

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2014**
for
Airedale Chemical Co Limited

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for the Year Ended 31 December 2014**

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Airedale Chemical Co Limited
Company Information
for the Year Ended 31 December 2014

DIRECTORS:

R P Chadwick
B M Hall
S P Wilkinson
J M Leighton
C L Thomson
C J Chadwick
R M Wolff
D Fox
J Peacock

SECRETARY:

C L Thomson

REGISTERED OFFICE:

Airedale Mills
Skipton Road
Crosshills
KEIGHLEY
West Yorkshire
BD20 7BX

REGISTERED NUMBER:

01149113 (England and Wales)

AUDITORS:

Stirk Lambert & Co
Chartered Accountants
Statutory Auditors
Russell Chambers
61a North Street
Keighley
West Yorkshire
BD21 3DS

**Strategic Report
for the Year Ended 31 December 2014**

The directors present their strategic report for the year ended 31 December 2014.

REVIEW OF BUSINESS

The results for the year and the financial position of the company are shown in the financial statements. The Directors are disappointed with the results for the year, however given the significant investment in 2014, planning for our next growth stage, the Directors are confident that profitability will increase in 2015.

The company has operated in very difficult market conditions in 2014, and although we are happy to report a modest increase in turnover, to retain business, however, margin has suffered as a result. We have worked hard to retain key contracts which are to give the company solid grounds for growth in 2015. We are also currently looking at more bespoke areas of the industry to allow us to enhance margin.

Turnover for the year ended 31st December 2014 amounted to £39,908,271 (2013 - £38,384,200) an increase of 4% on the previous financial year. The vast majority of our sales are for the domestic market, we do however still export chemicals representing 1.2% of total turnover, which is consistent with the previous financial year. Exports are mainly to European markets.

Gross margin achieved in the year was £10,114,614 (2013 - £10,205,931), a decrease of 1.2% to the margin achieved in the previous financial year of 26.5%. The company's gross margin percentage achieved was 25.3% which is in line with our budget for 2014. We anticipated a decrease in margin in the year and our expectations have been realised due to stiff competition creating difficult market conditions.

Net margin has been affected by an increase in overheads in preparation for growth in 2015.

Profit before taxation has decreased to £876,882 from £1,053,277 in 2013.

Airedale recognises the importance of investing for the future in both infrastructure and plant and machinery. We continue as a company to reinvest our profit into fixed assets to achieve future growth plans. During the year the investment in fixed assets amounted to £1,416,233 (2013 - £990,633).

Stock at year end was £7,621,648 from £6,754,264 as at 31st December 2013. Due to the high level of stock of phosphoric acid held, stock fluctuates depending on the timing of vessels from our phosphoric acid supplier.

Trade debtors amounted to £6,609,979 as at 31st December 2014, (2013 - £6,324,668) an increase of 4.5%.

The company invests significant time and effort into working capital management. This enables the company to keep borrowing to a minimum which in turn reduces finance charges. We have hit our targets on trade debtors collection time, which in the current economic climate has been challenging. The company minimises bad debt exposure with the use of strict credit control procedures (see below). As a result of this control bad debtors were minimal in 2014.

The Directors of Airedale Chemical Company would like to thank HSBC for their valued support during 2014.

OBJECTIVES

The company's objectives are simple; to enhance financial strength which gives us the ability to grow as a company.

**Strategic Report
for the Year Ended 31 December 2014**

STRATEGY

As a company we endeavour to grow our business under a simple principle of offering our customers an outstanding service. We plan to grow the top line organically by increasing staff numbers in the right areas of the business to achieve this. Whilst we anticipate a modest growth in 2015, the directors of the company are implementing the necessary plan to grow our sales, and in turn profitability significantly in the next five years

We anticipate that our product portfolio will increase over the next 24 months with the introduction of a specific procurement department within Airedale Chemical in the year. This department objective will also be to strengthen the relationship with existing key suppliers.

As the company continues to enjoy organic growth we are not dismissing the possibility of strategic acquisition to assist with our strategy of further establishing the company as a fast growing large chemical distributor and manufacturers within the UK and Europe.

Continuous overhead control measures are in place to ensure that gross margin earned from additional sales translates to net margin.

PRINCIPLE RISKS

The company manages credit risk by assessing each customer and applying credit limits using data from credit checking agencies. Limits are then reviewed on a regular basis by management to ensure the company minimises its exposure to possible over trading with company's seen to be a credit risk.

The company purchases a significant value of chemicals in foreign currencies, and as such the company recognise exposure to currency rate fluctuations. The company manages its exposure to exchange rate fluctuations by using various hedging methods.

OTHER KEY PERFORMANCE INDICATORS

We have continued to work closely with the Health and Safety Executive and environmental bodies to ensure obligations are met and surpassed.

