy experts who buy energy forward at appropriate times. The company manages raw material risk by ensuring it maintains in-depth market knowledge, inclusion of formula pricing where appropriate and maintenance of supply positions on key raw materials through global procurement.

The company manages its credit risk both through credit insurance and using the information received from its credit insurance partner. Whilst the company does not insure all of its customers it believes it has sensible and appropriate cover in place to manage its credit risk.

Safety remains our number one priority. At the start of the COVID-19 pandemic, we strictly followed the government guidelines, carried out regular risk assessments and introduced strict social distancing and hygiene measures to minimise risks to our employees. The extensive measures taken by the company have ensured that COVID-19 has not impacted our operational capability. As part of the directors assessment of going concern, we have applied sensitivities to the next 12 months forecast that include supply chain, energy and logistic issues and the directors and management are confident it will not significantly impact operations and our business continuity planning remains robust.

Financial key performance indicators

The operating profit has decreased to £5.2 million (2020: £5.4 million). The operating profit has slightly decreased due to cost pressures on the business. These pressures are being felt across the industry and management are working on strategies to address this. Management consider that the operating profits remains in a strong position.

Other key performance indicators

During the year, the company had excellent Health, Safety and Environmental Performance and continued to progress safety improvements through the ongoing focus on process safety performance indicators. These are a key metric aligned to the company's process safety performance, and a key part of the company's safety management system. Such attention to these KPI's is a key expectation of the regulators and is seen as best practice.

Chemoxy International Limited

Strategic report (continued) Year ended 31 December 2021

Directors' statement of compliance with duty to promote the success of the company (s.172 statement)

The directors have the duty to promote the success of the company for the benefit of stakeholders as a whole and remain conscious of the impact their decisions have on employees, communities, suppliers, customers, investors and the environment. The directors focus on engagement with all stakeholders and use this when taking decisions. The company's principal objectives are to grow both its market position and manufacturing capabilities, and to increase the value of the company by generating strong, sustainable and growing cashflows.

To achieve these objectives, the company has the following key strategies:

- Maintain health, safety and environmental excellence;
- Maintain and grow the company's leadership positions to enhance competitiveness;
- Maximise utilisation of assets;
- Pursue value-enhancing opportunities; and
- Develop and implement a sustainable business.

The directors believe these are critical long-term factors for the success of the company. The directors' decision making has been always aligned to the implementation of this strategy. There has been no change in principal decisions in the year.

The company aims to operate and develop its business in a way that supports both the current and future needs, taking into account relevant economic, environmental and social factors. This enables the company to sustain the business for the long term and generate returns to our stakeholders. The directors strongly believe that sustainable business management and practices will contribute to long-term business success and will strengthen the company's position in the various markets it operates within.

Stakeholder considerations

Engaging stakeholders and developing meaningful partnerships is essential for long-term business success. The company engages in regular, open and proactive dialogue with all relevant stakeholders as this is needed to understand their perspectives, expectations, concerns and needs. In this way, the company is able to integrate stakeholder's considerations into business decision making processes. Dialogue with stakeholders gives the company the opportunity to explain its clear and committed approach to sustainability as well as the value of the company's work, products and services for society.

Key stakeholders contribute to the company's economic, social and environmental performance. Stakeholders include investors, customers, suppliers, employees, local communities, industry associations, governments and value chain partners.

Employee considerations

The company fundamentally believes in the importance of communication with employees. This is to ensure that employees at all levels of the organisation are kept aware of key business developments, and in particular its financial performance, so as to focus attention on key performance metrics. This is achieved in regular communication sessions with every employee covering Environmental, Health and Safety ("EH&S") and financial performance and future development strategy.

Business news items are also communicated to each employee via email, notice boards and the intranet. The company facilitates a number of workgroups to discuss and action items within key areas such as EH&S, human resources, working capital, plant reliability and efficiency, and fixed costs.

Employees are provided with the necessary training required to be able to perform their role in accordance with the internal governance framework and external laws and regulations.

