

Company Registration No. 07904022

2M GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022



CONTENTS

| | Page |
|--|---------|
| Directors, company secretary and advisers | 1 |
| Strategic report | 2 – 9 |
| Directors' report | 10 – 11 |
| Independent auditor's report | 12 – 15 |
| Consolidated statement of comprehensive income | 16 – 17 |
| Consolidated statement of financial position | 18 – 19 |
| Consolidated statement of cash flows | 20 |
| Consolidated statement of changes in equity | 21 |
| Notes to the consolidated financial statements | 22 – 49 |
| Company financial Statements of 2M Group Limited | 50 – 63 |

2M GROUP LIMITED

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors

M Kessler OBE
C R Boyle
R J A Smith
D R J Dalton
G Maller

Company Secretary

C R Boyle

Registered Office

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4 Thomas More Square
London
E1W 1YW

Business Address

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Company Number

07904022

Auditors

UHY Hacker Young
Chartered Accountants
Quadrant House
4 Thomas More Square
London E1W 1YW

Principal Bankers

Investec Bank plc
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EC2V 7QP

HSBC Bank plc
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City Point
29 King Street
Leeds
LS1 2HL

Solicitors

DWF LLP
2nd Floor
Bridgewater Place
Water Lane
Leeds
LS11 5DY

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

The directors present their annual report and the audited financial statements of the Group and of the Company for the year ended 30 April 2022.

Activities and review of business

The principal activity of 2M Group Limited is to act as a holding company. The principal activities of the Group reflect those of the subsidiary companies and encompass solutions based on product and applications know-how to the personal care, pharmaceutical and home care industries, solvent blending, formulation and distribution of specialty chemicals products to the paint and coatings industry, supply of precision cleaning solutions in the aviation, electronics and medical industries, supply of chlorinated solvents for refinery applications, metal surface treatment and protection, drinking water sterilisation, an increasing presence in vehicle emission reduction solutions and the manufacture of raw materials for the personal care and homecare industries and toll manufacturing of speciality chemicals. Additionally, the business provides third party chemical blending and storage facilities, and operates a highly specialised, global chemical samples management service helping its customers to develop business by ensuring product samples arrive safely, quickly and with commercial follow up. The Group also manufactures in Germany products used in the industries in which the Group is active. The Group exports globally and has physical presence in the UK (10 locations), Benelux, Nordic, Germany (11 locations, including partnering), France, Italy, Poland, Brazil and China (2 locations).

The Group financial statements consolidate those of the company and its subsidiaries. The Group prepares its financial statements in accordance with International Financial Reporting Standards.

Vision & Values

During the year, the Group has continued to develop its Vision, Values and Strategic Goals programme. These set out how our group of companies views its corporate role, its place within the business and wider communities, and how it interacts positively with all stakeholders.

Sustainability - the Group recognises its obligation to promote a sustainable business in a sustainable world. The Group has commissioned a Sustainability Working Group from colleagues within the business whose tasks range from working with suppliers and customers to develop sustainable product ranges, to reducing our carbon footprint through a variety of initiatives, to supporting our commitment to our adopted UN Sustainable Development Goals – thus contributing to **a healthier life today and a better world tomorrow**.

Immediate recognition by attainment of the EcoVadis silver award puts this value firmly at the forefront of the Group's determination to play its full role in society. This places the Group within the top 25% of rated companies, and our goal is to build on this – to achieve Gold, then Platinum status – in the coming years.

The business continues to invest in its key asset – its people. We continue to support colleagues, at all levels within the business, to reach their potential via focussed coaching and training programmes, in addition to the internal goal setting metrics.

The 2M Academy – Development, It's in our DNA – continues to develop apace. The overall goal is for fair and equal training for all, and this umbrella entity now plays host to a number of individual development programmes within the Group.

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

These include:

Accelerator Programme – a development programme for talented and ambitious colleagues within the Group, whose skills, energy and focus will provide the Group with motivated and talented leadership into the future.

Higher Programme – a development opportunity aimed specifically at women within our business. We will develop the talents of this group – the benefit of the business and the enrichment of the individual. Immediate success of this initiative has been marked by shortlisting in the Northern Power Women Awards and inclusion on the Northern Power Women Awards Power List.

We focus on the overall well-being of colleagues. This includes Active Teams – to promote physical well-being, and a company sponsored subscription to Spill – a third party provider of mental health support. Additionally, we have introduced mental health first aiders across the group, a men's health initiative, and a menopause awareness programme.

We continue with our STEM activities, in line with our chosen UN Sustainable Development Goals. With specific focus on gender equality and education for all, our STEM activities see our continued partnership with the Centre for Industry Education Collaboration (CIEC). We promote STEM Ambassadors from colleagues within our business, who are trained, by CIEC, to deliver lessons in collaboration with local science teachers. We continue to provide materials and equipment to local schools to enable them to host scientific experiments and demonstrations. We sponsor and attend Science Festivals in areas local to our facilities and, through these, offer support to science-themed content, activities and demonstrations.

We host a "Bring Your Child To Work Day", where colleagues have the opportunity to allow young members of their family groups to partake in fun, exciting learning activities within the scientific sphere, in the safe environment of our facilities.

We actively encourage the values of Trust & Respect, Equality, Innovation and Accountability, and expect our colleagues to display these qualities in all interactions, both within and outside the business.

The business keeps colleagues informed on company performance via a series of quarterly briefings.

We continue to make strategic appointments as required by business opportunities.

Further and updated information is available via our website: www.2m-holdings.com

Principal risks and uncertainties

As an international business, the Group continues to be exposed to general economic and political risks.

The global geopolitical and macroeconomic climate remains challenging. Thanks to the vaccination programme in the UK, the impact of Covid-19 has lessened during the period. However, other influences, often related, remain high on our agenda and impact ourselves and the world around us – the conflict in the Ukraine, including the resulting sanctions, climate change, energy prices and general inflationary trends, supply chain disruption.

Whilst also in the background, the amount of administrative burden that the UK's exit from the EU places on international trading businesses must not be underestimated.

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

The Group's position at the end of the year

The Group saw its Cash position decline during the year – a reduction of £6,140k – to leave Cash & Cash Equivalents at (£2,567k) (2021: £3,573k).

Cash Generation from profitable trading has been immensely strong for the business during the year, yet this is a consequence of, and impacted by our willingness to adjust our strategic purchasing and stockholding policies to suit current market conditions – our Trade Working Capital consumed £9,527k over the year.

This should be considered against the aggressive debt amortisation profile and the willingness of the business to continue to support growth areas of the business with significant Capital Expenditure.

The ongoing support of the Company's funding partner, Investec Bank plc, with whom we share an open dialogue, is recognised and welcomed.

The transfer of net profits to Retained Earnings, saw our Net Assets increase to £48,183k (2021: £42,779).

The Directors remain confident that, with the support of employees, suppliers and customers, the business is well placed to meet the challenges of the markets over the coming year, and to deliver continued growth.

Financial Key Performance Indicators

During the year, we reported an increase in turnover to £158,672k (2021: £129,802k). This reflects the strength and agility of the business not only to meet, but to exceed expectations during significantly challenging trading conditions.

Gross Profit, a key performance indicator within our business, is reported at £56,600k (2021: £45,896k) – an increase of 23.3%. Our Gross Margin percentage has been maintained, 35.7% (2021: 35.4%) reflecting our pursuit of value-added opportunities, and our ability to meet market variability. This represents a tremendous performance under the circumstances of the last twelve months, and it is a tribute to the dedication and professionalism of all our colleagues.

Distribution Costs are reflective of market conditions – driver shortage, spiralling fuel prices, and the increase cost of doing business in a post-Brexit economy. They increased by 19.2% to £11,348k (2021: £9,522k).

Administrative Expenses have risen as we support our colleagues in these challenging times, and as we develop our facilities in line with industry best practice.

The overall impact of the above has seen an increase in Operating Profit of 34% to £10,364k (2021: £7,739k), and has seen our Operating Profit percentage rise to 6.5% (2021: 6.0%).

In the post Covid-19 environment, the business, in line with many other UK entities, has successfully adopted a hybrid working pattern for the majority of administrative staff. We are, of course, immensely indebted to our operational colleagues, where working from home is not an option, for their dedication and professionalism, which has supported our business since March 2020.

Whilst the exit of the UK from the EU on 31 December 2020 does not fall within the trading year under review, we should not underestimate the additional administrative burden that this has placed on, not only our business, but the whole of UK plc. We are grateful to our colleagues within Trade Compliance who work tirelessly to ensure that we are best placed within our sector to meet these additional demands.

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

The Group continues to invest heavily throughout the year in physical assets – a combination of revenue enhancing assets, upgrades to our IT systems, and regulatory driven projects.

The Board considers Operating EBITDA as a key measure of the financial performance of the business. This metric provides a good indication of the Group's ability to convert profit to cash. The following table highlights the current position including adjustments related to transactional activity, which are eliminated for the purpose of giving a more accurate reflection of operational performance.

| | Year Ended 30 April 2022 £'000 | Year Ended 30 April 2021 £'000 |
|----------------------------|---|---|
| Operating EBITDA | 12,866 | 9,844 |
| Adjustments | 600 | 600 |
| Revised Operating EBITDA | 13,466 | 10,444 |
| Revised Operating EBITDA % | 8.6 | 8.0 |

SECR Reporting

The period covered by this report for Streamlined Energy and Carbon (SECR) reporting is for the financial year ending 30 April 2022.

2M Group Limited has chosen an intensity ratio of CO2 emissions per £million of sales as this is considered the most practicable taking into consideration the diversity of our business and varying types of energy used.

| UK Greenhouse gas emissions and energy use data for the period 1 May 2021 to 30 April 2022 | Financial Reporting Year 2021/22 | Comparison Financial Year 2020/21 |
|---|---|--|
| Energy consumption used to calculate emissions (kWh) | 11,614,705 | 3,021,756 |
| Scope 1 emissions in metric tonnes CO2e Transport (fleet vehicles and FLT) | 2,187.18 | 457.35 |
| Scope 2 emissions in metric tonnes CO2e Purchased electricity and gas | 266.88 | 193.58 |
| Scope 3 emissions in metric tonnes CO2e Company cars | 33.7 | 19.66 |
| Total gross emissions in metric tonnes CO2e | 2,487.76 | 670.59 |
| Intensity ratio Tonnes CO2e per total £m in sales revenue | 15.97 | 5.53 |

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

Quantification and reporting methodology

The above data was collected from a variety of different sources.

