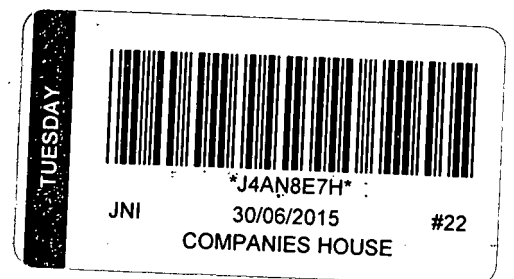


**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 AUGUST 2014**



**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**COMPANY INFORMATION**

**Directors** P A Theodore (resigned 3 October 2014)  
M R Bachmann  
A Brighenti  
R P Collins (appointed 3 October 2014)

**Registered number** 01428569

**Registered office** P O Box 12  
12 Tanhouse Lane  
Widnes  
Cheshire  
WA8 0RD

**Independent auditors** Ernst & Young LLP  
Bedford House  
16 Bedford Street  
Belfast  
BT2 7DT

**Bankers** Barclays Bank plc  
City Office Business Centre  
P O Box 357  
57 Mosley Street  
Manchester  
M60 2AU

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

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## **ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

### **STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2014**

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

#### **Business review**

The company's principal activity during the period continued to be the production and sale of industrial and laundry chemicals.

The company is pleased to report a 18.6% growth in sales. The loss for the year, after taxation, amounted to £564,407 (2013 - loss £483,832).

#### **Principal risks and uncertainties**

The company considers the principal risks to its financial performance to be manufacturing costs. The company operates in a competitive market which is expected to remain competitive for the foreseeable future. The company will continue to develop its product range to meet market needs. This provides substantial opportunity to all businesses within the Hale Group to build upon their existing strengths and reputation with the backing of the Zep Group.

#### **Risk management**

The company's strategy is to follow an appropriate risk policy which effectively manages exposures related to the achievement of business objectives. The key risks which management face are detailed as follows:

##### **Business performance risk**

Business performance risk is the risk that the company may not perform as expected either due to internal factors or due to competitive pressures in the markets in which they operate. This risk is managed through a number of measures: authorisation of purchases and capital commitments; ensuring the appropriate management team is in place; budget and business planning; monthly reporting and variance analysis; financial controls; key performance indicators; and regular forecasting.

Trade debtors are managed in respect of both credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding in respect of ageing and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debts.

##### **Business continuity risk**

The company ensures that there is sufficient IT support available should an unforeseen event occur. Management are continually implementing and reviewing business continuity and IT disaster recovery plans to ensure any increase in risk arising from future activities is managed.

##### **Management development**

Long-term growth of the business depends on the company's ability to retain and attract personnel of high quality. This risk is managed through development plans which are regularly reviewed and updated. These are accompanied by specific policies in areas such as training, management development and performance management.

##### **Financial and business control**

Adequate financial and business controls are necessary to ensure the integrity and reliability of financial and other information on which the company relies for day-to-day operations, external reporting and for longer term planning. The company exercises financial and business control through a combination of: experienced financial personnel; performance reporting; budgeting and cash flow forecasting; and clearly defined approval limits.

## **ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

### **STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 AUGUST 2014**

#### **Social, ethical and environmental risk**

Due to the company's nature and size, no significant social, ethical or environmental risks have been identified by management.

#### **Financial key performance indicators**

The key performance indicators are sales, gross profit margin and EBITDA.

Sales have grown by 18.6% during the year, as set out in the financial statements.

Gross profit margin fell to 14.05% in the year (2013: 22.59%) due to an increase in raw material costs.

EBITDA (before exceptionals) fell to (£390,672) in the year (2013: £140,392).

#### **Financial instrument risks**

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price or liquidity risk.

The company does not enter into forward contracts for foreign currencies. Therefore, the foreign exchange risk is that associated with exchange rate fluctuations when buying and selling goods in foreign currencies.

#### **Future developments**


Following a group re-structure effected on 1 September 2014, all of the group trading is undertaken in Zep (UK) Limited and Mykal Industries Limited and Rexodan International have become dormant.

The company will continue to monitor performance against budget and aim to minimise costs for key items such as manufacturing costs, salesmen costs and sales management costs with an objective to maximise profit contribution in the forthcoming year.

