**Contract Chemicals (Knowsley) Limited**

# Directors' report and financial statements

Registered number 1737260

31 March 2017

# Contents

# Strategic Report for the year ended 31st March 2017

**Review of the business**

The Company's key performance indicators are turnover, gross profit and management of working capital. Turnover reduced in the year from £17.19m to £14.97m. Gross profit remained consistent at £2.5m. This was due to the mix of products being manufactured due to their various bills of materials. There was an increase in stocks from £1.3m to £1.9m, debtors from £2.3m to £2.9m and creditors from £4.7m to £5.6m. This was due to the different products held at the respective year ends and the various customers and suppliers during the year.

**Strategy**

The Company's strategy is to grow revenue and margins in its chosen market and technology segments. This will be achieved through continued efficiency improvements for existing business, securing demand at new customers and the continuing introduction of new higher value-added projects.

**Progress**

New product development continued to be the focus during the year to continuously renew the product offering. Out of a total of 38 products produced on plant, 3 were totally new introductions during 2016/17. All 3 products have the potential to grow into the future.

**Risks and Uncertainties**

The principal risks and uncertainties in the business remain largely unchanged in market risk, cost burden risk and currency risk.

The market risk is associated with the attrition and renewal of business given the segments the Company operates in. The single largest segment is the agrochemical sector and it will continue to be so for the foreseeable future. This sector can be impacted by the weather so it can see some short-term volatility. 2016/17 saw a softening of demand in Q3, largely driven by customer inventory management programmes, prior to a marked upturn across key sectors in Q4.

The new product development portfolio of the Company continues to be a key focal point with the flow of new enquiries remaining healthy and diverse; achieving a key performance target for the Company.

The cost burden risk is associated with the volatility of feedstock chemical prices, the high cost of energy and increases in regulatory costs. The Company has had to develop a culture with its customers where these increases can be managed and passed on through increased pricing in its products. Commodity chemical markets continued to be relatively stable during the year, nevertheless the Company must remain vigilant and proactive to ensure that both competitive pricing for raw materials, and the value in its offering to its customers, is maintained.

Currency risk during the year was mitigated through the change during 2015/16 to pricing in Sterling to the Company's single largest customer. Nevertheless, the Company will continue to monitor exchange rates and employ hedging strategies on both sales and purchases.

By order of the board

**Dr T W Bastock**
*Director*
3.9.18

# Directors' Report for the year ended 31st March 2017

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

**Principal activities**

The principal activities of the company during the year were the manufacture, processing and marketing of chemicals.

**Key Performance Indicators**

See Strategic Report.

**Research and development**

The company's activities in research and development are concentrated on the initiation and development of new products and processes and the introduction of improvements in existing products, manufacturing processes and systems employed within the main business areas.

**Proposed dividend and transfer to reserves**

A dividend of 10% has been proposed on the company's preference shares *(2016: 10%)*. The directors do not propose a dividend on the ordinary shares *(2016: £nil)*.

**Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dr DA Jones
BW Trenbirth
Dr TW Bastock
MJ Holding
J Melia (resigned 30 April 2018)

**Third party indemnity provision for directors**

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

**Employees**

The established overall policies and objectives of the company in employee health, safety and welfare matters continue to be under the regular and close scrutiny of the directors. They are intended to ensure that safe and sensible working practices are observed at all times.

**Matters of Strategic Importance**

Information about future developments and key performance indicators required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in a separate Strategic Report in accordance with section 414 C(11) of the Companies Act 2006.

**Disclosure of information to auditors**

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

**Auditor**

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an annual General Meeting.

By order of the board

**Dr TW Bastock**
*Director*

3.9.18

Penrhyn Road,
Knowsley Business Park
Prescot, Merseyside
L34 9HY

## Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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 CONTRACT CHEMICALS (KNOWSLEY) LIMITED

**Opinion on financial statements**
We have audited the financial statements on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion 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, based on the work undertaken in the course of our audit, the Strategic Report and 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 any material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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.