1. **Electricity data (Scope 2)** (for all UK operational and office sites both owned and leased by 2M Holdings Ltd.) was collected directly from the online platforms of our energy suppliers. The exception to this was the electricity data for our manufacturing entity '2M Manufacturing Ltd.' – this was collected from records kept by the site for the purposes of reporting under the CCA.
2. **Transport data (fleet vehicles and company cars – Scope 1)** was calculated from the Litres of fuel consumed in the financial year.
3. **Natural Gas data (Scope 2)** was collected from records kept by the site for reporting under the CCA (this is by far our biggest Scope 1 emission source). Other natural gas oil emissions were calculated using energy consumption data from invoices.
4. **Gas oil (Gas Oil Boiler and FLTs – Scope 1)** data on litres of gas oil purchased for the gas oil boiler and Fork Lift Trucks (FLTs) is recorded by site management. A Gas Oil conversion factor of 10.9 kwh/L was used as per the UK Governments Carbon Conversion factors 2022.
5. **Wood Pellets (Scope 1)** – energy consumption readings were taken directly from a meter connected to the biomass boiler
6. **Transport data (Grey fleet - Scope 3)** – a report was run using our HR software (cascade) to give expensed mileage from grey-fleet vehicles.

We have followed the 2019 HM Government Environmental Reporting Guidelines as well as the 2022 UK Government's Conversion Factors for SECR reporting for any estimates.

Discussion

The above table highlights to the 2M Group's energy consumption and CO2 emissions for the financial year 21/22. There has been a dramatic increase in the CO2 emissions as a result of 2M Holdings Ltd. and related businesses (energy consumption has almost quadrupled). The main reason for this was the acquisition of '2M Manufacturing Ltd.' in late 2020 (not considered in the previous SECR report for 2M Holdings Ltd.) – a manufacturing plant for cosmetic ingredients. The plant has a very high energy consumption (7,075,510 kwh/1428 tCO₂e pa) due to the gas oil required to fuel chemical reactivity processes required to produce cosmetic raw materials, this has led to a significant increase in Scope 1 emissions.

The site itself is part of an umbrella Climate Change Agreement (CCA) for the EPR permitted activity under Section 4.1 Part A(1)(a)(ii) "Producing organic chemicals containing oxygen and Section 4.1 Part A(1)(a)(xi) "Producing organic chemicals such as surface-active agents". This CCA is currently controlled by CIABATA who discusses energy reduction targets for the umbrella agreement with the Department for Business, Energy and Industrial Strategy (BEIS) – the collective members of the CCA are subject to ambitious energy reduction targets.

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

2M Manufacturing Ltd. made up £1,402,000 of the group's total sales revenue, giving it an energy intensity ratio of 1,067.

Not considering the Scope 1 and 2 emissions from 2M Manufacturing site, the Group still had an overall increase in CO2 emissions to 991.37 tCO2e from 651.02 tCO2e in the previous financial year, with an overall energy intensity increase of ~14%. Factors leading to increased emissions include:

- 2.12x increase in business mileage for company and grey fleet cars due to an increase in the number of internal and external visits due to further relaxation on COVID rules
- An increase in 'AdBlue' production – the blending of urea with water is an energy intensive process which requires a significant input of gas oil as fuel. Demand for AdBlue has increased significantly which has led to the gas oil usage for the process almost doubling.
- A general growth in the business has led to a general increase in the use of electricity and fuel across all sites.
- The diesel purchased for forklift trucks used at our Leicester site was not accounted for in the previous year in of error.
- We expect to see a further increase (minor) in the electricity usage of the Leicester site due to the rental of a new warehouse.

Energy Efficiency

The 2M Group is a diverse group of companies that outsource most of its transport arrangements. By outsourcing most of our deliveries to customers and utilising major transport providers enables the Group to benefit from access to strategically based transport hubs for consolidation and a reduction in overall delivery miles. We are currently working with our major transport service providers to determine Scope 3 emissions due to the transport of materials in our supply chain (starting with those due to deliveries).

Work on the 'footprint project' (reallocation of storage space at Elland (northern hub) for distribution to northern customers and Milton Keynes (southern hub) for distribution to southern customers) is still ongoing and we will be able to start seeing improvements in CO2 emissions data upon collection of Scope 3 emissions data from third-party transport providers.

Stowlin Limited will continue to operate its own fleet of vehicles for distributing products, providing local customers with fast delivery and a bespoke service. This arrangement assists their business in achieving time critical deliveries where the utilisation of a wider transport hub would not be a benefit.

The Group continues to incentivise the use of hybrid, or all electric vehicles. We now have a further 28 hybrid vehicles in the company fleet (most of which have replaced petrol/ diesel vehicles) and a further 3 electric vehicles (all of which have replaced petrol/ diesel vehicles). The change to hybrid or all electric vehicles in conjunction with the ability to undertake important meetings via video conferencing has significantly reduced business travel mileage.

We are working with an independent energy contractor to provide services in:

- NetZero strategy development
- Effective management of our energy portfolio

Targets

We have set a target to reduce the energy consumption (Scope 1 & 2) across our operational sites by 30% (based on product throughput) by 2030.

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 APRIL 2022**

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this Section 172 requires a director to have regard, amongst other matters, to the:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- Desirability of the company maintaining a reputation for high standards of business conduct; and
- Need to act fairly as between members of the company.

In discharging our Section 172 duties we have regard to the matters set out above. Whilst the impact of Covid-19 has reduced, during the year under review, offset by an enhanced risk from other geopolitical and macroeconomic factors, the company and group continues to work hard to keep its employees safe and its business viable. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our stakeholders, pensioners and our relationship with governments, regulators and non-governmental organisations.

The directors regularly meet and talk to the group's prospective, new and existing customers and to its suppliers to ensure that the group provides its customers with the best service and pricing. By considering the company's vision and values together with its strategic priorities and having a process in place for decision making, we do, however, aim to make sure that our decisions are consistent and predictable. As is normal for large companies, we delegate authority for day-to-day management of the company to executives and then engage management in setting, approving and overseeing execution of the business strategy and related policies.

At every meeting, the Board receives reports on matters including health and safety, security, financial and operational performance, sales and marketing and new business developments. Over the course of the financial year, the Board also reviews other matters including the company's business strategy, key risks, stakeholder-related matters and governance, compliance and legal matters.

The company's key stakeholders include its workforce, funders, customers, suppliers, the local communities in which it operates and regulators. The views of and the impact of the company's activities on those stakeholders are an important consideration for the directors when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both our stakeholders and the group means that generally our stakeholder engagement best takes place at both an operational and group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company.

During the period we received information to help us understand the interests and views of the company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of formats including in reports and presentations on our financial and operational performance, non-financial key performance indicators, risk, and corporate responsibility matters. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our Section 172 duty to promote success of the company.

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2022

Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

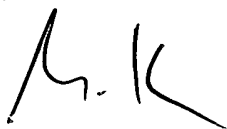
Subsidiary companies within the group market a diverse product base across the chemical sector, operate in varied market sectors and from a number of operational bases.

The impact of Covid-19 has diminished considerably during the period under review. The lockdown periods have been replaced by a sense of normality.

Major global geopolitical and economic events buffet, not only the 2M Group, but all businesses and households in the UK, and in all economies around the world. Inflation – driven by high energy prices, in turn driven by the conflict in the Ukraine – is at its highest level for a generation. Interest rates are following suit, as the Bank of England looks to rein in the former.

The nature of our business means that liquidity remains a crucial factor. The current position and forward cashflow projections are regularly reviewed and updated. Profitable trading, judicious movements in working capital, and the support of Investec, our funding partner, mean that the Directors are confident in their assumption of going concern.

By order of the Board



M Kessler OBE
Director

7 October 2022

2M GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2022

Results and dividends

The consolidated results for the year are set out on page 16.

An interim ordinary dividend was paid to shareholders amounting to £1,400k (2021: £750k). The directors do not recommend the payment of a final dividend.

Directors

The following directors held office during the period as set out below:

M Kessler OBE
C R Boyle
R J A Smith
D R J Dalton
G Maller

Use of financial instruments

The Group transacts in currencies other than sterling, primarily Euros and US Dollars, and therefore runs a level of exposure. The Group seeks to minimise this by natural hedging of purchase and sale transactions.

The Group has a variety of financing arrangements in place with Investec Bank plc which provide adequate funding support for the pursuit of its day-to-day activities. The Group currently makes no other use of financial instruments.

Research and development

Market research and product development are seen as essential factors for the continuing success of business going forward.

Employment policy

The Group actively encourages the development of employee involvement within the business. The Group holds regular meetings to update employees on pertinent matters, and to provide opportunities for employees to contribute to the success of the business.

The Group adheres to a policy of equality in terms of racial, religious, sexual, age, and political grounds, and physical abilities in all its dealings with existing or potential employees.

Auditors

The auditors UHY Hacker Young are deemed to be reappointed under section 487 (2) of the Companies Act 2006.

2M GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2022

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

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

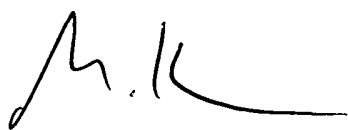
The directors confirm that the financial statements comply with the above requirements.

The directors are responsible for keeping proper accounting records which at any time disclose with reasonable accuracy the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and of the Group and for taking steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



M Kessler OBE
Director

7 October 2022

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 2M GROUP LIMITED**

Qualified Opinion

We have audited the group and parent company financial statements of 2M Group Limited for the year ended 30 April 2022 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards, as adopted in the United Kingdom (IFRS). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the group's and company's affairs as at 30 April 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted in the United Kingdom;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

Due to the COVID-19 pandemic and subsequent lock down in many cities and countries we were unable to observe the counting of physical inventories for the prior year ended 30 April 2020. The warehouses were restricted to a limited number of the group's staff and no external parties were permitted to attend due to the lockdown. While the group carried out stock take procedures and was confident of the stock quantities on hand at 30 April 2020, we were unable to satisfy ourselves by alternative means concerning the inventory quantities of £11,249,000 held at 30 April 2020 by using other audit procedures. Consequently, we were unable to determine whether there was any consequential effect on the cost of sales for the year ended 30 April 2021. Our audit opinion on the financial statements for the year ended 30 April 2021 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures in the consolidated statement of comprehensive income. We have carried out necessary stock take procedures for the years ended 30 April 2021 and 30 April 2022 and are satisfied with the inventory quantities held at 30 April 2021 and 30 April 2022.

