

Company Registration No. 07904022

2M GROUP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016

COMPANIES HOUSE COPY



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2M GROUP LIMITED

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	M Kessler C R Boyle R J A Smith D R J Dalton
Company Secretary	C R Boyle
Registered Office	Quadrant House Floor 6 4 Thomas More Square London E1W 1YW
Business Address	Hampton Court Manor Park Runcorn Cheshire WA7 1TU
Company Number	07904022
Auditors	UHY Hacker Young Chartered Accountants Quadrant House 4 Thomas More Square London E1W 1YW
Principal Bankers	Investec Bank plc 2 Gresham Street London EC2V 7QP HSBC Bank plc 4 th Floor City Point 29 King Street Leeds LS1 2HL
Solicitors	DWF LLP 2nd Floor Bridgewater Place Water Lane Leeds LS11 5DY

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2016

The directors present their report and the audited financial statements of the Group and of the Company for the year ended 30 April 2016.

Activities and review of business

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

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

During the year under review, the group restructured the share capital of Surfachem Brazil Ltda by converting loans to equity and partnering with Metachem – an established Brazil based chemical distributor, on an equity basis.

The Group views its employees as key assets, and through a dedicated HR Director continues to enhance these capabilities through coaching and training programmes across all levels of the business. In similar vein, the Group is committed to improving processes and procedures via cross functional business improvement teams, to drive efficiencies and enhanced customer experience.

The business has invested heavily during the year in upgrading its IT systems, such that all businesses now operate from a single platform. This will provide the business with additional efficiencies and enable the provision of improved customer support.

Principal risks and uncertainties

The Group continues to be exposed to the general economic and political risks of an international business.

In a period of global slowdown, where the focus of political and economic uncertainty in Europe has switched from Greece to Britain – culminating in the eventual Brexit vote on 23rd June 2016 – the Group has continued its drive towards value-added products and services.

Volatility in commodity prices – oil was trading below \$30/barrel for two months during the period – has created both issues and opportunities.

The group's position at the end of the year

The business continues to convert profitable trading to healthy cash inflows. Cash Generation from Operations returned £9,222k (2015: £7,043k), with the working capital lines supporting this year on year uplift.

2M GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2016

The overall movement in Cash & Cash Equivalents was £2,517k (2015: (£13k)) to leave us with a closing Cash & Cash Equivalent position of (£10,743k). This should be considered against the aggressive debt amortisation profile and the willingness of the business to continue to grow through acquisition.

The transfer of net profits to Retained Earnings saw our Net Assets increase to £25,255k (2015: £22,691k).

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

Financial Key Performance Indicators

During the year, whilst the reported turnover decreased to £103,445k (2015: £106,084k) – in line with generally declining chemical prices, Gross Profit, a key performance indicator within our business, is reported at £33,067k (2015: £29,519k) – an increase of 12.0%. The Group's focus on value added products and services lifted the Gross Profit percentage to 32.0% (2015: 27.8%).

Distribution Costs, reflecting the increased levels of activity within the business, have increased to £8,307k (2015: £7,561k).

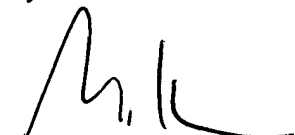
Administrative Expenses have risen over prior year, yet this increase is significantly below the increase in activity, reflecting the ability of the business continue to support growth activities.

Operating Profit has seen an increase of 7.4% to £6,919k (2015: £6,440k).

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

	2016 £'000	2015 £'000
Operating EBITDA	7,635	7,046
Adjustments	300	300
Revised Operating EBITDA	7,935	7,346

By order of the Board



M Kessler
Director

19 September 2016

2M GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2016

Results and dividends

The consolidated results for the year are set out on page 8.

An interim ordinary dividend was paid amounting to £1,470k (2015: £130k). The directors do not recommend the payment of a final dividend.

Directors

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

M Kessler
C R Boyle
R J A Smith
D R J Dalton

Use of financial instruments

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

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

Subsequent events

There have not been any significant events since the date of these financial statements.

Research and development

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

Employment policy

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

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

Auditors

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

2M GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2016

Directors' Responsibilities

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

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

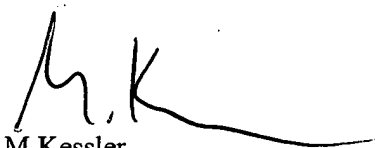
The directors confirm that the financial statements comply with the above requirements.

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

Statement of disclosure to auditor

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

By order of the Board



M Kessler

Director

19 September 2016

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF 2M GROUP LIMITED

We have audited the group and parent company financial statements of 2M Group Limited for the year ended 30 April 2016 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity, the company statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

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 auditors

The directors' responsibilities for preparing the directors' report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), are explained more fully in the Statement of Directors' Responsibilities set out on page 5.

