

Registered number: 00350164

Chemoxy International Limited

Annual report

31 December 2023

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Chemoxy International Limited

Company information

Directors

L Castor
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

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1 Trinity Gardens
2nd Floor
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Newcastle upon Tyne
NE1 2HF

Solicitors

Womble Bond Dickinson LLP
St Ann's Wharf
112 Quayside
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NE1 3DX

Chemoxy International Limited

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Chemoxy International Limited

Strategic report

Year ended 31 December 2023

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 positive results and to invest in its operating infrastructure and new product development and though 2023 saw a more challenging year than 2022 the business pipeline remains very strong.

Safety continues to be the number one priority for the company.

Though energy markets settled in 2023 the company continues to exercise a range of energy approaches to de-risk its activities including appropriate hedging strategies, energy recovery and consumption reduction programmes. The business model has inherent robustness with a large proportion of the sales activity able to pass through both utilities and other fixed cost increases.

From a business perspective 2023 was a year of two halves wherein, due largely to overstocking across several sectors by customers in late 2022, driven by geo-political uncertainty, demand fell considerably in H2 2023 notably in the area of contract manufacturing.

Despite this the businesses agility and flexibility enabled it to react and capture new opportunities both for within 2023 but also for the 2024 and beyond pipeline. The company continued to grow in the company's reduced environmental impact products and its 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 Personal care products.

2023 saw investment by the company's parent, Seqens, in a new yet highly experienced commercial and business development team across the globe, which enabled both further geographic expansion and the start of a new channel to market strategy getting closer to end customers to be both better informed re directional market development but also add greater value. In support of this move in 2023 the company began investment in dedicated packaging and filling line for Personal Care products at its site in Billingham with planned Ready For Operation (RFO) in 2024.

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

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

Corporate Social Responsibility ("CSR") has become increasingly important for 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.

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

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 2023

Principal risks and uncertainties

Competitive pressure notably from overseas producers in Asia is a continuing risk for most companies in our sector. The company manages this risk via a strong improved competitiveness plan, by providing rare technology and operational capabilities plus value added services to its customers, having versatile assets, fast response times and by maintaining strong customer relationships. Currency exposure is supported by the hedging activities of its parent company in France.

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.

Financial key performance indicators (KPIs)

This year there was an operating loss of £3.7 million versus the record year of 2022 (2022: £8.6 million). The operating loss has been driven by a decrease in sales volumes in the latter part of 2023 as customer stocks were high, only in part offset by tight cost control. In addition, increased Group Management Fees contributed to the in year operating loss. Management consider that despite the operating loss, the business remains in a robust and sustainable position.

Other key performance indicators

During the year, the company had excellent Health, Safety and Environmental Performance, measured through hazardous area section compliance and open action management, 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 2023**

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.

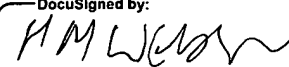
Business news items are also communicated widely to each employee via email, F2F meetings and the company's intranet. The company facilitates a number of workgroups to discuss and action items within key areas such as EH&S, human resources, working capital, plant reliability and efficiency, and fixed 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 2023

This report was approved by the board on 8 November 2024 and signed on its behalf by:

DocuSigned by:

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H Webster
Director

Chemoxy International Limited

Directors' report Year ended 31 December 2023

The directors present their report and the financial statements for the year ended 31 December 2023.

Results and dividends

The loss for the year, after taxation, amounted to £2,414,263 (2022: profit £6,312,633).

Directors

The directors who served during the year and up to the date of signing the financial statements were:

L Castor
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.

SECR reporting

The company's greenhouse gas emissions and energy consumption for the year ended 31st December 2022 are summarised below.

	2023 kWh	tCO2e	2022 kWh	tCO2e
Scope 1	49,897,743	9,226	65,323,579	12,090
Scope 2	47,649,489	8,831	49,395,688	8,694
Total Scope 1 & 2	97,547,232	18,057	114,719,267	20,784
Number of employees	197		183	
Intensity kWh or tCO2 per employee	495,164	91	626,881	114

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 Half Hourly (HH) data or Non Half Hourly (NHH) consumption summary reports.