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 group 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 qualified opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 2M GROUP LIMITED**

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The 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.

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.

As described in the basis for qualified opinion section of our report, due to the Covid-19 restrictions in place for the year to 30 April 2020, we were unable to observe and check the comparative stock quantities of £11,249,000 held at 30 April 2020. In the year to 30 April 2021 and 30 April 2022, there have been no such limitations on our work on stock. There is therefore an inherent resulting risk related to the comparative figures that where other information refers to the stock balance or related balances such as cost of sales, there may be resulting inconsistencies for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 2M GROUP LIMITED**

Matters on which we are required to report by exception

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

In respect solely of the limitation of the scope on our work relating to not being able to attend the stock counts for the year ended 30 April 2020 due to the Covid-19 pandemic, referred to above:

- we have not obtained all the information that we considered necessary for the purpose of our audit solely relating to attendance at the physical year-end stock counts; and
- we were unable to determine whether adequate accounting records have been kept solely relating to the physical year-end stock balance held as at 30 April 2020.

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:

- 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.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and the industry in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to Company law, UK tax legislation, employment and health and safety regulation, anti-bribery, corruption and fraud, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, International Financial Reporting Standards as adopted in the United Kingdom, and United Kingdom Generally Accepted Practice. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inflated revenue and profit.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF 2M GROUP LIMITED**

Audit procedures performed included: review of the financial statement disclosures to underlying supporting documentation, review of correspondence with legal advisors, enquiries of management, substantive testing of revenue, testing of journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Use of our report

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



Colin Wright (Senior Statutory Auditor)
For and on behalf of UHY Hacker Young

Chartered Accountants
Statutory Auditor

7 October 2022

Quadrant House
4 Thomas More Square
London E1W 1YW

2M GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|-------|---------------|---------------|
| Revenue | 3 | 158,672 | 129,802 |
| Cost of sales | | (102,072) | (83,906) |
| Gross profit | | 56,600 | 45,896 |
| Distribution costs | | (11,348) | (9,522) |
| Administrative expenses | | (34,888) | (28,635) |
| Operating profit | 4 | 10,364 | 7,739 |
| Finance costs | 5 | (1,154) | (1,033) |
| Finance income | 6 | 16 | 18 |
| Gain on bargain purchase | 24 | - | 973 |
| Profit before taxation | | 9,226 | 7,697 |
| Taxation | 7 | (2,268) | (1,051) |
| Profit for the year | | 6,958 | 6,646 |
| Other comprehensive income: | | | |
| Actuarial gain/(loss) on defined benefit scheme | 19 | 358 | 4,544 |
| Currency translation differences | | (355) | 63 |
| Tax on comprehensive income | 18 | (60) | (990) |
| Other comprehensive income for the year net of tax | | (57) | 3,617 |
| Total comprehensive income for the year | | 6,901 | 10,263 |

2M GROUP LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
FOR THE YEAR ENDED 30 APRIL 2022**

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------|-----------------------|
| Profit attributable to: | | |
| Equity holders of the parent company | 6,709 | 6,439 |
| Non-controlling interests | 249 | 207 |
| | <hr/> | <hr/> |
| | 6,958 | 6,646 |
| | <hr/> | <hr/> |
| Total comprehensive income attributable to: | | |
| Equity holders of the parent company | 6,707 | 10,029 |
| Non-controlling interests | 194 | 234 |
| | <hr/> | <hr/> |
| | 6,901 | 10,263 |
| | <hr/> | <hr/> |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

2M GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--------------------------------------|-------|---------------|---------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 10 | 35,081 | 35,098 |
| Property, plant and equipment | 11 | 11,830 | 11,804 |
| Right of use assets | 12 | 2,579 | 2,508 |
| Deferred tax asset | 18 | 946 | 743 |
| Total non-current assets | | 50,436 | 50,153 |
| Current assets | | | |
| Inventories | 13 | 20,736 | 11,808 |
| Trade and other receivables | 14 | 31,299 | 24,579 |
| Prepayments and accrued income | | 2,697 | 1,557 |
| Cash and cash equivalents | 25 | 7,987 | 11,262 |
| Total current assets | | 62,719 | 49,206 |
| Total Assets | | 113,155 | 99,359 |
| Liabilities | | | |
| Current liabilities | | | |
| Bank borrowings and overdrafts | 17 | 12,765 | 9,825 |
| Leases liabilities | 16 | 862 | 732 |
| Trade and other payables | 15 | 38,505 | 31,126 |
| Provisions for dilapidation costs | | 300 | 200 |
| Current tax liabilities | | 167 | 154 |
| Total current liabilities | | 52,599 | 42,037 |
| Non-current liabilities | | | |
| Lease liabilities | 16 | 1,999 | 2,111 |
| Bank borrowings and overdrafts | 17 | 5,307 | 7,158 |
| Provisions for liabilities | 18 | 2,478 | 1,556 |
| Employee benefit liability | 19 | 2,589 | 3,718 |
| Total non-current liabilities | | 12,373 | 14,543 |
| Total Liabilities | | 64,972 | 56,580 |
| Total Net Assets | | 48,183 | 42,779 |

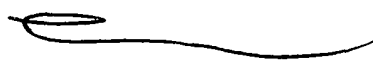
2M GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**
AS AT 30 APRIL 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|--|-------|---------------|---------------|
| Equity | | | |
| Share capital | 20 | 133 | 133 |
| Share premium | 20 | 165 | 165 |
| Capital restructuring reserve | | 14,370 | 14,370 |
| Options reserves | 21 | 140 | 125 |
| Currency translation reserve | | (345) | (45) |
| Retained earnings | | 33,501 | 27,894 |
| Equity attributable to equity holders of the parent company | | 47,964 | 42,642 |
| Minority interest in equity | | 219 | 137 |
| | | 48,183 | 42,779 |

The financial statements were approved by the Board of Directors and authorised for issue on 7 October 2022.



M Kessler OBE
Director



C Boyle
Director

Company Registration No. 07904022

2M GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2022

| | Notes | 2022 £'000 | 2021 £'000 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash generated from operations | 23 | 2,285 | 12,160 |
| Finance costs | | (1,088) | (888) |
| Income taxes paid | | (1,382) | (1,153) |
| Net cash (used in)/generated by operating activities | | (185) | 10,119 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,768) | (1,732) |
| Acquisition of subsidiary, net of cash acquired | 24 | - | (640) |
| Finance income | | 16 | 18 |
| Net cash used in investing activities | | (1,752) | (2,354) |
| Cash flows from financing activities | | | |
| Repayments of loans (net) | | (1,783) | (1,004) |
| Repayment of lease liabilities | 16 | (908) | (1,682) |
| Dividends paid | | (1,512) | (750) |
| Net cash used in financing activities | | (4,203) | (3,436) |
| Net (decrease)/increase in cash and cash equivalents | | (6,140) | 4,329 |
| Cash and cash equivalents at the beginning of the financial year | | 3,573 | (756) |
| Cash and cash equivalents at the end of the financial year | 25 | (2,567) | 3,573 |

2M GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2022

| | Share Capital £'000 | Share Premium £'000 | Restruc- turing Reserve £'000 | Options Reserve £'000 | Currency Reserve £'000 | Retained Earnings £'000 | Total £'000 | Non- Controlling Interests £'000 | Total Equity £'000 |
|---|---------------------------|---------------------------|--|-----------------------------|------------------------------|-------------------------------|----------------|---|--------------------------|
| Balance at 1 May 2020 | 133 | 165 | 14,370 | 111 | (81) | 18,651 | 33,349 | (97) | 33,252 |
| Total comprehensive income for the year | - | - | - | - | 36 | 9,993 | 10,029 | 234 | 10,263 |
| Dividend paid | - | - | - | - | - | (750) | (750) | - | (750) |
| Share-based payments | - | - | - | 14 | - | - | 14 | - | 14 |
| At 30 April 2021 | 133 | 165 | 14,370 | 125 | (45) | 27,894 | 42,642 | 137 | 42,779 |
| Balance at 1 May 2021 | 133 | 165 | 14,370 | 125 | (45) | 27,894 | 42,642 | 137 | 42,779 |
| Total comprehensive income for the year | - | - | - | - | (300) | 7,007 | 6,707 | 194 | 6,901 |
| Dividend paid | - | - | - | - | - | (1,400) | (1,400) | (112) | (1,512) |
| Share-based payments | - | - | - | 15 | - | - | 15 | - | 15 |
| At 30 April 2022 | 133 | 165 | 14,370 | 140 | (345) | 33,501 | 47,964 | 219 | 48,183 |

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies

2M Group Limited is a company incorporated in England and Wales.

The group financial statements for the year ended 30 April 2022 consolidate those of the company and its subsidiaries (together referred to as the “group”). The parent company financial statements present information about the company as a separate entity and not about its group.

The group has adopted the accounting policies set out below in preparation of the financial information for the year ended 30 April 2022. All of these policies have been applied consistently throughout the year unless otherwise stated.

1.1 Basis of preparation

The group financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the United Kingdom (“IFRSs”) and in accordance with the Companies Act 2006.

The parent company’s financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice, and in accordance with the Companies Act 2006. The directors have taken advantage of the exemption offered by section 408 of the Companies Act not to produce a separate income statement for the parent company.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Subsidiary companies within the group market a diverse product base across the chemical sector, operate in varied market sectors and from a number of operational bases.

The impact of Covid-19 has diminished considerably during the period under review. The lockdown periods have been replaced by a sense of normality.

Major global geopolitical and economic events buffet, not only the 2M Group, but all businesses and households in the UK, and in all economies around the world. Inflation – driven by high energy prices, in turn driven by the conflict in the Ukraine – is at its highest level for a generation. Interest rates are following suit, as the Bank of England looks to rein in the former.

The nature of our business means that liquidity remains a crucial factor. The current position and forward cashflow projections are regularly reviewed and updated. Profitable trading, judicious movements in working capital, and the support of Investec, our funding partner, mean that the Directors are confident in their assumption of going concern.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1.3 Basis of consolidation

These financial statements consolidate the financial statements of the company and all of its subsidiary undertakings drawn up to 30 April 2022.

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account, regardless of management's intention to exercise that option or warrant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date the control ceases.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated fully on consolidation. The gain or loss on disposal of a subsidiary company is the difference between net disposals proceeds and the group's share of its net assets together with any goodwill and exchange differences.

