

Company Registration No. 01248371 (England and Wales)

**AMENDED**

**INDUSTRIAL CHEMICALS GROUP LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**!RickardLuckin**

# INDUSTRIAL CHEMICALS GROUP LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	A R Carver C D Carver J W Carver E Strang
<b>Secretary</b>	BJ Lowthian
<b>Company number</b>	01248371
<b>Registered office</b>	Titan Works Hogg Lane Grays Essex RM17 5DU
<b>Auditor</b>	Rickard Luckin Limited Aquila House Waterloo Lane Chelmsford Essex CM1 1BN
<b>Bankers</b>	Lloyds Bank Plc 34 High Street Grays Essex RM17 6LX

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# INDUSTRIAL CHEMICALS GROUP LIMITED

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# INDUSTRIAL CHEMICALS GROUP LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2016

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The directors present the strategic report for the year ended 31 December 2016.

Industrial Chemicals Group Ltd incorporated in March 1976 as a manufacturer and trader of industrial chemicals. Currently employing 462 people and headquartered in Grays, Essex, with additional production facilities across the UK in West Thurrock, Newcastle, Runcorn, Port Clarence, Scunthorpe, Selby and Widnes. The group also has a production facility in Louisiana in the USA.

Industrial Chemicals has both bulk manufacturing and packaged products capabilities, servicing a diverse customer base with many household names, from various sectors, including agriculture, water utilities, steel production, energy utilities, pharmaceuticals and homecare products.

The Group can support the most demanding of requirements, providing specific tailored chemical solutions including grinding, milling, filtration, spray drying and also operates one of largest private specialist distribution fleets in the UK Chemicals sector.

#### Review of the business

During the year ended 31st December 2016, we saw record sales for the Group, at £102.5m, representing a 6.6% increase on 2015, with an EBITDA of £10.06m.

We also faced significant challenges because of the slippage in the commencement of a major project for the year and the failure of a key supplier of raw materials into our water detergents market.

The key achievements can be summarised as follows:

- The purchase of two sites from Koppers UK on 1st July 2016. The sites in Port Clarence and Scunthorpe have chemical industry background and established infrastructure. In addition, we secured two leases and two service agreements, which provide an immediate yield on our acquisition.
- The Group completed the installation of the Sage X3 ERP system on the 1st November 2016, with the transition creating minimal impact on both customers and staff. The system has significant business benefits immediately and will help drive further development for the future.
- Lloyds Bank provided an additional term loan funding of £3m on the 30th November 2016, for the construction of a new CHP facility at our West Thurrock site. This will provide security of supply and significant cost savings for our Chlor Alkali facility, which incurs significant energy costs.

#### 2016 Underlying performance

##### Chlor Alkali Growth and new capacity

The turnover increase was predominately driven by products produced from our Chlor Alkali Facility, namely Caustic Soda, Sodium Hypochlorite and Hydrochloric Acid (HCl), which combined recorded sales of £25.2m for 2016 (£23.06m for 2015), an increase of £2.1m for the year, representing 33.3% of the total sales increase for 2016.

If we include product supplied by the Chlor Alkali facility into packed operations, which totalled a further £3.5m sales for 2016, (£2.8m for 2015), this would add a further increase of £768k to the total overall sales growth accountable to Chlor Alkali products, and would be £2.86m or 44% of the total sales increase for the year of £6.5m.

A major contributing factor to this increase in Chlor Alkali products demand was the reduction in overall UK supply from the only other two domestic manufacturers, through a combination of major incident and unplanned shutdown from technical problems within their respective plants, thus reducing overall capacity within the UK. We took the strategic decision to delay the commissioning of the additional capacity of our Chlor Alkali plant (final electrical installation of the second line could not be completed until we shut down the existing line, as the control systems are linked for both lines).

# **INDUSTRIAL CHEMICALS GROUP LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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This enabled us to continue to run our existing Chlor Alkali line, to support our existing customer base and the larger UK market, through this period of upheaval. We did however have to supplement our own Caustic and HCl production within the year with the use of supply from third party suppliers in Europe, to meet market demand, which adversely affected the material costs, transport costs and drove significant adverse foreign exchange losses.

However, Caustic and Sodium Hypochlorite material costs benefitted from the use of our own production capacity, as we started to see the full efficiencies achievable from the plant. The benefits of this increased production have been evident monthly, helping to drive savings on materials, better gross profit margins and higher EBITDA.

We successfully commissioned line 2 in February 2017. Whilst the delay to the start-up of the additional capacity was disappointing, we had significant success in converting new customers to long-term contracts across the period of uncertainty within the market, which will help further underpin the production capacity of both lines in 2017.

### **Water Utilities Growth**

We saw significant growth within our water utilities products offering, with the first full year of HFSA, which was the first joint tender of its type within the UK, with five water utilities combining for the tender, this resulted in an increase in turnover of £599K to £648K for the year (against £49K for 2015).

We also saw good growth in our Phosphoric Acid sales to the water utilities, with total sales of £1.98m for 2016 (£1.3m for 2015), an increase of £680K or 52.3% increase for the year.

Ferric Sulphate revenue remained comparable at £14.7m to 2015, but benefitted from the first full year of additional capacity from our new plant in West Thurrock, which became operational in Q2 2015. This plant will provide additional capacity and security of supply to a key product line to the water utilities, whilst also removing the requirement to source additional product from external suppliers.

### **The end for Zeolite**

Zeolite production ceased (at Grays) in Q3 2016, ending one of the most successful long-term production supply contracts in the company's history. Changing customer demand had flagged this decline for several years and an amicable closure was agreed with the customer for the closure of this plant.

### **Transport fleet increases**

We successfully secured an increase to our transport operator's licence at Grays, which provided a platform to increase or in-house core fleet, helping to support the growth in production capacity in our Southern operations and also reduce our dependence on external hauliers. With the increase secure we then chose to transfer the operator's licence from Grays to West Thurrock, resulting in the relocating of the bulk of our core fleet from Grays to West Thurrock, as we transition to West Thurrock for the future, this will drive fleet efficiency, locating the fleet closer to our main operational facility.

### **Investment in new IT infrastructure**

To support the growth in our transport operations detailed above, we have invested considerable funding through the year in two new transport systems, Microlise which is a vehicle tracking system and Ortec a vehicle planning and route optimisation system. Both system will provide real benefits for our expanding fleet operations.

Microlise vehicle tracking system will help reduce the cost and environmental impact of our fleet operations, by tracking commercial vehicles in real time our transport fleet general manager can maximise utilisation, increase efficiency and improve safety and driver performance.

The ORTEC routing system will allow us the ability to dynamically schedule deliveries, resources and loads. The routing software provides multiple options for what-if scenarios, adjusting last-minute order changes and fact based decision making for complex routes and deliveries. Resulting in optimal execution of our logistic processes in any scenario and improving overall fleet efficiency.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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The year 2016 also saw the replacement of our existing ERP solution in Sage Line 500, to Sage X3, we chose to collaborate with Datel Systems of Warrington, for the installation and development of this system. Sage X3 represents the next generation in business management solutions, allowing greater flexibility, scalability and real time information to support our growing requirements.

The installation was completed successfully on the 1st November 2016, with the transition from the existing legacy system creating minimal impact for both customers and staff. I would personally like to thank everybody involved in the installation process. The system has already demonstrated significant business benefits from the outset and will move the business to a more unified and scalable platform for future development.