**Respective responsibilities of directors and auditor**
As more fully explained in the Directors' Responsibilities Statement set out on page 4 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**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.

RSM UK Audit LLP

Michael Fairhurst FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP,
Statutory Auditor
Chartered Accountants
One City Place, Queens Road
Chester
CH1 3BQ

Date: 3 September 2018

# Statement of Income and Retained Earnings
*for the year ended 31 March 2017*

| | Note | 2017<br>£000 | 2016<br>£000 |
|---|---|---|---|
| **Turnover** | 2 | **14,970** | 17,185 |
| Cost of sales | | **(12,466)** | (14,700) |
| **Gross profit** | | **2,504** | 2,485 |
| Distribution costs | | **(551)** | (608) |
| Administrative expenses | | **(2,191)** | (2,363) |
| Other operating income | | **40** | 41 |
| **Operating loss** | 3 | **(198)** | (445) |
| Changes in fair values of derivatives | | **30** | (23) |
| Interest payable and similar charges | 4 | **(119)** | (151) |
| **Loss on ordinary activities before taxation** | | **(287)** | (619) |
| Tax on loss on ordinary activities | 7 | **46** | 112 |
| **Loss for the financial year** | | **(241)** | (507) |
| **Retained profits at 1 April** | | **1,644** | 2,151 |
| **Retained profits at 31 March** | | **1,403** | 1,644 |

# Statement of Financial Position
*at 31 March 2017*

| | *Note* | 2017 £000 | 2017 £000 | 2016 £000 | 2016 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *8* | | **5,285** | | 6,029 |
| **Current assets** | | | | | |
| Stocks | *9* | **1,914** | | 1,264 | |
| Debtors due within one year | *10* | **2,941** | | 2,310 | |
| Cash at bank and in hand | | **184** | | 80 | |
| | | **5,039** | | 3,654 | |
| **Creditors:** amounts falling due within one year | *11* | **(5,552)** | | (4,661) | |
| **Net current liabilities** | | | **(513)** | | (1,007) |
| **Total assets less current liabilities** | | | **4,772** | | 5,022 |
| **Creditors**: amounts falling due after more than one year | *12* | | **(3,201)** | | (3,164) |
| **Provision for liabilities and charges** Deferred tax | *13* | | **(168)** | | (214) |
| **Net assets** | | | **1,403** | | 1,644 |
| **Capital and reserves** | | | | | |
| Called up share capital | *14* | | **-** | | - |
| Profit and loss account | | | **1,403** | | 1,644 |
| **Total equity** | | | **1,403** | | 1,644 |

These financial statements were approved by the board of directors and authorised for issue on 3.9.18 and were signed on its behalf by:

**Dr T W Bastock**
*Director*

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

### *General information*

Contract Chemicals (Knowsley) Limited ("the company") is a limited company domiciled and incorporated in England.

The address of the company's registered office and principal place of business is Penrhyn Road, Knowsley Business Park, Prescot, L34 9HY.

The company's principal activity is the manufacture of chemicals.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

### *Basis of accounting*

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000, except where otherwise indicated.

The financial statements are presented in sterling (£), which is also the functional currency of the company.

### *Reduced disclosures*

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument
- Section 33 'Related Party Disclosures' – Compensation for key management personnel

### *Going concern*

The company meets its day to day working capital requirements from third party borrowings, which are included in the balance sheet in other creditors. The company is also supported by other group companies, who have confirmed they will not require repayment of any liabilities within 12 months of the date of approval of these financial statements.

Subsequent to the year end the company has secured additional support from creditors and the continued support of the directors. The forecasts and cash flow projections are profitable and cash generative.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Going concern** (continued)*

Prior to filing the 2016/17 accounts, the Company received an unsolicited acquisitive approach from a third party, resulting in the filing being delayed while the approach was evaluated. Ultimately, the approach was rejected, however by this stage, the Company's existing third party borrowing facilities had reached the end of the agreed term. Therefore, to raise additional working capital, the Company undertook a re-banking exercise, completed successfully in August 2018 with a 3-year financing agreement, subject to performance to typical covenants.