Chemoxy International Limited

Strategic report (continued)
Year ended 31 December 2021

This report was approved by the board on 27 September 2022 and signed on its behalf by:



H Webster
Director

Chemoxy International Limited

Directors' report Year ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Results and dividends

The profit for the year, after taxation, amounted to £5,578,591 (2020: £4,877,981).

A dividend of £nil was paid during the year (2020: £10,000,000). The directors do not recommend a final dividend (2020: £nil).

Directors

The directors who served during the year were:

L Castor
J Kandin
V Milhau
H Webster

Matters covered in the strategic report

Future developments, which would otherwise be disclosed in the directors' report, is instead disclosed in the strategic report, as permitted by s414C(11) of the Companies Act 2006.

Chemoxy International Limited

Directors' report (continued) Year ended 31 December 2021

SECR reporting

The company's greenhouse gas emissions and energy consumption for the year ended 31st December 2020 are summarised below.

	2021		2020	
	kWh	tCO2e	kWh	tCO2e
Scope 1	51,644,215	9,536	50,478,854	9,380
Scope 2	44,991,392	8,165	35,893,460	6,807
Total Scope 1 & 2	96,635,607	17,701	86,372,314	16,187
Number of employees		168		171
Intensity kWh or tCO2 per employee	514,121	96	565,121	104

SECR Methodology

Below is a brief outline of the methodology used to produce the various figures and identified opportunities for Chemoxy International Ltd.

Data Collection

Data was collected across the group as follows:

Utility Data: This was collected from energy suppliers in the form of HH data or NHH consumption summary reports.

Transport: This was collected from reports provided by the businesses fuel card providers and Travel Notes including tickets and Air miles.

Other Fuels: These were collected from delivery invoices during the Financial year.

Carbon Conversion

To perform the carbon conversion, we utilized the Government conversion factors for company reporting of greenhouse gas emissions found here:

<https://www.gov.uk/government/collections/government-conversion-factors-for-company-reporting>

To report the greenhouse gas emissions associated with an organization's activities, the carbon emissions need to be converted into 'activity data' such as:

- Distance travelled
- Litres of fuel used
- Tonnes of waste disposed

The conversion factor spreadsheets provide the values to be used for such conversions, and step by step guidance on how to use them.

A new set of conversion factors are published each year, together with a methodology paper explaining how the conversion factors are derived, and a paper explaining the major changes in the latest year's factors. All of which can be found following the Link above.

Energy Intensity

The Energy intensity metric utilized this year for Chemoxy International Ltd is kWh/number of employees. To calculate this Intensity, we summarized all number of employees by Chemoxy International Ltd and divided the total energy consumption by this figure to determine the energy intensity.

Identified opportunities

A number of Audits have been conducted in accordance to BS EN 16247-1:2012. Energy Audits reports were compiled, and opportunity assessments made to identify and extrapolate energy efficiency opportunities across the group.

Chemoxy International Limited

Directors' report (continued) Year ended 31 December 2021

A number of Audits have been conducted in accordance to BS EN 16247-1-2012. Energy Audits reports were compiled, and opportunity assessments made to identify and extrapolate energy efficiency opportunities across the group.

There are a number of areas that are being actively explored and the businesses cases developed to reduce energy.

1. Low grade steam collection and reuse
2. Heat recovery of bottoms distillation schemes via a feed pre-heater
3. Solar panels
4. Heat pumps on office buildings as a replacement to electrical heaters (c 100 electrical heaters counted in a recent audit)
5. Variable speed drives on the current fixed speed cooling towers

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

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

This report was approved by the board on 27 September 2022 and signed on its behalf by:



H Webster
Director

Chemoxy International Limited

Directors' responsibilities statement Year ended 31 December 2021

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

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

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



Independent auditor's report to the members of Chemoxy International Limited

Opinion

We have audited the financial statements of Chemoxy International Limited ('the company') for the year ended 31 December 2021, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



Independent auditor's report to the members of Chemoxy International Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report to the members of Chemoxy International Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We have communicated identified laws and regulations within our team and remained alert to any indications of non compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection, environmental law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we have not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Independent auditor's report to the members of Chemoxy International Limited (continued)

Use of our report

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.