### **Koppers site acquisition**

We successfully completed the acquisition of the two Koppers UK Ltd sites at Port Clarence (100 acres) and Scunthorpe (27 acres) on Friday the 1st July 2016. The sites in Port Clarence and Scunthorpe provide scope for accelerated growth and development. Both sites have chemical industry background and established infrastructure. In addition, the Company secured two leases and two service agreements.

Koppers are required to honour an agreement to remove coal tar from TATA Steel works until November 2019 and the above agreements will allow the continued operations of this coal tar business onsite and the continued operation of the Koppers specialty chemicals business. Industrial Chemicals will provide staff to service both agreements, which provide an immediate yield from this acquisition, with significant scope for the future.

### **New CHP Plant for West Thurrock**

Lloyds Bank provided term loan funding of £3m on the 30th November 2016, for the construction of a new CHP facility at our West Thurrock site. This will provide security of supply to our West Thurrock site and significant cost savings for our Chlor Alkali facility, which incurs significant energy costs.

We sourced six 2.8 MW Jenbacher series 6 gas engines from Spain, which had all recently undergone refurbishment and were in excellent condition. The engines originally installed in Spain in 2002 had stopped production in March 2014, due to loss of significant government subsidies.

An initial payment to secure the engines was paid in early August for €50,000 and the dismantling project to transfer the engines to the UK began in the same month. This dismantling project was completed in less than 3 weeks, with all components successfully transferred to our site in West Thurrock.

The final commissioning of the plant at West Thurrock will take place in Q1 2018.

### **Cashflow**

Cashflows continued to improve throughout the year, as we saw the benefits of the Chlor Alkali plant feed through into our production costs. However, cashflows were adversely impacted in late 2016 because of a combination of factors:

A major customer saw a key supplier of soap products Worldwide go into Administration in late Q3 2016, a product that we then take to toll manufacture on behalf of the customer, providing a final product of Soap rings, that are used worldwide in washing detergent.

The relationship was historically been between our customer and the supplier, with Industrial Chemicals administering the finance as part of the raw material supply for the toll manufacturing process. As the manufacturer was a key strategic supplier in the sector for our customer, we jointly committed to keeping the existing supplier going until December, at which time our customer would have had sufficient time to make alternative supply arrangements.

The customer, supported by Industrial Chemicals committed to meeting the advance payment plan that was required to support the continued operation of the business (in administration). This resulted in Industrial Chemicals having to finance the supplier in advance with initial emergency payments and with further weekly payments, moving the existing supply arrangement from 60 days' credit terms to 7 days' terms and resulting in outflow of circa £600K in advance of forecasts.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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Compounding this cash pressure the end customer dramatically reduced their demand for the final product within the same period to stretch the use of this product whilst alternative suppliers were sought worldwide. This resulted in a stock build of circa £800K at the end of December 2016.

During the same period, a major customer took the opportunity to stretch payments for their year-end position, with no explanation from the payment teams, other than they were short staffed due to holidays. This resulted very quickly in a debtor position deteriorating by over £1.5m higher than forecast at the 31st December 2016.

Post year end the cash position improved very quickly, as we received significant payments reducing the debt position back to normal levels and we received assurances that this position will not be repeated in 2017, we have also started to see an uplift in Soap production. However we expect that Soap toll manufacturing will cease in 2017, due to revised product formulations.

#### **The outlook 2017**

Looking at the remaining months of 2017, we recognise that it will be a year fraught with significant challenges for the World economy and specifically UK manufacturing.

We retained contracts with a number of major customers within the year, across all major market segments, whilst securing significant new business, providing a strong base for the 2018 budget.

We still await the outcome of the UK exit from Europe. However, we have already seen its immediate impact on currency rates for products imported from Europe, with some products already trading 15% higher because of the adverse currency movements.

The year 2017 will also see the closure of a number of Chlor Alkali facilities across Europe, as new legislation comes into force. The European chlor-alkali sector was progressing towards a phase-out of mercury cell technology on a voluntary basis by a deadline of 2020. However, under the Industrial Emissions Directive, which is now legally binding, the European chlor-alkali producers using the mercury technology must convert or dismantle these production plants on or before 11 December 2017.

This will see a number of Chlor Alkali facilities convert to membrane cell technology or exit the European market within the year and we have already seen evidence of market-pricing volatility, due to the uncertainty of supply that the closure threats has caused and this is expected to worsen in 2018. This underpins our development of the Chlor Alkali facility in West Thurrock and its expansion with the second line, ensuring that we are able to protect our customers and products portfolio for years to come.

We have the benefit of several new long term major contracts and also with our existing portfolio providing a solid foundation to our budget for 2017. We will continue to drive efficiencies in all of our UK operations and we will continue to invest in our UK manufacturing capability, adding projects and strategic acquisitions as they present themselves.

Our staff continue to drive for productivity and value for money across all of our operations. The fundamentals of our business are strong. We have a solid portfolio of products, an industry-leading pipeline and see an opportunity for us not just to withstand this market uncertainty, but to continue growing despite it. The Board of Directors firmly believe that we can approach this challenging time with confidence.

On behalf of the Board of Directors, I would like to take this opportunity to thank our employees for their considerable commitment and our customers, suppliers and business partners for the trust they place in us and our strong working relationship.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### Key performance indicators

#### Sales and Gross Profit growth per annum

	2014	2015	2016
Turnover £	91,541,932 (100%)	96,191,998 (105%)	102,548,693 (112%)
Gross Profit £	36,609,373 (40%)	39,501,658 (41%)	40,896,819 (40%)

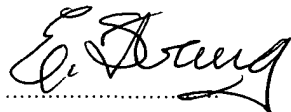
#### Turnover by geographical region

	2014	2015	2016
United Kingdom £	79,814,398 (100%)	84,412,312 (106%)	90,372,132 (113%)
European Union £	7,976,183 (100%)	8,418,714 (106%)	7,152,089 (90%)
Rest of World £	3,751,351 (100%)	3,360,972 (90%)	5,024,472 (134%)
Total £	91,541,932 (100%)	96,191,998 (105%)	102,548,693 (112%)

#### Stocks and debtors profile

	2014	2015	2016
Raw materials £	2,032,276 (100%)	1,884,582 (93%)	1,657,724 (82%)
Finished goods £	2,819,425 (100%)	2,683,836 (95%)	4,557,098 (162%)
Trade Debtors £	11,304,203 (100%)	11,726,364 (104%)	16,050,813 (142%)
Debtor Days (DSO)	45	44	57

On behalf of the board



E Strang

Director

27th September 2017

# **INDUSTRIAL CHEMICALS GROUP LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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The directors present their annual report and financial statements for the year ended 31 December 2016.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A R Carver  
C D Carver  
J W Carver  
E Strang

### **Results and dividends**

The results for the year are set out on page 14.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

### **Directors' insurance**

The group maintains insurance policies on behalf of all the directors against liability arising from negligence, breach of duty and breach of trust in relation to the group.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **Risk Management**

The group's structured approach to risk management is based on the principle of prevention through early identification.

Detailed analysis and decisive action planning are carried out to remove or mitigate the potential for and impact of key risks before they actually occur. As risks and uncertainties do materialise, this structured approach also ensures actual issues are effectively dealt with.

The Board and senior management are committed to the proactive protection and optimisation of the group's assets, which include human, financial and strategic resources, through the consistent application of an effective risk management process, augmented where necessary by insurance. The group is equally committed to the effective management of material operational risks, covering important non-financial and reputational risks arising in connection with health and safety, environmental impact and business conduct.