Airedale operates their quality system under ISO14001 and ISO9001-2008 standards, demonstrating our commitment to operate our under a 'best practice' philosophy.

We have incurred significant cost in continuing our commitments to REACH legislation and I am pleased to report all our obligations are currently up to date.

We have also incurred significant cost under 'BPR' ensuring the necessary objectives are met to continue supply of products that fall under article 95. We have been proactive in our approach guaranteeing continuity at the deadline of 1st September 2015.

The company are pleased to report we have again increased employee numbers during 2014, and one of our objectives remains staff welfare and job security. Average staffing levels increased in 2014 to 106 from 77 in 2013, as the company continues to grow.

ON BEHALF OF THE BOARD:



C L Thomson - Director

29 May 2015

**Report of the Directors
for the Year Ended 31 December 2014**

The directors present their report with the financial statements of the company for the year ended 31 December 2014.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of manufacture and supply of dyestuffs and speciality chemicals.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2014.

DIRECTORS

The directors during the year under review were:

R P Chadwick
B M Hall
S P Wilkinson
J M Leighton
C L Thomson
C J Chadwick
R M Wolff
D Fox
J Peacock

The beneficial interests of the directors holding office on 31 December 2014 in the issued share capital of the company were as follows:

| | 31.12.14 | 1.1.14 |
|---------------------------|----------|--------|
| Ordinary £1 shares | | |
| R P Chadwick | - | - |
| B M Hall | - | - |
| S P Wilkinson | 660 | 660 |
| J M Leighton | - | - |
| C L Thomson | - | - |
| C J Chadwick | - | - |
| R M Wolff | - | - |
| D Fox | - | - |
| J Peacock | - | - |

The interest the directors hold in Airedale Chemical Holdings Limited is disclosed in the holding company accounts.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made charitable donation in the year of £2,693 (2013 £2,079)

**Report of the Directors
for the Year Ended 31 December 2014**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Stirk Lambert & Co, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



C L Thomson - Director

29 May 2015

Report of the Independent Auditors to the Members of Airedale Chemical Co Limited

We have audited the financial statements of Airedale Chemical Co Limited for the year ended 31 December 2014 on pages eight to twenty five. 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).

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 a Report of the Auditors 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.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Report of the Independent Auditors to the Members of
Airedale Chemical Co Limited**

Matters on which we are required to report by exception

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.



Richard Hudson FCA (Senior Statutory Auditor)
for and on behalf of Stirik Lambert & Co
Chartered Accountants
Statutory Auditors
Russell Chambers
61a North Street
Keighley
West Yorkshire
BD21 3DS

29 May 2015

**Profit and Loss Account
for the Year Ended 31 December 2014**

| | Notes | 31.12.14 £ | 31.12.13 £ |
|--|-------|------------------|------------------|
| TURNOVER | 2 | 39,908,271 | 38,384,200 |
| Cost of sales | | 29,793,657 | 28,178,269 |
| GROSS PROFIT | | 10,114,614 | 10,205,931 |
| Distribution costs | | 2,482,558 | 2,269,412 |
| Administrative expenses | | 6,106,458 | 6,238,893 |
| | | <u>8,589,016</u> | <u>8,508,305</u> |
| OPERATING PROFIT | 4 | 1,525,598 | 1,697,626 |
| Interest payable and similar charges | 5 | 648,716 | 644,349 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 876,882 | 1,053,277 |
| Tax on profit on ordinary activities | 6 | 80,000 | 180,884 |
| PROFIT FOR THE FINANCIAL YEAR | | 796,882 | 872,393 |
| Retained profit brought forward | | 2,886,750 | 2,014,357 |
| RETAINED PROFIT CARRIED FORWARD | | <u>3,683,632</u> | <u>2,886,750</u> |

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

Balance Sheet
31 December 2014

| | Notes | 31.12.14 £ | 31.12.13 £ |
|--|-------|-------------------------|-------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 7 | 104,571 | 1,947 |
| Tangible assets | 8 | 4,796,254 | 4,115,310 |
| Investments | 9 | - | - |
| | | <u>4,900,825</u> | <u>4,117,257</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 7,621,648 | 6,754,264 |
| Debtors | 11 | 8,913,133 | 8,865,587 |
| Cash at bank and in hand | | 7,425,977 | 1,549,798 |
| | | <u>23,960,758</u> | <u>17,169,649</u> |
| CREDITORS | | | |
| Amounts falling due within one year | 12 | 22,997,127 | 15,482,590 |
| NET CURRENT ASSETS | | <u>963,631</u> | <u>1,687,059</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,864,456</u> | <u>5,804,316</u> |
| CREDITORS | | | |
| Amounts falling due after more than one year | 13 | (1,988,133) | (2,694,875) |
| PROVISIONS FOR LIABILITIES | 17 | (69,000) | (99,000) |
| NET ASSETS | | <u><u>3,807,323</u></u> | <u><u>3,010,441</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 11,000 | 11,000 |
| Revaluation reserve | 19 | 112,691 | 112,691 |
| Profit and loss account | | 3,683,632 | 2,886,750 |
| SHAREHOLDERS' FUNDS | 26 | <u><u>3,807,323</u></u> | <u><u>3,010,441</u></u> |