In the opinion of the directors the new financing facilities are expected to continue for the foreseeable future, with the forecast that the company will continue to trade for a period of more than 12 months following the date of approving the financial statements. The forecasts take into account transactions that are anticipated to take place in the foreseeable future, were subjected to reasonable sensitisation, with the conclusion that the facilities are adequate for purpose. On this basis the directors have concluded that adopting the going concern basis of accounting in preparing the annual financial statements is appropriate.

***Turnover***

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods in the ordinary nature of the business and is shown net of Value Added Tax.

***Fixed assets and depreciation***

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives. Ranges of rates are shown below reflecting the effects of depreciating fixed assets on cost as follows:

| | | |
|---|---|---|
| Plant, machinery and fixtures | - | 5% - 33% per annum straight line |

***Impairments***

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of net realisable value and value-in-use, are recognised as impairments. Impairments of revalued assets, except those caused by a clear consumption of economic benefit, are recognised in the statement of total recognised gains and losses until the carrying amount reaches depreciated historic cost. All other impairment losses are recognised in the profit and loss account.

***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction.

***Government grants***

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

***Research and development expenditure***
Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***Retirement benefits***

The company operates a defined contribution pension scheme. This replaced the former pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

***Leases***

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

***Stocks***

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

At each reporting date, the company assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss.

Reversals of impairment losses are also recognised in profit or loss.

***Taxation***

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

## 1 Accounting policies *(continued)*

***Taxation(continued)***

Current and deferred tax is charged to the profit and loss, except when it relates to items charged or credited to comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

***Financial instruments***
The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are offset only when the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**Financial assets**
*Trade debtors*
Trade debtors which are receivable within one year are initially measured at the transaction price. Trade debtors are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

**Financial liabilities and equity**
Financial instruments are classified as liabilities and equity instruments according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

*Trade creditors*
Trade creditors payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

*Derecognition of financial assets and liabilities*
A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**Equity instruments**
Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of direct costs of issuing the equity instruments.

**Derivative instruments**
The company holds financial instruments that qualify as derivatives in order to manage its currency risks arising from its operations. The company places forward contracts for the purchase and sale of Euros and US Dollars at fixed rates. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date.

## Notes *(continued)*

**Critical accounting estimates and areas of judgement**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The company's stocks are valued at the lower of cost and net realisable value. In valuing stocks, management make estimates about future selling prices, taking into account known customer demand and order books, as well as industry demand. Provisions are made where the anticipated net realisable value of the product reduces below the direct costs incurred.

The company contracts with customers for the supply of products over a period of time. These contracts are renewed periodically. In considering the recoverable value of tangible fixed assets, the directors consider the future expected cash flows that will be generated from these contracts and the timing of capital expenditure.

In recognising an asset for deferred taxation, the directors make estimations about the future taxable profits of the company. These involve assessing the future profitability of the business and the timing of capital expenditure.

### 2 Turnover

Turnover represents the amounts (excluding value added tax) delivered and derived from the manufacture, sale and marketing of chemicals to third party customers during the year.

The company has only one class of turnover.

**Analysis of turnover**

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| ***By geographical market*** | | |
| Europe | **12,744** | 14,249 |
| The Americas | **491** | 453 |
| Middle East and Far East | **1,735** | 2,483 |
| | **14,970** | 17,185 |

# Notes *(continued)*

## 3 Loss on ordinary activities before taxation

| | 2017 £000 | 2016 £000 |
|---|---|---|
| ***Loss on ordinary activities before taxation is stated:*** | | |
| *after charging* | | |
| Auditor's remuneration – audit of these financial statements | **10** | 10 |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | **1,176** | 1,282 |
| Operating lease rentals | **57** | 59 |
| Changes in fair value of derivatives | **-** | 23 |
| Stock – amounts expensed to cost of sales | **6,123** | 6,779 |
| Stock – impairment losses recognised in cost of sales | **10** | 157 |
| *after crediting* | | |
| Warehouse grant | **-** | 2 |
| Capital grant | **39** | 39 |
| Stock – impairment losses reversed in cost of sales | **-** | 53 |
| Changes in fair value of derivatives | **30** | - |

Costs for non-audit work are borne by the ultimate parent company.

