

Company Registration No. 01112362 (England and Wales)

BLACKBURN CHEMICALS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2022

BLACKBURN CHEMICALS LIMITED

COMPANY INFORMATION

Directors	G Lamb S Lamb A Holt J Covill Dr P Cooper N Lord A Whalley
Secretary	N Grundy
Company number	01112362
Registered office	Cunliffe Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5SX
Auditor	Pierce C A Limited Mentor House Ainsworth Street Blackburn Lancashire BB1 6AY
Business address	Cunliffe Road Whitebirk Industrial Estate Blackburn Lancashire BB1 5SX
Bankers	Natwest Bank Plc 35 King William Street Blackburn Lancashire BB1 7DJ
Solicitors	Woodcock Haworth & Nuttall Solicitors 1a Strawberry Bank Blackburn Lancashire BB2 6AS

BLACKBURN CHEMICALS LIMITED

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BLACKBURN CHEMICALS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present the strategic report for the year ended 31 May 2022.

Fair review of the business

Despite continuing global economic uncertainties and the difficulties brought to businesses as a result of the lasting impact of Brexit and the Coronavirus pandemic, in addition to the ongoing conflict in Ukraine, turnover for the company has again increased in the year to 31 May 2022, by £13.6m (25.39%).

The Board is confident that the increased turnover levels can be maintained and that future growth can be achieved with continued improvements in market share and in the range of products being developed and supplied.

Given the increased costs of raw materials and inflationary pressures gross margins have reduced in the year from 42.60% in 2021 to 39.23% in 2022. Given the significant increase in turnover, gross profit in absolute terms has however increased significantly despite margins being slightly reduced.

To maintain its product range and competitiveness significant investment continues to be made in research and development each year and this continues to remain a priority for the company and its future plans.

The company has achieved a very healthy pre-tax profit representing 17.00% (2021 - 18.28%) of turnover.

The directors are very pleased with the performance in the year in challenging times.

Principal risks and uncertainties

The company operates in a global economy and the continued restrictions and fall out of the Coronavirus pandemic, Brexit, the conflict in Ukraine and its impact on supply, and the fluctuation of the pound against world currencies continues to lead to some potential challenges, risks and uncertainties for the future, which are no different to any other industry operating in the global economy.

Foreign currency exchange is regularly reviewed and monitored but the company does not forward purchase currency currently. The risk in currency fluctuation is managed monthly and the fact that the company sells and purchases goods in foreign currencies enables them to take advantage of the weak pound for exports with a converse off-set impact on purchases of foreign goods.

Raw material supply can be challenging at times, especially in the current climate, but the company manages this risk by continuing to develop alternative product for raw material usage and thus reduces the risk and dependency on some key raw materials by being able to widen its choice of raw materials used in its products. The company regularly reviews stock levels and bulk buys as appropriate and maintains its excellent relationship with suppliers.

Demand for the company's products remains very strong.

The company has the ability to react quickly as a family owned and managed business to any such risks and uncertainties and with the added comfort that it can use the strength of its liquidity and resources to counter any such risks.

Operating in a fast changing and sometimes volatile world market is managed by operating in several key industry sectors worldwide such as food, paper and the surface coating industry. These sectors will always have a demand for the company's products and across a wide geographic area and with differing political and economic requirements. The company remains flexible to such needs and requirements to enable it to respond quickly where possible.

Development and performance

The company continues to perform well as a major player in its market place, as set out in the Fair Review and Performance of the Business, and has identified that there are still significant areas for growth in the industries and sectors in which it operates both in the UK and globally.

New and improved products continue to be developed by investment in research and development and by responding to customer and market needs and demands.

BLACKBURN CHEMICALS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Key performance indicators

The company measures its performance by reference to:

- Turnover
- GP%
- Pre-Tax profit as a % of Turnover
- Staff retention and satisfaction

Turnover grew 25.39% by comparison to the prior year.