The Board have overall responsibility for ensuring that risk is effectively managed across the group to guarantee full compliance with the legislative and regulatory requirements in the jurisdictions where it operates. Risk is a regular agenda item at these senior management forums and an integral component of the Group's periodic strategy review process.

This ensures the Board has a full appreciation of the principal risks affecting business operations as well as a comprehensive oversight of how they are being managed in line with our group risk appetite and Risk Management Policy.

The Board considers Industrial Chemicals Group's internal control systems to be effective and appropriate.

### **Summary of principal risks**

The group's principal risks are identified below, together with a description of how we mitigate. This list is not intended to be exhaustive, and some risks and uncertainties have not been included on the basis that they are not considered to be material, to affect or be likely to affect businesses in general, or are not presently known by the Board. However, we have established controls and systems in place to identify and manage these risks.

#### ***Economic, political and trade uncertainty***

The group's operating results were affected by the impact of the last global recession, including the credit market crisis, declining consumer and business confidence, fluctuating commodity prices, volatile exchange rates and other challenges that affected the global economy.

The continued uncertainty of the global economy and financial markets could affect the group's results, financial condition and cash flows. In addition, the group's ability to access the credit and capital markets under attractive rates and terms would be affected, which would negatively impact on the group's liquidity and our ability to pursue certain growth initiatives.

The group prepares strategic plans to review demand in existing markets and potential new opportunities on a regular basis, responding rapidly to changing market conditions, taking necessary mitigating actions where required and using appropriate bank and alternative hedging facilities where applicable to ensure we adapt to any economic conditions.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### ***Loss or financial weakness of any of the group's largest customers***

Although the group has an extensive customer base, loss of, or material financial weakness of, certain of our largest customers could adversely affect the group's financial condition and results until such business is replaced. No assurance can be made that the group would be able to regain or replace any lost customers.

The group supplies predominantly well-established diverse customer markets on long term contracts, coupled with long term suppliers and a wide portfolio of products, which aids to mitigate this risk. The group strategy remains to expand our customer portfolio further and secure long term contracts where possible.

### ***Failure to keep pace with technological change***

Failure to keep pace with changes within the highly competitive markets, in which the group operates could result in a lack of competitive products or processes and could result in erosion of margin and loss of market share.

The group continues the innovation of its existing product portfolio, supporting the current customer base, to ensure the product range remains compliant with legislation and cost effective for all stakeholders. Coupled with further investment into research and development in all areas of the business, from new products, processes and services to maximise the return for all stakeholders.

The group is also investing heavily into its business systems staff and infrastructure, to ensure that we remain at the forefront of this vital business resource.

### ***Major information technology systems failure***

The group uses a wide variety of complex IT systems in operational and supporting activities. Failure of more than one of the major systems over an extended period could impact on the ability to manufacture or to report operational performance, ultimately impacting on the group's profitability.

The group continuously reviews IT infrastructure and the network environment, to ensure that it has an appropriate robust IT disaster recovery and general business continuity plans. These plans are regularly reviewed and tested, ensuring the continuation of the business systems in the most extreme of circumstances.

### ***Failure of significant sites***

Whilst the group operates from a variety of locations, certain sites are critical due to their scale of specific nature of production activities. Failure of a critical site could significantly impact overall performance.

Business continuity plans include consideration and testing of circumstances in which alternative back up locations may be required. Where possible the group has replicated significant manufacturing processes across its operations to continue market supply. The group has also invested heavily in inventory of critical plant and machinery replacements units to ensure a ready availability of spare parts as required.

# **INDUSTRIAL CHEMICALS GROUP LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2016***

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### **Research and development**

The group is engaged in several programmes of research and development in support of the products and services that it provides to its existing customer base and also in development of new products and services to continue its growth.

### **Environment and legislation**

The Directors are pleased to report that the group's operations are conducted such that it complies with all legal requirements and especially those relating to the environment.

European legislation and compliance with industry benchmark systems, including REACH, will continue to impact upon the group. The directors are fully committed to meet these requirements.

### **Disabled persons**

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group policy where practicable, to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### Employee involvement

#### Diversity

The group practice equal opportunities and welcome diversity in all its forms, recognising the value of diversity in the workplace and its rewards of encouraging creativity, broader cultural understanding and access to a wider pool of talent.

#### Employee engagement

Employee engagement is about making sure that our people feel involved in the company and are committed to its goals. If we are to keep them engaged, communication must be two way with a culture that encourages employee feedback.

To this end the group communicates with employees by a number of means including meetings, announcements and electronic media to further understanding and engagement in the group's overall goals and objectives.

#### Employee training and development

The group's success in developing people is based on finding the right blend of learning on the job, through engaging and challenging tasks, learning from colleagues through collaboration, coaching and mentoring, and formal learning through structured training, education and development programmes.

The group will continue to develop and promote what it considers the right combination of learning experiences that help accelerate personal development. Each company in the group continues to provide tailored initiatives to meet their business needs, including financial training programmes (ACMA, AAT), health and safety training, leadership skills, technical training and apprenticeships.

The group remains committed to providing opportunities for career advancement. In some areas the group has recruited from external markets, as a result of specific skills requirements such as IT or CAD design for example.

#### Post reporting date events

After the year end, the £7m preference shares were re-designated as £7m "A" ordinary shares of £1 each.

#### Auditor

Rickard Luckin Limited were appointed auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

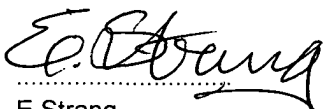
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

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

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

On behalf of the board



E Strang

Director

Date: 27th September 2017

# **INDUSTRIAL CHEMICALS GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF INDUSTRIAL CHEMICALS GROUP LIMITED**

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We have audited the financial statements of Industrial Chemicals Group Limited for the year ended 31 December 2016 set out on pages 14 to 48. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

As explained more fully in the Directors' Responsibilities Statement set out on pages 6 - 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, 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.

# **INDUSTRIAL CHEMICALS GROUP LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF INDUSTRIAL CHEMICALS GROUP LIMITED**

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#### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Janis Osborne (Senior Statutory Auditor)**  
**for and on behalf of Rickard Luckin Limited**

28 September 2017

**Chartered Accountants**  
**Statutory Auditor**

Aquila House  
Waterloo Lane  
Chelmsford  
Essex  
CM1 1BN

# INDUSTRIAL CHEMICALS GROUP LIMITED

## GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	102,548,693	96,191,998
Cost of sales		(61,651,874)	(56,690,340)
<b>Gross profit</b>		<b>40,896,819</b>	<b>39,501,658</b>
Distribution costs		(16,286,627)	(14,684,222)
Administrative expenses		(22,817,203)	(20,763,151)
Exceptional item	4	(354,506)	500,546
<b>Operating profit</b>	5	<b>1,438,483</b>	<b>4,554,831</b>
Interest receivable and similar income	9	1,111	180,092
Interest payable and similar expenses	10	(1,655,264)	(1,026,256)
Fair value gains and losses on investment properties		3,108,000	-
<b>Profit before taxation</b>		<b>2,892,330</b>	<b>3,708,667</b>
Tax on profit	11	(685,511)	(680,954)
<b>Profit for the financial year</b>	28	<b>2,206,819</b>	<b>3,027,713</b>

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## GROUP STATEMENT OF COMPREHENSIVE INCOME