The financial statements were approved by the Board of Directors on 29 May 2015 and were signed on its behalf by:



C L Thomson - Director

**Cash Flow Statement
for the Year Ended 31 December 2014**

| | Notes | 31.12.14 £ | £ | 31.12.13 £ | £ |
|--|-------|----------------|---------------------------|------------------|---------------------------|
| Net cash inflow from operating activities | 1 | | 1,682,288 | | 2,993,032 |
| Returns on investments and servicing of finance | 2 | | (648,716) | | (644,349) |
| Taxation | | | (20,000) | | (244,420) |
| Capital expenditure | 2 | | (966,429) | | (855,424) |
| | | | 47,143 | | 1,248,839 |
| Financing | 2 | | (365,468) | | (2,029,868) |
| Decrease in cash in the period | | | <u>(318,325)</u> | | <u>(781,029)</u> |
| <hr/> | | | | | |
| Reconciliation of net cash flow to movement in net debt | 3 | | | | |
| Decrease in cash in the period | | (318,325) | | (781,029) | |
| Cash outflow from decrease in debt and lease financing | | <u>233,710</u> | | <u>2,263,871</u> | |
| Change in net debt resulting from cash flows | | | (84,615) | | 1,482,842 |
| New finance leases | | | <u>(538,995)</u> | | <u>(135,209)</u> |
| Movement in net debt in the period | | | (623,610) | | 1,347,633 |
| Net debt at 1 January | | | <u>(6,792,535)</u> | | <u>(8,140,168)</u> |
| Net debt at 31 December | | | <u><u>(7,416,145)</u></u> | | <u><u>(6,792,535)</u></u> |

The notes form part of these financial statements

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2014**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 31.12.14 £ | 31.12.13 £ |
|--|-------------------------|-------------------------|
| Operating profit | 1,525,598 | 1,697,626 |
| Depreciation charges | 718,598 | 671,458 |
| Loss on disposal of fixed assets | 3,260 | - |
| (Increase)/decrease in stocks | (867,384) | 772,668 |
| Decrease/(increase) in debtors | 34,210 | (2,076,484) |
| Increase in creditors | 268,006 | 1,927,764 |
| Net cash inflow from operating activities | <u><u>1,682,288</u></u> | <u><u>2,993,032</u></u> |

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

| | 31.12.14 £ | 31.12.13 £ |
|---|-------------------------|---------------------------|
| Returns on investments and servicing of finance | | |
| Interest paid | (626,114) | (611,610) |
| Interest element of hire purchase payments | (22,602) | (32,739) |
| Net cash outflow for returns on investments and servicing of finance | <u><u>(648,716)</u></u> | <u><u>(644,349)</u></u> |
| Capital expenditure | | |
| Purchase of intangible fixed assets | (106,691) | - |
| Purchase of tangible fixed assets | (877,238) | (855,424) |
| Sale of tangible fixed assets | 17,500 | - |
| Net cash outflow for capital expenditure | <u><u>(966,429)</u></u> | <u><u>(855,424)</u></u> |
| Financing | | |
| New loans in year | 17,787,244 | 15,966,897 |
| Loan repayments in year | (16,442,819) | (17,902,625) |
| Net movement in other loans | 141,788 | (76,244) |
| Net movement in non-director loans | (920,908) | (178,247) |
| Capital repayments in year | (420,585) | (492,143) |
| Amount introduced by directors | 27,486 | 1,416,270 |
| Amount withdrawn by directors | (537,674) | (763,776) |
| Net cash outflow from financing | <u><u>(365,468)</u></u> | <u><u>(2,029,868)</u></u> |

Notes to the Cash Flow Statement
for the Year Ended 31 December 2014

3. ANALYSIS OF CHANGES IN NET DEBT

| | At 1.1.14 £ | Cash flow £ | Other non-cash changes £ | At 31.12.14 £ |
|--------------------------------------|--------------------|------------------|-----------------------------------|---------------------|
| Net cash: | | | | |
| Cash at bank and in hand | 1,549,798 | 5,876,179 | | 7,425,977 |
| Bank overdraft | (1,536,292) | (6,194,504) | | (7,730,796) |
| | <u>13,506</u> | <u>(318,325)</u> | | <u>(304,819)</u> |
| Debt: | | | | |
| Hire purchase | (590,969) | 420,585 | (538,995) | (709,379) |
| Debts falling due within one year | (3,763,466) | (1,040,769) | - | (4,804,235) |
| Debts falling due after one year | (2,451,606) | 853,894 | - | (1,597,712) |
| | <u>(6,806,041)</u> | <u>233,710</u> | <u>(538,995)</u> | <u>(7,111,326)</u> |
| Total | <u>(6,792,535)</u> | <u>(84,615)</u> | <u>(538,995)</u> | <u>(7,416,145)</u> |

**Notes to the Financial Statements
for the Year Ended 31 December 2014**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and are in accordance with applicable accounting standards.