1.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of VAT, returns, rebates and trade discounts allowed by the group. Amounts received for the sublicensing of intangible assets is shown as deferred income, and is released to the statement of comprehensive income over the period of the sublicensing agreement.

The group recognises revenue when a) the significant risks and rewards of ownership have been transferred to the buyer; b) the group retains no continuing involvement or control over the goods; c) the amount of revenue can be measured reliably; d) it is probable that future economic benefits will flow to the entity and e) when any criteria relating to types of sales have been met.

1.5 Intangible fixed assets

Goodwill

Goodwill arising on the acquisition of subsidiary companies represents the excess of the fair value of the consideration given over the fair value of the group's share of the net identifiable assets acquired. Goodwill arising on the acquisition of other business undertakings represents the excess of the fair value of the consideration given over the fair value of the net identifiable assets acquired.

In accordance with IFRS 3 – 'Business Combinations', goodwill is not amortised but tested for impairment annually or when there are any indications that its carrying value is not recoverable. As such it is stated at cost less any provision for impairment in value.

Patents

Patents are valued at cost, less provision for impairment. Amounts received on the sub-licensing of patents is shown as deferred income and is released to profit and loss account over the period of the licencing agreement.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

1.5 Intangible fixed assets (continued)

Licences

Licences are initially measured at cost and subsequently measured at cost or valuation, net of amortisation and any impairment losses. Amortisation is recognised over the remaining term of the licence agreements.

1.6 Investments

Investments are stated at cost less any provision for impairment.

1.7 Property, plant and equipment

Buildings, property, plant and equipment are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, using the straight-line method as follows:

| | |
|---------------------|--------------|
| Freehold buildings | 50 years |
| Plant and equipment | 3 – 20 years |
| Motor vehicles | 4 – 5 years |

Land is not depreciated.

The carrying values of plant and equipment are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indication exists, the assets are tested for impairment to estimate the assets' recoverable amounts. Any impairment losses are recognized in the statement of comprehensive income.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents all expenses incurred in bringing the stock to its present location and condition. Net realisable value is based on estimated selling price less all further costs to completion.

1.9 Financial assets and liabilities

If significant, financial assets and financial liabilities that arise on derivatives that do not qualify for hedge accounting are held on the balance sheet at fair value, with the changes in value reflected through the income statement.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The group classifies its financial assets as 'loans and receivables'. The group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the statement of financial position date, which are classified as non-current assets. Receivables are classified as 'trade and other receivables' and loans are classified as 'borrowings' in the statement of financial position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

1.9 Financial assets and liabilities (continued)

Trade receivables are recognised initially at transaction price. At the end of each reporting period financial assets are assessed for objective evidence of impairment or credit losses, such as when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's effective interest rate. The impairment loss is recognised in profit or loss.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal of the impairment is recognised in profit or loss.

The carrying amounts of the trade receivables include receivables which are subject to an invoice discounting arrangement where relevant receivables are transferred in exchange for cash. However, the group retains late payment and credit risk. The group therefore continues to recognise the transferred assets in its balance sheet and the amount repayable is presented as secured borrowing.

Financial liabilities

The group's financial liabilities include trade and other payables. Trade payables are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method ("EIR" method).

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive Income.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

1.10 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts and financing that are repayable on demand are included within borrowings in current liabilities on the balance sheet.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts and financing.

1.11 Ordinary share capital

Ordinary shares are classified as equity. Costs directly attributable to the increase of new shares or options are shown in equity as a deduction from the proceeds.

1.12 Dividend policy

In accordance with IAS 10 'Events after the Balance Sheet Date', dividends declared after the balance sheet date are not recognised as a liability at that balance sheet date and are recognised in the financial statements when they have received approval by shareholders. Unpaid dividends that are not approved are disclosed in the notes to the consolidated financial statements.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1.13 Employee benefits

Companies within the group operate a defined benefit pension scheme. The scheme is closed to new entrants and is also closed to future accruals.

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount in other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised in the statement of comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the Projected Unit Method. The actuarial valuations are obtained at least triennially and are updated at each financial reporting date. The resulting defined benefit asset or liability is presented separately after other net assets on the face of the statement of financial position.

The companies within the group also participate in a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable.

1.14 Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates. For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Sterling, which is the functional currency of the group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date.

The assets and liabilities of foreign operations are translated into sterling at the rate of exchange ruling at the year-end date. Income and expenses are translated at average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income or charged directly through equity as applicable.

1.15 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the financial reporting date, and any adjustment to tax payable in respect of previous periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

1.15 Taxation (continued)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

1.16 Leased assets

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly in the contract or implicitly by being identified at the time the asset is made available to the company, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the group has the right to direct the use of the asset throughout the period of use. The group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the group has the right to direct the use of the asset throughout the period in use if either:
 - the group has the right to operate the asset; or
 - the group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

The group recognises a right-of-use asset and a lease liability on the balance sheet at the lease commencement date. The right-of-use asset is initially measured at cost. This comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date and an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, or to restore the underlying asset or the site on which it is located, less any lease incentives received.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

1.16 Leased assets (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the company assess the right-of-use asset for impairment when such indicators exist. It is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

At the commencement date the lease liability is initially measured at the present value of the lease payments that are not paid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. The company has elected to use the incremental borrowing rate at the date of transition as the interest rate implicit in the leases could not be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, or if the group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.17 New and revised International Financial Reporting Standards and interpretations

At the date of authorisation of these financial statements, the following IFRS Standards and Interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

| | |
|---------------------|-----------------------------|
| IAS 16 (Amendments) | Property, Plant & Equipment |
| IAS 37 (Amendments) | Onerous Contracts |
| IAS 8 (Amendments) | Accounting Estimates |
| IAS 12 (Amendments) | Deferred Tax |

It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed. However, we expect that the standards will not have a material effect on the financial statements.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1.18 Share based payments

The company made share-based payments to certain employees by way of issue of share options. The fair value of these payments is calculated by the company using the Black-Scholes Option Pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the company's best estimate of the shares that will eventually vest.

The cash-settled scheme allows certain senior employees the right to participate in the growth of 2M Group Limited, in return for services rendered, through the payment of cash incentives which are based on the growth of EBITDA. The rights vest after five years with a liability recognised at fair value, at each reporting date, in the statement of financial position until the date of settlement.

1.19 Changes in accounting policies

The group has consistently applied the accounting policies to all periods presented in these financial statements.

2. Critical accounting estimates, assumptions and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Judgements and estimates are continually evaluated and are based on historical experience and other factors which include expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may differ from the related actual results.

The estimates and assumptions that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the future financial years are as follows:

a) Goodwill

The group follows the requirements of IAS 36 – 'Impairment of Assets' and tests goodwill annually to determine when goodwill is impaired (see accounting policy in note 1.5 above and goodwill in note 10 below). This determination requires significant judgment. In making this judgment, the group estimates the recoverable amount of the cash generating units to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value. For the purpose of impairment testing, goodwill has been allocated to the company's subsidiaries.

b) Depreciation, useful lives and residual values of property, plant & equipment

The directors estimate the useful lives and residual values of property, plant & equipment in order to calculate the depreciation charges. Changes in these estimates could result in changes being required to the annual depreciation charges in the statement of comprehensive income and the carrying values of the property, plant & equipment in the statement of financial position.

The directors have reviewed the carrying values of the group's plant, property and equipment, and conclude that no impairment is required.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

2. Critical accounting estimates, assumptions and judgments (continued)

c) Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate and current market conditions. Additional information is disclosed in note 19. Any changes in these assumptions will impact on the carrying amount of pension obligations. The group has taken external advice in relation to the impact of IFRIC 14 and has concluded that no additional provision is required in the financial statements in respect of the minimum funding requirement.

d) Discount rate used in lease liability calculation

Calculation of the appropriate discount rate in relation to the calculation of the present value of the minimum lease payments involves a certain amount of judgement. The group's policy is to use the group's incremental borrowing rate, which takes into account the geographic area in which the group operates, the lease term, and the rate of interest for a similar loan term. As such the discount rate applied in the year is 5% (2021: 5%).

3. Segmental reporting

The Board of Directors consider the reportable operating segment in accordance with IFRS 8 – 'Operating Segments', to be that of Storage, Blending and Distribution of Chemical Products on the basis that this represents the long-term financial performance and economic characteristics of the group.

The remaining activities of the group are considered by the Board to fulfil support and ancillary functions and have therefore been aggregated as "All other segments".

The group's operations, assets and staff are principally located in the United Kingdom. The Directors have concluded that the operations and assets located outside of the United Kingdom do not meet the quantitative thresholds as set out in IFRS 8 and therefore no segmental analysis of assets or profits is presented on a geographical basis. The group generates sales to customers across the world and the geographical analysis of revenue is set out below based on customer location.

Revenue

| Geographical location | 2022 £'000 | 2021 £'000 |
|----------------------------|---------------|---------------|
| United Kingdom and Ireland | 108,156 | 94,308 |
| Europe | 40,303 | 26,949 |
| Americas | 1,613 | 1,747 |
| Australasia | 111 | 40 |
| Africa | 937 | 1,755 |
| Middle East | 3,164 | 502 |
| Asia | 3,301 | 4,155 |
| Other | 1,087 | 346 |
| | <hr/> | <hr/> |
| | 158,672 | 129,802 |
| | ===== | ===== |

Revenues from the top 20 customers of the group's Storage, Blending and Distribution of Chemical Products segment represent approximately 34% (2021: 31%) of the group's total revenues.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

4. Operating profit

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| The operating profit for the year is stated after charging/(crediting): | | |
| Depreciation on property, plant and equipment (note 11) | 1,625 | 1,198 |
| Depreciation on right of use assets (note 12) | 855 | 870 |
| Amortisation of intangibles (note 10) | 22 | 37 |
| Government grant income | - | (12) |
| Profit on disposal of tangible fixed assets | - | (3) |
| Profit on foreign currency | (119) | (4) |
| Share-based payments (note 21 and 22) | 677 | 180 |
| Auditors' remuneration (see below) | 124 | 120 |
| | ===== | ===== |
| Audit services | | |
| Fees payable to the company's auditors for the audit of the parent company and consolidated accounts | 20 | 20 |
| Fees payable to the company's auditors for the audit of the company's subsidiaries | 104 | 100 |
| <i>Other services</i> | | |
| Financial reporting | 29 | 21 |
| Company secretarial services | 3 | 3 |
| Other services relating to taxation | 25 | 35 |
| | ===== | ===== |