Fern Rivett BA ACA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

27 September 2022

Chemoxy International Limited

Statement of comprehensive income Year ended 31 December 2021

	Note	2021 £	2020 £
Profit and loss account			
Turnover	5	66,138,183	51,790,337
Cost of sales		(56,663,159)	(42,256,116)
Gross profit		9,475,024	9,534,221
Administrative expenses		(4,516,297)	(4,325,837)
Other operating income	6	199,829	195,235
Operating profit	7	5,158,556	5,403,619
Interest receivable and similar income	11	7,064	11,879
Interest payable and similar expenses	12	(249,821)	(198,578)
Profit before tax		4,915,799	5,216,920
Tax on profit	13	662,792	(338,939)
Profit for the financial year		5,578,591	4,877,981

There was no other comprehensive income for 2021 and 2020

The notes on pages 16 to 28 form part of these financial statements.

Chemoxy International Limited

Balance sheet At 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	15	838,123	457,183
Tangible assets	16	30,029,616	30,500,087
		<u>30,867,739</u>	<u>30,957,270</u>
Current assets			
Stocks	17	14,371,671	10,287,896
Debtors	18	24,635,107	14,000,500
Cash at bank and in hand		2,072,596	2,693,920
		<u>41,079,374</u>	<u>26,982,316</u>
Creditors: amounts falling due within one year	19	(11,865,451)	(7,868,039)
Net current assets		<u>29,213,923</u>	<u>19,114,277</u>
Total assets less current liabilities		<u>60,081,662</u>	<u>50,071,547</u>
Creditors: amounts falling due after more than one year	20	(9,685,295)	(5,253,771)
Net assets		<u><u>50,396,367</u></u>	<u><u>44,817,776</u></u>
Capital and reserves			
Called up share capital	23	3,000,000	3,000,000
Profit and loss account	24	47,396,367	41,817,776
Total equity		<u><u>50,396,367</u></u>	<u><u>44,817,776</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 27 September 2022.



H Webster
Director

Company registered number: 00350164

The notes on pages 16 to 28 form part of these financial statements.

Chemoxy International Limited

Statement of changes in equity Year ended 31 December 2021

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2020	3,000,000	46,939,795	49,939,795
Comprehensive income for the year			
Profit for the year	-	4,877,981	4,877,981
Total comprehensive income for the year	-	4,877,981	4,877,981
Dividends paid	-	(10,000,000)	(10,000,000)
At 1 January 2021	3,000,000	41,817,776	44,817,776
Comprehensive income for the year			
Profit for the year	-	5,578,591	5,578,591
Total comprehensive income for the year	-	5,578,591	5,578,591
At 31 December 2021	3,000,000	47,396,367	50,396,367

The notes on pages 16 to 28 form part of these financial statements.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

1. General information

Chemoxy International Limited ('the company') provides custom processing and solvent recovery services for leading chemical companies and also manufactures its own range of performance products.

The company is a private company limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is given in the company information page of these financial statements.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 *'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'* ('FRS 102') and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling, which is the functional currency of the company and rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemptions relating to certain financial instruments and share-based payments disclosures and the preparation of a cash flow statement. The company is included in the consolidated financial statements of its parent, Sirona HoldCo S.à r.l..

3.3 Going concern

The directors have considered the company's projected future cash flows and working capital requirements and are confident that the company has sufficient cash flows to meet its working capital requirements for the next twelve months from the date of signing the financial statements. In making its going concern assessment, the company has considered its history of profitable operations and strong cash generation, the more recent experience of operating and financial performance during the continuing COVID-19 pandemic, likely future cash flows under a number of market based scenarios, and contractual payments under its debt facilities and the related covenant requirements. The company have applied various stress tests to the cash flow forecasts, going out at least 12 months from signing, and that even under these sensitised forecasts no liquidity issues have been noted. The company is confident in its ability to meet its commitments as they become due. Accordingly, the financial statements have been prepared on the going concern basis.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

3. Accounting policies (continued)

3.4 Revenue recognition

Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards have transferred to the buyer in accordance with the specific terms and conditions agreed with that customer, which is usually when the goods are physically delivered to the customer.