Preparation of consolidated financial statements

The financial statements contain information about Airedale Chemical Company Limited as an individual company. The company is exempt from the requirement to prepare group accounts because it is a subsidiary company only. The company is included within the consolidated accounts prepared by its parent company Airedale Chemical Holdings Limited a company registered in England.

Turnover

Turnover represents the amounts received or receivable for goods and services provided to customers, excluding VAT.

Intangible assets

Costs directly attributable to obtaining the IPPC licence have been capitalised and are amortised on the straight-line basis over the estimated useful economic life of 10 years, which was chosen because it represents the length of period the directors expect benefits to arise from holding the permit.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

| | |
|--------------------------|---------------------------|
| Freehold property | - 2% on cost |
| Improvements to property | - 2% on cost |
| Plant and machinery | - 20% on reducing balance |
| Fixtures and fittings | - 20% on reducing balance |
| Motor vehicles | - 25% on reducing balance |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

1. ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

Fixed asset investments

The company has adopted UITF Abstract 32, FRS11, FRS12 and FRS21 in relation to arriving at its stated profit after impairment of fixed assets.

Employer-financed retirement benefit scheme (efrbs)

The company has established trusts for the benefit of employees and persons connected with them. Monies held in these trusts are held by independent trustees and managed at their discretion. The trustees are empowered to provide both retirement and other employee benefits.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and are payable after completion of the employment, such monies are charged to the profit and loss account in the period during which services are rendered by employees.

2. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

| | 31.12.14 | 31.12.13 |
|--------------------------------|-------------------|-------------------|
| | £ | £ |
| United Kingdom | 39,363,348 | 37,952,065 |
| Other European Union Countries | 498,509 | 402,945 |
| Australia & New Zealand | 46,414 | 29,190 |
| | <u>39,908,271</u> | <u>38,384,200</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

3. STAFF COSTS

| | 31.12.14 | 31.12.13 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,717,643 | 4,057,148 |
| Social security costs | 363,923 | 298,055 |
| Other pension costs | 66,306 | 43,880 |
| | <u>4,147,872</u> | <u>4,399,083</u> |

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

| | 31.12.14 | 31.12.13 |
|-------------------------------|------------|-----------|
| Management and Administration | 21 | 18 |
| Sales and Distribution Staff | 42 | 27 |
| Technical Staff | 10 | 6 |
| Production | 33 | 26 |
| | <u>106</u> | <u>77</u> |

4. OPERATING PROFIT

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

| | 31.12.14 | 31.12.13 |
|--|----------------|----------------|
| | £ | £ |
| Hire of plant and machinery | 553,686 | 443,864 |
| Other operating leases | 177,529 | 101,157 |
| Depreciation - owned assets | 405,861 | 329,775 |
| Depreciation - assets on hire purchase contracts | 308,668 | 399,800 |
| Profit on disposal of fixed assets | 3,260 | - |
| Patents and licenses amortisation | 4,067 | 1,947 |
| Auditors remuneration | 16,000 | 12,000 |
| Other general accounting & tax work | 10,435 | 7,606 |
| Research & Development | 43,349 | 52,640 |
| Foreign exchange profit | <u>76,035</u> | <u>170,192</u> |
| Directors' remuneration | <u>723,990</u> | <u>575,833</u> |

Information regarding the highest paid director is as follows:

| | 31.12.14 | 31.12.13 |
|----------------|----------------|---------------|
| | £ | £ |
| Emoluments etc | <u>159,161</u> | <u>88,000</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | 31.12.14 | 31.12.13 |
|--------------------------------------|----------------|----------------|
| | £ | £ |
| Bank interest | 138,297 | 34,802 |
| Bank loan interest | 109,024 | 112,548 |
| Interest on directors loans | 27,452 | 33,011 |
| Interest on pension scheme loan | 5,185 | 1,830 |
| Other interest | 164,862 | 259,957 |
| Mortgage interest | 17,793 | 19,001 |
| Invoice discounting interest charges | 163,501 | 150,461 |
| Hire purchase | 22,602 | 32,739 |
| | <u>648,716</u> | <u>644,349</u> |

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

| | 31.12.14 | 31.12.13 |
|--------------------------------------|-----------------|-----------------|
| | £ | £ |
| Current tax: | | |
| UK corporation tax | 110,000 | 207,555 |
| Underprovision in prior year | - | 1,329 |
| Total current tax | <u>110,000</u> | <u>208,884</u> |
| Deferred tax | <u>(30,000)</u> | <u>(28,000)</u> |
| Tax on profit on ordinary activities | <u>80,000</u> | <u>180,884</u> |

UK corporation tax was charged at 23.24% in 2013.