5. Finance costs

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Bank interest expense | 766 | 735 |
| Other interest | 150 | - |
| Lease liability interest | 172 | 153 |
| Interest on pension scheme liabilities | 66 | 145 |
| | ===== | ===== |
| | 1,154 | 1,033 |
| | ===== | ===== |

6. Finance income

| | 2022 £'000 | 2021 £'000 |
|----------------------|---------------|---------------|
| Bank interest income | 16 | 18 |
| | ===== | ===== |

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

7. Taxation

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| UK corporation tax on profits for the year at 19% (2021: 19%) | 1,134 | 855 |
| Adjustments in respect of prior periods | (9) | (50) |
| Foreign tax charge | 513 | 215 |
| | <hr/> | <hr/> |
| | 1,638 | 1,020 |
| Deferred tax charge: origination and reversal of temporary timing differences (note 18) | 630 | 31 |
| | <hr/> | <hr/> |
| Total tax expense in the income statement | 2,268 | 1,051 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Factors affecting the tax charge for the year: | | |
| Profit on ordinary activities before tax | 9,226 | 7,697 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 19% (2021: 19%) | 1,753 | 1,462 |
| | <hr/> | <hr/> |
| <i>Effects of:</i> | | |
| Non-deductible expenses | 64 | 11 |
| Depreciation on non-qualifying assets | - | 19 |
| Tax rate differences | 468 | (131) |
| Prior year adjustments | (9) | (50) |
| Non-taxable income | - | (185) |
| Other deferred tax movements | - | (75) |
| Other tax adjustments | (8) | - |
| | <hr/> | <hr/> |
| | 515 | (411) |
| | <hr/> | <hr/> |
| Total tax charge | 2,268 | 1,051 |
| | <hr/> <hr/> | <hr/> <hr/> |

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

8. Staff numbers and costs

| | 2022 Number | 2021 Number |
|--|----------------|----------------|
| The average number of people employed by the group (including directors) during the year was as follows: | | |
| Average number of employees during the year | 379 | 342 |
| Staff costs including directors: | 2022 £'000 | 2021 £'000 |
| Wages and salaries | 19,222 | 14,616 |
| Social security costs | 1,650 | 1,504 |
| <i>Other pension costs:</i> | | |
| Contributions to defined contribution schemes | 803 | 474 |
| Contributions to defined benefit schemes | 875 | 852 |
| | 22,550 | 17,446 |

9. Directors' emoluments

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| <i>Emoluments for qualifying services:</i> | | |
| Aggregate directors' emoluments | 1,181 | 770 |
| Pension contributions | 83 | 34 |
| | 1,264 | 804 |

Directors' remuneration is paid through subsidiary companies within the group. The number of directors for whom retirement benefits were accruing under defined contribution schemes in the year was 5 (2021: 5).

Included in administrative expenses is £441,548 (2021: £88,601) of share-based payments to the directors.

Remuneration disclosed above include the following amounts paid to the highest paid director

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| <i>Emoluments for qualifying services:</i> | | |
| Aggregate directors' emoluments | 287 | 272 |
| Pension contributions | 36 | 24 |

Included in administrative expenses is £Nil (2021: £Nil) of share-based payments to the highest paid director.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

10. Intangible non-current assets

| Group | Licences and Patents £'000 | Goodwill £'000 | Total £'000 |
|-----------------------|----------------------------------|-------------------|----------------|
| At 1 May 2020 | 62 | 35,073 | 35,135 |
| Additions in the year | - | - | - |
| Amortisation in year | (37) | - | (37) |
| At 30 April 2021 | 25 | 35,073 | 35,098 |
| Additions in the year | 5 | - | 5 |
| Amortisation in year | (22) | - | (22) |
| At 30 April 2022 | 8 | 35,073 | 35,081 |

On acquisition of 2M Manufacturing Limited on 28 August 2020, given the fair values of net assets exceeded the amount of total consideration, the balance has been recognised as a gain on bargain purchase of £973k in the consolidated statement of comprehensive income in the year.

In accordance with IFRS 3 – 'Business Combinations', goodwill is not amortised but rather tested for impairment on an annual basis.

The recoverable amount was determined based on value in use and was determined at the cash generating unit which is based on financial budgets approved by the directors using the following key assumptions:

- i) Cash flows are projected based on expected revenue to be generated from the existing business model;
- ii) Growth rate of 3% per annum;
- iii) A pre-tax discount rate of 4.8%

The above key assumptions represent the directors' assessment of the future outlook based on their best estimates and they believe that it is unlikely that any significant variation in the above assumptions would significantly affect the recoverable amount of goodwill.

There has been no impairment for the value of goodwill during the year.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

11. Property, plant and equipment

| | Freehold land and buildings £'000 | Plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|--------------------------|--|---------------------------------|----------------------------|----------------|
| Cost or valuation | | | | |
| At 1 May 2020 | 4,311 | 18,591 | 504 | 23,406 |
| Acquired with subsidiary | 3,947 | 3,756 | - | 7,703 |
| Additions | 36 | 2,019 | - | 2,055 |
| Disposals | (55) | (1,302) | (40) | (1,397) |
| At 30 April 2021 | 8,239 | 23,064 | 464 | 31,767 |
| Additions | 52 | 1,699 | 12 | 1,763 |
| Disposals | - | (69) | (1) | (70) |
| Exchange difference | - | (112) | - | (112) |
| At 30 April 2022 | 8,291 | 24,582 | 475 | 33,348 |
| Depreciation | | | | |
| At 1 May 2020 | 1,308 | 12,734 | 351 | 14,393 |
| Acquired with subsidiary | 2,605 | 3,156 | - | 5,761 |
| Charge for the year | 105 | 1,077 | 16 | 1,198 |
| Eliminated on disposals | (55) | (1,302) | (32) | (1,389) |
| At 30 April 2021 | 3,963 | 15,665 | 335 | 19,963 |
| Charge for the year | 161 | 1,454 | 10 | 1,625 |
| Eliminated on disposals | - | (69) | (1) | (70) |
| At 30 April 2022 | 4,124 | 17,050 | 344 | 21,518 |
| Net book value | | | | |
| At 30 April 2022 | 4,167 | 7,532 | 131 | 11,830 |
| At 30 April 2021 | 4,276 | 7,399 | 129 | 11,804 |

Freehold land and buildings include non-depreciable land with a value of £1,338k (2021: £1,338k).

The directors have reviewed freehold land and buildings at 30 April 2022 for any indicators of impairment in their carrying value. The directors concluded that no impairment existed and that the carrying value of freehold land and buildings is approximate to the assets fair value.

2M GROUP LIMITED
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**
12. Right of use assets

| | Freehold land and buildings £'000 | Plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|-----------------------|--|--|-------------------------------------|------------------------|
| Cost | | | | |
| Lease additions | 36 | 77 | 742 | 855 |
| Lease disposals | (36) | - | (265) | (301) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 2021 | 2,003 | 1,244 | 1,155 | 4,402 |
| Lease additions | 333 | 88 | 505 | 926 |
| Lease disposals | - | - | (192) | (192) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 2022 | <u>2,336</u> | <u>1,332</u> | <u>1,468</u> | <u>5,136</u> |
| Depreciation | | | | |
| Lease disposals | (36) | - | (265) | (301) |
| Charge for the year | 301 | 223 | 346 | 870 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 2021 | 671 | 715 | 509 | 1,894 |
| Lease disposals | - | - | (192) | (192) |
| Charge for the year | 304 | 267 | 284 | 855 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30 April 2022 | <u>975</u> | <u>982</u> | <u>601</u> | <u>2,557</u> |
| Net book value | | | | |
| At 30 April 2022 | <u>1,362</u> | <u>350</u> | <u>867</u> | <u>2,579</u> |
| At 30 April 2021 | <u>1,332</u> | <u>529</u> | <u>646</u> | <u>2,508</u> |

13. Inventories

| | 2022 £'000 | 2021 £'000 |
|------------------|-----------------------|-----------------------|
| Goods for resale | <u>20,736</u> | <u>11,808</u> |

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

14. Trade and other receivables

| | 2022 £'000 | 2021 £'000 |
|-------------------|---------------|---------------|
| Trade receivables | 29,686 | 23,308 |
| Other receivables | 1,613 | 1,271 |
| | <u>31,299</u> | <u>24,579</u> |

15. Trade and other payables

| | 2022 £'000 | 2021 £'000 |
|------------------------------|---------------|---------------|
| Trade payables | 19,116 | 16,721 |
| Taxation and social security | 3,331 | 2,271 |
| Other payables | 1,884 | 2,359 |
| Accruals and deferred income | 14,174 | 9,775 |
| | <u>38,505</u> | <u>31,126</u> |

16. Lease liabilities

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Lease liabilities – due within one year | 862 | 732 |
| Lease liabilities – due more than one year | 1,999 | 2,111 |
| | <u>2,861</u> | <u>2,843</u> |

The company has leases for their various warehouses and offices throughout the UK. They also have some plant and machinery in use at these warehouses and some IT equipment and vehicles. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The company classified its right-of use assets in a consistent manner to its property, plant and equipment (see note 12).

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

16. Lease liabilities (continued)

Lease terms of vehicles and IT equipment are generally in the region of 3-5 years. Leases of property generally have a lease term ranging between 3-10 years. Lease payments are generally fixed with no variable element. The table below describes the nature of the company's leasing activities by type of right-of-use asset recognised on balance sheet:

| Right-of-use asset | No of right-of- use assets leased | Remaining lease term | Average remaining lease term |
|--------------------------|--|-------------------------|------------------------------------|
| Office building | 2 | 6-7 years | 7 years |
| Warehouse and facilities | 2 | 2-6 years | 4 years |
| Vehicles | 32 | 1-4 years | 2 years |
| Plant and machinery | 17 | 1-4 years | 3 years |

Lease payments not recognised as a liability

The company has elected not to recognise a lease liability for short-term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The company has entered into commercial leases for plant and machinery, which meet the definition of short term or low value as noted above.

Additional cash flow information:

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Cash outflow in respect of leases in year | (908) | (1,682) |

17. Financial instruments and financial risk management

This note provides information about the contractual terms of the group's interest-bearing loans, borrowings and other obligations.

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Current liabilities: | | |
| Bank facilities, loans and overdrafts (secured) | 12,765 | 9,825 |
| Lease liabilities | 862 | 732 |
| | <u>13,627</u> | <u>10,557</u> |
| Non-current: | | |
| Bank facilities and loans (secured) | 5,307 | 7,158 |
| Lease liabilities | 1,999 | 2,111 |
| | <u>7,306</u> | <u>9,269</u> |
| Total borrowings | <u>20,933</u> | <u>19,826</u> |

Included within the current liabilities bank facilities, loans and overdrafts (secured) figure are overdraft amounts totalling £7k (2021: £61k).