## 4 Interest payable and similar charges

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Bank charges | **9** | 10 |
| Other bank charges | **108** | 117 |
| Loan interest | **2** | 24 |
| | **119** | 151 |

## 5 Remuneration of directors

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Directors' emoluments | **275** | 134 |

| | 2017 Number | 2016 Number |
|---|---|---|
| Retirement benefits are accruing to the following number of directors: | | |
| Defined benefit scheme | **1** | 1 |
| Money purchase | **4** | 4 |

Notes *(continued)*

## 6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| **Number of employees:** | **2017 Number** | 2016 Number |
|---|---|---|
| Management | **8** | 8 |
| Administration and operational | **62** | 66 |
| | **70** | 74 |

The aggregate payroll costs of these persons were as follows:

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Wages and salaries | **1,638** | 1,654 |
| Social security costs | **164** | 166 |
| Other pension costs (see note 18) | **80** | 84 |
| | **1,882** | 1,904 |

## 7 Taxation

| | **2017 £000** | 2016 £000 |
|---|---|---|
| **Deferred tax** | | |
| Origination and reversal of timing differences | **(46)** | (112) |
| **Tax on (loss)/profit on ordinary activities** | **(46)** | (112) |

### Factors affecting the tax charge for the current period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (20%) (2016:20%). The differences are explained below:

| | **2017 £000** | 2016 £000 |
|---|---|---|
| (Loss)/profit on ordinary activities before tax | **(287)** | (619) |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% *(2016: 20%)* | **(57)** | (124) |
| Effects of: | | |
| Depreciation in excess of capital allowances for period | **(7)** | 25 |
| Transition | **-** | 5 |
| Group Relief | **24** | 6 |
| Difference in deferred tax rates | **(6)** | (24) |
| **Total tax (credit)/charge (see above)** | **(46)** | (112) |

## Notes *(continued)*

### 8 Tangible fixed assets

| | Plant, machinery and fixtures £000 |
|---|---|
| *Cost* | |
| At beginning of year | 33,738 |
| Additions | 432 |
| **At end of year** | **34,170** |
| ***Depreciation*** | |
| At beginning of year | 27,709 |
| Charge for year | 1,176 |
| **At end of year** | **28,885** |
| ***Net book value*** | |
| **At 31 March 2017** | **5,285** |
| At 31 March 2016 | 6,029 |

### 9 Stocks

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Raw materials and consumables | **607** | 649 |
| Work in progress | **283** | 115 |
| Finished goods and goods for resale | **1,024** | 500 |
| | **1,914** | 1,264 |

Finished goods stock with a carrying value of £152k (2016: £157k) has been impaired by this value at the balance sheet date

### 10 Debtors: due within one year

| | 2017 £000 | 2016 £000 |
|---|---|---|
| Trade debtors | **2,678** | 2,105 |
| Other debtors | **127** | 151 |
| Derivatives | **12** | - |
| Prepayments and accrued income | **124** | 54 |
| | **2,941** | 2,310 |

During the year, an impairment loss of £nil (2016:£7k) was recognised in respect of trade receivables due from customers who are known to be in financial difficulty and from whom payment was overdue by more than three months.