*FOR THE YEAR ENDED 31 DECEMBER 2016*

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	2016 £	2015 £
Profit for the year	2,206,819	3,027,713
	<u>          </u>	<u>          </u>
Other comprehensive income		
Revaluation of tangible fixed assets	5,364,523	-
Currency translation differences	(33,768)	(280,174)
Tax relating to other comprehensive income	(1,027,800)	228,700
	<u>          </u>	<u>          </u>
Other comprehensive income for the year	4,302,955	(51,474)
	<u>          </u>	<u>          </u>
Total comprehensive income for the year	6,509,774	2,976,239
	<u>          </u>	<u>          </u>

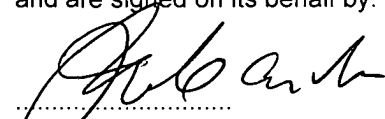
# INDUSTRIAL CHEMICALS GROUP LIMITED

## GROUP BALANCE SHEET AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13	78,900,136		68,628,689	
Investment properties	14	9,400,000		6,292,000	
		<u>88,300,136</u>		<u>74,920,689</u>	
<b>Current assets</b>					
Stocks	18	6,403,867	4,568,418		
Debtors	19	20,858,038	16,075,352		
Cash at bank and in hand		1,307,304	1,140,075		
		<u>28,569,209</u>	<u>21,783,845</u>		
<b>Creditors: amounts falling due within one year</b>	20	<u>(38,721,324)</u>	<u>(29,664,250)</u>		
<b>Net current liabilities</b>		<u>(10,152,115)</u>	<u>(7,880,405)</u>		
<b>Total assets less current liabilities</b>		<u>78,148,021</u>	<u>67,040,284</u>		
<b>Creditors: amounts falling due after more than one year</b>	21	(26,341,003)	(24,630,489)		
<b>Provisions for liabilities</b>	24	<u>(5,102,878)</u>	<u>(2,215,429)</u>		
<b>Net assets</b>		<u>46,704,140</u>	<u>40,194,366</u>		
<b>Capital and reserves</b>					
Called up share capital	27	7,060,000	7,060,000		
Revaluation reserve	28	19,266,251	14,929,528		
Profit and loss reserves	28	20,377,889	18,204,838		
<b>Total equity</b>		<u>46,704,140</u>	<u>40,194,366</u>		

Under section 454 of the Companies Act 2006, on a voluntary basis, the directors can amend these financial statements if they are subsequently proved to be defective.

The financial statements were approved by the board of directors and authorised for issue on 27/09/2017 and are signed on its behalf by:

  
J W Carver  
Director

# INDUSTRIAL CHEMICALS GROUP LIMITED

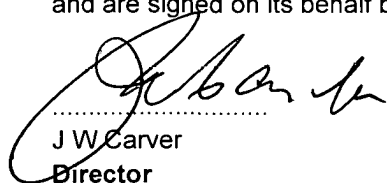
## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2016

	Notes	2016		2015	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	13	40,543,270		34,561,128	
Investment properties	14	48,341,789		40,122,063	
Investments	15		4		4
			<u>88,885,063</u>		<u>74,683,195</u>
<b>Current assets</b>					
Debtors	19	8,914,724		7,810,422	
Cash at bank and in hand		1,262,639		616,320	
		<u>10,177,363</u>		<u>8,426,742</u>	
<b>Creditors: amounts falling due within one year</b>	20	(32,212,481)		(27,770,153)	
<b>Net current liabilities</b>			<u>(22,035,118)</u>		<u>(19,343,411)</u>
<b>Total assets less current liabilities</b>			66,849,945		55,339,784
<b>Creditors: amounts falling due after more than one year</b>	21		(26,341,003)		(24,630,489)
<b>Provisions for liabilities</b>	24		<u>(4,838,000)</u>		<u>(2,044,500)</u>
<b>Net assets</b>			<u>35,670,942</u>		<u>28,664,795</u>
<b>Capital and reserves</b>					
Called up share capital	27	7,060,000		7,060,000	
Profit and loss reserves	28	28,610,942		21,604,795	
<b>Total equity</b>			<u>35,670,942</u>		<u>28,664,795</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £7,006,147 (2015 - £1,282,951 profit).

The financial statements were approved by the board of directors and authorised for issue on 27/09/2017 and are signed on its behalf by:

  
J W Carver  
Director

Company Registration No. 01248371

# INDUSTRIAL CHEMICALS GROUP LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 January 2015</b>	7,060,000	14,700,828	15,457,299	37,218,127
<b>Year ended 31 December 2015:</b>				
Profit for the year	-	-	3,027,713	3,027,713
Other comprehensive income:				
Currency translation differences	-	-	(280,174)	(280,174)
Tax relating to other comprehensive income	-	228,700	-	228,700
<b>Total comprehensive income for the year</b>	-	228,700	2,747,539	2,976,239
<b>Balance at 31 December 2015</b>	7,060,000	14,929,528	18,204,838	40,194,366
<b>Year ended 31 December 2016:</b>				
Profit for the year	-	-	2,206,819	2,206,819
Other comprehensive income:				
Revaluation of tangible fixed assets	-	5,364,523	-	5,364,523
Currency translation differences on overseas subsidiaries	-	-	(33,768)	(33,768)
Tax relating to other comprehensive income	-	(1,027,800)	-	(1,027,800)
<b>Total comprehensive income for the year</b>	-	4,336,723	2,173,051	6,509,774
<b>Balance at 31 December 2016</b>	7,060,000	19,266,251	20,377,889	46,704,140

# INDUSTRIAL CHEMICALS GROUP LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2015	7,060,000	20,321,844	27,381,844
Year ended 31 December 2015: Profit and total comprehensive income for the year	-	1,282,951	1,282,951
Balance at 31 December 2015	7,060,000	21,604,795	28,664,795
Year ended 31 December 2016: Profit and total comprehensive income for the year	-	7,006,147	7,006,147
Balance at 31 December 2016	7,060,000	28,610,942	35,670,942

# INDUSTRIAL CHEMICALS GROUP LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	35	5,450,826		10,330,139	
Interest paid		(1,375,823)		(1,026,256)	
Income taxes (paid)/refunded		(627,097)		45,603	
<b>Net cash inflow from operating activities</b>		<b>3,447,906</b>		<b>9,349,486</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(9,011,927)		(9,887,206)	
Proceeds on disposal of tangible fixed assets		37,500		204,139	
Interest received		1,111		82,351	
<b>Net cash used in investing activities</b>		<b>(8,973,316)</b>		<b>(9,600,716)</b>	
<b>Financing activities</b>					
Repayment of borrowings		(401,084)		(1,269,841)	
Proceeds of new bank loans		6,000,000		4,000,000	
Repayment of bank loans		(3,250,000)		(3,000,000)	
Payment of finance leases obligations		(775,546)		(475,610)	
<b>Net cash generated from/(used in) financing activities</b>		<b>1,573,370</b>		<b>(745,451)</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(3,952,040)</b>		<b>(996,681)</b>	
Cash and cash equivalents at beginning of year		(4,756,027)		(3,759,346)	
<b>Cash and cash equivalents at end of year</b>		<b>(8,708,067)</b>		<b>(4,756,027)</b>	
<b>Relating to:</b>					
Cash at bank and in hand		1,307,304		1,140,075	
Bank overdrafts included in creditors payable within one year		(10,015,371)		(5,896,102)	

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### **1 Accounting policies**

#### **Company information**

Industrial Chemicals Group Limited ("the Company") is a limited company domiciled and incorporated in England and Wales. The registered office is Titan Works, Hogg Lane, Grays, Essex, RM17 5DU.

The Group consists of Industrial Chemicals Group Limited and all of its subsidiaries.