Transport: This was collected from reports on expense claims and fuel purchases.

Other fuels and refrigerant top ups: These were collected from delivery invoices and maintenance reports 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 organisation's activities, the carbon emissions need to be converted into 'activity data' such as:

Chemoxy International Limited

Directors' report (continued) Year ended 31 December 2023

- 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 utilised this year for Chemoxy International Ltd is kWh/number of employees. To calculate this intensity, we summarised all number of employees by Chemoxy International Ltd and divided the total energy consumption by this figure to determine the energy intensity.

Identified opportunities

Chemoxy International Ltd has implemented several energy efficiency initiatives as part of its commitment to reducing energy consumption and carbon emissions:

1. **Motors & Drives Improvement:** As part of Chemoxy's ongoing motor & drive upgrade programme, variable speed drives were installed on the B2.1 Agitator and AG201 Agitator within the financial year. These projects have led to a reduction in electricity consumption of 15% & 69% respectively vs. the baseline period, and are monitored through an ongoing M&V programme
2. **Lighting and Insulation Upgrades:** In Q4 2022, LED lighting was installed in M2.1 and M2.2, and building insulation was improved to reduce heat loss as part of a broader refurbishment project.
3. **Energy Savings Opportunity Scheme (ESOS):** As part of our compliance with the Energy Savings Opportunity Scheme, additional site audits were carried out which identified further opportunities for energy savings across operations.
4. **Energy Monitoring:** Between 2022 and 2023, advanced monitoring equipment was installed, in partnership with Businesswise Solutions, to provide more detailed insights into energy consumption. This allows for more precise tracking and optimisation of energy usage across the facility.
5. **Leak Detection:** An acoustic imaging camera, acquired in late 2022, helps identify nitrogen and compressed air leaks. We anticipate this has helped to reduce energy demand of the compressor by around 5%, saving approximately 61,000 kWh annually.

These initiatives contribute to Chemoxy's ongoing efforts to enhance energy efficiency and reduce its environmental impact under the SECR framework.

Post balance sheet events

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

Disclosure of information to auditor

The directors at the time when this director's report is approved has confirmed that:

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

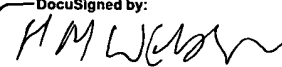
Chemoxy International Limited

Directors' report (continued) Year ended 31 December 2023

Auditor

Pursuant to section 487(2) 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 8 November 2024 and signed on its behalf by:

DocuSigned by:

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H Webster
Director

Chemoxy International Limited

Directors' responsibilities statement Year ended 31 December 2023

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 2023, 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 2023 and of its loss 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 in place regarding compliance with the laws and regulations. We communicated identified laws and regulations throughout our audit 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 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 or 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 did 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.

Signed by:


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Ian Kelsall ACA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

8 November 2024

Chemoxy International Limited

Statement of comprehensive income Year ended 31 December 2023

	Note	2023 £	2022 £
Profit and loss account			
Turnover	5	61,965,319	90,738,681
Cost of sales		(57,430,488)	(76,405,827)
Gross profit		4,534,831	14,332,854
Administrative expenses		(8,364,399)	(5,887,000)
Other operating income	6	150,000	150,000
Operating (loss)/profit	7	(3,679,568)	8,595,854
Interest receivable and similar income	11	778,972	17,565
Interest payable and similar expenses	12	(244,946)	(252,755)
(Loss)/profit before tax		(3,145,542)	8,360,664
Tax on (loss)/profit	13	731,279	(2,048,031)
(Loss)/profit for the financial year		(2,414,263)	6,312,633

There was no other comprehensive income for 2023 and 2022.

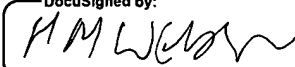
The notes on pages 16 to 29 form part of these financial statements.