Our responsibility is to audit 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion

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 30 April 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



**Colin Wright (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young LLP**

Chartered Accountants
Statutory Auditor
19 September 2016

2M GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2016

	Notes	2016 £'000	2015 Restated £'000
Revenue	3	103,445	106,084
Cost of sales		(70,378)	(76,565)
Gross profit		33,067	29,519
Distribution costs		(8,307)	(7,561)
Administrative expenses		(17,841)	(15,518)
Operating profit	4	6,919	6,440
Disposal of subsidiaries	22	(80)	-
Finance costs	5	(1,391)	(1,555)
Finance income	6	4	-
Profit before taxation		5,452	4,885
Taxation	7	(1,123)	(1,096)
Profit for the year		4,329	3,789
Other comprehensive income:			
Actuarial losses on defined benefit scheme		(482)	(1,428)
Deferred tax associated with defined benefit scheme		87	-
Currency translation differences		33	5
Other comprehensive income for the year net of tax		(362)	(1,423)
Total comprehensive income for the year		3,967	2,366

2M GROUP LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**
FOR THE YEAR ENDED 30 APRIL 2016

	2016 £'000	2015 £'000
Profit attributable to:		
Equity holders of the parent company	4,409	3,881
Non-controlling interests	(80)	(92)
	<hr/>	<hr/>
	4,329	3,789
	<hr/>	<hr/>
Total comprehensive income attributable to:		
Equity holders of the parent company	4,041	2,457
Non-controlling interests	(74)	(91)
	<hr/>	<hr/>
	3,967	2,366
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2M GROUP LIMITED

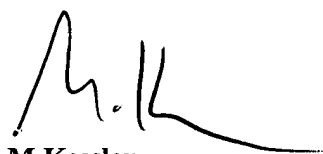
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2016

	Notes	2016 £'000	2015 £'000
Assets			
Non-current assets			
Intangible assets	10	31,929	32,419
Property, plant and equipment	11	7,317	7,383
Deferred tax asset	16	147	207
Total non- current assets		39,393	40,009
Current assets			
Inventories	12	8,820	8,563
Trade and other receivables	13	19,990	21,340
Prepayments and accrued income		1,104	1,298
Cash and cash equivalents	23	2,596	2,196
Total current assets		32,510	33,397
Total assets		71,903	73,406
Liabilities			
Current liabilities			
Bank borrowings and overdrafts	15	16,233	17,081
Net obligations under finance leases	15	36	36
4.5% Secured loan notes	15	500	1,000
Deferred consideration	15	1,450	1,250
Trade and other payables	14	20,023	18,391
Current tax liabilities		545	510
Total current liabilities		38,787	38,268
Non- current liabilities			
Bank borrowings and overdrafts	15	500	3,444
Net obligations under finance leases	15	57	93
4.5% Secured loan notes	15	-	500
Deferred consideration	15	1,300	2,750
Accruals and deferred income	17	-	-
Employee benefit liability	18	6,004	5,660
Total non- current liabilities		7,861	12,447
Total Liabilities		46,648	50,715
Total Net Assets		25,255	22,691

2M GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**
AS AT 30 APRIL 2016

	Notes	2016 £'000	2015 £'000
Equity			
Share capital	19	133	133
Share premium	19	165	165
Capital restructuring reserve		14,370	14,370
Options reserves		52	37
Currency translation reserve		30	3
Retained earnings		10,722	8,178
Equity attributable to equity holders of the parent company		25,472	22,886
Minority interest in equity		(217)	(195)
		25,255	22,691

The financial statements were approved by the Board of Directors and authorised for issue on 19 September 2016.



M Kessler
Director



C Boyle
Director

Company Registration No. 07904022

2M GROUP LIMITED
**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2016**

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	21	9,222	7,043
Financial expenses		(874)	(1,371)
Income taxes paid		(941)	(827)
Net cash generated by operating activities		<u>7,407</u>	<u>4,845</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(666)	(522)
Business combinations, net of cash received	22	(27)	(1,691)
Proceeds on disposal of fixed assets		15	-
Financial income		4	-
Net cash used in investing activities		<u>(674)</u>	<u>(2,213)</u>
Cash flows from financing activities			
Repayments of loans and other obligations		(3,760)	(4,000)
Proceeds from new loans		1,050	1,500
Repayment of finance leases		(36)	(15)
Dividends paid to company's shareholders		(1,470)	(130)
Net cash used in financing activities		<u>(4,216)</u>	<u>(2,645)</u>
Net increase / (decrease) in cash and cash Equivalents		<u>2,517</u>	<u>(13)</u>
Cash and cash equivalents at the beginning of the financial year		(13,260)	(13,247)
Cash and cash equivalents at the end of the financial year	23	<u><u>(10,743)</u></u>	<u><u>(13,260)</u></u>

2M GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2016

	Share Capital £'000	Share Premium £'000	Restruc- turing Reserve £'000	Options Reserve £'000	Currency Reserve £'000	Retained Earnings £'000	Total £'000	Non- Controlling Interests £'000	Total Equity £'000
At 1 May 2015	133	165	14,370	37	3	8,178	22,886	(195)	22,691
Share based payments	-	-	-	15	-	-	15	-	15
Total comprehensive income	-	-	-	-	27	4,014	4,041	(74)	3,967
for the year	-	-	-	-	-	(1,470)	(1,470)	-	(1,470)
Dividend paid	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	52	52
in subsidiary equity	-	-	-	-	-	-	-	-	-
At 30 April 2016	133	165	14,370	52	30	10,722	25,472	(217)	25,255
At 1 May 2014	133	165	14,370	23	(1)	5,855	20,545	(129)	20,416
Share based payments	-	-	-	14	-	-	14	-	14
Total comprehensive income	-	-	-	-	4	2,453	2,457	(91)	2,366
for the year	-	-	-	-	-	(130)	(130)	-	(130)
Dividend paid	-	-	-	-	-	-	-	-	-
Non-controlling interest	-	-	-	-	-	-	-	25	25
in subsidiary equity	-	-	-	-	-	-	-	-	-
At 30 April 2015	133	165	14,370	37	3	8,178	22,886	(195)	22,691

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1. Accounting policies

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

The group financial statements for the year ended 30 April 2016 consolidate those of the company and its subsidiaries (together referred to as the “group”). The parent company financial statements present information about the company as a separate entity and not about its group.