#### **Going concern**

The Directors believe that there are no material uncertainties that cast significant doubt about the entity's ability to continue as a going concern and the financial statements have been prepared on that basis.

This report was approved by the board on 23 June 2015 and signed on its behalf.

  
.....  
**A Brighenti**  
**Director**

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 AUGUST 2014**

The directors present their report and the financial statements for the year ended 31 August 2014.

**Principal activities**

The company's principal activity during the period was the production and sale of industrial and laundry chemicals.

On 22 August 2014, the name of the company was changed from Forward Chemicals Limited to Zep UK Limited.

**Results**

The loss for the year, after taxation, amounted to £564,407 (2013 - loss £483,832).

**Directors**

The directors who served during the year were:

P A Theodore (resigned 3 October 2014)  
M R Bachmann  
A Brighenti

**Provision of information to auditors**

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

**Auditors**

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 23 June 2015 and signed on its behalf.

  
.....  
**A Brighenti**  
Director

## **ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

We have audited the financial statements of ZEP UK Limited (formerly Forward Chemicals Limited) for the year ended 31 August 2014 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses and the Balance Sheet and the related notes 1 to 23. 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 an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Directors' Report and Financial Statements 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 August 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the directors' report.

*Ernst & Young LLP*

**Ian Gibson** (Senior statutory auditor)  
for and on behalf of Ernst and Young LLP, Statutory auditor  
Belfast

*30 June 2015*

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 AUGUST 2014**

	Note	2014 £	2013 £
<b>TURNOVER</b>	1,2	<b>7,336,195</b>	6,184,044
Cost of sales		<u>(6,305,759)</u>	<u>(4,786,772)</u>
<b>GROSS PROFIT</b>		<b>1,030,436</b>	1,397,272
Distribution costs		<u>(702,656)</u>	<u>(752,367)</u>
Administrative expenses		<u>(796,923)</u>	<u>(862,728)</u>
<b>OPERATING LOSS</b>	3	<b>(469,143)</b>	(217,823)
<b>EXCEPTIONAL ITEMS</b>			
Reorganisation costs	9	<u>(138,754)</u>	<u>(420,708)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>(607,897)</b>	(638,531)
Interest receivable and similar income		<b>5,153</b>	25,507
Interest payable and similar charges	7	<u>(79,637)</u>	<u>(74,028)</u>
Other finance income	8	<u>106,000</u>	<u>125,000</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(576,381)</b>	(562,052)
Tax on loss on ordinary activities	10	<u>11,974</u>	<u>78,220</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>	18	<u><b>(564,407)</b></u>	<u><b>(483,832)</b></u>

All amounts relate to continuing operations.

The notes on pages 10 to 21 form part of these financial statements.

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 AUGUST 2014**

	Note	2014 £	2013 £
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(564,407)</b>	<b>(483,832)</b>
Unrealised surplus/(deficit) on revaluation of tangible fixed assets		-	(393,913)
Actuarial gain related to pension scheme	21	<b>180,000</b>	280,000
Deferred tax attributable to actuarial gain	21	<b>(2,400)</b>	148,000
Movement on limit on pension surplus not recognised	21	<b>(185,000)</b>	(908,000)
<b>TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR</b>		<b>(571,807)</b>	<b>(1,357,745)</b>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES  
FOR THE YEAR ENDED 31 AUGUST 2014**

	2014 £	2013 £
<b>REPORTED LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(576,381)</b>	<b>(562,052)</b>
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	13,488
<b>HISTORICAL COST LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>(576,381)</b>	<b>(548,564)</b>
<b>HISTORICAL LOSS FOR THE YEAR AFTER TAXATION</b>	<b>(564,407)</b>	<b>(470,344)</b>

The notes on pages 10 to 21 form part of these financial statements.