#### **1.1 Accounting convention**

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

#### **1.2 Basis of consolidation**

The consolidated financial statements incorporate those of Industrial Chemicals Group Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### **1.3 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company 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.

#### **1.4 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 1 Accounting policies

(Continued)

#### 1.5 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

#### 1.6 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 5 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

#### 1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% straight line
Property renovations	2% and 10% straight line
Plant and machinery	10% and 20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

#### 1.8 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

#### 1.9 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

(Continued)

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### 1.10 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets 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.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### 1.11 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

Cost is calculated at the cost of the purchase of raw materials including delivery charges on a first in, first out basis and in some instances a weighted average cost, together with the direct cost of conversion including an appropriate allocation of production overhead costs based on normal utilisation rates of production plants, provided that they are related to the production process. Borrowing costs are not included in the cost of conversion.

For weighted average cost, the stock entering the system is as above, but out going stock is calculated at an ongoing weighted charge.

Net realisable value is based on the estimated selling price in the ordinary course of business less further costs to completion and disposal.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

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#### 1 Accounting policies

(Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

##### 1.12 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and 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.

##### 1.13 Financial instruments

The group 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 group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and 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 debtors 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 publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **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.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### ***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 group 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 group after deducting all of its liabilities.

Basic financial liabilities, including creditors, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts 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 creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Other financial liabilities***

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

#### ***Derecognition of financial liabilities***

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

#### **1.14 Equity instruments**

Equity instruments issued by the group 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 group.

#### **1.15 Derivatives**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

#### **1.16 Taxation**

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

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

---

#### 1 Accounting policies

(Continued)

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account 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 group'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 tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.17 Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

#### **1.18 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.19 Retirement benefits**

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

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

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### 1 Accounting policies

(Continued)

#### 1.20 Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### 1.21 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

#### 1.22 Management charges

Appropriate overheads are apportioned between the trading companies.

#### 1.23 Exceptional items

Income and expenses classified as exceptional are shown separately on the face of the profit and loss account. Income and expenses are treated as exceptional in nature if they are significant one off income or expenses and are not expected to reoccur.

#### 1.24 Classification of preference shares

As at 31 December 2016, the company had £7m redeemable preference shares that were redeemable on or after 31 December 2015. These preference shares have been treated as equity instruments on the balance sheet and included within Capital and Reserves under called up share capital.

This is a departure from the requirements of the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), which requires redeemable preference shares to be treated as a financial liability. In the opinion of the directors, this departure from the accounting standard is necessary to give a true and fair view.

Since the year end, the preference shares have been converted into "A" ordinary equity shares. Therefore in the opinion of the directors, this true and fair override is necessary, as classifying the preference shares as debt would be misleading.

The effect of this treatment is to increase Capital and Reserves and the Net Asset position of the company by £7m.

### 2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 2 Judgements and key sources of estimation uncertainty

(Continued)

#### Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

#### Valuation of investment properties

Investment properties are held at fair value and where there is a mixed use of land and buildings, this is apportioned between tangible fixed assets and investment properties, in accordance with FRS 102.

#### Recoverability of intercompany debtors

The directors have reviewed the recoverability of intercompany and related party debtor balances as at 31 December 2016 and concluded that these balances are fully recoverable in the parent company's financial statements.

### 3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
<b>Turnover analysed by class of business</b>		
Sales of goods	96,484,456	91,716,667
Sale of services	5,719,537	4,130,631
Rental income	344,700	344,700
	<u>102,548,693</u>	<u>96,191,998</u>
	2016 £	2015 £
<b>Other significant revenue</b>		
Interest income	<u>1,111</u>	<u>180,092</u>
	2016 £	2015 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	90,372,132	84,412,312
European Union	7,152,089	8,418,714
Non European Union	5,024,472	3,360,972
	<u>102,548,693</u>	<u>96,191,998</u>

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

4	Exceptional costs	2016 £	2015 £
	Exceptional income	(1,050,131)	(500,546)
	Exceptional expenses	1,404,637	-
	Exceptional items	354,506	(500,546)

During the year, the company received exceptional income of £1m. This has arisen from the acquisition of two sites in the year. As part of the purchase agreement, the company is to receive £4m via instalments, providing certain conditions exist at each anniversary, of which £1m has been received in the year.

After the year end, the company was levied with a fine in connection with an incident that occurred in 2013. A provision of £1.2m has been made for this. In addition to this, an assessment was raised for additional VAT of £169,000 which has been provided for in these financial statements.

The exceptional income in the prior year relates to a credit note received for the commission that is no longer due on the sale of a fixed asset in 2013.

5	Operating profit	2016 £	2015 £
	Operating profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	772,488	(377,208)
	Research and development costs	92,657	177,340
	Depreciation of owned tangible fixed assets	4,941,027	5,270,830
	Depreciation of tangible fixed assets held under finance leases	575,732	375,767
	Profit on disposal of tangible fixed assets	(23,816)	(195,817)
	Amortisation of intangible assets	-	433,333
	Cost of stocks recognised as an expense	53,967,831	49,318,193
	Operating lease charges	448,942	392,915

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 6 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	30,000	30,000
Audit of the financial statements of the company's subsidiaries	43,320	56,284
	<u>73,320</u>	<u>86,284</u>
<b>For other services</b>		
Audit-related assurance services	16,000	-
Taxation compliance services	7,900	16,600
Other taxation services	6,550	38,150
All other non-audit services	43,750	2,500
	<u>74,200</u>	<u>57,250</u>

### 7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2016 Number	2015 Number	Company 2016 Number	2015 Number
Administration	110	88	2	2
Directors	4	4	4	4
Production and maintenance	348	313	-	-
	<u>462</u>	<u>405</u>	<u>6</u>	<u>6</u>

Their aggregate remuneration comprised:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Wages and salaries	17,265,513	14,770,113	602,789	48,104
Social security costs	1,764,551	1,541,892	76,466	37,568
Pension costs	289,452	268,644	9,049	6,945
	<u>19,319,516</u>	<u>16,580,649</u>	<u>688,304</u>	<u>92,617</u>

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 8 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	390,876	(67,816)
Company pension contributions to defined contribution schemes	5,216	4,500
	<u>396,092</u>	<u>(63,316)</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2015 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2016 £
Remuneration for qualifying services	174,559
Company pension contributions to defined contribution schemes	<u>5,216</u>

#### 9 Interest receivable and similar income

	2016 £	2015 £
<b>Interest income</b>		
Other interest income	1,111	82,351
<b>Other income from investments</b>		
Gains on financial instruments measured at fair value through profit or loss	-	97,741
Total income	<u>1,111</u>	<u>180,092</u>

Investment income includes the following:

Interest on financial assets measured at fair value through profit or loss	-	97,741
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# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 10 Interest payable and similar expenses

	2016 £	2015 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	1,187,137	991,393
Interest on finance leases and hire purchase contracts	39,622	33,910
Other interest on financial liabilities	149,064	953
	<u>1,375,823</u>	<u>1,026,256</u>
<b>Other finance costs:</b>		
Finance costs for financial instruments measured at fair value through profit or loss	279,441	-
	<u>279,441</u>	<u>-</u>
Total finance costs	<u>1,655,264</u>	<u>1,026,256</u>

### 11 Taxation

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	220,000	632,000
Adjustments in respect of prior periods	(104,189)	(112,643)
	<u>115,811</u>	<u>519,357</u>
Total UK current tax	115,811	519,357
Foreign current tax on profits for the current period	-	(45,603)
	<u>-</u>	<u>(45,603)</u>
Total current tax	<u>115,811</u>	<u>473,754</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	569,700	207,200
	<u>569,700</u>	<u>207,200</u>
Total tax charge for the year	<u>685,511</u>	<u>680,954</u>