The group has adopted the accounting policies set out below in preparation of the financial information for the year ended 30 April 2016. All of these policies have been applied consistently throughout the year unless otherwise stated.

1.1 Basis of preparation

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

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

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

During the year under review, the Directors’ considered the allocation of certain expense items resulting in reclassifications between Cost of Sales, Distribution Costs and Administrative Expenses. Accordingly the comparative amounts have been restated for these reclassifications. There was no impact on Operating Profit for the current or previous year.

1.2 Going concern

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

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all of its subsidiary undertakings. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All business combinations are accounted for using the acquisition method of accounting.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1.4 Revenue recognition

Revenue represents amounts receivable for goods and services, net of VAT and trade discounts.

Amounts received for the sublicensing of intangible assets is shown as deferred income, and is released to the statement of comprehensive income over the period of the sublicensing agreement.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1.5 Intangible fixed assets

Goodwill

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

Goodwill arising on the acquisition of other business undertakings represents the excess of the fair value of the consideration given over the fair value of the net identifiable assets acquired.

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

Patents

Patents are valued at cost.

1.6 Investments

Investments are stated at cost less any provision for impairment.

1.7 Property, plant and equipment

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

Freehold buildings	50 years
Plant and equipment:	
- Office equipment and computers	10 – 20 years
- Fixtures and fittings	3 – 10 years
Motor vehicles	4 – 5 years

Land is not depreciated.

1.8 Inventories

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

1.9 Financial assets and liabilities

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

1.10 Employee benefits

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

1.10 Employee benefits (continued)

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

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

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

1.11 Foreign currency translation

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

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

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

1.12 Taxation

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

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

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

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1.12 Taxation (continued)

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

1.13 Leasing

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

Rentals payable under operating leases are charged against income on a straight line basis.

1.14 Share based payments

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

1.15 New standards and interpretations

The following standards and interpretations, issued by the IASB or the IFRIC, were adopted in the preparation of the financial statements:

	Effective date
IAS 19 Amendments to IAS 19 – Defined Benefits Plans: Employee Contributions	1 February 2015

The application of the amendment to this standard has required that the group should present interest on defined benefit pension schemes on a net basis. Accordingly the comparative financial statements have been restated to reflect this change.

The following standards and interpretations, issued by the IASB or the IFRIC, were in issue but not yet effective at the date of authorisation of these financial statements and have not yet been adopted by the group:

	Effective date
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 10 / Amendments to IFRS 10 and IAS 28 –	
IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
IFRS 10 / Amendments to IFRS 10, IFRS 12 and IAS 28 –	
IFRS 12 / Investment Entities: Applying the Consolidation	
IAS 28 Exceptions	1 January 2016
IFRS 11 Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 16 Leases	1 January 2019
IAS 1 Amendments to IAS 1 – Disclosure Initiative	1 January 2016
IAS 12 Recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 16 / Amendments to IAS 16 and IAS 38 –	
IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IAS 27 Amendments to IAS 27 – Equity Method in Separate Financial Statements	1 January 2016

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

1.15 New standards and interpretations (continued)

The group does not consider that any other standards or interpretations issued by the IASB or the IFRIC, either applicable in the current period or not yet applicable, have, or will have, a significant impact on the consolidated financial statements.

2. Critical accounting estimates, assumptions and judgments

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

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

a) Goodwill

The group follows the requirements of IAS 36 – Impairment of Assets and tests goodwill annually to determine when goodwill is impaired (see accounting policy in note 1.4 above and goodwill in note 10 below). This determination requires significant judgment. In making this judgment, the group estimates the recoverable amount of the cash generating units to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value. For the purpose of impairment testing, goodwill has been allocated to the company's subsidiaries.

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

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

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

c) Pension benefits

The present value of the defined benefit pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate and current market conditions. Additional information is disclosed in note 18. Any changes in these assumptions will impact on the carrying amount of pension obligations.

The group has taken external advice in relation to the impact of IFRIC 14 and has concluded that no additional provision is required in the financial statements in respect of the minimum funding requirement.

d) Share based payments

The group records charges for share based payments. For option based share based payments management estimate certain factors used in the option pricing model, including volatility, vesting date of options and the number of options likely to vest. If these estimates vary from actual events, this will impact on the value of the equity carried in the reserves. Further details of the group's estimation of share based payments are disclosed in note 20.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

3. Segmental reporting

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

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

The group’s operations, assets and staff are principally located in the United Kingdom. The Directors have concluded that the operations and assets located outside of the United Kingdom do not meet the quantitative thresholds as set out in IFRS 8 and therefore no segmental analysis of assets or profits is presented on a geographical basis.