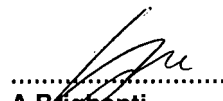
**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**  
**REGISTERED NUMBER: 01428569**

**BALANCE SHEET**  
**AS AT 31 AUGUST 2014**

	Note	£	2014 £	£	2013 £
<b>FIXED ASSETS</b>					
Tangible assets	11		1,882,813		1,787,327
Investments	12		2,531,179		2,531,179
			<u>4,413,992</u>		<u>4,318,506</u>
<b>CURRENT ASSETS</b>					
Stocks	13	1,572,983		1,511,181	
Debtors	14	1,218,078		1,888,379	
Cash at bank and in hand		100,570		4,293	
		<u>2,891,631</u>		<u>3,403,853</u>	
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(4,961,043)</u>		<u>(4,792,372)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(2,069,412)</u>		<u>(1,388,519)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>2,344,580</u>		<u>2,929,987</u>
Defined benefit pension scheme asset	21		108,800		95,200
<b>NET ASSETS</b>			<u>2,453,380</u>		<u>3,025,187</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		838,200		838,200
Revaluation reserve	18		1,052,302		1,052,302
Profit and loss account	18		562,878		1,134,685
<b>SHAREHOLDERS' FUNDS</b>	19		<u>2,453,380</u>		<u>3,025,187</u>

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

*23 June 2015*

.....  
  
**A Brighenti**  
 Director

The notes on pages 10 to 21 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**1. ACCOUNTING POLICIES**

**1.1 Basis of preparation of financial statements**

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

**1.2 Cash flow**

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

**1.3 Turnover**

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

**1.4 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is not charged on freehold land. Depreciation on other tangible fixed assets is provided at rates calculated to write off the cost or valuation of those assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2% straight line
Plant, machinery and equipment	-	20% reducing balance and 20% straight line
Motor vehicles	-	25% straight line

**1.5 Revaluation of tangible fixed assets**

Individual freehold and leasehold properties are carried at current year value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property every five years, with an interim valuation three years after the previous full valuation, and in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the profit and loss account.

**1.6 Investments**

Investments in subsidiary undertakings are valued at cost less provision for impairment.

**1.7 Operating leases**

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

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**1. ACCOUNTING POLICIES (continued)**

**1.8 Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. Raw materials and consumables are valued at purchase cost on a first in, first out basis including transport costs. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal. Finished goods are valued at the cost of direct materials used. Provision is made for obsolete, slow-moving and defective items where appropriate.

**1.9 Deferred taxation**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

**1.10 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

**1.11 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 1 January 2013.

**2. TURNOVER**

Turnover represents the amounts derived from the provision of services in the period which fall within the company's ordinary activities, stated net of value added tax. Turnover is attributable to one continuing activity, the production and sale of industrial and laundry chemicals, and is attributable to continuing operations.

The analysis of turnover and other details by activity and geographical location have been omitted as the directors consider that this disclosure would be prejudicial to the interests of the company's trade.

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**3. OPERATING LOSS**

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

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	78,471	77,431
Operating lease rentals:		
- plant and machinery	14,467	5,587
Difference on foreign exchange	897	29,207
	<u>          </u>	<u>          </u>

**4. AUDITOR'S REMUNERATION**

	2014 £	2013 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	15,000	14,000
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	-	2,190
All other non-audit services not included above	-	3,400
	<u>          </u>	<u>          </u>
	2014 £	2013 £
Fees payable to the company's auditor and its associates in connection with the company's pension scheme(s) in respect of:		
The auditing of accounts of the scheme(s)	3,000	3,000
	<u>          </u>	<u>          </u>

**5. STAFF COSTS**

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	1,222,367	1,157,153
Social security costs	104,229	107,384
Other pension costs	125,889	144,896
	<u>          </u>	<u>          </u>
	1,452,485	1,409,433
	<u>          </u>	<u>          </u>

**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**5. STAFF COSTS (continued)**

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

	2014 No.	2013 No.
Production	38	33
Sales & distribution	9	8
Administration	3	11
	<u>50</u>	<u>52</u>

**6. DIRECTORS' REMUNERATION**

During the year retirement benefits were accruing to no directors (2013 - nil) in respect of defined benefit pension schemes.

During the year, no director received any emoluments (2013 - £nil).