Government grant income

Government grants are recognised on the accruals basis. Grants relating to assets are recognised in the profit and loss account over the expected life of the asset. Other grants are recognised in the profit and loss account over the same periods in which the related costs are recognised. Grant monies received but deferred to future periods are included on the balance sheet as deferred income.

Interest income

Interest income is recognised on an accruals basis.

3.5 Employee benefits

Short-term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The company operates a defined contribution plan for its employees. The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts due but not paid are included within creditors on the balance sheet. The assets of the plan are held separately from the company in an independently administered fund.

3.6 Interest payable

Interest payable is charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

3.7 Taxation

Current tax is the amount of income tax payable (or receivable) in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax arises from timing differences, which are differences between taxable profits and profit as stated in the financial statements. These timing differences arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences, with certain exceptions. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

3. Accounting policies (continued)

3.8 Research and development

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

3.9 Foreign currency translation

Transactions in foreign currencies are translated into sterling using the spot exchange rates at the dates of the transactions. At each balance sheet date, foreign currency monetary items are translated using the spot rate at that date. Exchange gains and losses are recognised in the profit and loss account.

3.10 Intangible fixed assets

On 1 June 2007, the European Union regulation on chemicals and their safe use came into effect. This deals with the Registration, Evaluation, Authorisation and Restriction Substances ("REACH"). REACH applies to all substances manufactured, placed on the market and used in the European Union, either on their own, in mixtures or in products. REACH requires the registration of certain substances, with annual volumes exceeding a consumption of 1,000 metric tonnes, by 2010 and various other substances depending on their category by 2018.

As a company active in the chemical industry, the company has incurred costs in connection with REACH. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. These are amortised to the profit and loss on a straight line basis over their estimated useful lives of ten years.

3.11 Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the purchase price plus any further costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost less estimated residual value of each asset on a systematic basis over its expected useful life as follows:

Freehold property	-	2% per annum straight line
Plant and machinery	-	10% per annum straight line
Equipment	-	33% per annum straight line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

3.12 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost includes material costs, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in first-out) method. Provision is made for damaged, obsolete or slow-moving items where appropriate.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

3. Accounting policies (continued)

3.13 Financial instruments

Basic financial instruments, including trade and other debtors, cash and bank balances and trade and other creditors are initially recognised at transaction price, and subsequently carried at amortised cost using the effective interest method. Provisions for impairment are made as appropriate against the carrying amount of financial assets.

None of the company's debtors or creditors are considered to be financing transactions and the company does not have any 'non-basic' financial instruments.

3.14 Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations on the company similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, and the interest elements are charge to the profit and loss account over the period of the leases to produce a constant periodic rate of charge on the remaining balance of the liability.

Leases that do not confer rights and obligations approximating to ownership are classified as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

3.15 Dividends

Dividends and other distributions to the company's members are recognised when they become legally payable.

4. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, assumptions and estimates that affect the application of accounting policies and amounts reported in the profit and loss account and balance sheet. The judgments, estimates and assumptions are based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may be different from initial estimates and are reflected in the financial statements as soon as they become apparent.

Significant judgments in applying the entity's accounting policies

Management has determined that there is sufficient certainty of generating profits in the short to medium term to justify the recognition of a deferred tax asset of £6.1m, and have assessed that they should not recognise a deferred tax asset on a further £6.2m of available trading losses.

Key sources of estimation uncertainty

Estimates included within these financial statements include tangible asset useful lives and residual values, and also asset impairments (for example provisions against debtors and stocks). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

5. Turnover

An analysis of turnover by class of business is as follows:

	2021 £	2020 £
Sale of goods	42,155,608	39,196,252
Provision of services	23,982,575	12,594,085
	<u>66,138,183</u>	<u>51,790,337</u>

Analysis of turnover by country of destination:

	2021 £	2020 £
United Kingdom	14,786,032	13,311,439
Rest of Europe	35,715,538	27,877,664
Rest of the world	15,636,613	10,601,234
	<u>66,138,183</u>	<u>51,790,337</u>

6. Other operating income

	2021 £	2020 £
Other government grants	150,000	150,000
Coronavirus job retention scheme	49,829	45,235
	<u>199,829</u>	<u>195,235</u>