The group generates sales to customers across the world and the geographical analysis of revenue is set out below based on customer location.

Revenue		
Geographical location	2016 £'000	2015 £'000
United Kingdom and Eire	88,790	92,335
Europe	6,811	5,958
Americas	2,225	1,791
Australasia	47	63
Africa	621	822
Middle East	1,251	1,314
Asia	2,992	3,512
Other	708	289
	<hr/>	<hr/>
	103,445	106,084
	<hr/>	<hr/>

Revenues from the top 20 customers of the group’s Storage, Blending and Distribution of Chemical Products segment represent approximately 18% of the group’s total revenues.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

3. Segmental reporting (continued)

	Storage, blending & distribution £'000	All other segments £'000	Total 2016 £'000	Total 2015 £'000
Revenue				
Total revenue	105,728	1,459	107,187	108,607
Inter segment sales	(2,296)	(1,446)	(3,742)	(2,523)
Sales to external customers	103,432	13	103,445	106,084
Profit / (loss)				
Depreciation on property, plant and equipment	701	15	716	606
Segment operating profit / (loss)	7,865	(946)	6,919	6,440
Finance costs	(1,347)	(44)	(1,391)	(2,083)
Finance income	4	-	4	528
Disposal of subsidiary	-	(80)	(80)	-
Profit / (loss) before taxation	6,522	(1,070)	5,452	4,885
Taxation	(1,103)	(20)	(1,123)	(1,096)
Profit / (loss) for the year	5,419	(1,090)	4,329	3,789
Assets and liabilities				
Capital expenditures	666	-	666	522
Segment assets	50,820	21,083	71,903	73,406
Segment liabilities	(44,775)	(1,873)	(46,648)	(50,715)
Total net assets	6,045	19,210	25,255	22,691

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

4. Operating profit

	2016 £'000	2015 £'000
The operating profit for the year is stated after charging/(crediting):		
Depreciation on property, plant and equipment	716	606
Amounts paid in respect of operating leases for plant and machinery	889	786
(Profit) / loss on foreign currency	(34)	(139)
Auditors' remuneration (see below)	115	100
	=====	=====
Audit services		
Fees payable to the company's auditors for the audit of the parent company and consolidated accounts	13	12
Fees payable to the company's auditors for the audit of the company's subsidiaries	102	88
Other services		
Other services relating to taxation	16	16
Other	25	33
	=====	=====

5. Finance costs

	2016 £'000	2015 Restated £'000
Bank interest expense	806	922
Other interest	347	336
Finance lease charges	2	1
Interest on loan notes	44	112
Interest on pension scheme liabilities	192	184
	=====	=====
	1,391	1,555
	=====	=====

6. Finance income

	2016 £'000	2015 Restated £'000
Bank interest income	4	-
	=====	=====
	4	-
	=====	=====

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

7. Taxation

	2016 £'000	2015 £'000
UK corporation tax on profits for the year at 20% (2015: 21%)	976	862
Deferred tax charge: origination and reversal of temporary timing differences	147	234
Total tax expense in the income statement	1,123	1,096
Factors affecting the tax charge for the year:		
Profit on ordinary activities before tax	5,452	4,884
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 20% (2015: 21%)	1,090	1,026
Effects of:		
Non-deductible expenses	58	19
Depreciation in excess of capital allowances previously unrecognised	13	51
Tax rate difference	(64)	-
Other tax adjustments	(6)	-
Deferred tax not provided	32	-
	33	70
Total tax charge	1,123	1,096

Deferred taxation balances are analysed in note 16.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

8. Staff numbers and costs

	2016 Number	2015 Number
The average number of people employed by the group (including directors) during the year was as follows:		
Average number of employees during the year	240	229
Staff costs including directors:	2016 £'000	2015 £'000
Wages and salaries	9,179	7,122
Social security costs	867	756
Other pension costs:		
Contributions to defined contribution schemes	351	342
Contributions to defined benefit schemes	372	357
Costs of share option scheme	15	15
	10,784	8,592

9. Directors' emoluments

	2016 £'000	2015 £'000
Emoluments for qualifying services:		
Aggregate directors' emoluments	480	393
Pension contributions	57	56
	537	449

Directors' remuneration is paid through subsidiary companies within the group. The number of directors for whom retirement benefits were accruing under defined contribution schemes in the year was 4 (2015: 4).

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

10. Intangible non-current assets

Group	Patents £'000	Goodwill £'000	Total £'000
At 1 May 2015	1	32,418	32,419
Disposal in the year	-	(490)	(490)
At 30 April 2016	1	31,928	31,929
At 1 May 2014	1	31,269	31,270
Acquisition in the year	-	1,149	1,149
At 30 April 2015	1	32,418	32,419

Goodwill represents the goodwill arising on various acquisitions.

The disposal of goodwill shown in the analysis above reflects a reduction in the fair value of assets acquired through a prior acquisition which the group determined had not been delivered. A corresponding reduction in the deferred consideration payable (see note 15 below) has been agreed by way of settlement and goodwill has been adjusted accordingly.