**7. INTEREST PAYABLE**

	2014 £	2013 £
On bank loans and overdrafts	211	91
On loans from group undertakings	79,426	73,937
	<u>79,637</u>	<u>74,028</u>

**8. OTHER FINANCE INCOME**

	2014 £	2013 £
Expected return on pension scheme assets	207,000	210,000
Interest on pension scheme liabilities	(101,000)	(85,000)
	<u>106,000</u>	<u>125,000</u>

**9. EXCEPTIONAL ITEMS**

	2014 £	2013 £
Restructuring costs	138,754	420,708



**ZEP UK LIMITED (FORMERLY FORWARD CHEMICALS LIMITED)**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**10. TAXATION**

	2014 £	2013 £
<b>Analysis of tax credit in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax credit on loss for the year	-	(10,521)
Adjustments in respect of prior periods	(38,606)	-
<b>Total current tax</b>	<u>(38,606)</u>	<u>(10,521)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	35,411	(67,887)
Effect of increased tax rate on opening liability	-	188
Adjustment for prior periods	(8,779)	-
<b>Total deferred tax</b> (see note 16)	<u>26,632</u>	<u>(67,699)</u>
<b>Tax on loss on ordinary activities</b>	<u><u>(11,974)</u></u>	<u><u>(78,220)</u></u>

**Factors affecting tax charge for the year/Year**

The tax assessed for the year is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 22.16% (2013 - 23.6%). The differences are explained below:

	2014 £	2013 £
Loss on ordinary activities before tax	<u>(576,381)</u>	<u>(562,052)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.16% (2013 - 23.6%)	(127,736)	(132,644)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	51,663	59,883
Capital allowances for year in excess of depreciation	(39,238)	(1,634)
Fixed asset timing differences	14,580	-
Group relief surrendered	131,120	7,289
Adjustments to tax charge in respect of prior periods	(38,606)	(10,521)
Non-taxable income	(45,875)	(49,520)
Losses carried back	-	34,831
Unrelieved tax losses and other deductions arising in the period	15,486	81,795
<b>Current tax credit for the year</b> (see note above)	<u><u>(38,606)</u></u>	<u><u>(10,521)</u></u>

**Factors that may affect future tax charges**

There were no factors that may affect future tax charges.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

## 11. TANGIBLE FIXED ASSETS

	Freehold property £	Motor vehicles £	Plant, machinery and equipment £	Total £
<b>Cost or valuation</b>				
At 1 September 2013	1,670,000	91,623	1,487,728	3,249,351
Additions	-	2,000	171,957	173,957
At 31 August 2014	1,670,000	93,623	1,659,685	3,423,308
<b>Depreciation</b>				
At 1 September 2013	-	72,837	1,389,187	1,462,024
Charge for the year	31,670	16,522	30,279	78,471
At 31 August 2014	31,670	89,359	1,419,466	1,540,495
<b>Net book value</b>				
At 31 August 2014	1,638,330	4,264	240,219	1,882,813
At 31 August 2013	1,670,000	18,786	98,541	1,787,327

Freehold land amounting to £530,000 (31 August 2013 - £530,000) has not been depreciated.

Cost or valuation of land and buildings at 31 August 2014 is as follows:

At valuation: 31 August 2014 based on existing use basis; £1,670,000.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2014 £	2013 £
Cost	1,056,596	1,056,596
Accumulated depreciation	(460,032)	(438,900)
Net book value	596,564	617,696

The company's freehold properties were last valued in 2013 by an external valuer on the basis of market value on the assumption that the property would be sold as part of the continuing business. The next formal valuation is due to be carried out at the end of 2018.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

## 12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £	Investments in subsidiary companies £
<b>Cost or valuation</b>		
At 1 September 2013 and 31 August 2014		<b>2,531,179</b>
<b>Net book value</b>		
At 31 August 2014	2,531,179	<b>2,531,179</b>
At 31 August 2013	2,531,179	<b>2,531,179</b>
<b>Subsidiary undertakings</b>		

The following is a subsidiary undertaking of the company at the year end:

Name	Holding	Class of shares	Holding
Mykal Industries Limited	100%	Ordinary shares of £1 each	100%

The aggregate of the share capital and reserves as at 31 August 2014 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Mykal Industries Limited	<b>1,826,852</b>	<b>959,844</b>
		<b>1,614,721</b>

## 13. STOCKS

	2014 £	2013 £
Raw materials	725,584	539,846
Finished goods and goods for resale	847,399	971,335
	<b>1,572,983</b>	<b>1,511,181</b>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**14. DEBTORS**