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

17. Financial instruments and financial risk management (continued)

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Bank borrowings are repayable as follows: | | |
| On demand or within one year | 12,765 | 9,825 |
| Between one and two years | 3,952 | 5,782 |
| Between two and five years | 1,355 | 1,376 |
| | <hr/> | <hr/> |
| | 18,072 | 16,983 |
| Less: Amount due within 12 months (shown under current liabilities) | (12,765) | (9,825) |
| | <hr/> | <hr/> |
| | 5,307 | 7,158 |
| | <hr/> | <hr/> |

The bank facilities, loans and overdrafts are secured by a legal charge over the assets of the group, a charge over its debts and inventories, and by a composite debenture and guarantee. All of the group's funding is subject to a group guarantee (note 26).

Categories of financial assets and liabilities

| | |
|--|-------------------------------|
| Financial assets at fair value through the profit or loss | - None |
| Held-to-maturity assets | - None |
| Loans and receivables | - Trade and other receivables |
| Available-for-sale financial assets | - None |
| Financial liabilities at fair value through the profit or loss | - Finance leases |
| Financial liabilities measured at amortised cost | - Overdrafts and loans |

The fair values of all financial assets and liabilities are not materially different from their carrying amounts.

Financial risk management

The group recognises that it has exposures to the following financial risks, and seeks to redress them as noted below:

Financial risk factors

i) Foreign exchange risk

The group transacts in currencies other than sterling, primarily Euros and US Dollars, and therefore runs a level of exposure. The group seeks to minimise this by natural hedging of purchase and sale transactions.

ii) Credit risk

The group operates in standard business to business commercial markets. As such, the majority of transactions are conducted on credit terms, with the details of such terms being determined by the relative transaction size and commercial risk of the specific transaction or entity. The group seeks to restrict these levels of exposure further by covering such sales with commercially available credit insurance, through recognised underwriters.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

17. Financial instruments and financial risk management (continued)

iii) Liquidity risk

The banking arrangements with Investec Bank plc, who provide term loan and overdraft facilities have been renewed and provide sufficient working capital for the 2M group of companies.

iv) Interest rate risk

Group finance facilities are placed with Investec Bank plc which provided additional working capital through invoice financing, inventory financing and cash flow loan facilities. Interest rates on these facilities vary between 3.25% and 4.25% over Base Rate.

Finance leases are placed through Iveco Stralis for the purpose of acquiring commercial vehicles. Interest allocated to future financial periods is calculated at effective rates between 4.61% and 5.11% per annum.

The group has no financial assets, other than short term receivables and cash at bank. Short term overdrafts are held at a floating rate of interest based on Base Rate.

18. Deferred tax assets and liabilities

| | Employee benefits £'000 | Excess capital allowances £'000 | Other timing differences £'000 | Total £'000 |
|--------------------------------------|-------------------------------|--|---|----------------|
| As at 1 May 2021 | (743) | 437 | 1,119 | 813 |
| Charge to income statement | (263) | 178 | 715 | 630 |
| Charge to other comprehensive income | 60 | - | - | 60 |
| Other movements | - | - | 29 | 29 |
| | <u>(946)</u> | <u>615</u> | <u>1,863</u> | <u>1,532</u> |
| As at 30 April 2022 | (946) | 615 | 1,863 | 1,532 |
| Deferred tax asset | (946) | - | - | (946) |
| Deferred tax liability | - | 615 | 1,863 | 2,478 |
| | <u>(946)</u> | <u>615</u> | <u>1,863</u> | <u>1,532</u> |
| As at 30 April 2022 | (946) | 615 | 1,863 | 1,532 |

Deferred tax is provided for at the future tax rate applying at the reporting date. At 30 April 2022 the future tax rate applying was 25%. On 23 September 2022, the Government announced that the increase in the corporation tax main rate to 25% would no longer go ahead. The corporation tax main rate will, therefore, remain at 19% from 1 April 2023. This change will result in a reduced deferred tax provision of approximately £360k in the year ending 30 April 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

19. Pension liability

Defined Contribution Scheme

The group operates a Defined Contribution Pension Scheme. During the year ended 30 April 2022 the pension cost charge to the income statement amounted to £765k (2021: £474k). There were no outstanding or unpaid contributions at the beginning or end of the year.

Defined Benefit Scheme

Companies within the group operate a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately, being invested with a managed pension fund. The final Salary Scheme is closed to new entrants and is also closed to future accruals.

A full actuarial valuation was carried out as at 31 March 2020 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the employer and the trustees in line with those requirements. These in particular require the surplus or deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £11,540k. The company has agreed with the trustees of the scheme that the company will aim to eliminate the deficit over a period of 11 years and 8 months from 31 March 2021 by the payment of annual contributions of £875k increasing at 3% per annum. In addition and in accordance with the actuarial valuation, the company has agreed with the trustees of the scheme that it will meet expenses of the plan and levies to the Pension Protection Fund.

The actuarial valuation as at 31 March 2020, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 April 2021. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Contributions in the year totalled £875k (2021: £852k).

The directors have relied upon advice from E. Williams, Fellow of the Institute & Faculty of Actuaries in determining the financial assumptions.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

19. Pension liability (continued)

The main financial assumptions used at the year-end date to calculate scheme liabilities under IAS 19 are:

| | 2022 % | 2021 % |
|--|-----------|-----------|
| Discount rate | 3.2 | 2.0 |
| Inflation rate | 3.7 | 3.2 |
| Expected rate of salary increase | 3.1 | - |
| Expected rate of increase of pensions in payment | 3.7 | 3.2 |
| Expected overall rate of return on plan assets | 3.2 | 2.0 |

The expected rate of return on plan assets was determined, based on the discount rate for the year ended 30 April 2022, in line with IAS 19.

Mortality assumptions

The mortality assumptions adopted at 30 April 2022 are 104% of the standard tables S3PMA / S3PFA_M, Year of Birth, no age rating for males and females, projected using CMI_2021 converging to 1.25% p.a. These assume the following life expectancies on retirement at age 65:

| | 2022 Years | 2021 Years |
|----------------------|---------------|---------------|
| Retiring today | | |
| - Males | 21.6 | 21.6 |
| - Females | 23.4 | 23.4 |
| Retiring in 20 years | | |
| - Males | 22.6 | 22.6 |
| - Females | 24.6 | 24.6 |

Analysis of amounts charged to the statement of comprehensive income

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Analysis of amount reported in financial income and expense | | |
| Expenses | (38) | (41) |
| Expected return on pension scheme assets | 288 | 198 |
| Interest cost | (354) | (343) |
| | <hr/> | <hr/> |
| Net cost | (104) | (186) |
| | <hr/> | <hr/> |

Analysis of amount recognised under other comprehensive income

| | | |
|--|---------|-------|
| Return on plan assets excluding interest income | (2,133) | 2,390 |
| Experience losses arising on the defined benefit obligation | (21) | 1,390 |
| Effects of changes in demographic assumptions | (111) | 247 |
| Effects of changes in financial assumptions | 2,623 | 517 |
| | <hr/> | <hr/> |
| Net actuarial gains/(losses) recognised under other comprehensive income | 358 | 4,544 |
| | <hr/> | <hr/> |

2M GROUP LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022**

19. Pension scheme (continued)

| | 2022 £'000 | 2021 £'000 |
|---|-----------------------------|-----------------------------|
| <i>Reconciliation of change in assets and liabilities</i> | | |
| Change in defined benefit obligation: | | |
| Defined benefit obligation brought forward | 18,043 | 20,515 |
| <i>Movement in the year:</i> | | |
| Expenses | - | 41 |
| Interest cost | 354 | 343 |
| Experience gains/losses arising on the defined benefit obligation | 21 | (1,390) |
| Effects of changes in demographic assumptions | 111 | (247) |
| Effects of changes in financial assumptions | (2,623) | (517) |
| Actual benefits paid | (674) | (702) |
| | <hr/> | <hr/> |
| Defined benefit obligation at end of year | <u>15,232</u> | <u>18,043</u> |
| | <hr/> | <hr/> |
| | 2022 £'000 | 2021 £'000 |
| Change in plan assets: | | |
| Fair value of plan assets brought forward | 14,325 | 11,587 |
| <i>Movement in year:</i> | | |
| Interest income | 288 | 198 |
| Return on plan assets | (2,133) | 2,390 |
| Actual employer contributions | 875 | 852 |
| Actual benefits paid | (674) | (702) |
| Other | (38) | - |
| | <hr/> | <hr/> |
| Fair value of plan assets at end of year | <u>12,643</u> | <u>14,325</u> |
| | <hr/> | <hr/> |
| The actual return on plan assets was £1,845k (2021: £2,588k). | | |
| Funded status – Financial position | | |
| Net pension liability | <u>(2,589)</u> | <u>(3,718)</u> |
| | <hr/> | <hr/> |

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

19. Pension scheme (continued)

The assets in the pension scheme return were:

| | Value at 30 April 2022 £'000 | Value at 30 April 2021 £'000 |
|---|---------------------------------------|---------------------------------------|
| Cash | 51 | 68 |
| Equity linked LDI Funds | 2,081 | 9,600 |
| European Loan Funds | 2,320 | 2,075 |
| Credit Funds | 2,534 | 1,058 |
| Absolute Return Bond Funds | 1,765 | 1,524 |
| Government Bonds | 1,060 | - |
| Diversified Growth Funds | 2,832 | - |
| | <hr/> | <hr/> |
| Total market value of scheme assets | 12,643 | 14,325 |
| Present value of the scheme's liabilities (provided by the actuary) | (15,232) | (18,043) |
| | <hr/> | <hr/> |
| Net pension liability (funded) | <u>(2,589)</u> | <u>(3,718)</u> |

The history of experience adjustments is as follows:

| | Value at 30 April 2022 £'000 | Value at 30 April 2021 £'000 |
|---|---------------------------------------|---------------------------------------|
| Experience gains / (losses) on scheme liabilities* | | |
| Amount (£) | (21) | 1,390 |
| Percentage of the present value of scheme liabilities | 0.1% | 7.7% |

* These figures exclude the effect of the change in the valuation assumptions from one year to the next.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

20. Share capital and share premium

| | Number of shares | Share capital £'000 | Share premium £'000 | Total £'000 |
|------------------------------------|---------------------|---------------------------|---------------------------|----------------|
| Ordinary A shares | 130,000 | 130 | - | 130 |
| Ordinary B shares | 1,490 | 2 | 165 | 167 |
| Ordinary C shares | 130,000 | 1 | - | 1 |
| | | | | |
| At 30 April 2021 and 30 April 2022 | 261,490 | 133 | 165 | 298 |

Ordinary A shareholders are entitled to vote at meetings of the company and each share in issue carries one vote. The shares have rights to dividends and capital to participate in any distribution pro-rata with the Ordinary B shares. Ordinary A shares are not redeemable.