7. Operating profit

The operating profit is stated after charging/(crediting):

	2021 £	2020 £
Research & development charged as an expense	402,367	387,831
Foreign exchange differences	25,855	(443,321)
Operating lease rentals	246,727	235,127
Amortisation of intangible assets (included in administrative expenses)	90,769	59,409
Depreciation of tangible assets	<u>4,156,242</u>	<u>2,703,330</u>

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

8. Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>28,500</u>	<u>27,000</u>

9. Employees

Staff costs, including directors' remuneration, were as follows:

	2021 £	2020 £
Wages and salaries	9,239,591	8,519,340
Social security costs	788,782	732,497
Cost of defined contribution pension scheme	741,261	691,626
	<u>10,769,634</u>	<u>9,943,463</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2021 No.	2020 No.
Production	137	132
Administration	17	18
Management	17	18
	<u>171</u>	<u>168</u>

10. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	259,650	469,773
Company contributions to defined contribution pension schemes	11,073	17,784
	<u>270,723</u>	<u>487,557</u>

During the year retirement benefits were accruing to 1 director (2020 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £270,723 (2020 - £261,190).

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

11. Interest receivable

	2021 £	2020 £
Other interest receivable	7,064	11,879

12. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	15,712	2,053
Finance leases and hire purchase contracts	234,109	196,525
	249,821	198,578

13. Taxation

	2021 £	2020 £
Corporation tax		
Current tax on profits for the year	11,400	11,400
Adjustments in respect of previous periods	(131,465)	(1,748)
Total current tax	(120,065)	9,652
Deferred tax		
Origination and reversal of timing differences	897,424	1,020,559
Changes to tax rates	(1,452,533)	(691,676)
Adjustment in respect of previous periods	12,382	404
Total deferred tax	(542,727)	329,287
Total tax (credit)/charge for the year	(662,792)	338,939

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	4,915,799	5,216,920
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	934,002	991,215
Effects of:		
Expenses not deductible for tax purposes	46,155	69,243
Changes to tax rates	(1,452,533)	(691,675)
Adjustments to tax charge in respect of prior periods	(119,083)	(1,344)
Non-taxable income	(28,500)	(28,500)
Adjustment re prior years R&D claims	(42,833)	-
Total tax (credit)/charge for the year	(662,792)	338,939

Factors that may affect future tax charges

In the Spring Budget 2021, the Government announced that from 1 April 2023 the main rate of corporation tax would increase from 19% to 25%. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using the enacted tax rate and reflected in these financial statements.

See also deferred tax note (note 22).

14. Dividends

	2021 £	2020 £
Dividend on ordinary shares	-	10,000,000

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

15. Intangible assets

	Registrations £
Cost	
At 1 January 2021	594,096
Additions	471,709
At 31 December 2021	<u>1,065,805</u>
Amortisation	
At 1 January 2021	136,913
Charge for the year	90,769
At 31 December 2021	<u>227,682</u>
Net book value	
At 31 December 2021	<u>838,123</u>
At 31 December 2020	<u>457,183</u>

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

16. Tangible fixed assets

	Freehold property £	Plant and machinery £	Computer equipment £	Assets under construction £	Total £
Cost					
At 1 January 2021	3,547,317	77,531,332	866,454	7,068,226	89,013,329
Additions	-	956,775	-	2,728,996	3,685,771
Disposals	-	(9,884)	(387,285)	-	(397,169)
Transfers between classes	3,495,186	4,625,390	19,914	(8,140,490)	-
At 31 December 2021	<u>7,042,503</u>	<u>83,103,613</u>	<u>499,083</u>	<u>1,656,732</u>	<u>92,301,931</u>
Depreciation					
At 1 January 2021	1,749,704	56,113,255	746,880	(96,597)	58,513,242
Charge for the year	460,073	3,576,551	98,326	21,292	4,156,242
Disposals	-	(9,884)	(387,285)	-	(397,169)
Transfers between classes	(2,389)	(176,175)	(14,588)	193,152	-
At 31 December 2021	<u>2,207,388</u>	<u>59,503,747</u>	<u>443,333</u>	<u>117,847</u>	<u>62,272,315</u>
Net book value					
At 31 December 2021	<u>4,835,115</u>	<u>23,599,866</u>	<u>55,750</u>	<u>1,538,885</u>	<u>30,029,616</u>
At 31 December 2020	<u>1,797,613</u>	<u>21,418,077</u>	<u>119,574</u>	<u>7,164,823</u>	<u>30,500,087</u>

Included in freehold property is land at cost of £472,000 (2020: £472,000) which is not depreciated.