Chemoxy International Limited

Balance sheet At 31 December 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	14	624,961	731,543
Tangible assets	15	31,070,995	30,285,621
		<u>31,695,956</u>	<u>31,017,164</u>
Current assets			
Stocks	16	12,561,056	13,465,122
Debtors	17	26,240,919	31,910,019
Cash at bank and in hand		1,175,530	2,489,263
		<u>39,977,505</u>	<u>47,864,404</u>
Creditors: amounts falling due within one year	18	(14,007,093)	(15,431,945)
Net current assets		<u>25,970,412</u>	<u>32,432,459</u>
Total assets less current liabilities		<u>57,666,368</u>	<u>63,449,623</u>
Creditors: amounts falling due after more than one year	19	(3,371,631)	(6,740,623)
Net assets		<u>54,294,737</u>	<u>56,709,000</u>
Capital and reserves			
Called up share capital	22	3,000,000	3,000,000
Profit and loss account	23	51,294,737	53,709,000
Total equity		<u>54,294,737</u>	<u>56,709,000</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8 November 2024.

DocuSigned by:

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H Webster
 Director

Company registered number: 00350164

The notes on pages 16 to 29 form part of these financial statements.

Chemoxy International Limited

Statement of changes in equity Year ended 31 December 2023

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2022	3,000,000	47,396,367	50,396,367
Profit and total comprehensive income for the year	-	6,312,633	6,312,633
At 1 January 2023	3,000,000	53,709,000	56,709,000
Loss and total comprehensive expense for the year	-	(2,414,263)	(2,414,263)
At 31 December 2023	3,000,000	51,294,737	54,294,737

The notes on pages 16 to 29 form part of these financial statements.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

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 in the United Kingdom and registered in England and Wales. The address of its registered office is given in the company information page of this annual report.

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 company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 1 to 4. The directors have considered the expected future performance of the company alongside a letter of support provided by Seqens SAS, confirming that they will provide all required support to the business for a period of 12 months from the approval of the financial statements.

On this basis and having regard for the company's forecasts and projections, the directors are satisfied that it is appropriate to continue to prepare the financial statements on a going concern basis.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

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 Research and development

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

3.8 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.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

3. Accounting policies (continued)

3.9 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.

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	-	2.5% - 20% 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.

Assets in the course of construction are stated at cost. These assets are not depreciated until they are available for use, at which point they are depreciated in line with plant and machinery and are reviewed for impairment at each reporting date.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

3. Accounting policies (continued)

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.

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.

Derivative financial instruments, comprising energy and foreign exchange forward contracts, are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date. Changes in fair value are recognised in the profit and loss account within administrative expenses.

The company does not currently apply hedge accounting for its forward energy contracts.

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.

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 £5.1m. The company has further potential deferred tax assets relating to surplus Advance Corporation Tax of £0.2 million and capital losses of £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.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

4. Judgments in applying accounting policies (continued)

Key sources of estimation uncertainty

Labour and overheads are absorbed into the WIP and finished goods using expected costs and labour hours to calculate the appropriate absorption rate per hour. This is considered to be a key estimate due to fluctuations in both costs and actual labour hours worked.

Other 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.

5. Turnover

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

	2023 £	2022 £
Sale of goods	42,267,510	47,732,880
Provision of services	19,697,809	43,005,801
	<u>61,965,319</u>	<u>90,738,681</u>

Analysis of turnover by country of destination:

	2023 £	2022 £
United Kingdom	17,306,324	27,726,692
Rest of Europe	34,156,300	46,550,575
Rest of the world	10,502,695	16,461,414
	<u>61,965,319</u>	<u>90,738,681</u>

6. Other operating income

	2023 £	2022 £
Government grants	<u>150,000</u>	<u>150,000</u>

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

7. Operating (loss)/profit

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

	2023 £	2022 £
Foreign exchange differences	64,422	323,793
Operating lease rentals	322,801	337,160
Amortisation of intangible assets (included in administrative expenses)	106,582	106,580
Depreciation of tangible assets	4,486,623	4,117,050

8. Auditor's remuneration

	2023 £	2022 £
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	33,000	33,000

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the consolidated accounts of the parent company.