Ordinary B shares rank pari passu in all respects with Ordinary A shares save that they carry no entitlement to vote at meetings of the company. The shares have rights to dividends and capital to participate in any distribution pro-rata with the Ordinary A shares. Ordinary B shares are not redeemable.

Ordinary C shares carry no entitlement to vote at meetings of the company, are not entitled to participate in dividend distributions, have only limited rights to participate in a distribution as respects to capital and are not redeemable.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

21. Cost of issuing share options

Included within administration expenses is a charge of £15k (2021: £14k) for share options. The share-based payment charge represents the current year's allocation of the expense for relevant share options issued in 2012. The company has granted share options under an Unapproved Share Option Plan (the 'Unapproved Plan').

Under the Unapproved Plan, options are granted to employees and directors to acquire Ordinary B shares at a price of £111.54 per share. In general, options vest after ten years and are exercisable if the group is sold or becomes listed on a recognised stock exchange.

The Company granted 2,600 share options under the Unapproved Plan during a prior period with total fair values estimated using the Black-Scholes option-pricing model of £288k. A discount rate of 50% has been applied to reflect the medium-term possibility of the exercisable events occurring resulting in a cost of £144k being amortised over ten years.

The following assumptions were used for the Black-Scholes valuation of share options granted in the prior period:

| | Unapproved plan Issued 2012 Employees |
|------------------------------|--|
| Options granted | 2,600 |
| Risk-free interest rate | 0.5% |
| Expected life of the options | 10 years |
| Annualised volatility | 23.39% |

The options outstanding at 30 April 2022 have an exercise price of £111.54 per share and a weighted average remaining contractual life of 2.42 years.

22. Cash-settled share-based payment provision

During the year, the following share-based payment expenses were recognised in the consolidated statement of comprehensive income. The cash-settled scheme allows certain senior employees the right to participate in the growth of 2M Group Limited, in return for services rendered, through the payment of cash incentives which are based on the growth of EBITDA. The rights vest after five years with a liability recognised at fair value, at each reporting date, in the statement of financial position until the date of settlement.

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------|-----------------------|
| Share-based payment expense recognised | 662 | 166 |
| | ===== | ===== |

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

| 23. Cash generated from operations | 2022 £'000 | 2021 £'000 |
|---|-----------------------|-----------------------|
| Profit before taxation | 9,226 | 7,697 |
| <i>Add back non-operating items:</i> | | |
| Finance income | (16) | (18) |
| Finance costs | 1,154 | 1,033 |
| Gain on bargain purchase | - | (973) |
| Share-based payments | 15 | 14 |
| <i>Adjustments for:</i> | | |
| Pension movement | (837) | (299) |
| Foreign exchange (gain)/loss | (242) | 63 |
| Depreciation of property, plant & equipment | 1,625 | 1,198 |
| Depreciation of right-of-use assets | 855 | 870 |
| Amortisation of intangible assets | 22 | 37 |
| Increase in inventories | (8,929) | (559) |
| Increase in receivables | (7,860) | (1,717) |
| Increase in payables | 7,272 | 4,814 |
| | <hr/> | <hr/> |
| Cash generated from operations | 2,285 | 12,160 |
| | <hr/> | <hr/> |

24. Business combinations

On 28 August 2020, Surfachem Group Limited, an indirect subsidiary of the company, acquired the entire share capital of Evonik Goldschmidt UK Limited, from Evonik UK Holdings Limited, a member of Evonik Industries AG.

The site and facilities, based in Milton Keynes, is the first bespoke chemical manufacturing facility within the 2M Group, and as such represents a significant milestone in the group's growth and development.

The company was renamed 2M Manufacturing Limited and retained all existing employees and assets.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

25. Cash and cash equivalents

| | 2022 £'000 | 2021 £'000 |
|--|----------------|---------------|
| Cash at bank and in hand | 7,987 | 11,262 |
| Bank overdrafts / short term finance | (10,554) | (7,689) |
| | <hr/> | <hr/> |
| Cash and cash equivalents in the cash flow statement | <u>(2,567)</u> | <u>3,573</u> |

26. Guarantees and other financial commitments

- a) At 30 April 2022 the group had no capital commitments.
- b) The group has granted a composite guarantee and debenture to Investec Bank plc in respect of amounts due to the bank by 2M Group Limited and its subsidiaries.
- c) A subsidiary company, 2M Holdings Limited has issued guarantees to the Samuel Banner Pension Fund Limited as trustee of the Samuel Banner staff pension scheme. The guarantee states that 2M Holdings Limited is obliged to make payments to the Scheme up to a maximum amount of £4,500k.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

27. Control

The director, M Kessler OBE, retains ultimate control of the group.

28. Related party transactions

Trade and other payables include an amount of £578k (2021: £545k) due to Metachem Industrial Comercial Ltda. Metachem Industrial Comercial Ltda is the non-controlling interest holder in the subsidiary company Surfachem Brasil Ltda. The loan is interest free, unsecured and has no fixed repayment terms.

Other receivables include an amount of £151k due from 2Be Capital Ltd. 2Be Capital Ltd has common directors to that of 2M Group Ltd, those being M Kessler OBE and G Maller.

29. Subsequent events

On 30 June 2022, 2M Holdings Limited, a direct subsidiary of the company, acquired the entire share capital of Bregaglio S.r.l. (incorporated in Italy).

Company Registration No. 07904022

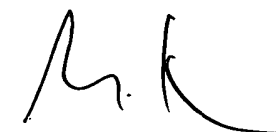
2M GROUP LIMITED
COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

2M GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2022

| | Notes | 30 April 2022 £'000 | 30 April 2021 £'000 |
|---|-------|---------------------------|---------------------------|
| Fixed assets | | | |
| Investments | 4 | 29,267 | 29,267 |
| Current assets | | | |
| Debtors | 6 | 13 | 13 |
| Cash at bank and in hand | | 13 | 13 |
| | | <u>26</u> | <u>26</u> |
| Creditors: amounts falling due within one year | 7 | (11,431) | (10,046) |
| Net current liabilities | | <u>(11,405)</u> | <u>(10,020)</u> |
| Total assets less current liabilities | | <u>17,862</u> | <u>19,247</u> |
| Net Assets | | <u><u>17,862</u></u> | <u><u>19,247</u></u> |
| Capital and reserves | | | |
| Share capital | 8 | 133 | 133 |
| Share premium | 8 | 165 | 165 |
| Option reserve | | 140 | 125 |
| Merger reserve | | 14,370 | 14,370 |
| Retained earnings | | 3,054 | 4,454 |
| Shareholders' funds - equity | | <u><u>17,862</u></u> | <u><u>19,247</u></u> |

The financial statements were approved by the Board of Directors and authorised for issue on 7 October 2022.



M Kessler OBE
Director



C Boyle
Director

Company Registration No. 07904022

2M GROUP LIMITED**COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2022**

| | | 2022 | 2021 |
|---|--------------|--------------|--------------|
| | Notes | £'000 | £'000 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 12 | 1,400 | 750 |
| | | <hr/> | <hr/> |
| Net cash generated by operating activities | | 1,400 | 750 |
| | | <hr/> | <hr/> |
| Cash flows from financing activities | | | |
| Repayments of loans and other obligations | | - | - |
| Dividends paid to company's shareholders | | (1,400) | (750) |
| | | <hr/> | <hr/> |
| Net cash used in financing activities | | (1,400) | (750) |
| | | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | | - | - |
| | | | |
| Cash and cash equivalents at the beginning of the financial year | | 13 | 13 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the financial year | 13 | 13 | 13 |
| | | <hr/> <hr/> | <hr/> <hr/> |

2M GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2022**

| | Share Capital | Share Premium | Merger Reserve | Options Reserve | Retained earnings | Total Equity Interests |
|---------------------------------------|------------------|------------------|-------------------|--------------------|----------------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 May 2020 | 133 | 165 | 14,370 | 111 | 5,204 | 19,982 |
| Share based payments | - | - | - | 14 | - | 15 |
| Total comprehensive loss for the year | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | (750) | (750) |
| At 30 April 2021 | 133 | 165 | 14,370 | 125 | 4,454 | 19,247 |
| Share based payments | - | - | - | 15 | - | 15 |
| Total comprehensive loss for the year | - | - | - | - | - | - |
| Dividend paid | - | - | - | - | (1,400) | (1,400) |
| At 30 April 2022 | 133 | 165 | 14,370 | 140 | 3,054 | 17,862 |

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies

2M Group Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House, Floor 6, 4 Thomas More Square, London, E1W 1YW.

These separate financial statements of the company are presented as required by the Companies Act 2006. The significant accounting policies applied in preparing the financial statements are set out below.

1.1 Accounting convention

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

The company financial statements are prepared in sterling, which is the financial currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

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

Profit attributable to the members of the parent company

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £140 (2021: £36).

Related Parties

The company has taken advantage of the exemption available in FRS 102 “Related party disclosures” whereby it has not disclosed transactions with any wholly owned subsidiary undertakings of the group.

1.2 Going concern

At the time of approving the financial statements, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus, the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Subsidiary companies within the group market a diverse product base across the chemical sector, operate in varied market sectors and from a number of operational bases.

The impact of Covid-19 has diminished considerably during the period under review. The lockdown periods have been replaced by a sense of normality.

Major global geopolitical and economic events buffet, not only the 2M Group, but all businesses and households in the UK, and in all economies around the world. Inflation – driven by high energy prices, in turn driven by the conflict in the Ukraine – is at its highest level for a generation. Interest rates are following suit, as the Bank of England looks to rein in the former.

