

REGISTERED NUMBER: 01149113 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2017
for
Airedale Chemical Company Limited**

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for the Year Ended 31 December 2017**

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Airedale Chemical Company Limited

**Company Information
for the Year Ended 31 December 2017**

DIRECTORS:

B M Hall
J M Leighton
C Thomson
C J Chadwick
R M Wolff
D Fox
T Howell

SECRETARY:

C 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 2017**

The directors present their strategic report on the company for the year ended 31st December 2017. During the year the principal activity of the company continued to be the manufacture and supply of speciality chemicals and dyestuffs.

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 which have been affected by some exceptional items. The board feel it is important to concentrate on products which add value rather than a company offering everything. The company had built overheads to accommodate future growth but this adversely impacted and created pressure to bring in low margin business to cover these overheads, which wasn't right for the business. The board commenced discussions in late 2017 on how the business could be restructured for the future to promote better stability on profitability, liquidity and gearing. The plan was executed in quarter 1, 2018.

The year under review has certainly been a story of two halves and very challenging, especially in the later part of the year. We had forecasted for a modest growth in turnover in 2017 which has been realised. Phosphoric acid however played a major part in the story, mainly due to adverse USD/Sterling foreign exchange rates.

As a result gross margin recorded in the first half of the year was £7,177,887 compared to gross margin recorded in the second half of £5,658,361 a decrease of around £1.5 million. This was all attributable to meeting contractual agreements for our phosphoric acid business. We realised as a board this was unsustainable and therefore measures were taken to stabilise this. (see below)

We continued to focus on key products which enhanced the company's gross margin, and had a positive impact in relieving some of the pressure phosphoric acid placed on the business. Our 2017 peracetic acid sales strategy is in full flow following the company successfully registering the product on article 95 in 2016. Growth on peracetic acid business accounted for a 67% increase on the previous year.

We also continue to control and scrutinise overheads and these are under constant review with a view to reducing and minimising spend in all areas of the business.

I am pleased to report we have once again been successful in these plans. Gross margin on non phosphoric acid business grew by 8% on the previous year. Overheads on distribution and interest payable reduced by 4.2% and 23.5% accordingly. Administrative expenses were impacted by foreign exchange losses of £1,140,956 (which is considered an exceptional item) which distorted the underlying spend.

Although the board had viewed the vote in June 2016 to leave the EU as mainly positive, we knew the key risk would be exposure to buying foreign currency. We reduced the risk by forward buying /hedging on foreign currency, however the business could only hedge over a maximum period of 12 months. After which we would be exposed to the spot market. Sterling was devalued immediately after June 2016 by 20%, however this did recover slightly before we had to commit to buying currency in 2017. This accounted for the fall in gross margin and foreign exchange losses incurred during the last six months of 2017.

Whilst import was adversely impacting on margin as we serviced our fixed price contracts, exporting created opportunity for the company.

Sterling will remain under pressure whilst article 50 unfolds due to uncertainty it creates. The company has therefore reviewed its position and taken steps to de-risk the business with regards purchasing phosphoric acid in foreign currency. An agreement was reached in late 2017 to change our supply source of phosphoric acid which allows the company to purchase in sterling. The new supply agreement which commences 1st April 2018 has a positive impact on liquidity for the company and has also produced savings on overheads by circa £700,000.

**Strategic Report
for the Year Ended 31 December 2017**

The UK market for phosphoric acid in 2018 will undoubtedly change. Pressure on the supply base with the exit of Chinese material will no doubt cause market pricing to increase.

All of our strategic contracts were retained in 2017 but are due for renewal in the early stages of 2018. The board will not budget for 100% retention on these contracts.

Turnover for the year ended 31st December 2017 amounted to £43,167,794 (2016 - £42,236,257) an increase of 2.2% on the previous financial year.

The majority of our turnover is generated from sales for the domestic market. Turnover generated from export was £498,307 (2016 - £496,074).

Exports are in the main to European industry. Sales increased to the EU in 2017 by 5.8%.

Gross margin achieved in the year amounted to £12,836,248 (2016 - £12,539,151), an increase of £297,097 (2.4%)

The company's gross margin percentage for the year was 29.7% (2016 - 29.7%). The company's gross margin percentage was in line with budget.