17. Stocks

	2021 £	2020 £
Raw materials and consumables	3,600,025	2,148,058
Work in progress	2,683,073	1,663,349
Finished goods	8,088,573	6,476,489
	<u>14,371,671</u>	<u>10,287,896</u>

Stocks are stated after provisions for impairment of £nil (2020: £nil). The impairment charge recognised during the year in relation to stock was £nil (2020: £nil).

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

18. Debtors

	2021 £	2020 £
Trade debtors	9,138,671	6,448,330
Amounts owed by group undertakings	8,000,000	-
Other debtors	47,119	1,528,588
Prepayments and accrued income	909,944	275,474
Tax recoverable	446,282	197,744
Deferred taxation	6,093,091	5,550,364
	<u>24,635,107</u>	<u>14,000,500</u>

Trade debtors are stated after provisions for impairment of £nil (2020: £nil). The impairment charge recognised during the year in relation to trade debtors was £nil (2020: £nil). Amounts due from group companies are repayable on demand.

19. Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	6,300,654	4,517,761
Amounts owed to group undertakings	45,234	373,452
Other taxation and social security	263,737	214,378
Net obligations under finance lease and hire purchase contracts (note 21)	3,268,993	1,590,598
Other creditors	942	424
Accruals and deferred income	1,985,891	1,171,426
	<u>11,865,451</u>	<u>7,868,039</u>

20. Creditors: amounts falling due after more than one year

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts (note 21)	9,435,295	4,853,771
Accruals and deferred income	250,000	400,000
	<u>9,685,295</u>	<u>5,253,771</u>

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	3,268,992	1,590,598
Between 1-5 years	10,424,327	5,380,908
Less future interest charges	(989,031)	(527,137)
Carrying amount of liability	12,704,288	6,444,369

Hire purchase liabilities are secured over the assets to which they relate.

22. Deferred taxation

	2021 £
At beginning of year	5,550,364
Credited to the profit and loss account	542,727
At end of year	6,093,091

The deferred tax asset is made up as follows:

	2021 £	2020 £
Fixed assets timing differences	(1,393,053)	(830,715)
Tax losses carried forward	7,445,276	6,369,679
R&D expenditure credit	40,868	11,400
	6,093,091	5,550,364

In addition to the deferred tax asset recognised within these financial statements, the company has further potential deferred tax assets relating to surplus Advance Corporation Tax of £0.2 million (2020: £0.2 million) and capital losses of £69 million (2020: £69 million). A deferred tax asset has not been recognised in relation to these losses due to uncertainty as to the timing of utilisation and benefit.

The net amount of deferred tax assets and liabilities that are expected to reverse within one year of the balance sheet date is £1,906,000 (2020: £698,000). This figure takes account of both the reversal of existing timing differences and the origination of new ones.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2021

23. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
23,076,924 (2020: 23,076,924) Ordinary shares of £0.13 each	3,000,000	3,000,000

24. Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses net of cumulative dividends paid and other adjustments.

25. Commitments under operating leases

At 31 December 2021 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	246,727	235,127
Later than 1 year and not later than 5 years	657,944	713,088
Later than 5 years	600,000	700,000
	1,504,671	1,648,215

26. Related party transactions

Key management personnel comprise the executive directors, whose remuneration is given in note 10.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly-owned within the group.

27. Controlling party

The immediate parent undertaking is Crossco (1255) Limited, a company registered in England. The ultimate parent undertaking and the group to consolidate these financial statements is Sirona HoldCo S.à r.l., a company registered in Luxembourg. The consolidated financial statements of Sirona HoldCo S.à r.l. can be obtained from 53 Boulevard Royal, L-2449 Luxembourg.