## Notes *(continued)*

### 11 Creditors: amounts falling due within one year

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Trade creditors | **1,768** | 1,116 |
| Bank loans and overdrafts (see note 12) | - | 175 |
| Other creditors | **2,523** | 2,002 |
| Corporation tax | - | - |
| Derivatives | - | 19 |
| Accruals and deferred income | **1,261** | 1,349 |
| | **5,552** | 4,661 |

Bank loans and overdrafts are secured by way of fixed and floating charges over the assets of the business. Other creditors of £2,243k are secured on the related debts and by a second charge over land and buildings *(2016:£1,682k).*

### 12 Creditors: amounts falling due after more than one year

| | **2017 £000** | 2016 £000 |
|---|---|---|
| Amounts owed to group undertakings | **3,196** | 3,159 |
| Dividend proposed | **4** | 4 |
| 1,000 10% preference shares of £1 each | **1** | 1 |
| | **3,201** | 3,164 |

| **Bank loans and overdrafts** | **2017 £000** | 2016 £000 |
|---|---|---|
| Amounts payable within 1 year | - | 175 |
| | - | 175 |

### 13 Deferred taxation

| | **Deferred Taxation £000** |
|---|---|
| At 1 April 2016 | 214 |
| Charged during the year to the profit and loss account | (46) |
| **At 31 March 2017** | **168** |

The major components of the provision for deferred taxation and the amounts unprovided are as follows:

| | **2017 Provided £000** | 2016 Provided £000 | **2017 Unprovided £000** | 2016 Unprovided £000 |
|---|---|---|---|---|
| Difference between accumulated depreciation and amortisation and capital allowances | **168** | 214 | - | - |
| Deferred tax liability | **168** | 214 | - | - |

## Notes *(continued)*

### 14 Called up share capital

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| ***Allotted, called up and fully paid*** | | |
| 2 ordinary shares of £1 each | - | - |
| | - | - |

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company.

### 15 Contingent liabilities

The company is party to an agreement with its bankers guaranteeing the indebtedness of each company within the Contract Chemicals Limited group to the bank. At 31 March 2017 the total indebtedness of other group companies to the bank amounted to £150k *(2016: £121k)*. This guarantee is secured by a fixed and floating charge over all the assets of the company at variable rates of interest.

The Contract Chemicals group has issued a guarantee to HM Customs and Excise through a bond with The Royal Bank of Scotland up to a maximum liability of £50k (*2016: £50k*).

### 16 Commitments

The total future minimum lease payments under non-cancellable operating leases for plant and machinery are as follows:

| | **2017** | 2016 |
|---|---|---|
| | **£000** | £000 |
| Plant and equipment - within one year | **51** | 5 |
| Plant and equipment - in the second to fifth year inclusive | **116** | 197 |
| | **167** | 202 |

### 17 Pension scheme

The company opened a new defined contribution pension scheme on 1 July 2014 for the existing members of the Final Salary Scheme. This was due to the closure of the pension scheme providing benefits based on final pensionable pay. As the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 102 'Retirement benefits', the scheme has been accounted for, in these financial statements as if the scheme was a defined contribution scheme.

The latest full actuarial valuation was carried out at 31 March 2011 and was updated for FRS 102 purposes to 31 March 2017 by a qualified independent actuary. Further information on this scheme can be found in the financial statements of Contract Chemicals Limited.

The contribution for the year in respect of the defined benefit scheme was £nil *(2016: nil)*. The employer contribution to the deficit of the defined benefit scheme was £252k (2016:£240k)

The contribution in respect of the new defined contribution scheme for the year to 31 March 2017 is £80k (2016: £84k).

### 18 Ultimate parent company and ultimate controlling party

The company is a wholly owned subsidiary undertaking of Contract Chemicals Limited incorporated and registered in England and Wales. The immediate and ultimate controlling party is Contract Chemicals Limited which heads the smallest and largest group into which the results of Contract Chemicals (Knowsley) Limited are consolidated. Copies of the group accounts are available from Penrhyn Road, Knowsley Business Park, Prescot, L34 9HY.

The directors do not consider there to be an ultimate controlling party of Contract Chemicals Limited.