Despite the slight reduction in the gross profit margin, gross profit in absolute terms increased by £3.54m in the year under review.

Pre-tax profits have increased by £1.63m driven by the increased turnover in the year.

Staff retention remains excellent and the company has a loyal and skilled work force.

Key performance indicators illustrate how the company has performed well in the year and the Board are very pleased with the performance achieved.

Promoting the success of the company

The year to 31 May 2022 was another very successful year for the company and the directors are pleased with the performance and development of the company on various levels.

As a result of another great team effort, the company has again performed well financially.

Relationships with customers, suppliers, and business contacts remains our focus. Quality of product and customer service are paramount and we continue to deliver and strive for continuous improvement in this respect.

Employer engagement is encouraged through regular meetings, and participation, and we very much as a team are focused on our collective goals.

On behalf of the board

.....

J Covill

Director

Date:

BLACKBURN CHEMICALS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2022

The directors present their report and financial statements for the year ended 31 May 2022.

Principal activities

The principal activity of the company continued to be that of the manufacture of speciality chemicals.

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £8,000,000. The directors do not recommend payment of a final dividend.

Directors

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

G Lamb	
S Lamb	
Dr J Bratt	(Resigned 16 December 2021)
A Holt	
J Covill	
Dr P Cooper	
N Lord	
A Whalley	

Research and development

The company continues to invest in Research and Development.

Future developments

The company continues to hold its UK market share and is looking to continue to expand its European and Worldwide turnover and market share.

Auditor

In accordance with the company's articles, a resolution proposing that Pierce C A Limited be reappointed as auditor of the company will be put at a General Meeting.

BLACKBURN CHEMICALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Energy and carbon report

Below is a brief outline of the methodology used to produce the various figures and identified opportunities for Blackburn Chemicals Ltd which follow the UK Government's Environmental Reporting Guidelines updated March 2019.

		2021/22		2020/21	
	Scope	kWh	TCO2e	kWh	TCO2e
Total Site Gas	1	9,938,727	1,818	9,971,737	1,830
Total Site Transport	1*	388,994	94	353,187	84
Total Site Electricity	2	2,865,995	587	2,697,000	605
Total Site Energy		13,193,716	2,517	13,021,924	2,520
Total Production, Tonnes		55,979		54,064	
Energy or Carbon Intensity per tonne		235.69	0.04496	240.86	0.04660
*scope 1 and business air and ferry travel					
Market based Greenhouse Gas Emissions in tCO2e					
		2021/22	2020/21	2019/20	
Scope 1 Emissions		1,911	1,914	1,770	
Scope 2 Emissions		0	0	0	
Scope 3 Emissions		19	0	158	
Total		1,930	1,914	1,929	
GHG Intensity kg CO2e per tonne		34.5	35.4	37.0	

Methodology

This year scope 3 business travel emissions have been split out from transport emissions and market based method has been used in addition to the location based method.

Date Collection

Data was collected across the group as follows:

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

Transport: This was collected from reports provided by the businesses fuel card providers and invoice notes.

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

BLACKBURN CHEMICALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Carbon Conversion

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

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

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

- Distance travelled
- Liters of fuel used
- Tons of waste disposed

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

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

Energy Intensity

The energy intensity metric utilized this year for Blackburn Chemicals Ltd is kWh/Tonne of Product. To calculate this Intensity, we summarized all production volumes by Blackburn and used this figure to determine an energy intensity.

Identified Opportunities

A number of Audits have been conducted in accordance to BS EN 16247-1-2012. Energy audit reports were compiled, and opportunity assessments made to identify and extrapolate energy efficiency opportunity across the group. Blackburn Chemicals LTD continues to work on these identified opportunities.

As over 65% of the site energy relates to gas consumption, this has been the main focus of available resources.