Given the pressure phosphoric acid business placed on gross margin we are pleased with maintaining the overall level in 2017. Given the changes that are to take place we envisage this level will be sustained in 2018.

As previously stated overheads remain a key focus which is in line with company strategy.

Profit before taxation is £850,436 (2016 - £2,042,712).

The company recognises the importance of investing for the future in both infrastructure and plant and machinery.

Investment slowed somewhat in 2016 as we consolidated, however various projects have been undertaken in 2017 where we have deemed it necessary. The total spend below included replacement of vehicles in our fleet which amounted to £275k. The board feel investment into fixed assets in 2017 will allow the company to reduce expenditure in the following two years. We intend to consolidate and maximise on current investment in the business.

Investment in fixed assets amounted to £987,566 (2016 - £477,582).

Stock as at 31st December 2017 was £3,743,097 (2016 - £7,458,265). Historically we have held high levels of phosphoric acid to service customers and levels would fluctuate at year end depending on the timing of vessels from China.

Under the new supply agreement which commences in 2018 stock levels on phosphoric acid will reduce significantly.

Trade debtors as at 31st December 2017 were £10,013,075 (2016 - £9,126,901) an increase of 9.7%. Within the total trade debtors figure shown above is an amount due from a group company amounting to £2,905,902 (2016 - £2,162,834)

The company invests significant time and effort into working capital management. Robust debtor collection continues as a key focus for the company.

We continue to minimise bad debts with the use of robust credit control procedures, and we have a good history in relation to bad debt write off. There are exceptions however. I am pleased to report bad debts written off in the year have reduced substantially on the previous year.

Bad debts written off in the year amounted to £14,001 (2016 - £93,588)

Targets on trade debtor's collection time are in line with budget.

The board of Directors would like to thank our bankers, HSBC for their continued support.

**Strategic Report
for the Year Ended 31 December 2017**

OBJECTIVES

The company's objectives are to maximise and retain profitability, cashflow and reduce gearing to enhance the company's financial strength and shareholder wealth.

STRATEGY

Airedale Chemical Company's foundations are built on five key principles; Innovation, quality and service, trust, building long standing relationships with our customers and investing in people.

Our reputation in the industry for offering customers outstanding service stems from these principals.

The board manages the company's objectives through the implementation and control of strategic planning.

We control and scrutinise overheads and these are under constant review with a view to reducing and minimising spend in all areas of the business.

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 chemicals and dyes 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.

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

During the year we have incurred significant cost in continuing our commitments to REACH legislation. All our obligations are currently up to date.

We have continued to incur cost under 'BPR' ensuring the next objectives are met to continue supply of products that fall under article 95.

ON BEHALF OF THE BOARD:

C Thomson - Director

21 September 2018

**Report of the Directors
for the Year Ended 31 December 2017**

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

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

An interim dividend of 0.45454 per share was paid on 28 February 2017. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2017 will be £ 5,000 .

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

R P Chadwick
B M Hall
J M Leighton
C Thomson
C J Chadwick
R M Wolff
D Fox

The beneficial interests of the directors holding office on 31 December 2017 in the issued share capital of the company were as follows:

	31.12.17	1.1.17
Ordinary £1 shares		
R P Chadwick	-	-
B M Hall	-	-
J M Leighton	-	-
C Thomson	-	-
C J Chadwick	-	-
R M Wolff	-	-
D Fox	-	-

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

R P Chadwick resigned as a director on 2 March 2018. T Howell was appointed as a director 1 January 2018.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made charitable donation in the year of £269 (2015 £5,595).

DISCLOSURE IN THE STRATEGIC REPORT

Information related to the review of the business, risks faced by the company and other key performance indicators are disclosed within the strategic report.

**Report of the Directors
for the Year Ended 31 December 2017**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make 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 Thomson - Director

21 September 2018

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

Opinion

We have audited the financial statements of Airedale Chemical Company Limited (the 'company') for the year ended 31 December 2017 which comprise the Income Statement, Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Report of the Independent Auditors to the Members of Airedale Chemical Company 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 or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page six, 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 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.

Auditors' 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 a Report of the Auditors 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.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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.