	2014 £	2013 £
Trade debtors	998,865	749,212
Amounts owed by group undertakings	95,416	993,819
Other debtors	35,481	26,623
Prepayments and accrued income	46,129	49,906
Deferred tax asset (see note 16)	42,187	68,819
	<u>1,218,078</u>	<u>1,888,379</u>

**15. CREDITORS:**

**Amounts falling due within one year**

	2014 £	2013 £
Bank loans and overdrafts	-	499,328
Trade creditors	140,503	563,414
Amounts owed to group undertakings	4,232,640	3,384,329
Social security and other taxes	99,159	39,751
Other creditors	115,256	64,995
Accruals and deferred income	373,485	240,555
	<u>4,961,043</u>	<u>4,792,372</u>

Bank security details are shown in note 20.

**16. DEFERRED TAX ASSET**

	2014 £	2013 £
At beginning of year	68,819	1,120
Recognised during year	(35,411)	67,699
Adjustment for prior periods	8,779	-
At end of year	<u>42,187</u>	<u>68,819</u>

The deferred tax asset is made up as follows:

	2014 £	2013 £
Accelerated capital allowances	31,078	454
Tax losses carried forward	(73,265)	(69,273)
	<u>(42,187)</u>	<u>(68,819)</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

## 16. DEFERRED TAX ASSET (continued)

No provision has been made for the potential tax liability that would be payable should the company dispose of the revalued land and buildings at the revalued amount. The potential liability of £nil (31 August 2013 - £nil) has not been provided for as it is not the intention of the directors to dispose of the land and buildings in the foreseeable future.

## 17. SHARE CAPITAL

	2014 £	2013 £
<b>Allotted, called up and fully paid</b>		
838,200 Ordinary shares of £1 each	<u>838,200</u>	<u>838,200</u>

## 18. RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 September 2013	1,052,302	1,134,685
Loss for the year		(564,407)
Pension reserve movement		(7,400)
At 31 August 2014	<u>1,052,302</u>	<u>562,878</u>

The closing balance on the balance sheet includes a £136,000 (2013 - £96,000) credit, stated after deferred taxation of £27,200 (2013 - £24,800), in respect of pension scheme liabilities of the company pension scheme.

## 19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2014 £	2013 £
Opening shareholders' funds	3,025,187	4,382,932
Loss for the year	(564,407)	(483,832)
Other recognised gains and losses during the year	<u>(7,400)</u>	<u>(873,913)</u>
Closing shareholders' funds	<u>2,453,380</u>	<u>3,025,187</u>

## 20. CONTINGENT LIABILITIES

The company's bankers hold unlimited cross guarantees in favour of fellow subsidiary undertaking Rexodan International Limited.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**21. PENSION COMMITMENTS**

The company sponsors the Forward Chemicals Limited Pension & Life Assurance Scheme which is a defined benefit scheme, funded by the payment of contributions to a separate trustee administered fund. The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the "Attained Age Method". At 1 January 2013, the latest valuation date, the actuarial valuation of the scheme's assets was 160% of the value of the benefits accrued to members after allowing for future increases in earnings. The market value of the scheme's assets at the valuation date was £4,228,000.

The contributions to the scheme over the financial period have been £Nil (year ended 31 August 2013 - £Nil). The contribution rate was 14% of pensionable salaries plus the cost of death in service benefits but the contribution rate was reduced to 0% in 2011 following publication of the results of the triennial valuation with an effective date of 1 January 2010. The company does not expect to contribute to the Forward Chemicals Limited Pension & Life Assurance Scheme in the next accounting year.

The company has fully adopted Financial Reporting Standard 17 "Retirement Benefits" (FRS 17). FRS 17 requires that the company includes the assets and liabilities of these arrangements in the company's balance sheet. Current service costs, curtailment and settlement gains and losses and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

In determining the overall expected rate of return on assets, the assets are taken at an ongoing value as they are largely protected from volatility due to the nature of the investment vehicle. The assets are held in a unitised with profits policy which aims to smooth out fluctuations in the scheme's return.

