

SNF (UK) Limited

Registered number: 02023891

Directors' report and financial statements

For the year ended 31 December 2018

SNF (UK) LIMITED

COMPANY INFORMATION

Directors	R Hund A Woollin I A Waterhouse M R Waddington P A L Remy
Company secretary	N J Bowers
Registered number	02023891
Registered office	1 Red Hall Cresent Paragon Business Village Wakefield West Yorkshire WF1 2DF
Independent auditor	Constantin Chartered Accountants & Statutory Auditor 25 Hosier Lane London EC1A 9LQ
Bankers	Lloyds Bank 65 - 68 Briggate Leeds LS1 6LH

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Principal activity

The principal activity of the company is the supply of water treatment chemicals and equipment into the industrial and municipal markets of UK and Ireland.

Business review

Sales year on year have increased due to growth in Oilfield business area and to resellers following merger of subsidiaries the previous financial year.

Gross profit intensity also impacted by this customer mix change.

Environmental

The company remains committed to its environmental responsibilities and continues to maintain its ISO 14001 registration.

Position of the business

It is considered that the year end position of the company remains satisfactory and will allow further development of the business in line with the Directors' expectations.

Principal risks and uncertainties

Raw material price pressure is expected to continue meaning that the company needs to pay close attention to the management of product margins.

Uncertainty around BREXIT continues meaning developments will be closely monitored to ensure impacts are minimal. Foreign exchange developments in relation to Euro and US Dollar are specific areas of interest and will need managing accordingly.

This report was approved by the board on 20 June 2019 and signed on its behalf.

I A Waterhouse

Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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; 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 and 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.

Directors

The directors who served during the year were:

R Hund
A Woollin
I A Waterhouse
M R Waddington
P A L Remy

Future developments

The company seeks to further support customers in its chosen markets and expects to grow strongly in the coming year.

Research and development activities

The company will continue its policy of investment in research and development in order to meet customer needs not only today but in the future. SNF (UK) technical team aims to provide customers with the optimum product performance and the lowest cost of treatment.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018

Going concern

The financial statements have been prepared on a going concern basis. The directors have considered a period in excess of twelve months from the date of the approval of these financial statements in making their assessment.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

The auditor, Constantin, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20 June 2019 and signed on its behalf.

I A Waterhouse
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SNF (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of SNF (UK) Limited ("the Company"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of SNF (UK) Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 31 which includes a statement of accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standards 101 "Reduced Disclosure Framework".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SNF (UK) LIMITED

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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Responsibilities of Directors

As explained more fully in the directors responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 auditor's report.

Report on other legal and regulatory requirements

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SNF (UK) LIMITED

Matters on which we are required to report by exception

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

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

Alex Legon FCA (Senior statutory auditor)

For and on behalf of

Constantin

Chartered Accountants and Statutory Auditors

25 Hosier Lane
London
EC1A 9LQ

20 June 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	52,319,563	48,661,086
Raw materials and consumables		(42,402,384)	(40,224,425)
Other direct costs		(5,056,870)	(4,978,273)
Gross profit		4,860,309	3,458,388
Staff costs		(2,708,644)	(3,028,102)
Depreciation and amortisation		(244,094)	(592,415)
Profit/Loss on sale of assets		8,807	31,289
Operating profit/(loss)	5	1,916,378	(130,840)
Income from shares in group undertakings		-	2,163,758
Interest receivable and similar income	9	13,081	1,682
Amounts written off investments		-	(1,685,666)
Interest payable and expenses	10	(172,088)	(140,586)
Profit before tax		1,757,371	208,348
Tax on profit	11	39,289	215,315
Profit for the financial year		1,796,660	423,663

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 11 to 33 form part of these financial statements.

All transactions arose from continuing operations.