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

21 September 2018

**Income Statement
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	£	31.12.16 £	£
TURNOVER	4		43,167,794		42,236,257
Cost of sales			<u>30,331,546</u>		<u>29,697,106</u>
GROSS PROFIT			12,836,248		12,539,151
Distribution costs		2,618,991		2,734,690	
Administrative expenses		<u>8,831,476</u>		<u>7,062,264</u>	
			11,450,467		9,796,954
OPERATING PROFIT	6		1,385,781		2,742,197
Interest payable and similar expenses	7		<u>535,345</u>		<u>699,485</u>
PROFIT BEFORE TAXATION			850,436		2,042,712
Tax on profit	8		<u>101,237</u>		<u>236,559</u>
PROFIT FOR THE FINANCIAL YEAR			<u>749,199</u>		<u>1,806,153</u>

The notes form part of these financial statements

Airedale Chemical Company Limited (Registered number: 01149113)

**Other Comprehensive Income
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
PROFIT FOR THE YEAR		749,199	1,806,153
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>749,199</u>	<u>1,806,153</u>

The notes form part of these financial statements

Airedale Chemical Company Limited (Registered number: 01149113)

**Statement of Financial Position
31 December 2017**

	Notes	31.12.17 £	£	31.12.16 £	£
FIXED ASSETS					
Intangible assets	10		1,217,152		624,371
Tangible assets	11		<u>5,343,682</u>		<u>5,058,982</u>
			6,560,834		5,683,353
CURRENT ASSETS					
Stocks	12	3,743,097		7,458,265	
Debtors	13	13,038,913		11,742,088	
Cash at bank and in hand		<u>1,476,504</u>		<u>71,484</u>	
		18,258,514		19,271,837	
CREDITORS					
Amounts falling due within one year	14	<u>17,132,416</u>		<u>17,566,020</u>	
NET CURRENT ASSETS			<u>1,126,098</u>		<u>1,705,817</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,686,932		7,389,170
CREDITORS					
Amounts falling due after more than one year	15		(1,063,987)		(1,535,990)
PROVISIONS FOR LIABILITIES	19		<u>(142,303)</u>		<u>(116,737)</u>
NET ASSETS			<u>6,480,642</u>		<u>5,736,443</u>
CAPITAL AND RESERVES					
Called up share capital	20		11,000		11,000
Retained earnings	21		<u>6,469,642</u>		<u>5,725,443</u>
SHAREHOLDERS' FUNDS			<u>6,480,642</u>		<u>5,736,443</u>

The financial statements were approved by the Board of Directors on 21 September 2018 and were signed on its behalf by:

C J Chadwick - Director

Airedale Chemical Company Limited (Registered number: 01149113)

**Statement of Changes in Equity
for the Year Ended 31 December 2017**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	11,000	3,969,716	3,980,716
Changes in equity			
Dividends	-	(50,426)	(50,426)
Total comprehensive income	-	1,806,153	1,806,153
Balance at 31 December 2016	<u>11,000</u>	<u>5,725,443</u>	<u>5,736,443</u>
Changes in equity			
Dividends	-	(5,000)	(5,000)
Total comprehensive income	-	749,199	749,199
Balance at 31 December 2017	<u>11,000</u>	<u>6,469,642</u>	<u>6,480,642</u>

The notes form part of these financial statements

**Statement of Cash Flows
for the Year Ended 31 December 2017**

	Notes	31.12.17 £	31.12.16 £
Cash flows from operating activities			
Cash generated from operations	1	2,219,723	5,458,002
Interest paid		(512,919)	(668,933)
Interest element of hire purchase payments paid		(22,426)	(30,552)
Tax paid		(102,932)	(73,546)
Net cash from operating activities		<u>1,581,446</u>	<u>4,684,971</u>
Cash flows from investing activities			
Purchase of intangible fixed assets		(660,211)	(477,536)
Purchase of tangible fixed assets		(937,566)	(477,582)
Sale of tangible fixed assets		18,366	4,500
Net cash from investing activities		<u>(1,579,411)</u>	<u>(950,618)</u>
Cash flows from financing activities			
Loan repayments in year		407,485	(3,844,695)
Net movement in other loans		(336,000)	(95,488)
Capital repayments in year		(7,291)	(193,282)
Amount introduced by directors		348,501	79,342
Amount withdrawn by directors		(229,591)	(435,897)
Equity dividends paid		(5,000)	(50,426)
Net cash from financing activities		<u>178,104</u>	<u>(4,540,446)</u>
Increase/(decrease) in cash and cash equivalents		<u>180,139</u>	<u>(806,093)</u>
Cash and cash equivalents at beginning of year	2	(1,201,520)	(395,427)
Cash and cash equivalents at end of year	2	<u>(1,021,381)</u>	<u>(1,201,520)</u>