The company's total pension cost included within operating profit for the period was £125,889 (year ended 31 August 2013 - £144,896), being £103,598 (year ended 31 August 2013 - £97,000) in respect of its defined benefit pension scheme arrangements and £22,291 (year ended 31 August 2013 - £47,896) in respect of its defined contribution pension arrangements.

The amounts in the financial statements for the year ended 31 August 2014, relating to pensions, are based on a full actuarial valuation dated 1 January 2013.

The amounts recognised in the balance sheet are as follows:

	2014 £	2013 £
Present value of funded obligations	(2,374,000)	(2,155,000)
Fair value of scheme assets	5,014,000	4,594,000
Surplus in scheme	2,640,000	2,439,000
Surplus not recognised	(2,504,000)	(2,319,000)
Surplus included in balance sheet	136,000	120,000
Related deferred tax liability	(27,200)	(24,800)
Net asset	108,800	95,200

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2014

## 21. PENSION COMMITMENTS (continued)

The amounts recognised in profit or loss are as follows:

	2014 £	2013 £
Current service cost	(85,000)	(97,000)
Interest on obligation	(101,000)	(85,000)
Expected return on scheme assets	207,000	210,000
<b>Total</b>	<b>21,000</b>	<b>28,000</b>
Actual return on scheme assets	429,000	411,000

Movements in the present value of the defined benefit obligation were as follows:

	2014 £	2013 £
Opening defined benefit obligation	2,155,000	2,066,000
Current service cost	85,000	97,000
Interest cost	101,000	85,000
Actuarial losses/(gains)	42,000	(79,000)
Benefits paid and death in service insurance premiums	(9,000)	(14,000)
<b>Closing defined benefit obligation</b>	<b>2,374,000</b>	<b>2,155,000</b>

Changes in the fair value of scheme assets were as follows:

	2014 £	2013 £
Opening fair value of scheme assets	4,594,000	4,197,000
Expected return on assets	207,000	210,000
Actuarial gains	222,000	201,000
Benefits paid and death in service insurance premiums	(9,000)	(14,000)
<b></b>	<b>5,014,000</b>	<b>4,594,000</b>

The scheme's assets are held in an insurance contract of a type making it inappropriate to give a breakdown of assets by class.

None of the fair values of the assets includes any of the company's own financial instruments or any property occupied by, or other assets used by, the company.

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	31 August 2014	31 August 2013
Discount rate	3.80 %	4.60 %
Expected return on scheme assets	4.75 %	4.50 %
Future salary increases	4.30 %	4.50 %
Future pension increases	5.00 %	5.00 %
Revaluation rate for deferred pensioners	5.00 %	5.00 %
Inflation	3.30 %	3.50 %

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2014**

**21. PENSION COMMITMENTS (continued)**

Amounts for the current and previous four periods are as follows:

Defined benefit pension schemes

	31 August 2014 £	31 August 2013 £	31 August 2012 £	31 December 2011 £	31 December 2010 £
Defined benefit obligation	(2,374,000)	(2,155,000)	(2,066,000)	(1,909,000)	(3,011,000)
Scheme assets	5,014,000	4,594,000	4,197,000	4,233,000	5,260,000
Surplus	2,640,000	2,439,000	2,131,000	2,324,000	2,249,000
Experience adjustments on scheme liabilities	70,000	6,000	9,000	54,000	330,000
Experience adjustments on scheme assets	222,000	201,000	(187,000)	63,000	473,000

**22. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the available exemption under FRS 8 not to disclose transactions with group members due to consolidated accounts for Zep Inc, a company being incorporated in the USA, being publicly available from US Securities and Exchange Commission. The company is controlled by Hale Group (Widnes) Limited, and Hale Group (Widnes) Limited is ultimately controlled by Zep Inc, a company incorporated in the USA. Zep UK Limited is a wholly owned subsidiary of Hale Group (Widnes) Limited.

**23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company is controlled by Hale Group (Widnes) Limited. Hale Group (Widnes) Limited is ultimately controlled by Zep Inc, a company incorporated in the USA. This is the largest group for which consolidated accounts are prepared. In the opinion of the directors this is the company's ultimate parent company and ultimate controlling party. Consolidated accounts are available from US Securities and Exchange Commission.