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

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

- i) Cash flows are projected based on expected revenue to be generated from the existing business model;
- ii) Inflation rate of 3% per annum;
- iii) A pre-tax discount rate of 10.3%

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

There has been no impairment in value during the year.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

11. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1 May 2015	4,249	12,758	301	17,308
Additions	6	660	-	666
Disposals	-	(16)	-	(16)
At 30 April 2016	4,255	13,402	301	17,958
At 1 May 2014	3,999	11,523	37	15,559
Additions	250	244	28	522
Acquired with subsidiary	-	999	270	1,269
Disposals	-	(8)	(34)	(42)
At 30 April 2015	4,249	12,758	301	17,308
Depreciation				
At 1 May 2015	1,028	8,754	143	9,925
Charge for the year	59	610	47	716
Disposals	-	-	-	-
At 30 April 2016	1,087	9,364	190	10,641
At 1 May 2014	976	7,372	37	8,385
Charge for the year	52	527	27	606
Acquired with subsidiary	-	862	113	975
Disposals	-	(7)	(34)	(41)
At 30 April 2015	1,028	8,754	143	9,925
Net book value				
At 30 April 2016	3,168	4,038	111	7,317
At 30 April 2015	3,221	4,004	158	7,383

Freehold land and buildings include non-depreciable land with a value of £1,338k (2015: £1,338k).

The freehold land and buildings have been valued by the directors at 30 April 2016 on an open market basis.

2M GROUP LIMITED**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016****12. Inventories**

	2016	2015
	£'000	£'000
Goods for resale	8,820	8,563
	<u>8,820</u>	<u>8,563</u>
	<u><u>8,820</u></u>	<u><u>8,563</u></u>

13. Trade and other receivables

	2016	2015
	£'000	£'000
Trade receivables	19,688	20,959
Other receivables	302	381
	<u>19,990</u>	<u>21,340</u>
	<u><u>19,990</u></u>	<u><u>21,340</u></u>

Other receivables include an amount receivable from employees of £5k for the transfer of shares between employees during the year.

14. Trade and other payables

	2016	2015
	£'000	£'000
Trade payables	11,639	12,331
Taxation and social security	1,288	1,444
Other payables	1,793	841
Accruals and deferred income	5,303	3,775
	<u>20,023</u>	<u>18,391</u>
	<u><u>20,023</u></u>	<u><u>18,391</u></u>

As at 30 April 2016 other payables includes a director's loan of £1,050k. The loan is not subject to any interest charge and has no fixed repayment date.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

15. Financial Instruments and Financial Risk Management

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

	2016 £'000	2015 £'000
Current liabilities:		
Bank facilities, loans and overdrafts (secured)	16,233	17,081
4.5% Secured loan notes	500	1,000
Deferred consideration	1,450	1,250
Net obligations under finance leases	36	36
Director's loan	1,050	-
	<u>19,269</u>	<u>19,367</u>
Non current:		
Bank facilities, loans and overdrafts (secured)	500	3,444
4.5% secured loan notes	-	500
Deferred consideration	1,300	2,750
Net obligations under finance leases	57	93
	<u>1,857</u>	<u>6,787</u>
Total borrowings	<u>21,126</u>	<u>26,154</u>
Borrowings are repayable as follows:		
On demand or within one year	19,233	19,331
Between one and two years	1,800	3,425
Between two and five years	-	3,269
	<u>21,033</u>	<u>26,025</u>
Less: Amount due within 12 months (shown under current liabilities)	(19,233)	(19,331)
	<u>1,800</u>	<u>6,694</u>

The bank facilities, loans and overdrafts are secured by a legal charge over the assets of the group, a charge over its debts and inventories, and by a composite debenture and guarantee.

As part of the acquisition of 2M Holdings Limited and its subsidiaries, the company issued loan notes amounting to £4,500k to a former shareholder. Interest is payable quarterly and is charged on the loan notes at 4.5% per annum. The loan notes are secured by way of a debenture over the assets of 2M Group Limited and certain of its subsidiaries. At 30 April 2016 an amount of £500k remains outstanding on these loan notes.

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

15. Financial Instruments and Financial Risk Management (continued)

As part of a prior acquisition the group recognised a deferred consideration payment of £5,000k which was payable between 1 and 4 years from completion. During the year the total deferred consideration was reduced to £4,510k as the group determined that not all assets acquired had been delivered. At 30 April 2016 an amount of £2,750k remains outstanding on the deferred consideration.

All of the group's funding is subject to a group guarantee (note 25).

Net obligations under finance leases	2016 £'000	2015 £'000
Repayable within one year	38	38
Repayable between one and five years	60	98
	<hr/>	<hr/>
	98	136
Finance charges and interest allocated to future accounting periods	(5)	(7)
	<hr/>	<hr/>
	93	129
Less: Amount due within 12 months (shown under current liabilities)	(36)	(36)
	<hr/>	<hr/>
	57	93
	<hr/> <hr/>	<hr/> <hr/>

Categories of financial assets and liabilities

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

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

Financial Risk Management

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

Financial risk factors

i) Foreign exchange risk

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016**

15. Financial Instruments and Financial Risk Management (continued)

ii) Credit risk

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

iii) Liquidity risk

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

iv) Interest rate risk

Group finance facilities are placed with Investec Bank plc which provided additional working capital through invoice financing, inventory financing and cash flow loan facilities. Interest rates on these facilities vary between 3.25% and 4.75% over the bank's base rate.