The notes form part of these financial statements

Notes to the Statement of Cash Flows
for the Year Ended 31 December 2017

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.17	31.12.16
	£	£
Profit before taxation	850,436	2,042,712
Depreciation charges	702,722	687,802
Profit on disposal of fixed assets	(792)	(4,500)
Finance costs	535,345	699,485
	<u>2,087,711</u>	<u>3,425,499</u>
Decrease in stocks	3,715,168	740,266
Increase in trade and other debtors	(1,154,647)	(1,968,741)
(Decrease)/increase in trade and other creditors	<u>(2,428,509)</u>	<u>3,260,978</u>
Cash generated from operations	<u><u>2,219,723</u></u>	<u><u>5,458,002</u></u>

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	1,476,504	71,484
Bank overdrafts	<u>(2,497,885)</u>	<u>(1,273,004)</u>
	<u><u>(1,021,381)</u></u>	<u><u>(1,201,520)</u></u>

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	71,484	4,932,954
Bank overdrafts	<u>(1,273,004)</u>	<u>(5,328,381)</u>
	<u><u>(1,201,520)</u></u>	<u><u>(395,427)</u></u>

**Notes to the Financial Statements
for the Year Ended 31 December 2017**

1. STATUTORY INFORMATION

Airedale Chemical Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. STATEMENT OF COMPLIANCE

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

3. ACCOUNTING POLICIES

Basis of preparing the financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

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

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over their estimated useful life of ten years.

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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

3. ACCOUNTING POLICIES - continued

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 statement of financial position 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.

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 profit or loss over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to profit or loss 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 profit or loss in the period to which they relate.

Fixed asset investments

The company has adopted UK GAAP 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.

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

4. 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:

	31.12.17	31.12.16
	£	£
United Kingdom	42,669,487	41,740,183
Other European Union Countries	495,374	468,074
ROW/Australasia	2,933	400
Non EU Countries	-	27,600
	<u>43,167,794</u>	<u>42,236,257</u>

5. EMPLOYEES AND DIRECTORS

	31.12.17	31.12.16
	£	£
Wages and salaries	4,582,842	4,320,152
Social security costs	499,178	434,674
Other pension costs	147,316	72,753
	<u>5,229,336</u>	<u>4,827,579</u>

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

	31.12.17	31.12.16
Management and Administration	26	23
Sales and Distribution Staff	48	47
Technical Staff	6	7
Production	41	39
	<u>121</u>	<u>116</u>

	31.12.17	31.12.16
	£	£
Directors' remuneration	<u>556,473</u>	<u>673,723</u>

Information regarding the highest paid director is as follows:

	31.12.17	31.12.16
	£	£
Emoluments etc	<u>178,639</u>	<u>180,940</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

6. OPERATING PROFIT

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

	31.12.16	31.12.16
£		£
Hire of plant and machinery	494,360	493,480
Other operating leases	192,334	181,670
Depreciation - owned assets	421,824	475,108
Depreciation - assets on hire purchase contracts	213,468	179,378
(Profit) / Loss on disposal of fixed assets	(792)	(4,500)
Patents and licenses amortisation	67,429	33,316
Auditors remuneration	16,000	16,000
Other general accounting & tax work	9,275	10,835
Research & Development	-	3,684
Foreign exchange loss /(profit)	<u>1,069,665</u>	<u>(71,291)</u>

Amounts paid to the auditors relating to other group companies are disclosed via the holding company financial statements.

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.17	31.12.16
	£	£
Bank interest	102,909	65,202
Bank loan interest	95,413	130,703
Interest on directors loans	37,551	28,365
Interest on pension scheme loan	6,327	3,842
Other interest	82,602	249,778
Mortgage interest	17,786	21,157
Invoice discounting interest charges	170,331	169,886
Hire purchase	22,426	30,552
	<u>535,345</u>	<u>699,485</u>

8. TAXATION

Analysis of the tax charge

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

	31.12.17	31.12.16
	£	£
Current tax:		
UK corporation tax	75,671	287,434
Deferred tax	25,566	(50,875)
Tax on profit	<u>101,237</u>	<u>236,559</u>

UK corporation tax has been charged at 19.25% (2016 - 20%).