Selected opportunities identified to improve gas efficiency include:

- **Optimising Reaction Temperatures**
- **Optimising heated/bulk Raw Material Storage Temperatures**
- **Improvements to insulation/lagging**
- **Reviewing Hot Water Heating options**
- **Improving metering**
- **Behavioral changes**

BLACKBURN CHEMICALS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

J Covill
Director

13 December 2022

BLACKBURN CHEMICALS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BLACKBURN CHEMICALS LIMITED

Opinion

We have audited the financial statements of Blackburn Chemicals Limited (the 'company') for the year ended 31 May 2022 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 May 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

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.

Opinions on other matters prescribed by the Companies Act 2006

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

BLACKBURN CHEMICALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BLACKBURN CHEMICALS LIMITED

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 and the 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 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, 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.

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.

In identifying and assessing risks of material misstatement in respect of irregularities we considered the following:

- The nature of the industry and the company's control environment.
- Results of our enquiries of management.
- The company's procedures and controls on compliance with laws and regulations and the risks of fraud.
- Discussions among the audit engagement team concerning potential indicators of fraud.

We are also required to perform specific procedures to respond to the risk of management override.

As a result of our audit procedures we did not identify a material risk of fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

BLACKBURN CHEMICALS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF BLACKBURN CHEMICALS LIMITED

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.

Simon Diggle (Senior Statutory Auditor)
For and on behalf of Pierce C A Limited

15 December 2022

Statutory Auditor

Mentor House
Ainsworth Street
Blackburn
Lancashire
BB1 6AY

BLACKBURN CHEMICALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	2021 £
Turnover	3	67,343,600	53,705,739
Cost of sales		(40,923,756)	(30,825,041)
Gross profit		26,419,844	22,880,698
Distribution costs		(7,299,333)	(5,242,412)
Administrative expenses		(7,678,778)	(7,846,617)
Other operating income		6,515	25,467
Operating profit	4	11,448,248	9,817,136
Interest receivable and similar income	8	1,701	892
Profit before taxation		11,449,949	9,818,028
Tax on profit	9	(2,042,161)	(1,754,816)
Profit for the financial year		9,407,788	8,063,212

The profit and loss account has been prepared on the basis that all operations are continuing operations.

BLACKBURN CHEMICALS LIMITED

BALANCE SHEET

AS AT 31 MAY 2022

		2022		2021	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11		69,084		44,285
Investments	12		200		200
			<u>69,284</u>		<u>44,485</u>
Current assets					
Stocks	14	13,781,701		7,598,978	
Debtors	15	20,120,981		14,169,619	
Cash at bank and in hand		1,563,809		2,082,163	
		<u>35,466,491</u>		<u>23,850,760</u>	
Creditors: amounts falling due within one year	16	(15,608,399)		(5,378,508)	
Net current assets			<u>19,858,092</u>		<u>18,472,252</u>
Total assets less current liabilities			<u>19,927,376</u>		<u>18,516,737</u>
Provisions for liabilities					
Deferred tax liability	17	(20,065)		(22,916)	
		<u>20,065</u>		<u>22,916</u>	
Net assets			<u>19,947,441</u>		<u>18,539,653</u>
Capital and reserves					
Called up share capital	19		3,154		3,154
Capital redemption reserve			1,846		1,846
Profit and loss reserves			<u>19,942,441</u>		<u>18,534,653</u>
Total equity			<u>19,947,441</u>		<u>18,539,653</u>

The financial statements were approved by the board of directors and authorised for issue on 13 December 2022 and are signed on its behalf by:

J Covill
Director

Company Registration No. 01112362

BLACKBURN CHEMICALS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY 2022

		Share capital	Capital redemption reserve	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 June 2020		3,154	1,846	17,971,441	17,976,441
Year ended 31 May 2021:					
Profit and total comprehensive income for the year		-	-	8,063,212	8,063,212
Dividends	10	-	-	(7,500,000)	(7,500,000)
Balance at 31 May 2021		3,154	1,846	18,534,653	18,539,653
Year ended 31 May 2022:					
Profit and total comprehensive income for the year		-	-	9,407,788	9,407,788
Dividends	10	-	-	(8,000,000)	(8,000,000)
Balance at 31 May 2022		3,154	1,846	19,942,441	19,947,441