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 11 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	2,892,330	3,708,667
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 21.00%)	578,466	778,820
Tax effect of expenses that are not deductible in determining taxable profit	593,697	110,211
Tax effect of income not taxable in determining taxable profit	(641,893)	-
Tax effect of utilisation of tax losses not previously recognised	(140,318)	(2,489)
Unutilised tax losses carried forward	1,494	-
Permanent capital allowances in excess of depreciation	(175,613)	(233,513)
Other permanent differences	4,167	98
Under/(over) provided in prior years	(104,189)	(112,643)
Tax at marginal rate	-	(21,127)
Deferred tax movement	569,700	207,200
Overseas tax	-	(45,603)
Taxation charge for the year	685,511	680,954

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2016 £	2015 £
Deferred tax arising on:		
Revaluation of property	1,027,800	(228,700)

The group has estimated losses of £4,482,000 (2015: £5,356,000) available for carry forward against future trading profits.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 12 Intangible fixed assets

Group	Goodwill and licences
	£
<b>Cost</b>	
At 1 January 2016 and 31 December 2016	2,600,000
<b>Amortisation and impairment</b>	
At 1 January 2016 and 31 December 2016	2,600,000
<b>Carrying amount</b>	
At 31 December 2016	-
At 31 December 2015	-
<b>Company</b>	Goodwill and licences
	£
<b>Cost</b>	
At 1 January 2016 and 31 December 2016	2,600,000
<b>Amortisation and impairment</b>	
At 1 January 2016 and 31 December 2016	2,600,000
<b>Carrying amount</b>	
At 31 December 2016	-
At 31 December 2015	-

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 13 Tangible fixed assets

Group	Land and buildings Freehold	Property renovations	Assets under construction	Plant and Motor vehicles machinery	Total
	£	£	£	£	£
<b>Cost or valuation</b>					
At 1 January 2016	36,396,651	2,988,349	4,794,259	98,061,359	147,219,257
Additions	2	334,660	5,793,493	2,943,763	10,214,257
Disposals	-	-	-	-	(68,405)
Revaluation	3,121,932	-	-	-	3,121,932
Exchange adjustments	87,931	-	-	1,903,134	1,998,096
At 31 December 2016	39,606,516	3,323,009	10,587,752	102,908,256	162,485,137
<b>Depreciation and impairment</b>					
At 1 January 2016	2,394,105	1,681,962	-	71,360,705	78,590,568
Depreciation charged in the year	-	95,046	-	4,637,577	5,516,759
Eliminated in respect of disposals	-	-	-	-	(54,721)
Revaluation	(2,242,591)	-	-	-	(2,242,591)
Exchange adjustments	-	-	-	1,770,048	1,774,986
At 31 December 2016	151,514	1,777,008	-	77,768,330	83,585,001
<b>Carrying amount</b>					
At 31 December 2016	39,455,002	1,546,001	10,587,752	25,139,926	78,900,136
At 31 December 2015	34,002,546	1,306,387	4,794,259	26,700,654	68,628,689

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

Company	Property renovations £	Assets under construction £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost or valuation</b>					
At 1 January 2016	2,988,349	4,794,259	76,943,675	4,888,730	89,615,013
Additions	334,660	5,793,493	4,133,374	1,142,339	11,403,866
Disposals	-	-	-	(68,405)	(68,405)
At 31 December 2016	3,323,009	10,587,752	81,077,049	5,962,664	100,950,474
<b>Depreciation and impairment</b>					
At 1 January 2016	1,681,962	-	50,297,914	3,074,009	55,053,885
Depreciation charged in the year	95,046	-	4,529,672	783,322	5,408,040
Eliminated in respect of disposals	-	-	-	(54,721)	(54,721)
At 31 December 2016	1,777,008	-	54,827,586	3,802,610	60,407,204
<b>Carrying amount</b>					
At 31 December 2016	1,546,001	10,587,752	26,249,463	2,160,054	40,543,270
At 31 December 2015	1,306,387	4,794,259	26,645,761	1,814,721	34,561,128

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group 2016 £	2015 £	Company 2016 £	2015 £
Plant and machinery	-	30,016	-	30,016
Motor vehicles	2,115,628	1,392,429	2,115,628	1,392,429
	2,115,628	1,422,445	2,115,628	1,422,445

Freehold land and buildings owned by the parent company were revalued on an open market basis by a firm of independent Chartered Surveyors in August 2017 for £38.7m.

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Cost	20,346,389	20,346,387	-	-
Accumulated depreciation	1,630,614	1,223,686	-	-
Carrying value	18,715,775	19,122,701	-	-

The revaluation surplus is disclosed in note 28.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 14 Investment property

	Group 2016 £	Company 2016 £
<b>Fair value</b>		
At 1 January 2016	6,292,000	40,122,063
Additions through external acquisition	-	2
Net gains or losses through fair value adjustments	3,108,000	8,219,724
At 31 December 2016	9,400,000	48,341,789

The fair value of the investment properties in the group has been arrived at on the basis of a valuation carried out in August 2017 for £9.4m by a firm of independent Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

The fair value of the investment properties in the parent company has been arrived at on the basis of a valuation carried out in August 2017 for £48.1m by a firm of independent Chartered Surveyors, who are not connected with the company. The valuation was made on an open market value basis by reference to market evidence of transaction prices for similar properties.

If investment properties were stated on an historical cost basis rather than a fair value basis, the amounts would have been included as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Cost	1,959,291	1,959,291	22,305,680	22,305,678
Accumulated depreciation	-	-	-	-
Carrying amount	1,959,291	1,959,291	22,305,680	22,305,678

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 15 Fixed asset investments

		Unlisted investments	Company Shares in group undertakings	Total
	Notes	£	£	£
<b>Cost or valuation</b>				
At 1 January 2016 & at 31 December 2016	16	8,000,000	1,102	8,001,102
<b>Provisions for diminution in value</b>				
At 1 January 2016 & at 31 December 2016		8,000,000	1,098	8,001,098
<b>Net book value</b>				
At 31 December 2016		-	4	4
At 1 January 2016		-	4	4

### 16 Subsidiaries

Details of the company's subsidiaries at 31 December 2016 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
Industrial Chemicals (US) Limited	England and Wales	Chemical manufacturer and merchants	Ordinary & preference	100.00
Industrial Chemicals Limited	England and Wales	Chemical manufacturer and merchants	Ordinary	100.00
Industrial Zeolite (US) Limited	England and Wales	Not trading	Ordinary	100.00

### 17 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	19,217,482	14,339,108	7,950,375	7,014,246
<b>Carrying amount of financial liabilities</b>				
Measured at fair value through profit or loss				
- Other financial liabilities	426,279	146,838	426,279	146,838
Measured at amortised cost	62,195,876	51,919,752	57,840,245	52,099,792

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 17 Financial instruments

(Continued)

During the current and prior year, the company had an interest rate swap arrangement with the bank. The potential liability arising from this at the year end amounted to £426,279 (2015: £146,838). There was a net charge of £279,441 (2015: credit of £97,741) to the Profit and Loss account in respect of this arrangement.

#### 18 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	1,657,724	1,884,582	-	-
Work in progress	189,045	-	-	-
Finished goods and goods for resale	4,557,098	2,683,836	-	-
	<u>6,403,867</u>	<u>4,568,418</u>	<u>-</u>	<u>-</u>

The cost of stock written off in the year totalled £157,692 (2015: £135,334).