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

| | 31.12.14 | 31.12.13 |
|--|-----------------|------------------|
| | £ | £ |
| Profit on ordinary activities before tax | <u>876,882</u> | <u>1,053,277</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21.500% (2013 - 23.246%) | 188,530 | 244,845 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 28,236 | 41,472 |
| Capital allowances in excess of depreciation | (17,907) | - |
| Depreciation in excess of capital allowances | - | 13,391 |
| Repair element of property improvements | (2,798) | (25,575) |
| Research & Development enhanced deduction | (9,320) | (12,537) |
| Group Loss Relief | (26,165) | (54,041) |
| Under provision in earlier year | - | 1,329 |
| Other timing differences | <u>(50,576)</u> | <u>-</u> |
| Current tax charge | <u>110,000</u> | <u>208,884</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

7. INTANGIBLE FIXED ASSETS

| | Patents and licences £ |
|-----------------------|---------------------------------|
| COST | |
| At 1 January 2014 | 19,473 |
| Additions | 106,691 |
| At 31 December 2014 | <u>126,164</u> |
| AMORTISATION | |
| At 1 January 2014 | 17,526 |
| Amortisation for year | 4,067 |
| At 31 December 2014 | <u>21,593</u> |
| NET BOOK VALUE | |
| At 31 December 2014 | <u>104,571</u> |
| At 31 December 2013 | <u>1,947</u> |

8. TANGIBLE FIXED ASSETS

| | Freehold property £ | Improvements to property £ | Plant and machinery £ |
|--------------------------|---------------------------|-------------------------------------|-----------------------------|
| COST OR VALUATION | | | |
| At 1 January 2014 | 1,259,130 | 877,401 | 3,523,139 |
| Additions | 405,840 | 257,585 | 205,268 |
| At 31 December 2014 | <u>1,664,970</u> | <u>1,134,986</u> | <u>3,728,407</u> |
| DEPRECIATION | | | |
| At 1 January 2014 | 42,607 | 75,519 | 2,498,921 |
| Charge for year | 26,536 | 100,759 | 225,216 |
| Eliminated on disposal | - | - | - |
| At 31 December 2014 | <u>69,143</u> | <u>176,278</u> | <u>2,724,137</u> |
| NET BOOK VALUE | | | |
| At 31 December 2014 | <u>1,595,827</u> | <u>958,708</u> | <u>1,004,270</u> |
| At 31 December 2013 | <u>1,216,523</u> | <u>801,882</u> | <u>1,024,218</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

8. TANGIBLE FIXED ASSETS - continued

| | Fixtures and fittings £ | Motor vehicles £ | Totals £ |
|--------------------------|----------------------------------|------------------------|-------------|
| COST OR VALUATION | | | |
| At 1 January 2014 | 345,502 | 2,403,286 | 8,408,458 |
| Additions | 58,853 | 488,687 | 1,416,233 |
| Disposals | - | (188,529) | (188,529) |
| At 31 December 2014 | 404,355 | 2,703,444 | 9,636,162 |
| DEPRECIATION | | | |
| At 1 January 2014 | 269,209 | 1,406,892 | 4,293,148 |
| Charge for year | 56,550 | 305,468 | 714,529 |
| Eliminated on disposal | - | (167,769) | (167,769) |
| At 31 December 2014 | 325,759 | 1,544,591 | 4,839,908 |
| NET BOOK VALUE | | | |
| At 31 December 2014 | 78,596 | 1,158,853 | 4,796,254 |
| At 31 December 2013 | 76,293 | 996,394 | 4,115,310 |

Cost or valuation at 31 December 2014 is represented by:

| | Freehold property £ | Improvements to property £ | Plant and machinery £ |
|-------------------|---------------------------|-------------------------------------|-----------------------------|
| Valuation in 2006 | 567,804 | - | - |
| Valuation in 2011 | (810,438) | (260,641) | - |
| Cost | 1,907,604 | 1,395,627 | 3,728,407 |
| | 1,664,970 | 1,134,986 | 3,728,407 |

| | Fixtures and fittings £ | Motor vehicles £ | Totals £ |
|-------------------|----------------------------------|------------------------|-------------|
| Valuation in 2006 | - | - | 567,804 |
| Valuation in 2011 | - | - | (1,071,079) |
| Cost | 404,355 | 2,703,444 | 10,139,437 |
| | 404,355 | 2,703,444 | 9,636,162 |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

8. TANGIBLE FIXED ASSETS - continued

If Freehold property had not been revalued it would have been included at the following historical cost:

| | 31.12.14 £ | 31.12.13 £ |
|------------------------|---------------|---------------|
| Cost | 1,907,604 | 1,501,764 |
| Aggregate depreciation | 373,868 | 335,716 |

Freehold property was valued on existing use value basis on 31 December 2011 by Jones Lang Lasalle.