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

Company information

Blackburn Chemicals Limited is a private company limited by shares incorporated in England and Wales. The registered office is Cunliffe Road, Whitebirk Industrial Estate, Blackburn, Lancashire, BB1 5SX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Blackburn Chemicals Limited is a wholly owned subsidiary of Blackburn Chemicals (Holdings) Limited and the results of Blackburn Chemicals Limited are included in the consolidated financial statements of Blackburn Chemicals (Holdings) Limited which are available from Cunliffe Road, Whitebirk Industrial Estate, Blackburn, Lancashire, BB1 5SX.

1.2 Going concern

The directors are not aware of any material uncertainties affecting the company and consider that the company will have sufficient resources to continue trading for the foreseeable future. As a result the directors have continued to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services provided net of VAT and trade discounts. Goods that are despatched and insured in transit are treated as sales in the financial statements.

Sales made to customers overseas are recorded at the date the insured goods are despatched from the company's premises, as the risks and rewards of ownership are deemed to be transferred.

1.4 Tangible fixed assets

Tangible fixed assets are measured at cost, net of depreciation.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Motor vehicles	25% Straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Fixed asset investments

Interests in subsidiaries are measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 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 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, 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.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employees' services are received.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.15 Consumable equipment on customer premises

The company supplies a number of its customers with equipment to enable it to process the company's products. Once installed there is no ongoing economic value to the company and hence the cost is written off to cost of sales in the period in which it is incurred.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The directors do not believe that there are any accounting policies that would be likely to produce materially different results should there be a change to the underlying judgements, estimates and assumptions.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2022	2021
	£	£
Turnover		
Sales of chemicals	67,343,600	53,705,739

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

3 Turnover and other revenue (Continued)

Other significant revenue

Interest income	1,701	892
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In the opinion of the directors it would be seriously prejudicial to the company to disclose turnover by geographical market and they have therefore not done so.

4 Operating profit

	2022	2021
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange losses/(gains)	(335,493)	395,082
Depreciation of owned tangible fixed assets	34,756	38,529
(Profit)/loss on disposal of tangible fixed assets	(26,741)	1,112
Operating lease charges	240,000	240,000

5 Auditor's remuneration

	2022	2021
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	13,600	13,250
For other services		
All other non-audit services	28,793	33,332

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Management & Administration	10	10
Production	77	65
Total	87	75

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

6 Employees (Continued)

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	3,867,517	3,437,236
Social security costs	355,253	296,099
Pension costs	160,841	148,099
	<u>4,383,611</u>	<u>3,881,434</u>

7 Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	<u>427,656</u>	<u>416,813</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2021 - 5).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £	2021 £
Remuneration for qualifying services	<u>198,233</u>	<u>192,983</u>

8 Interest receivable and similar income

	2022 £	2021 £
Interest income		
Interest on bank deposits	359	236
Other interest income	1,342	656
Total income	<u>1,701</u>	<u>892</u>

9 Taxation

	2022 £	2021 £
Current tax		
UK corporation tax on profits for the current period	<u>2,039,310</u>	<u>1,758,681</u>

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

9	Taxation	(Continued)	
		2022	2021
		£	£
	Deferred tax		
	Origination and reversal of timing differences	2,851	(3,865)
		<u>2,851</u>	<u>(3,865)</u>
	Total tax charge	<u>2,042,161</u>	<u>1,754,816</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2022	2021
	£	£
Profit before taxation	11,449,949	9,818,028
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,175,490	1,865,425
Tax effect of expenses that are not deductible in determining taxable profit	7,856	18,426
Adjustments in respect of prior years	2,851	(3,865)
Group relief	(3,692)	(985)
Permanent capital allowances in excess of depreciation	(14,608)	(4,390)
Research and development tax credit	(125,736)	(119,795)
Taxation charge for the year	<u>2,042,161</u>	<u>1,754,816</u>