Stock included raw materials and finished goods that are subject to reservation of title until they have been fully paid for.

#### 19 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
<b>Amounts falling due within one year:</b>				
Trade debtors	16,050,813	11,726,364	-	-
Corporation tax recoverable	118,874	11,371	107,503	-
Amounts due from group undertakings	-	-	4,950,585	4,529,116
Other debtors	3,662,744	2,999,771	3,495,662	2,871,802
Prepayments and accrued income	1,025,607	1,337,846	360,974	409,504
	<u>20,858,038</u>	<u>16,075,352</u>	<u>8,914,724</u>	<u>7,810,422</u>

Trade debtors disclosed above are measured at amortised cost.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 20 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	22	14,840,371	9,146,102	4,825,000	3,250,000
Obligations under finance leases	23	764,561	593,850	764,561	593,850
Other borrowings	22	188,108	188,108	188,108	188,108
Trade creditors		11,421,670	10,320,276	700,482	1,910,851
Amounts due to group undertakings		-	-	21,382,792	16,816,809
Corporation tax payable		711,945	1,115,728	247,833	139,485
Other taxation and social security		1,728,227	1,112,421	39,127	14,527
Other creditors		4,237,361	4,458,399	3,207,934	3,672,096
Accruals and deferred income		4,829,081	2,729,366	856,644	1,184,427
		<u>38,721,324</u>	<u>29,664,250</u>	<u>32,212,481</u>	<u>27,770,153</u>

HM Revenue & Customs have a guarantee over the bank current account for any amount due to them up to £200,000.

### 21 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	22	24,925,000	23,750,000	24,925,000	23,750,000
Obligations under finance leases	23	989,724	733,651	989,724	733,651
Derivative financial instruments		426,279	146,838	426,279	146,838
		<u>26,341,003</u>	<u>24,630,489</u>	<u>26,341,003</u>	<u>24,630,489</u>

### 22 Loans and overdrafts

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans	29,750,000	27,000,000	29,750,000	27,000,000
Bank overdrafts	10,015,371	5,896,102	-	-
Other loans	188,108	188,108	188,108	188,108
	<u>39,953,479</u>	<u>33,084,210</u>	<u>29,938,108</u>	<u>27,188,108</u>
Payable within one year	15,028,479	9,334,210	5,013,108	3,438,108
Payable after one year	<u>24,925,000</u>	<u>23,750,000</u>	<u>24,925,000</u>	<u>23,750,000</u>

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 22 Loans and overdrafts

(Continued)

The bank loans are secured by a fixed and floating charge over the company's property, chattels and assets of the group.

The bank overdraft relates to a confidential invoice discounting scheme which is secured against the corresponding sales invoices. It is also secured by personal guarantees from JW Carver, CD Carver and AR Carver, the directors of the company, in the event of certain conditions being present and there is a loss to the providers of the scheme.

Directors loans and Trust loans are secured by a fixed and floating charge over the present and future property and assets of the group.

Bank loans are repayable in instalments with the final instalment due in June 2020. A final instalment of £13,750,000 will be due on this date. Interest is charged on the bank loans at 2.5% - 3% above LIBOR.

#### 23 Finance lease obligations

	Group 2016 £	2015 £	Company 2016 £	2015 £
Future minimum lease payments due under finance leases:				
Within one year	782,309	593,850	782,309	593,850
In two to five years	1,011,046	761,848	1,011,046	761,848
	<u>1,793,355</u>	<u>1,355,698</u>	<u>1,793,355</u>	<u>1,355,698</u>
Less: future finance charges	(39,070)	(28,197)	(39,070)	(28,197)
	<u><u>1,754,285</u></u>	<u><u>1,327,501</u></u>	<u><u>1,754,285</u></u>	<u><u>1,327,501</u></u>

Finance lease payments represent rentals payable by the company or group for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Net obligations under finance leases and hire purchase contracts are secured by a fixed charge over the assets to which they relate.

#### 24 Provisions for liabilities

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Provision for fine		1,550,878	260,929	1,236,000	-
Deferred tax liabilities	25	3,552,000	1,954,500	3,602,000	2,044,500
		<u><u>5,102,878</u></u>	<u><u>2,215,429</u></u>	<u><u>4,838,000</u></u>	<u><u>2,044,500</u></u>

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 24 Provisions for liabilities

(Continued)

Movements on provisions apart from deferred tax liabilities:

Group	Provision for fine £
At 1 January 2016	260,929
Additional provisions in the year	1,236,000
Exchange difference	53,949
At 31 December 2016	1,550,878
Company	Provision for fine £
Additional provisions in the year	1,236,000

The Group provision consists of two provisions. The first provision relates to a waste provision in connection with a commitment to remove waste from the group's site in the U.S.A. This amounts to £314,878.

The second provision relates to a fine received for £1,236,000 after the year end in connection with an incident that occurred in 2013.

#### 25 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2016 £	Liabilities 2015 £
ACAs	1,535,000	1,580,000
Tax losses	(891,000)	(896,500)
Revaluations	2,958,000	1,361,000
Other	(50,000)	(90,000)
	3,552,000	1,954,500

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 25 Deferred taxation

(Continued)

Company	Liabilities 2016 £	Liabilities 2015 £
ACAs	1,535,000	1,580,000
Tax losses	(891,000)	(896,500)
Revaluations	2,958,000	1,361,000
	<u>3,602,000</u>	<u>2,044,500</u>
	<b>Group 2016 £</b>	<b>Company 2016 £</b>
<b>Movements in the year:</b>		
Liability at 1 January 2016	1,954,500	2,044,500
Charge to profit or loss	(1,597,500)	(1,557,500)
	<u>3,552,000</u>	<u>3,602,000</u>

The deferred tax asset set out above is expected to reverse within the next couple of years and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within a few years and relates to accelerated capital allowances that are expected to mature over that period.

### 26 Retirement benefit schemes

Defined contribution schemes	2016 £	2015 £
Charge to profit or loss in respect of defined contribution schemes	<u>289,452</u>	<u>268,644</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Contributions totalling £58,822 (2015: £57,446) were payable to the fund at the year end and are included in creditors.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 27 Share capital

	Group and company	
	2016	2015
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
60,000 Ordinary of £1 each	60,000	60,000
	<u>          </u>	<u>          </u>
<b>Preference share capital</b>		
<b>Issued and fully paid</b>		
7,000,000 Preference of £1 each	7,000,000	7,000,000
	<u>          </u>	<u>          </u>

The company has one class of ordinary shares which carry no right to fixed income. Each ordinary share carries one voting right.

The preference shares carry no voting rights except in limited circumstances and were redeemable on 31 December 2015 or shortly thereafter. On the 4 August 2017 the preference shares were converted into 7,000,000 A Ordinary shares of £1 each.

### 28 Reserves

#### Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings held in tangible fixed assets. The revaluation reserve includes a deferred tax liability of £1,502,000 (2015: £474,200) offset against the revaluation surplus on the land and buildings.

#### Profit and loss reserves

As at 31 December 2016, the group had distributable reserves of £14,393,180.

As at 31 December 2016, the parent company had distributable reserves of £5,532,833.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 29 Financial commitments, guarantees and contingent liabilities

##### Company and Group

The company has entered into an Omnibus Guarantee and Set-Off Agreement, dated 21 November 2013, in respect of the current and future facilities provided to its fellow group companies by Lloyds Bank Plc. At the year end this contingent liability amounted to £10,007,640 (2015: £5,885,030) in favour of Industrial Chemicals Limited.