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	3,575,307	3,575,307
Tangible assets	13	1,818,519	1,895,296
Investments	15	545,770	545,769
		<u>5,939,596</u>	<u>6,016,372</u>
Current assets			
Fixed assets held for sale	14	-	2,020,995
Stocks	16	5,499,464	5,279,638
Debtors: amounts falling due within one year	17	10,312,607	11,869,359
Cash at bank and in hand	18	8,329,933	2,697,416
		<u>24,142,004</u>	<u>21,867,408</u>
Creditors: amounts falling due within one year	19	(10,415,747)	(13,137,638)
			<u>8,729,770</u>
Net current assets		13,726,257	
Debtors: amounts falling due after more than one year	17	102,354,100	83,367,144
		<u>122,019,953</u>	<u>98,113,286</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	20	(106,750,110)	(84,607,305)
Provisions for liabilities			
Deferred tax	24	(65,753)	(98,551)
		<u>(65,753)</u>	<u>(98,551)</u>
Net assets		<u>15,204,090</u>	<u>13,407,430</u>
Capital and reserves			
Called up share capital	25	7,952,680	7,952,680
Profit and loss account	26	7,251,410	5,454,750
		<u>15,204,090</u>	<u>13,407,430</u>

SNF (UK) LIMITED
REGISTERED NUMBER: 02023891

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2018

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20 June 2019.

I A Waterhouse
Director

The notes on pages 11 to 33 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2018	<u>7,952,680</u>	<u>5,454,750</u>	<u>13,407,430</u>
Comprehensive income for the year			
Profit for the year	-	1,796,660	1,796,660
Total comprehensive income for the year	-	1,796,660	1,796,660
At 31 December 2018	<u>7,952,680</u>	<u>7,251,410</u>	<u>15,204,090</u>

The notes on pages 11 to 33 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	<u>7,952,680</u>	<u>5,031,087</u>	<u>12,983,767</u>
Comprehensive income for the year			
Profit for the year	-	423,663	423,663
Total comprehensive income for the year	-	423,663	423,663
At 31 December 2017	<u>7,952,680</u>	<u>5,454,750</u>	<u>13,407,430</u>

The notes on pages 11 to 33 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information

The "Company" is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is:

1 Red Hall Crescent

Paragon Business Village

Wakefield

West Yorkshire

WF1 2DF

The principal activity of the company is the supply of water treatment chemicals and equipment into the industrial and municipal markets of UK and Ireland.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The financial statements contain information about SNF (UK) Limited as an individual company and not about its group. In accordance with the provisions of Financial Reporting Standard 101 and Section 401 of the Companies Act 2006, the company has taken advantage of the exemption available to it from the requirement to prepare consolidated financial statements on the grounds that it is included in the consolidated financial statements of SPCM SA.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 101 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- the requirements of IAS 7 Statement of Cash Flows
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

The information is included in the consolidated financial statements of SPCM SA as at 31 December 2018 and these financial statements may be obtained from the address shown in note 31 to these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.3 Going concern

The financial statements have been prepared on a going concern basis. The company is reliant upon funding from other group companies to finance work on assets under Construction within the UK group. The directors have obtained confirmation that other group companies will not demand repayment in part or in full of any debt until the company is in a position to do so. The directors have considered a period in excess of twelve months from the date of the approval of these financial statements in making their assessment.

2.4 Foreign currency translation

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rates at the balance sheet date. All exchange differences are included in the profit and loss account.

2.5 Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company.

The Company recognises revenue when; the amount can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities.

2.6 Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Statement of Comprehensive Income and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

2.7 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.8 Borrowing costs

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Comprehensive Income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.9 Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the period comprises current tax and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Group relief

The company and its fellow group undertakings are able to relieve their tax losses by surrendering them to other group companies where capacity to utilise those losses exists. There is an agreement between members of this group that such losses will not be paid for by the recipient Company.

2.11 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.12 Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued.

When a business combination agreement provides for an adjustment to the cost of the combination which is contingent on future events, the company includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. However, if the potential adjustment is not recognised at the acquisition date but subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Changes in the estimated value of contingent consideration arising on business combinations completed as a consequence result in a change in the carrying value of the related goodwill.