In 2012 the group issued loan notes to a former shareholder and interest is charged at a fixed rate of 4.5% per annum.

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

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

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

16. Deferred tax assets and liabilities

	Employee Benefits £'000	Excess capital allowances £'000	Other timing differences £'000	Total £'000
As at 1 May 2015	(889)	426	256	(207)
Charge / (credit) to income statement	25	(13)	135	147
Charge / (credit) to equity	(87)	-	-	(87)
As at 30 April 2016	(951)	413	391	(147)
Deferred tax asset	(951)	-	-	(951)
Deferred tax liability	-	413	391	804
As at 30 April 2016	(951)	413	391	(147)
As at 1 May 2014	(911)	390	36	(485)
Acquired with subsidiary	-	23	-	23
Charge / (credit) to income statement	22	13	199	234
Other adjustments in the year	-	-	21	21
As at 30 April 2015	(889)	426	256	(207)
Deferred tax asset	(889)	-	-	(889)
Deferred tax liability	-	426	256	682
As at 30 April 2015	(889)	426	256	(207)

Deferred tax is provided for at the future tax rate applying at the reporting date. At 30 April 2016 the future tax rate applying was 18%

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

17. Accruals and deferred income

	2016 £'000	2015 £'000
Balance at 1 May	13	31
Credit to income in the year	(13)	(18)
	<hr/>	<hr/>
	-	13
Included under current liabilities	-	(13)
	<hr/>	<hr/>
Balance at 30 April	-	-
	<hr/>	<hr/>

18. Pension liability

Defined Contribution Scheme

The group operates a Defined Contribution Pension Scheme. During the year ended 30 April 2016 the pension cost charge to the income statement amounted to £351k (2015: £342k). There were no outstanding or unpaid contributions at the beginning or end of the year.

Defined Benefit Scheme

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

A full actuarial valuation was carried out as at 31 March 2014 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the plan is agreed between the employer and the trustees in line with those requirements. These in particular require the surplus or deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £8,839k. The current proposed recovery plan to be agreed between the company and the trustees of the scheme is that the company will aim to eliminate the deficit over a period of 15 years and 8 months from 1 April 2016 by the payment of annual contributions of £425k in respect of the deficit, increasing at 3% per annum. In addition and in accordance with the actuarial valuation, the company has agreed with the trustees of the scheme that it will meet expenses of the plan and levies to the Pension Protection Fund.

The actuarial valuation as at 31 March 2014, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 April 2016. There have been no changes in the valuation methodology adopted for this period's disclosures compared to the previous period's disclosures.

Contributions in the year totalled £372k (2015: £357k).

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

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

18. Pension liability (continued)

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

	2016 %	2015 %
Discount rate	3.5	3.5
Inflation rate	2.7	2.9
Increase to pensions	2.7	2.9
Expected rate of return on plan assets	3.5	4.4

The expected rate of return on plan assets was determined, based on the discount rate for the year ended 30 April 2016, in line with IAS 19.

Analysis of amounts charged to the statement of comprehensive income

	2016 £'000	2015 £'000
Analysis of amount reported in financial income and expense		
Expenses	(42)	(66)
Expected return on pension scheme assets	461	528
Interest cost	(653)	(712)
	<hr/>	<hr/>
Net cost	(234)	(250)
	<hr/>	<hr/>

Analysis of amount recognised under other comprehensive income

Return on plan assets	(975)	976
Experience losses arising on the defined benefit obligation	137	(312)
Effects of changes in demographic assumptions	247	370
Effects of changes in financial assumptions	109	(2,462)
	<hr/>	<hr/>
Net actuarial losses recognised under other comprehensive income	(482)	(1,428)
	<hr/>	<hr/>

Reconciliation of change in assets and liabilities

Change in defined benefit obligation:

Defined benefit obligation brought forward	19,018	16,476
Movement in the year:		
Expenses	42	66
Interest cost	653	712
Experience losses arising on the defined benefit obligation	(137)	312
Effects of changes in demographic assumptions	(247)	(370)
Effects of changes in financial assumptions	(109)	2,462
Actual benefits paid	(745)	(640)
	<hr/>	<hr/>
Defined benefit obligation at end of year	18,475	19,018
	<hr/>	<hr/>

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

18. Pension scheme (continued)

	2016 £'000	2015 £'000
Change in plan assets:		
Fair value of plan assets brought forward	13,358	12,137
Movement in year:		
Interest income	461	528
Return on plan assets	(975)	976
Actual employer contributions	372	357
Actual benefits paid	(745)	(640)
	<u>12,471</u>	<u>13,358</u>
Funded status – Financial position		
Net pension liability	<u>(6,004)</u>	<u>(5,660)</u>

The assets in the pension scheme and the expected rates of return were:

	Rate of return expected at 30 April 2016	Value at 30 April 2016 £'000	Rate of return expected at 30 April 2015	Value at 30 April 2015 £'000
UK Equities	3.5	3,221	4.4%	3,546
Overseas equities	3.5	4,716	4.4%	5,321
Bonds	3.5	4,487	4.4%	4,443
Others	3.5	47	4.4%	48
		<u>12,471</u>		<u>13,358</u>
Total market value of scheme assets		12,471		13,358
Present value of the scheme's liabilities (provided by the actuary)		<u>(18,475)</u>		<u>(19,018)</u>
Net pension liability (funded)		<u>(6,004)</u>		<u>(5,660)</u>