9. Employees

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

	2023 £	2022 £
Wages and salaries	10,752,973	10,363,943
Social security costs	1,005,659	948,862
Cost of defined contribution pension scheme	937,857	841,601
	12,696,489	12,154,406

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

	2023 No.	2022 No.
Production	156	145
Administration	24	21
Management	17	17
	197	183

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

10. Directors' remuneration

	2023 £	2022 £
Directors' emoluments	339,083	334,294
Company contributions to defined contribution pension schemes	20,091	38,470
	<u>359,174</u>	<u>372,764</u>

During the year retirement benefits were accruing to 1 director (2022: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £339,083 (2022: £334,294).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,091 (2022: £38,470).

11. Interest receivable

	2023 £	2022 £
Interest receivable from group companies	<u>778,972</u>	<u>17,565</u>

12. Interest payable

	2023 £	2022 £
Bank interest payable	7,786	15,595
Finance leases and hire purchase contracts	237,160	237,160
	<u>244,946</u>	<u>252,755</u>

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

13. Taxation

	2023 £	2022 £
Corporation tax		
Current tax on profits for the year	213,393	148,980
Adjustments in respect of previous periods	8,236	(3,009)
Total current tax	221,629	145,971
Deferred tax		
Origination and reversal of timing differences	(1,158,134)	1,442,379
Changes to tax rates	(55,529)	450,808
Adjustment in respect of previous periods	260,755	8,873
Total deferred tax	(952,908)	1,902,060
Total tax (credit)/charge for the year	(731,279)	2,048,031

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 23.52% (2022: 19%). The differences are explained below:

	2023 £	2022 £
Profit before tax	(3,145,542)	8,360,664
Profit multiplied by standard rate of corporation tax in the UK of 23.52% (2022: 19%)	(738,619)	1,588,526
Effects of:		
Expenses not deductible for tax purposes	59,037	32,507
Changes to tax rates	(55,529)	450,808
Adjustments in respect of previous periods	268,991	5,864
Benefit of super deduction	(553)	(1,174)
Non-taxable income	(35,280)	(28,500)
Adjustment re prior years R&D claims	(229,326)	-
Total tax (credit)/charge for the year	(731,279)	2,048,031

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

13. Taxation (continued)

Factors that may affect future tax charges

In the Spring Budget 2021 it was announced that the main UK corporation tax rate would increase from 19% to 25% from 1 April 2023. This rate increase was substantively enacted as part of the Finance Act 2021 on 24 May 2021 and has now taken effect. Accordingly, the company's profits are taxed at an effective rate of 23.52% for the year ended 31 December 2023 (19% for the year ended 31 December 2022), and future profits will be taxed at a rate of 25%. Deferred tax at the balance sheet date has been calculated at 25% (2022: 25%), as this was the tax rate substantively enacted at the year end.

See also deferred tax note (note 21).

14. Intangible assets

	Registrations £
Cost	
At 1 January and 31 December 2023	1,065,805
Amortisation	
At 1 January 2023	334,262
Charge for the year	106,582
At 31 December 2023	440,844
Net book value	
At 31 December 2023	624,961
At 31 December 2022	731,543

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

15. Tangible fixed assets

	Freehold property £	Plant and machinery £	Computer equipment £	Assets under construction £	Total £
Cost					
At 1 January 2023	7,061,665	83,671,563	553,137	5,064,659	96,351,024
Additions	-	893,665	-	5,008,339	5,902,004
Disposals	-	(39,185)	-	-	(39,185)
Transfers between classes	314,290	4,944,239	74,539	(5,333,068)	-
Utilisation	-	(630,007)	-	-	(630,007)
At 31 December 2023	<u>7,375,955</u>	<u>88,840,275</u>	<u>627,676</u>	<u>4,739,930</u>	<u>101,583,836</u>
Depreciation					
At 1 January 2023	2,676,425	62,801,077	488,688	99,213	66,065,403
Charge for the year	495,013	3,860,392	45,994	85,224	4,486,623
Disposals	-	(39,185)	-	-	(39,185)
Transfers between classes	-	184,437	-	(184,437)	-
At 31 December 2023	<u>3,171,438</u>	<u>66,806,721</u>	<u>534,682</u>	<u>-</u>	<u>70,512,841</u>
Net book value					
At 31 December 2023	<u>4,204,517</u>	<u>22,033,554</u>	<u>92,994</u>	<u>4,739,930</u>	<u>31,070,995</u>
At 31 December 2022	<u>4,385,240</u>	<u>20,870,486</u>	<u>64,449</u>	<u>4,965,446</u>	<u>30,285,621</u>