Goodwill is capitalised as an intangible asset and is not amortised. Instead it is reviewed annually for impairment with any impairment in carrying value being charged to profit or loss. The Companies Act 2006 requires acquired goodwill to be reduced by provisions for depreciation calculated to write off the amount systematically over a period chosen by the directors, not exceeding its useful economic life. It has been deemed, however, the non-amortisation of goodwill is a departure, for the overriding purpose of giving a true and fair view. The effect of this departure has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

2.13 Tangible fixed assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	25 years (excluding land)
Plant & machinery	-	15% - 33%
Motor vehicles	-	25%
Fixtures & fittings	-	15% - 33%
Other fixed assets	-	See below

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Other fixed assets comprises assets under construction. All direct costs attributable to assets under construction are capitalised until such time that the asset is brought into use. Once the asset is brought into use it will be depreciated on a straight line basis over its useful life.

2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.15 Valuation of investments

Investments in subsidiaries are measured at historic cost less impairment.

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss.

Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.16 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.19 Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the Company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for a least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance Sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.21 Financial instruments

The Company enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

Fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.21 Financial instruments (continued)

combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In applying the Company's accounting policies, the director is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The director's judgements, estimates and assumptions are based on the most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

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

Critical judgements in applying the accounting policies

The critical judgements that the director has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below:

i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment associated with fixed and current assets, the director has considered both external and internal sources of information such as market values, changes in technological, economic and legal environments and economic performance.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Determining residual values and useful economic lives of property, plant and equipment

The Company depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Company would currently obtain for the disposal of the asset, if it were already of the condition expected the end of its useful economic life. Where possible this is done with reference to external market prices.

(ii) Determining useful economic lives of intangible assets

The Company amortises intangible assets over their estimated useful lives. The estimation of the useful lives of intangible assets is based upon an assessment of the relevant factors including; the nature of the business acquired, its product lifecycles, the stability of the industry in which it operates, the strength and transferability of trading relationships and therefore requires estimates and assumptions to be applied by management.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Chemical sales	50,476,710	47,450,281
Equipment sales	1,791,208	1,128,052
Other sales	51,645	82,753
	<u>52,319,563</u>	<u>48,661,086</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	40,429,850	34,827,164
Rest of Europe	4,009,537	6,008,876
Rest of the world	7,880,176	7,825,046
	<u>52,319,563</u>	<u>48,661,086</u>

Timing of revenue recognition:

	2018 £	2017 £
Goods and services transferred over time	52,319,563	48,661,086
	<u>52,319,563</u>	<u>48,661,086</u>

5. Operating profit/(loss)

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

	2018 £	2017 £
Depreciation of tangible fixed assets	244,094	592,415
Loss/(Profit) on disposal of property, plant and equipment	(8,807)	(31,289)
Exchange differences	(165,274)	64,213
Other operating lease rentals	143,580	171,862
Defined contribution pension cost	237,018	238,227
Restructuring costs	<u>-</u>	<u>(98,000)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Auditor's remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>22,500</u>	<u>22,500</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2018	2017
	£	£
Wages and salaries	2,226,000	2,534,220
Social security costs	245,626	255,655
Cost of defined contribution scheme	237,018	238,227
	<u>2,708,644</u>	<u>3,028,102</u>

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

	2018	2017
	No.	No.
Administration	44	40
Management	12	11
	<u>56</u>	<u>51</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Directors' remuneration

	2018	2017
	£	£
Directors' emoluments	290,480	337,975
Directors pension costs - money purchase schemes	50,636	74,152
	<u>341,116</u>	<u>412,127</u>

During the year retirement benefits were accruing to 3 directors (2017 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £107,374 (2017 - £102,123).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £15,547 (2017 - £12,030).

9. Interest receivable

	2018	2017
	£	£
Other interest receivable	13,081	1,682
	<u>13,081</u>	<u>1,682</u>

10. Interest payable and similar expenses

	2018	2017
	£	£
Bank interest payable	23,607	101,500
Other loan interest payable	148,481	36,808
Finance leases and hire purchase contracts	-	2,278
	<u>172,088</u>	<u>140,586</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation

	2018 £	2017 £
Corporation tax		
Adjustments in respect of previous periods	(6,491)	(234,000)
	<u>(6,491)</u>	<u>(234,000)</u>
Deferred tax		
Origination and reversal of timing differences	(32,798)	18,685
	<u>(39,289)</u>	<u>(215,315)</u>
Taxation on profit on ordinary activities		