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

18. Pension scheme (continued)

The history of experience adjustments is as follows:

	Value at 30 April 2016 £'000	Value at 30 April 2015 £'000
Experience gains / (losses) on scheme assets		
Amount (£)	(975)	976
Percentage of scheme assets	7.8%	7.3%
Experience gains / (losses) on scheme liabilities*		
Amount (£)	(137)	312
Percentage of the present value of scheme liabilities	0.7%	1.6%

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

19. Share capital

	Number of shares	Share Capital £'000	Share premium £'000	Total £'000
Ordinary A shares	130,000	130	-	130
Ordinary B shares	1,490	2	165	167
Ordinary C shares	130,000	1	-	1
At 30 April 2015 and 30 April 2016	261,490	133	165	298

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

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

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

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

20. Cost of issuing share options

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

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

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

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

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

The options outstanding at 30 April 2016 have an exercise price of £111.54 per share and a weighted average remaining contractual life of 8.42 years.

21. Cash generated from operations	2016 £'000	2015 £'000
Profit before taxation	5,452	4,885
Add back non-operating items:		
Financial income	(4)	-
Financial expense	1,391	1,555
Loss on disposal of property, plant and equipment	-	2
Loss on part disposal of subsidiary	80	-
Adjustments for:		
Pension movement (cost, less contributions)	(330)	(291)
Depreciation	716	606
Other non-cash items	48	110
Increase in inventories	(257)	(526)
Decrease in receivables	1,544	725
Increase / (decrease) in payables	582	(23)
Cash generated from operations	9,222	7,043

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

22. Business combinations

Disposal of interests in subsidiary undertakings

During the year under review, the group disposed of its interest in Xinglong Banner (Shougaung) Chemicals Co. Limited for £nil consideration. Accordingly the group's interest in the net assets of the subsidiary has been written off resulting in a loss of £3k in the year.

During the year under review the group acquired 26.85% of the share capital of Surfachem Brasil Ltda for a total consideration of R\$1 resulting in an overall holding of 100%. Subsequently, loans made to the subsidiary were converted to equity and the group then disposed of 35% of its holding for a total consideration of R\$1. The cash value of the loans that had been converted to equity and subsequently disposed of was £27k and the net loss to the group was £77k.

The total loss to the group from the disposals set out above was £80k.

Reconciliation of amounts paid in business combinations net of cash:

	2016 £'000	2015 £'000
Amounts paid on acquisition:		
Stowlin Limited	-	2,199
Other acquisitions	27	51
	<hr/>	<hr/>
Total paid	27	2,250
Cash and cash equivalents	-	(559)
	<hr/>	<hr/>
	27	1,691
	<hr/> <hr/>	<hr/> <hr/>

23. Cash and cash equivalents

	2016 £'000	2015 £'000
Cash at bank and in hand	2,596	2,196
Bank overdrafts / funding	(13,339)	(15,456)
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	(10,743)	(13,260)
	<hr/> <hr/>	<hr/> <hr/>

2M GROUP LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

24. Operating leases

The total future minimum lease payments under operating leases are as follows:

	2016 £'000	2015 £'000
Within one year	939	795
Between one and five years	1,006	1,206
In more than five years	-	32
	<hr/>	<hr/>
	1,945	2,033
	<hr/>	<hr/>

25. Guarantees and other financial commitments

- a) At 30 April 2016 the group had no capital commitments.
- b) The group has granted a composite guarantee and debenture to Investec Bank plc in respect of amounts due to the bank by 2M Group Limited and its subsidiaries.
- c) The group has granted a debenture to a former shareholder of 2M Holdings Limited in respect of amounts due to him from 2M Group Limited.
- d) A subsidiary company, 2M Holdings Limited has issued guarantees to the Samuel Banner Pension Fund Limited as trustee of the Samuel Banner staff pension scheme. The guarantee states that 2M Holdings Limited is obliged to make payments to the Scheme up to a maximum amount of £4,500k.

26. Control

The director, M Kessler, retains ultimate control of the Group.

27. Related party transactions

Trade and other payables include an amount of £187k (2015: £136k) due to Arpadis Suisse AG. Arpadis Suisse AG is the non-controlling interest holder in the subsidiary company Banner Chemicals Benelux NV. The loan is interest free, unsecured and has no fixed repayment terms.

28. Subsequent events

There have not been any significant events since the date of these financial statements.

Company Registration No. 07904022


2M GROUP LIMITED
COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2016

2M GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2016

	Notes	30 April 2016 £'000	30 April 2015 £'000
Fixed assets			
Investments	4	29,267	29,267
Current assets			
Debtors	6	58	227
Cash at bank and in hand		60	15
		118	242
Creditors: amounts falling due within one year	7	(6,159)	(4,284)
Net current liabilities		(6,041)	(4,042)
Total assets less current liabilities		23,226	25,225
Creditors:			
Amounts falling due after one year	8	-	(500)
Net Assets		23,226	24,725
Capital and reserves			
Called up share capital	9	133	133
Share premium		164	164
Option reserve		52	37
Merger reserve		14,370	14,370
Profit and loss account		8,507	10,021
Shareholders' funds - equity		23,226	24,725

The financial statements were approved by the Board of Directors and authorised for issue on 19 September 2016.