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

8. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

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

	31.12.17 £	31.12.16 £
Profit before tax	<u>850,436</u>	<u>2,042,712</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	163,709	408,542
Effects of:		
Expenses not deductible for tax purposes	23,002	21,249
Depreciation in excess of capital allowances improvements enhanced deduction	26,741	53,918
Group Loss Relief	(137,781)	(269,821)
Under provision in earlier year	-	73,546
Deferred tax movement	<u>25,566</u>	<u>(50,875)</u>
Total tax charge	<u>101,237</u>	<u>236,559</u>

9. DIVIDENDS

	31.12.17 £	31.12.16 £
Ordinary shares of £1 each Interim	<u>5,000</u>	<u>50,426</u>

10. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST	
At 1 January 2017	693,764
Additions	<u>660,211</u>
At 31 December 2017	<u>1,353,975</u>
AMORTISATION	
At 1 January 2017	69,393
Amortisation for year	<u>67,430</u>
At 31 December 2017	<u>136,823</u>
NET BOOK VALUE	
At 31 December 2017	<u>1,217,152</u>
At 31 December 2016	<u>624,371</u>

Patent and licence costs relate to the costs of obtaining trade licences, and these costs are amortised over the useful life of the licence.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

11. TANGIBLE FIXED ASSETS

	Freehold property £	Improvements to property £	Plant and machinery £
COST OR VALUATION			
At 1 January 2017	1,964,970	1,314,635	4,393,520
Additions	-	129,450	558,989
Reclassification/transfer	(50,000)	-	-
At 31 December 2017	1,914,970	1,444,085	4,952,509
DEPRECIATION			
At 1 January 2017	135,741	228,503	3,221,429
Charge for year	33,300	26,982	255,347
Eliminated on disposal	-	-	-
At 31 December 2017	169,041	255,485	3,476,776
NET BOOK VALUE			
At 31 December 2017	1,745,929	1,188,600	1,475,733
At 31 December 2016	1,829,229	1,086,132	1,172,091

	Fixtures and fittings £	Motor vehicles £	Totals £
COST OR VALUATION			
At 1 January 2017	516,174	3,011,240	11,200,539
Additions	24,106	275,021	987,566
Disposals	-	(239,548)	(239,548)
Reclassification/transfer	-	-	(50,000)
At 31 December 2017	540,280	3,046,713	11,898,557
DEPRECIATION			
At 1 January 2017	400,954	2,154,930	6,141,557
Charge for year	41,853	277,810	635,292
Eliminated on disposal	-	(221,974)	(221,974)
At 31 December 2017	442,807	2,210,766	6,554,875
NET BOOK VALUE			
At 31 December 2017	97,473	835,947	5,343,682
At 31 December 2016	115,220	856,310	5,058,982

All tangible fixed assets have been pledged as security for bank lending.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

11. TANGIBLE FIXED ASSETS - continued

Cost or valuation at 31 December 2017 is represented by:

	Freehold property £	Improvements to property £	Plant and machinery £
Valuation in 2006	567,804	-	-
Valuation in 2011	(810,438)	(260,641)	-
Cost	2,157,604	1,704,726	4,952,509
	<u>1,914,970</u>	<u>1,444,085</u>	<u>4,952,509</u>

	Fixtures and fittings £	Motor vehicles £	Totals £
Valuation in 2006	-	-	567,804
Valuation in 2011	-	-	(1,071,079)
Cost	540,280	3,046,713	12,401,832
	<u>540,280</u>	<u>3,046,713</u>	<u>11,898,557</u>

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

	31.12.17 £	31.12.16 £
Cost	<u>2,157,604</u>	<u>2,207,604</u>
Aggregate depreciation	<u>488,471</u>	<u>445,319</u>

Freehold property was valued on existing use value basis on 17 June 2016 by Knight Frank .