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,757,371</u>	<u>208,348</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	333,900	40,107
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	89,830
Expenses not deductible for tax purposes	14,592	330,956
Adjustments to tax charge in respect of prior periods	(6,491)	(234,000)
Dividends from UK companies	-	(416,449)
Group relief adjustments	(375,499)	(25,759)
Other adjustments	(5,791)	-
Total tax credit for the year	<u>(39,289)</u>	<u>(215,315)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

11. Taxation (continued)

Factors that may affect future tax charges

The Finance (No. 2) Act 2015 which was published on 18 November 2015 includes legislation reducing the main rate of UK corporation tax from 20% to 19% with effect from 1 April 2017, with a further reduction to 18% with effect from 1 April 2020. The Finance Act 2016 which was published on 15 September 2016 announced a further reduction to 17% with effect from 1 April 2020. These reductions have been enacted at the balance sheet date and have been reflected in the deferred tax recognised on the balance sheet.

The company has tax losses available of £1,997,444.

12. Intangible assets

Goodwill

	2018
	£
Cost	
At 1 January 2018	3,575,307
Net book value	
At 31 December 2018	<u>3,575,307</u>
<i>At 31 December 2017</i>	<u>3,575,307</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

13. Tangible fixed assets

	Freehold property £	Plant & machinery £	Motor vehicles £	Fixtures & fittings £	Other fixed assets £	Total £
Cost or valuation						
At 1 January 2018	1,128,718	408,331	37,133	618,806	-	2,192,988
Additions	-	-	-	92,468	74,579	167,047
Disposals	-	(17,978)	(37,133)	(1,799)	-	(56,910)
Transfers between classes	10,199	-	-	-	-	10,199
			-			2,313,324
At 31 December 2018	<u>1,138,917</u>	<u>390,353</u>	<u>-</u>	<u>709,475</u>	<u>74,579</u>	<u>2,313,324</u>
Depreciation						
At 1 January 2018	(9,692)	228,145	36,945	42,294	-	297,692
Charge for the year on owned assets	2,839	82,764	-	158,303	-	243,906
Charge for the year on financed assets	-	-	188	-	-	188
Disposals	-	(17,977)	(37,133)	(1,799)	-	(56,909)
Transfers between classes	9,928	-	-	-	-	9,928
			-			494,805
At 31 December 2018	<u>3,075</u>	<u>292,932</u>	<u>-</u>	<u>198,798</u>	<u>-</u>	<u>494,805</u>
Net book value						
At 31 December 2018	<u>1,135,842</u>	<u>97,421</u>	<u>-</u>	<u>510,677</u>	<u>74,579</u>	<u>1,818,519</u>
			188			1,895,296
At 31 December 2017	<u>1,138,410</u>	<u>180,186</u>	<u>-</u>	<u>576,512</u>	<u>-</u>	<u>1,895,296</u>

14. Assets held for sale

The assets held for sale in the 2017 comprise a freehold property located in Normanton that was sold in January 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

15. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	545,769
Additions	1
At 31 December 2018	<u>545,770</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
SNF Oil and Gas Limited	England & Wales	Ordinary	100 %
SNF International Limited	England & Wales	Ordinary	100 %
Abbeywater Limited	Ireland	Ordinary	100 %

The aggregate of the share capital and reserves as at 31 December 2018 and 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) £
SNF Oil and Gas Limited	(720,381)	(410,486)
SNF International Limited	1	-
Abbeywater Limited	649,469	191,000

No impairment on the investment of SNF Oil and Gas Limited has been made due to the directors assessment of the future profitability of the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

16. Stocks

	2018	2017
	£	£
Raw materials and consumables	85,581	85,299
Finished goods and goods for resale	5,413,883	5,194,339
	<u>5,499,464</u>	<u>5,279,638</u>

The replacement cost of stock is not materially different from the amounts stated.

17. Debtors

	2018	2017
	£	£
Due after more than one year		
Amounts owed by group undertakings	102,354,100	83,367,144
	<u>102,354,100</u>	<u>83,367,144</u>

	2018	2017
	£	£
Due within one year		
Trade debtors	8,400,747	9,608,722
Amounts owed by group undertakings	480,029	750,675
Other debtors	1,431,831	1,234,393
Tax recoverable	-	275,569
	<u>10,312,607</u>	<u>11,869,359</u>

Amount owed by group undertakings will be paid/redeemable only when the company will be able to do so.