Included in freehold property is land at cost of £472,000 (2022: £472,000) which is not depreciated.

The net book value of assets held under finance leases is £11,299,731 (2022: £13,327,119).

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

16. Stocks

	2023 £	2022 £
Raw materials and consumables	3,342,329	4,970,653
Work in progress	1,693,326	2,051,330
Finished goods	7,525,401	6,443,139
	<u>12,561,056</u>	<u>13,465,122</u>

Stocks are stated after provisions for impairment of £488,255 (2022: £343,658). The impairment charge recognised during the year in relation to stock was £144,597 (2022: £61,430).

17. Debtors

	2023 £	2022 £
Trade debtors	7,487,640	15,869,902
Amounts owed by group undertakings	9,989,408	10,147,700
Other debtors	722,967	39,720
Prepayments and accrued income	872,074	1,303,249
Tax recoverable	2,024,891	358,417
Deferred taxation	5,143,939	4,191,031
	<u>26,240,919</u>	<u>31,910,019</u>

Trade debtors are stated after provisions for impairment of £nil (2022: £nil). The impairment charge recognised during the year in relation to trade debtors was £nil (2022: £nil).

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

18. Creditors: amounts falling due within one year

	2023 £	2022 £
Invoice financing facility	1,672,411	-
Trade creditors	2,527,500	7,952,182
Amounts owed to group undertakings	3,373,301	69,818
Other taxation and social security	286,274	479,512
Net obligations under finance lease and hire purchase contracts (note 20)	3,268,992	3,031,833
Other creditors	2,014	1,635
Accruals and deferred income	2,876,601	3,896,965
	<u>14,007,093</u>	<u>15,431,945</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

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

	2023 £	2022 £
Net obligations under finance leases and hire purchase contracts (note 20)	3,371,631	6,640,623
Accruals and deferred income	-	100,000
	<u>3,371,631</u>	<u>6,740,623</u>

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2023 £	2022 £
Within one year	3,268,992	3,269,024
Between 1-5 years	3,886,341	7,141,879
Greater than 5 years	-	13,424
Less: future interest charges	(514,710)	(751,871)
Carrying amount of liability	<u>6,640,623</u>	<u>9,672,456</u>

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

21. Deferred taxation

Chemoxy International Limited

Notes to the financial statements Year ended 31 December 2023

21. Deferred taxation (continued)

	2023 £
At beginning of year	4,191,031
Charged to the profit and loss account	952,908
At end of year	5,143,939

The deferred tax asset is made up as follows:

	2023 £	2022 £
Fixed assets timing differences	(2,611,293)	(1,672,755)
Tax losses carried forward	7,485,071	5,863,286
R&D expenditure credit	270,161	-
Short term timing differences	-	500
	5,143,939	4,191,031

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 (2022: £0.2 million) and capital losses of £69 million (2022: £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 £409,000 (2022: £2,243,000). 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 2023

22. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
23,076,924 (2022: 23,076,924) Ordinary shares of £0.13 each	3,000,000	3,000,000

23. Reserves

Profit and loss account

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

24. Commitments under operating leases

At 31 December 2023 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2023 £	2022 £
Not later than 1 year	311,686	237,692
Later than 1 year and not later than 5 years	649,205	520,252
Later than 5 years	400,000	500,000
	1,360,891	1,257,944

25. 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.

26. 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.