Improvements to property were also revalued at the same time on the same basis. If they had not been revalued they would have been included at the following historical cost:

| | 31.12.14 £ | 31.12.13 £ |
|------------------------|---------------|---------------|
| Cost | 1,395,627 | 1,138,042 |
| Aggregate depreciation | 370,637 | 342,724 |

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

| | Plant and machinery £ | Fixtures and fittings £ | Motor vehicles £ | Totals £ |
|--------------------------|-----------------------------|----------------------------------|------------------------|-------------|
| COST OR VALUATION | | | | |
| At 1 January 2014 | 616,929 | - | 1,239,984 | 1,856,913 |
| Additions | - | 58,069 | 488,687 | 546,756 |
| Transfer to ownership | (585,929) | - | (507,941) | (1,093,870) |
| At 31 December 2014 | 31,000 | 58,069 | 1,220,730 | 1,309,799 |
| DEPRECIATION | | | | |
| At 1 January 2014 | 303,991 | - | 489,925 | 793,916 |
| Charge for year | 60,857 | 2,895 | 244,916 | 308,668 |
| Transfer to ownership | (357,821) | - | (337,014) | (694,835) |
| At 31 December 2014 | 7,027 | 2,895 | 397,827 | 407,749 |
| NET BOOK VALUE | | | | |
| At 31 December 2014 | 23,973 | 55,174 | 822,903 | 902,050 |
| At 31 December 2013 | 312,938 | - | 750,059 | 1,062,997 |

9. FIXED ASSET INVESTMENTS

Following the company's exclusion from benefit during the year to 31 December 2009, the business benefit trust that was shown as a fixed asset under the operation of UITF Abstract 32 was impaired and the profit and loss account debited during that year under FRS 11. There have been no movements since that period and fixed asset investments stand at nil net book value comprising of original cost £4,503,000 less impairment provision of £4,503,000.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

10. STOCKS

| | 31.12.14 | 31.12.13 |
|--------------------------------|-----------|-----------|
| | £ | £ |
| Raw materials & finished goods | 7,621,648 | 6,754,264 |

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31.12.14 | 31.12.13 |
|-----------------------------|-----------|-----------|
| | £ | £ |
| Trade debtors | 6,609,979 | 6,324,668 |
| Other debtors | 1,335,651 | 1,981,258 |
| Directors' current accounts | 101,169 | 19,413 |
| Prepayments | 866,334 | 540,248 |
| | 8,913,133 | 8,865,587 |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 31.12.14 | 31.12.13 |
|---|------------|------------|
| | £ | £ |
| Bank loans and overdrafts (see note 14) | 12,273,311 | 5,054,726 |
| Other loans (see note 14) | 261,720 | 245,032 |
| Hire purchase contracts (see note 15) | 318,958 | 347,700 |
| Trade creditors | 3,427,868 | 2,014,842 |
| Tax | 297,555 | 207,555 |
| Social security and other taxes | 238,224 | 1,150,126 |
| Invoice discounting accounts | 5,025,756 | 5,064,687 |
| Directors' current accounts | 450,000 | 500,000 |
| Accrued expenses | 703,735 | 897,922 |
| | 22,997,127 | 15,482,590 |

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 31.12.14 | 31.12.13 |
|---------------------------------------|-----------|-----------|
| | £ | £ |
| Bank loans (see note 14) | 952,127 | 631,782 |
| Other loans (see note 14) | 645,585 | 1,819,824 |
| Hire purchase contracts (see note 15) | 390,421 | 243,269 |
| | 1,988,133 | 2,694,875 |

14. LOANS

An analysis of the maturity of loans is given below:

| | 31.12.14 | 31.12.13 |
|---|------------|-----------|
| | £ | £ |
| Amounts falling due within one year or on demand: | | |
| Bank overdrafts | 7,730,796 | 1,536,292 |
| Bank loans | 4,542,515 | 3,518,434 |
| Other loans | 261,720 | 245,032 |
| | 12,535,031 | 5,299,758 |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