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:

	£	£	31.12.17	31.12.16
Cost			<u>1,704,725</u>	<u>1,575,275</u>
Aggregate depreciation			<u>462,464</u>	<u>428,370</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

11. **TANGIBLE FIXED ASSETS - continued**

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 2017	136,122	103,905	830,733	1,070,760
Additions	77,370	-	262,620	339,990
Transfer to ownership	-	(58,069)	(18,000)	(76,069)
At 31 December 2017	<u>213,492</u>	<u>45,836</u>	<u>1,075,353</u>	<u>1,334,681</u>
DEPRECIATION				
At 1 January 2017	17,543	25,738	380,432	423,713
Charge for year	31,783	5,617	176,068	213,468
Transfer to ownership	-	(22,870)	(9,352)	(32,222)
At 31 December 2017	<u>49,326</u>	<u>8,485</u>	<u>547,148</u>	<u>604,959</u>
NET BOOK VALUE				
At 31 December 2017	<u>164,166</u>	<u>37,351</u>	<u>528,205</u>	<u>729,722</u>
At 31 December 2016	<u>118,579</u>	<u>78,167</u>	<u>450,301</u>	<u>647,047</u>

12. **STOCKS**

	31.12.17 £	31.12.16 £
Raw materials & finished goods	<u>3,743,097</u>	<u>7,458,265</u>

All items of stock have been pledged as security for bank lending.

13. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.17 £	31.12.16 £
Trade debtors	10,013,075	9,126,901
Other debtors	2,385,017	1,906,824
Directors' current accounts	332,937	190,759
Prepayments	<u>307,884</u>	<u>517,604</u>
	<u>13,038,913</u>	<u>11,742,088</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

14. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.17	31.12.16
	£	£
Bank loans and overdrafts (see note 16)	5,015,901	3,486,330
Other loans (see note 16)	421,978	202,110
Hire purchase contracts (see note 17)	286,097	274,455
Trade creditors	3,629,619	3,061,041
Tax	186,627	213,888
Social security and other taxes	511,329	694,211
Invoice discounting accounts	5,841,963	5,863,047
Directors' current accounts	457,666	196,578
Accrued expenses	781,236	3,574,360
	<u>17,132,416</u>	<u>17,566,020</u>

15. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.17	31.12.16
	£	£
Bank loans (see note 16)	841,664	738,866
Other loans (see note 16)	200	556,068
Hire purchase contracts (see note 17)	222,123	241,056
	<u>1,063,987</u>	<u>1,535,990</u>

16. **LOANS**

An analysis of the maturity of loans is given below:

	31.12.17	31.12.16
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	2,497,885	1,273,004
Bank loans	2,518,016	2,213,326
Other loans	421,978	202,110
	<u>5,437,879</u>	<u>3,688,440</u>
Amounts falling due between one and two years:		
Bank loans	242,810	-
Other loans	200	246,858
Directors loan accounts	-	309,210
	<u>243,010</u>	<u>556,068</u>
Amounts falling due between two and five years:		
Bank loans	<u>315,005</u>	<u>-</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans	<u>283,849</u>	<u>738,866</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

16. LOANS - continued

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

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	31.12.17	31.12.16
	£	£
Gross obligations repayable:		
Within one year	296,898	284,182
Between one and five years	<u>228,220</u>	<u>250,185</u>
	<u>525,118</u>	<u>534,367</u>
Finance charges repayable:		
Within one year	10,801	9,727
Between one and five years	<u>6,097</u>	<u>9,129</u>
	<u>16,898</u>	<u>18,856</u>
Net obligations repayable:		
Within one year	286,097	274,455
Between one and five years	<u>222,123</u>	<u>241,056</u>
	<u>508,220</u>	<u>515,511</u>
	Non-cancellable operating leases	
	31.12.17	31.12.16
	£	£
Within one year	342,103	651,357
Between one and five years	575,953	1,113,114
In more than five years	<u>431,250</u>	<u>506,250</u>
	<u>1,349,306</u>	<u>2,270,721</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2017**

18. SECURED DEBTS

The following secured debts are included within creditors:

	31.12.17	31.12.16
	£	£
Bank overdrafts	2,497,885	1,273,004
Bank loans	3,359,680	2,952,192
Hire purchase contracts	508,220	515,511
	<u>6,365,785</u>	<u>4,740,707</u>

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

First Legal Mortgage over the Freehold Property of Airedale Chemical Company Limited known as Airedale Mills, Skipton Road, Crosshills, Keighley dated 6 August 2012 in favour of HSBC.

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

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.