18. Cash and cash equivalents

	2018	2017
	£	£
Cash at bank and in hand	<u>8,329,933</u>	<u>2,697,416</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Bank loans (Note 21)	-	232,613
Trade creditors	961,368	1,245,223
Amounts owed to group undertakings	8,017,409	9,639,996
Other taxation and social security	929,695	1,283,478
Obligations under finance lease and hire purchase contracts (Note 22)	1,133	18,400
Other creditors	43,784	780
Accruals and deferred income	462,358	717,148
	<u>10,415,747</u>	<u>13,137,638</u>

Obligations under finance lease and hire purchase contracts are secured on the related assets.

Obligations under bank loans are secured on all the assets of the company.

20. Creditors: Amounts falling due after more than one year

	2018	2017
	£	£
Bank loans (Note 21)	-	50,164
Net obligations under finance leases and hire purchase contracts (Note 22)	-	2,666
Amounts owed to group undertakings	106,635,744	84,508,744
Other creditors	114,366	45,731
	<u>106,750,110</u>	<u>84,607,305</u>

Obligations under finance lease and hire purchase contracts are secured on the related assets.

Obligations under bank loans are secured on all the assets of the company.

Amount owed to group undertakings will be paid/redeemable only when the company SNF Oil and Gas will be profitable

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

21. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	-	232,613
Amounts falling due 2-5 years		
Bank loans	-	50,164
	<u>-</u>	<u>282,777</u>

Bank borrowings

Bank loans and overdrafts are denominated in sterling with a nominal interest rate of LIBOR based on current interest rates. The carrying amount at the year end is £Nil (2017- £282,777).

These obligations are secured on all the assets of the company.

All bank borrowings were repaid during the year.

22. Hire purchase and finance leases

Future minimum lease payments for:

	2018 £	2017 £
Within one year	1,133	18,400
Between 1-2 years	-	2,666
	<u>1,133</u>	<u>21,066</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

23. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets measured at fair value through profit or loss	8,329,933	2,697,416
Financial assets that are debt instruments measured at amortised cost	112,548,928	94,960,934
	<u>120,878,861</u>	<u>97,658,350</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>115,773,804</u>	<u>96,440,399</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade debtors, intercompany loans and other debtors.

Financial liabilities measured at amortised cost comprise, bank and other loans, amounts owed to group companies, trade creditors, hire purchase liabilities, and other creditors.

24. Deferred taxation

	2018 £	2017 £
At beginning of year	(98,551)	(79,866)
Charged to profit or loss	32,798	(18,685)
At end of year	<u>(65,753)</u>	<u>(98,551)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	92,577	106,326
Short term timing differences	(26,824)	(7,775)
	<u>65,753</u>	<u>98,551</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

25. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
7,952,680 (2017 - 7,952,680) Ordinary shares of £1.00 each	<u>7,952,680</u>	<u>7,952,680</u>

26. Reserves

Profit & loss account

Profit and loss reserve represents accumulated profits less dividends paid. All profit and loss reserves are distributable.

27. Contingent liabilities

At 31 December 2018 the company had a £90,000 contra indemnity regarding VAT deferment (2017-£90,000).

28. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £237,018 (2017 - £238,227).

Contributions totalling £43,784 (2017 - £662) were payable to the scheme at the end of the year and are included in creditors.

29. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018	2017
	£	£
Not later than 1 year	361,521	192,602
Later than 1 year and not later than 5 years	760,106	144,397
Later than 5 years	1,281,116	-
	<u>2,402,743</u>	<u>336,999</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

30. Controlling party

The directors consider that R Pich is the ultimate controlling party.

The company's immediate parent is SPCM SA, incorporated in France.

31. Ultimate parent undertaking

The largest group of undertakings for which the group accounts have been drawn up is that headed by SPCM SA, incorporated in France. Copies of the consolidated financial statements can be obtained from ZAC de Milieux, 42163 Andrézieux, France.

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