14. LOANS - continued

| | 31.12.14 £ | 31.12.13 £ |
|---|----------------|------------------|
| Amounts falling due between one and two years: | | |
| Bank loans | 81,145 | 93,824 |
| Other loans | 307,450 | 1,103,296 |
| Directors loan accounts | 338,135 | 716,528 |
| | <u>726,730</u> | <u>1,913,648</u> |
| Amounts falling due between two and five years: | | |
| Bank loans | <u>256,596</u> | <u>296,157</u> |
| Amounts falling due in more than five years: | | |
| Repayable by instalments | | |
| Bank loans | <u>614,386</u> | <u>241,801</u> |

The bank loans are repayable as follows:-

A Combined Limit Multi Currency Facility incorporating import loan with HSBC commencing September 2012, with no fixed repayment terms, facilities are repayable on demand. Interest is calculated at 2.75% over Bank of England base rate.

Term loan with HSBC commencing September 2012, repayable in monthly instalments over a period of fifteen years with interest payable at 2% over base rate.

Term loan with HSBC commencing July 2014, repayable in monthly instalments over a period of ten years with interest payable at 2% over base rate.

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

| | Hire purchase contracts | |
|------------------------------|-------------------------|----------------|
| | 31.12.14 £ | 31.12.13 £ |
| Gross obligations repayable: | | |
| Within one year | 330,934 | 360,352 |
| Between one and five years | 420,948 | 250,960 |
| | <u>751,882</u> | <u>611,312</u> |
| Finance charges repayable: | | |
| Within one year | 11,976 | 12,652 |
| Between one and five years | 30,527 | 7,691 |
| | <u>42,503</u> | <u>20,343</u> |
| Net obligations repayable: | | |
| Within one year | 318,958 | 347,700 |
| Between one and five years | 390,421 | 243,269 |
| | <u>709,379</u> | <u>590,969</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

15. **OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES - continued**

The following operating lease payments are committed to be paid within one year:

| | Land and buildings | | Other operating leases | |
|----------------------------|--------------------|----------------|------------------------|----------------|
| | 31.12.14 | 31.12.13 | 31.12.14 | 31.12.13 |
| | £ | £ | £ | £ |
| Expiring: | | | | |
| Within one year | - | 25,415 | 5,745 | 15,333 |
| Between one and five years | 58,000 | 8,000 | 329,110 | 336,700 |
| In more than five years | 111,000 | 75,000 | 29,535 | 29,535 |
| | <u>169,000</u> | <u>108,415</u> | <u>364,390</u> | <u>381,568</u> |

16. **SECURED DEBTS**

The following secured debts are included within creditors:

| | 31.12.14 | 31.12.13 |
|-------------------------|-------------------|------------------|
| | £ | £ |
| Bank overdrafts | 7,730,796 | 1,536,292 |
| Bank loans | 5,494,642 | 4,150,216 |
| Hire purchase contracts | 709,379 | 590,969 |
| | <u>13,934,817</u> | <u>6,277,477</u> |

HSBC borrowings are secured by a Debenture comprising fixed and floating charges over all assets of the company.

Unlimited Multilateral Guarantee dated 5 March 2014 given by Airedale Chemical Holdings Limited, Airedale Chemical Company Limited, Airedale Solutions Limited.

First Legal charge dated 7 July 2014 over Freehold Property known as Land and Buildings lying on the, west side of Skipton Road and, Land to the rear of, St Andrews Terrace and, Land to West side of Skipton Road, Crosshills, Keighley.

First legal Mortgage over the freehold property of Airedale Chemical Company Limited known as Airedale Mill, Skipton Road, Crosshills, Keighley, dated 6 August 2012 in favour of HSBC.

Agreement to postpone repayment of all indebtedness owed to J W Chadwick, D M Chadwick and Executors of B Chadwick (deceased) by Airedale Chemical Co Limited.

Composite company unlimited multilateral guarantee dated 18 September 2013 given by Airedale Solutions Limited and Airedale Chemical Co Limited.

Unsupported personal guarantee by R P Chadwick for £108,500 in relation to the property loan.

Hire Purchase creditors are secured on the assets to which the agreement relates.

Invoice discounting accounts are secured against the debtors ledger of the company.

17. **PROVISIONS FOR LIABILITIES**

| | 31.12.14 | 31.12.13 |
|--------------|---------------|---------------|
| | £ | £ |
| Deferred tax | <u>69,000</u> | <u>99,000</u> |

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

17. PROVISIONS FOR LIABILITIES - continued

| | |
|-----------------------------|----------------------|
| | Deferred tax £ |
| Balance at 1 January 2014 | 99,000 |
| Increase in provision | |
| Decrease in provision | (30,000) |
| Balance at 31 December 2014 | <u>69,000</u> |

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| Number: | Class: | Nominal value: | 31.12.14 £ | 31.12.13 £ |
|---------|----------|-------------------|---------------|---------------|
| 11,000 | Ordinary | £1 | <u>11,000</u> | <u>11,000</u> |

19. RESERVES

| | |
|---------------------|-----------------------------|
| | Revaluation reserve £ |
| At 1 January 2014 | <u>112,691</u> |
| At 31 December 2014 | <u>112,691</u> |

20. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets are held separately from those of the company in a separately administered fund. During the year contributions of £66,306 were paid to the fund (2013: £43,880).