The company has received correspondence from HM Revenue & Customs in respect of PAYE and Class 1 National Insurance Contributions in respect of an Employee Benefit Trust Scheme. The directors do not believe any additional PAYE or NIC's are due and have appealed, following advice taken from tax counsel. Based on the legal advice received, no provision has been made for this assessment. The amount that may be due to HM Revenue & Customs is dependent on whether HM Revenue & Customs win part or all of their arguments and therefore any amount that may be due remains uncertain.

Two of the company's subsidiaries have filed their returns late in recent years with the IRS, in the U.S., and therefore there is a risk that fines and or interest could be levied on the company, for the late filing of these returns. No provision has been made for this as the amount that may, or may not be levied remains uncertain.

#### 30 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2016 £	2015 £	Company 2016 £	2015 £
Within one year	975,492	269,870	675,956	-
Between two and five years	2,342,854	583,571	1,934,889	-
	<u>3,318,346</u>	<u>853,441</u>	<u>2,610,845</u>	<u>-</u>

#### 31 Controlling party

For both the current and previous year, JW Carver, CD Carver and AR Carver are the ultimate controlling parties by virtue of owning 100% of the issued voting share capital of Industrial Chemicals Group Limited.

#### 32 Events after the reporting date

After the year end, the £7m preference shares were re-designated as £7m "A" ordinary shares of £1 each.

After the year end, the Group have refinanced their banking facilities with Lloyds Bank which has resulted in increased banking facilities for the Group.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2016**

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### 33 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, which include directors, is as follows.

	2016 £	2015 £
Aggregate compensation	<u>1,457,073</u>	<u>880,059</u>

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 33 Related party transactions

(Continued)

The group has taken advantage of the exemption available in FRS 102 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared.

As at 31 December 2016, the company owed £21,381,620 (2015: £16,815,637) to Industrial Chemicals Limited, a subsidiary company. The balance is included within creditors. As at 31 December 2016, the company was owed £4,950,585 (2015: £4,529,116) by Industrial Chemicals (US) Limited, a subsidiary company. The balance is included within debtors. As at 31 December 2016, the company owed £1,172 (2015: £1,172) to Industrial Zeolite (US) Limited, a subsidiary company. The balance is included within creditors.

As at 31 December 2016, the company was owed £15,000 (2015: £15,000) by London Iron Limited, a related company. The balance is included within debtors. London Iron Limited is a related party by virtue of a family connection between the directors and shareholders of each company.

During the year, the group was charged £1,348,664 (2015: £93,865) by London Iron Limited, for services rendered. At the year end Industrial Chemicals Limited owed £61,813 (2015: £46,386) to London Iron Limited.

During the year rent of £344,700 (2015: £344,700) and management charges of £242,000 (2015: £242,000) were charged to Titan Truck Park Limited, a related party, by the company. In addition, the company also incurred expenditure of £33,500 (2015: £60,083) on behalf of Titan Truck Park Limited, all of which has been recharged in the year. At the year end the company owed £1,523,681 (2015: £1,586,773) to Titan Truck Park Limited. The balance is included within creditors. Titan Truck Park Limited is a related party by virtue of common ultimate shareholders and controlling directors.

During the year, Industrial Chemicals Limited paid expenses of £6,124 (2015: £Nil) on behalf of Titan Truck Park Limited. At the year end, Titan Truck Park Limited was owed £111,328 (2015: £Nil).

As at 31 December 2016, the company was owed a net amount of £522,181 (2015: £508,181) by Ingatestone Developments Limited, a related party. The balance is included within debtors. Ingatestone Developments Limited is a company controlled by the wife of a director.

During the year Industrial Chemicals Limited was charged £262,398 (2015: £16,000) by Ingatestone Developments Limited, for services rendered. At the balance sheet date Industrial Chemicals Limited owed £57,041 (2015: £43,035) to Ingatestone Developments Limited.

During the year the company paid rents of £11,000 (2015: £12,000) to Jubillmeyer Limited, a related party. During the year, the company paid expenses totalling £10,524 (2015: £28,460) on behalf of Jubillmeyer Limited. At the year end the company was owed £184,894 (2015: £186,369) by Jubillmeyer Limited. The balance is included within debtors. Jubillmeyer Limited is a company controlled by one of the directors, JW Carver.

During the year, Industrial Chemicals Limited paid expenses of £17,468 (2015: £Nil) on behalf of Jubillmeyer Limited. At the year end, £6,014 (2015: £Nil) was owed by Jubillmeyer Limited.

During the year the company paid expenses of £49,804 (2015: £29,600) on behalf of DMCM Limited, all of which were recharged in the year. In addition, the company paid rents of £137,500 (2015: £150,000) to DMCM Limited. During the year, the company made a management charge of £Nil (2015: £100,000) to DMCM Limited. At the year end the company was owed £1,707,703 (2015: £1,657,899) by DMCM Limited. The balance is included within debtors. DMCM Limited is a related party by virtue of common ultimate shareholders and controlling directors.

During the year Industrial Chemicals Limited paid expenses of £3,912 (2015: £Nil) on behalf of DMCM Limited. At the year end £153,912 (2015: £Nil) was owed to DMCM Limited.

Provisions have been made against the above balances where applicable.

# INDUSTRIAL CHEMICALS GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2016

### 34 Directors' transactions

At the year end the company was owed £430,012 (2015: £98,680) by a director. This amount is included in debtors. At the year end the company owed £1,292,055 (2015: £1,693,138) to the directors. These amounts are included in creditors. During the year, the company paid rent of £Nil (2015: £Nil) to the directors and interest of £100,000 (2015: £Nil) to the director/shareholders equally.

At the year end the company owed £107,010 (2015: £107,010) to J Carver Discretionary Trust, £108,120 (2015: £108,120) to C Carver Discretionary Trust and £111,225 (2015: £111,225) to A Carver Discretionary Trust. This is included in creditors.

At the year end, a balance of £27,086 (2015: £39,466) was due to Industrial Chemicals Limited from a son of one of the directors and shareholders, and £Nil (2015: £6,018) was due to the company from a son of one of the directors and shareholders.

Total remuneration paid to directors' family members during the year amounted to £232,147.

35 Cash generated from operations	2016 £	2015 £
Profit for the financial year after tax	2,206,819	3,027,713
Adjustments for:		
Taxation charged	685,511	680,954
Finance costs	1,655,264	1,026,256
Investment income	(1,111)	(180,092)
Gain on disposal of tangible fixed assets	(23,816)	(195,817)
Amortisation and impairment of intangible assets	-	433,333
Depreciation and impairment of tangible fixed assets	5,516,759	5,646,597
Foreign exchange gains on cash equivalents	(202,929)	(499,123)
Fair value gains on investment properties	(3,108,000)	-
Increase in provisions	1,236,000	-
Movements in working capital:		
(Increase)/decrease in stocks	(1,835,449)	283,283
(Increase)/decrease in debtors	(4,675,183)	284,456
Increase/(decrease) in creditors	3,996,961	(177,421)
<b>Cash generated from operations</b>	<b>5,450,826</b>	<b>10,330,139</b>

### Restrictions on cash transfers

As part of the bank covenants on the bank loan in place at the year end, there are covenants that impose restrictions on the amount of funds that may be advanced each month by the group to Industrial Chemicals (US) Limited and Industrial Zeolite (US) Limited. These restrictions are sufficient to enable the group to continue to fund the activities of these two companies as necessary to enable them to continue trading as a going concern.