The nature of our business means that liquidity remains a crucial factor. The current position and forward cashflow projections are regularly reviewed and updated. Profitable trading, judicious movements in working capital, and the support of Investec, our funding partner, mean that the Directors are confident in their assumption of going concern.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (continued)

1.3 Fixed asset investments

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

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long-term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Impairment review

At each reporting period end date, the company reviews the carrying amounts of its fixed asset investments to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.4 Cash and cash equivalents

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

1.5 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (continued)

1.5 Financial instruments (continued)

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables 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 payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

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

1.6 Equity instruments

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

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

1. Accounting policies (continued)

1.7 Retirement benefits

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

1.8 Taxation

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

Current Tax

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

Deferred Tax

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.9 Share based payment transactions

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

The company participates in a share-based payment arrangement granted to its employees and employees of its subsidiaries. The company has elected to recognise and measure its share-based payment expense on the basis of a reasonable allocation of the expense for the group recognised in its consolidated accounts. The directors consider the number of unvested options granted to the company's employees compared to the total unvested options granted under the group plan to be a reasonable basis for allocating the expense.

The expense in relation to options over the company's shares granted to employees of a subsidiary is recognised by the subsidiary company in which the employee is remunerated.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

2. Taxation

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| UK corporation tax | | |
| Current year tax credit | - | - |
| | <u>-</u> | <u>-</u> |
| Tax credit on profit on ordinary activities | - | - |
| | <u>-</u> | <u>-</u> |
| Factors affecting the tax charge for the year: | | |
| Loss on ordinary activities before taxation | - | - |
| | <u>-</u> | <u>-</u> |
| Profit on ordinary activities before taxation multiplied by standard rate of UK corporate tax of 19% (2021: 19%) | - | - |
| Effects of: | | |
| Non-deductible items | - | - |
| Tax losses | - | - |
| | <u>-</u> | <u>-</u> |
| Current tax charge | - | - |
| | <u>-</u> | <u>-</u> |

3. Dividends

| | 2022 £'000 | 2021 £'000 |
|----------------|---------------|---------------|
| Dividends paid | 1,400 | 750 |
| | <u>1,400</u> | <u>750</u> |

4. Fixed asset investments

| | Shares in subsidiary undertakings £'000 |
|------------------------------------|--|
| Cost | |
| At 30 April 2021 and 30 April 2022 | 29,267 |
| | <u>29,267</u> |

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

4. Fixed asset investments (continued)

The group's principal subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2022 were as follows:

| Subsidiary undertakings | Activities | Ownership (ordinary shares & voting rights) |
|-----------------------------------|---|---|
| Held directly: | | |
| 2M Holdings Limited | Holding company | 100% |
| Held indirectly: | | |
| Banner Chemicals Holdings Limited | Holding company | 100% |
| Surfachem Holdings Limited | Holding company | 100% |
| Packed Chlorine Limited | Distribution of chemical industry products | 100% |
| CE-O2 Trockeneis GmbH | Distribution of chemical industry products | 100% |
| Surfachem Deutschland GmbH | Distribution of chemical industry products | 100% |
| 2M Deutschland GmbH | Distribution of chemical industry products | 100% |
| Banner Chemicals Limited | Holding company | 100% |
| Samuel Banner & Co Limited | Formulation and distribution of solvents and performance cleaning product | 100% |
| Prism Chemicals Limited | Blending and formulation of solvent and chemical products | 100% |
| M P Storage and Blending Limited | Storage, drumming and blending of solvents and chemical products | 100% |
| Banner Chemicals Benelux NV | Distribution of chemical industry products | 100% |
| Stowlin Limited | Manufacture and distribution of chemicals | 100% |
| Samuel Banner Property Co Limited | Property holding company | 100% |
| Surfachem Group Limited | Holding Company | 100% |
| Surfachem Limited | Distribution of chemical industry products | 100% |
| FilRite Limited | Decanting and packaging of chemicals | 100% |
| Samplerite Limited | Distribution of chemical industry samples | 100% |
| Samplerite Qingdao Limited | Distribution of chemical industry samples | 100% |
| Surfachem Nordic AS | Distribution of chemical industry products | 67% |
| Surfachem Brasil Ltda | Distribution of chemical industry products | 65% |
| Ingretech SAS | Distribution of chemical industry products | 70% |
| 2M Manufacturing Limited | Manufacture and distribution of chemicals | 100% |

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

4. Fixed asset investments (continued)

The group's dormant subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2022 were as follows:

| Subsidiary undertakings | Activities | Ownership (ordinary shares & voting rights) 2022 |
|--|------------|---|
| Held indirectly: | | |
| 2M London Limited | Dormant | 100% |
| SB Dormantco One Limited | Dormant | 100% |
| SB Dormantco Three Limited | Dormant | 100% |
| Samuel Banner Polymers Limited | Dormant | 100% |
| K M Z Chemicals Limited | Dormant | 100% |
| Integrated Chemicals Specialties Limited | Dormant | 100% |
| Croftshaw (Solvents) Limited | Dormant | 100% |
| Stowlin Croftshaw Limited | Dormant | 100% |
| Stowlin Specialised Chemicals Limited | Dormant | 100% |
| Gel-Chem Limited | Dormant | 100% |
| Netscore Limited | Dormant | 100% |
| Specialty Food Ingredients Limited | Dormant | 100% |
| Surfachem International Limited | Dormant | 100% |
| Worsall Limited | Dormant | 100% |

The subsidiary company, Banner Chemicals Benelux NV is incorporated in Belgium.

The subsidiary company Samplerite Qingdao Limited is incorporated in the People's Republic of China and has a reporting date of 31 December. The subsidiary prepares separate accounts for inclusion in the group consolidated financial statements which have been reviewed and agreed by the directors who do not consider that they are material within the context or value of the group as a whole.

The subsidiary company Surfachem Nordic AS is incorporated in Norway.

The subsidiary company Surfachem Brasil Ltda is incorporated in Brazil.

The subsidiary companies CE-O2 Trockeneis GmbH, Surfachem Deutschland GmbH and 2M Deutschland GmbH are incorporated in Germany.

The subsidiary company Ingretech SAS is incorporated in France.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

5. Financial instruments

| | 30 April 2022 £'000 | 30 April 2021 £'000 |
|---|---------------------------|---------------------------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 6 | 6 |
| | ===== | ===== |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 11,431 | 10,046 |
| | ===== | ===== |

6. Debtors

| | 30 April 2022 £'000 | 30 April 2021 £'000 |
|---------------------------|---------------------------|---------------------------|
| Other debtors | 6 | 6 |
| Corporation tax repayable | 7 | 7 |
| | ===== | ===== |
| | 13 | 13 |
| | ===== | ===== |

Other debtors include an amount receivable from employees of £6k (2021: £6k) for the transfer of shares between employees.

7. Creditors: Amounts falling due within one year

| | 30 April 2022 £'000 | 30 April 2021 £'000 |
|--------------------------------|---------------------------|---------------------------|
| Accruals | 3 | 3 |
| Due to subsidiary undertakings | 11,428 | 10,043 |
| | ===== | ===== |
| | 11,431 | 10,046 |
| | ===== | ===== |

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

8. Share capital

| | Number of shares | Share capital £'000 | Share premium £'000 | Total £'000 |
|------------------------------------|---------------------|---------------------------|---------------------------|----------------|
| Ordinary A shares | 130,000 | 130 | - | 130 |
| Ordinary B shares | 1,490 | 2 | 165 | 167 |
| Ordinary C shares | 130,000 | 1 | - | 1 |
| | | | | |
| At 30 April 2021 and 30 April 2022 | 261,490 | 133 | 165 | 298 |

Ordinary A shareholders are entitled to vote at meetings of the company and each share in issue carries one vote. The shares have rights to dividends and capital to participate in any distribution pro-rata with the Ordinary B shares. Ordinary A shares are not redeemable.

Ordinary B shares rank pari passu in all respects with Ordinary A shares save that they carry no entitlement to vote at meetings of the company. The shares have rights to dividends and capital to participate in any distribution pro-rata with the Ordinary A shares. Ordinary B shares are not redeemable.

Ordinary C shares carry no entitlement to vote at meetings of the company, are not entitled to participate in dividend distributions, have only limited rights to participate in a distribution as respects to capital and are not redeemable.

9. Share based payment transactions

The company has granted share options under an Unapproved Share Option Plan (the 'Unapproved Plan').

Under the Unapproved Plan, options are granted to employees and directors to acquire Ordinary B shares at a price of £111.54 per share. In general, options vest after ten years and are exercisable if the group is sold or becomes listed on a recognised stock exchange.

The Company granted 2,600 share options under the Unapproved Plan in the year ending 30 April 2014 with total fair values estimated using the Black-Scholes option-pricing model of £287k. A discount rate of 50% has been applied to reflect the medium term possibility of the exercisable events occurring resulting in a cost of £144k being amortised over ten years.

A total expense of £15k (2021: £14k) has been charged in the subsidiary companies under which the employees are remunerated.

The following assumptions were used for the Black-Scholes valuation of share options granted in the prior period:

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2022

9. Share based payment transactions (continued)

| | Unapproved plan Issued 2012 Employees |
|------------------------------|---|
| Options granted | 2,600 |
| Risk-free interest rate | 0.5% |
| Expected life of the options | 10 years |
| Annualised volatility | 23.39% |

The options outstanding at 30 April 2022 have an exercise price of £111.54 per share and a weighted average remaining contractual life of 2.42 years.

10. Control

The director, M Kessler OBE, retains ultimate control of the group.

11. Guarantees and other financial commitments

- a) The company has granted a composite guarantee and debenture to Investec Bank plc in respect of amounts due to the bank.
- b) A subsidiary company, 2M Holdings Limited has issued guarantees to the Samuel Banner Pension Fund Limited as trustee of the Samuel Banner staff pension scheme. The guarantee states that 2M Holdings Limited is obliged to make payments to the Scheme up to a maximum amount of £4,500k.

12. Cash generated from operations

| | 2022 £'000 | 2021 £'000 |
|--------------------------------------|---------------|---------------|
| Loss before taxation | - | - |
| <i>Add back non-operating items:</i> | | |
| Financial expense | - | - |
| Cost of share options | 15 | 15 |
| <i>Adjustments for:</i> | | |
| Decrease in debtors | - | - |
| Increase in payables | 1,385 | 735 |
| | <hr/> | <hr/> |
| Cash generated from operations | 1,400 | 750 |
| | <hr/> | <hr/> |

13. Cash and cash equivalents

| | 2022 £'000 | 2021 £'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 13 | 13 |
| | <hr/> | <hr/> |

14. Directors' transactions

Dividends totalling £1,322k (2021: £709k) were paid in the year in respect of shares held by the company's directors.