21. ULTIMATE PARENT COMPANY

Airedale Chemical Holdings Limited is regarded by the directors as being the company's ultimate parent company.

22. CONTINGENT LIABILITIES

The company has appointed assets to an Employer Financed Retirement Benefits Scheme. The company is liable for PAYE/NIC that may arise on awards made by the Trustees. The directors are of the opinion that the Trustees will award most of the benefits in a way that will not result in a PAYE/NIC liability.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

23. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 December 2014 and 31 December 2013:

| | 31.12.14 £ | 31.12.13 £ |
|--------------------------------------|---------------|---------------|
| J M Leighton | | |
| Balance outstanding at start of year | - | - |
| Amounts advanced | 16,137 | - |
| Amounts repaid | - | - |
| Balance outstanding at end of year | <u>16,137</u> | <u>-</u> |
| R M Wolff | | |
| Balance outstanding at start of year | 19,413 | 3,413 |
| Amounts advanced | 65,619 | 66,000 |
| Amounts repaid | - | (50,000) |
| Balance outstanding at end of year | <u>85,032</u> | <u>19,413</u> |

The company has received from the directors and from the Self Administered Pension Scheme the following loans :-

| | Balance b/fwd £ | Maximum balance in year £ | Balance c/fwd £ |
|----------------|-----------------------|------------------------------------|-----------------------|
| C J Chadwick | 396,201 | 396,201 | 322,379 |
| R P Chadwick | 350,433 | 350,433 | 139,706 |
| B M Hall | 158,200 | 164,501 | 138,501 |
| J M Leighton | 36,192 | 36,716 | 0 |
| C L Thomson | 37,108 | 37,146 | 251 |
| S P Wilkinson | 63,201 | 64,868 | 59,060 |
| Pension Scheme | 0 | 172,000 | 142,073 |
| D Fox | 136,392 | 139,881 | 76,735 |
| J Peacock | 0 | 71,502 | 51,502 |

The company pays a commercial rate of interest of 4.5% over the Bank of England base rate on all loans from directors and 3% over Bank of England base rate on loans from the Self Administered Pension Scheme.

During the year the company paid the following interest on loans to :-
£

| | |
|----------------------------------|--------|
| Directors | 27,452 |
| Self Administered Pension Scheme | 5,185 |

The director with beneficial interests in the Self Administered Pension Scheme is Mr R P Chadwick.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

24. **RELATED PARTY DISCLOSURES**

The company has received the following loans from members of the directors families:

| | Balance b/fwd £ | Maximum balance in year £ | Balance c/fwd £ |
|------------------------------------|-----------------------|------------------------------------|-----------------------|
| Executors of B Chadwick (Deceased) | 1,103,296 | 1,103,258 | 202,504 |
| L C Hall | 1,272 | 1,272 | 1,272 |
| DM Chadwick | 0 | 35,880 | 18,880 |
| EJ Chadwick | 1,951 | 2,075 | 725 |
| EL Chadwick | 5,207 | 5,410 | 5,410 |

The company pays a commercial rate of interest of 4.5% over the bank of England base rate on these loans. During the year the loans attracted interest of £10,981 (2013 - £13,483).

Information relating to J W Chadwick and D M Chadwick, being Directors' of the parent company, is disclosed within the accounts of Airedale Chemical Holdings Limited.

J W Chadwick a shareholder in the company, has a loan due to the company at 31 December 2014 of £11,495 (2013 - £468,289). The maximum balance in the year was £549,052.

Airedale Solutions Limited

The transactions with relation to Airedale Solutions Limited for the year ended 31 December 2014 are disclosed within the consolidated group accounts and therefore not shown here.

25. **ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is the holding company Airedale Chemical Holdings Limited, which is registered in England. The registered office of Airedale Chemical Holdings Limited, is Airedale Mills, Skipton Road, Cross Hills, West Yorkshire, BD20 7BX.

26. **RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

| | 31.12.14 £ | 31.12.13 £ |
|--|------------------|------------------|
| Profit for the financial year | 796,882 | 872,393 |
| Net addition to shareholders' funds | 796,882 | 872,393 |
| Opening shareholders' funds | 3,010,441 | 2,138,048 |
| Closing shareholders' funds | 3,807,323 | 3,010,441 |