19. PROVISIONS FOR LIABILITIES

	31.12.17	31.12.16
	£	£
Deferred tax	<u>142,303</u>	<u>116,737</u>
		Deferred tax
		£
Balance at 1 January 2017		116,737
Provided during year		<u>25,566</u>
Balance at 31 December 2017		<u>142,303</u>

The deferred tax provision relates to accelerated capital allowances.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.17	31.12.16
			£	£
11,000	Ordinary	£1	<u>11,000</u>	<u>11,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

21. **RESERVES**

	Retained earnings £
At 1 January 2017	5,725,443
Profit for the year	749,199
Dividends	(5,000)
At 31 December 2017	<u>6,469,642</u>

22. **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 £147,316 were paid to the fund (2016: £72,753).

23. **ULTIMATE PARENT COMPANY**

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

24. **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.

During the year to 31 December 2017 advance payment notices (APN's) received from HMRC in respect to PAYE and NIC liabilities on the tax schemes became due for payment. These were payable irrespective of whether or not the scheme was ultimately deemed to be successful. The company negotiated a time to pay arrangement with HMRC to settle the amounts being demanded over an extended period of time.

At the year end date the legal advice obtained by the scheme managers, who have employed leading counsel was that the company had a strong chance of success in defending the effectiveness of the tax planning schemes. The directors were therefore confident that the APN payments made would ultimately be repayable to the company.

25. **DIRECTORS' ADVANCES, CREDITS AND GUARANTEES**

The following advances and credits to directors subsisted during the years ended 31 December 2017 and 31 December 2016:

	31.12.17 £	31.12.16 £
J M Leighton		
Balance outstanding at start of year	57,113	40,673
Amounts advanced	11,802	16,440
Amounts repaid	(5,800)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>63,115</u>	<u>57,113</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2017

25. **DIRECTORS' ADVANCES, CREDITS AND GUARANTEES - continued**

R M Wolff

Balance outstanding at start of year	61,475	105,718
Amounts advanced	51,844	-
Amounts repaid	(59,966)	(44,243)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>53,353</u>	<u>61,475</u>

R P Chadwick

Balance outstanding at start of year	72,171	-
Amounts advanced	165,945	72,171
Amounts repaid	(21,647)	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	<u>216,469</u>	<u>72,171</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	267,374	267,374	229,641
B M Hall	202,356	223,011	223,011
C L Thomson	2,102	2,102	0
Pension Scheme	183,790	183,790	130,899
D Fox	39,733	41,247	8,533

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	11,832
Self Administered Pension Scheme	6,327

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 2017**

26. 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)	166,858	166,858	-
L C Hall	875	1,425	1,025
D Chadwick	80,000	80,887	80,688
EJ Chadwick	8,723	8,723	4,970
EL Chadwick	4,710	4,866	111

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 £4,519 (2016 - £1,536).

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.

DM Chadwick who is a member of the directors' families, has a loan due to the company at 31 December 2017 of £218,886 (2016 - £113,217).

JW Chadwick who is a member of the directors' families, has a loan due to the company at 31 December 2017 of £241,336. (2016 - £201,942)

During the year the company has made payments on behalf of the Executors of B Chadwick (Deceased) totalling £291,515 which leaves a debtor balance of £124,857 at 31 December 2017.

Transactions and balances relating to Airedale Solutions Limited and Rigest Trading Limited (being fellow subsidiaries) are disclosed via the consolidated accounts prepared by the holding company Airedale Chemical Holdings Limited.

27. SUBSEQUENT EVENTS

As described in note 2 and 24 to the accounts the company previously appointed assets into an Employer Financed Retirement Benefits scheme and Employee Benefit Trusts.

In April 2018 HMRC issued a follower notice relating to one of the schemes undertaken. At the same time new legal advice was received from the scheme managers and leading counsel that following recent court and tribunal decisions together with the implementation of the follower notice legislation by HMRC that there was no longer a realistic prospect of the schemes being successfully defended.

Based on the new circumstances and significant change to the underlying advice the directors took the decision at the end of May 2018 to seek settlement of the schemes with HMRC. The amounts that will be due for payment are highly uncertain and subject to negotiation with HMRC but the directors' best working estimate is that around £3m will be due. The directors are confident that a manageable time to pay arrangement will be negotiated with HMRC.

28. 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.

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.