10	Dividends	2022	2021
		£	£
	Interim paid	<u>8,000,000</u>	<u>7,500,000</u>

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

11 Tangible fixed assets

	Motor vehicles
	£
Cost	
At 1 June 2021	221,558
Additions	59,555
Disposals	(46,520)
At 31 May 2022	234,593
Depreciation and impairment	
At 1 June 2021	177,273
Depreciation charged in the year	34,756
Eliminated in respect of disposals	(46,520)
At 31 May 2022	165,509
Carrying amount	
At 31 May 2022	69,084
At 31 May 2021	44,285

12 Fixed asset investments

	Notes	2022 £	2021 £
Investments in subsidiaries	13	200	200

13 Subsidiaries

Details of the company's subsidiaries at 31 May 2022 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct
Key Chemicals Limited	Cunliffe Road, Whitebirk Industrial Estate, Blackburn, Lancashire, BB1 5SX	Dormant company	Ordinary	100.00
Silect Chemicals Limited	As above	Dormant company	Ordinary	100.00

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

14 Stocks

	2022 £	2021 £
Raw materials and consumables	11,126,554	5,698,366
Finished goods and goods for resale	2,655,147	1,900,612
	<u>13,781,701</u>	<u>7,598,978</u>

15 Debtors

	2022 £	2021 £
Amounts falling due within one year:		
Trade debtors	17,796,431	12,667,538
Corporation tax recoverable	79,786	246,246
Amounts owed by group undertakings	-	304,310
Other debtors	1,128,354	835,518
Prepayments and accrued income	1,116,410	116,007
	<u>20,120,981</u>	<u>14,169,619</u>

16 Creditors: amounts falling due within one year

	2022 £	2021 £
Other borrowings	219,872	195,948
Trade creditors	6,659,531	4,653,883
Amounts due to group undertakings	7,696,968	-
Other taxation and social security	78,762	70,343
Other creditors	608,560	180,660
Accruals and deferred income	344,706	277,674
	<u>15,608,399</u>	<u>5,378,508</u>

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Asset 2022 £	Asset 2021 £
Balances:		
Deaccelerated capital allowances	<u>(20,065)</u>	<u>(22,916)</u>

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

17 Deferred taxation (Continued)

	2022
	£
Movements in the year:	
Liability/(Asset) at 1 June 2021	(22,916)
Charge to profit or loss	2,851
Liability/(Asset) at 31 May 2022	<u>(20,065)</u>

The deferred tax asset set out above is expected to reverse within the foreseeable future and relates to deaccelerated capital allowances that are expected to mature within the same period.

18 Retirement benefit schemes

	2022	2021
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>160,841</u>	<u>148,099</u>

The company operates two defined contribution pension schemes. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the funds.

19 Share capital

	2022	2021
	£	£
Ordinary share capital		
Issued and fully paid		
3,154 Ordinary shares of £1 each	<u>3,154</u>	<u>3,154</u>

20 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2022	2021
	£	£
Within one year	308,157	307,417
Between two and five years	1,221,698	1,216,779
In over five years	10,630,661	10,934,661
	<u>12,160,516</u>	<u>12,458,857</u>

The company has a 150 year lease over the land on the north side of Cunliffe Road expiring on 25 March 2164. Rent is currently charged at £64,000 per annum on this.

BLACKBURN CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2022

21 Events after the reporting date

On 11 July 2022 the company declared a dividend of £9,000,000.

22 Ultimate controlling party

The company is a wholly owned subsidiary of Blackburn Chemicals (Holdings) Limited, a company under the direct control of George Lamb and various George Lamb family trusts. The ultimate control rests with the trustees of the trusts which include George Lamb.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.