M Kessler
Director



C Boyle
Director

Company Registration No. 07904022

2M GROUP LIMITED

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated from operations	13	1,509	1,213
Financial expenses		(44)	(113)
Income taxes recovered		-	45
Net cash generated by operating activities		<u>1,465</u>	<u>1,145</u>
Cash flows from financing activities			
Repayments of loans and other obligations		(1,000)	(1,000)
Proceeds from new loans		1,050	-
Dividends paid to company's shareholders		(1,470)	(130)
Net cash used in financing activities		<u>(1,420)</u>	<u>(1,130)</u>
Net increase in cash and cash equivalents		45	15
Cash and cash equivalents at the beginning of the financial year		15	-
Cash and cash equivalents at the end of the financial year	14	<u><u>60</u></u>	<u><u>15</u></u>

2M GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 APRIL 2016

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Options Reserve £'000	Profit and loss account £'000	Total Equity Interests £'000
At 1 May 2015	133	164	14,370	37	10,021	24,725
Share based payments	-	-	-	15	-	15
Total comprehensive loss for the year	-	-	-	-	(44)	(44)
Dividend paid	-	-	-	-	(1,470)	(1,470)
At 30 April 2016	133	164	14,370	52	8,507	23,226
At 1 May 2014	133	164	14,370	23	10,271	24,961
Share based payments	-	-	-	14	-	14
Total comprehensive loss for the year	-	-	-	-	(120)	(120)
Dividend paid	-	-	-	-	(130)	(130)
At 30 April 2015	133	164	14,370	37	10,021	24,725

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1. Accounting policies

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

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

1.1. Accounting convention

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

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

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

These financial statements for the year ended 30 April 2016 are the first financial statements of 2M Group Limited prepared in accordance with FRS 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 May 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

Profit attributable to the members of the parent company

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £44k (2015 - £120k loss).

Related Parties

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

1.2 Going concern

At the time of approving these 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.

1.3 Fixed asset investments

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

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

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1. Accounting policies (continued)

1.3 Fixed asset investments (continued)

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

Impairment review

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

1.4 Cash and cash equivalents

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

1.5 Financial instruments

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

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

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

Basic financial assets

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

Other financial assets

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

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.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1. Accounting policies (continued)

1.5 Financial instruments (continued)

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

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 company's contractual obligations expire or are discharged or cancelled.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1. Accounting policies (continued)

1.6 Equity instruments

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

1.7 Retirement benefits

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

1.8 Taxation

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

Current Tax

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

Deferred Tax

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

1.9 Share based payment transactions

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

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

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

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

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

1. Accounting policies (continued)

1.9 Share based payment transactions (continued)

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

2. Taxation

	2016 £'000	2015 £'000
UK corporation tax		
Current year tax credit	-	-
	<u> </u>	<u> </u>
Tax credit on profit on ordinary activities	-	-
	<u> </u>	<u> </u>
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(44)	(120)
	<u> </u>	<u> </u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporate tax of 20% (2015: 21%)	(9)	(25)
Effects of:		
Non-deductible items	-	-
Tax losses	9	25
	<u> </u>	<u> </u>
Current tax credit	-	-
	<u> </u>	<u> </u>

3. Dividends

	2016 £'000	2015 £'000
Interim paid	1,470	130
	<u> </u>	<u> </u>

4. Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost	
At 30 April 2015 and 30 April 2016	29,267
	<u> </u>

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

4. Fixed asset investments (continued)

The group's principal subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2016 were as follows:

Subsidiary undertakings	Activities	Ownership (ordinary shares & voting rights) 2016
Held directly:		
2M Holdings Limited	Holding company	100%
Held indirectly:		
Banner Chemicals Holdings Limited	Holding company	100%
Surfachem Holdings Limited	Holding company	100%
Packed Chlorine Limited	Distribution of chemical industry products	100%
Banner Chemicals Limited	Holding company	100%
Samuel Banner & Co Limited	Formulation and distribution of solvents and performance cleaning product	100%
Prism Chemicals Limited	Blending and formulation of solvent and chemical products	100%
M P Storage and Blending Limited	Storage, drumming and blending of solvents and chemical products	100%
Banner Chemicals Benelux NV	Distribution of chemical industry products	65%
Stowlin Limited	Manufacture and distribution of chemical industry products	100%
Samuel Banner Property Co Limited	Property holding company	100%
Surfachem Group Limited	Holding Company	100%
Surfachem Limited	Distribution of chemical industry products	100%
FilRite Limited	Decanting and packaging of chemical industry products	100%
Samplerite Limited	Distribution of chemical industry samples	100%
Samplerite Qingdao Limited	Distribution of chemical industry samples	100%
Surfachem Nordic AS	Distribution of chemical industry products	67%
Surfachem Brasil Ltda	Distribution of chemical industry products	65%

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

4. Fixed asset investments (continued)

The group's dormant subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2016 were as follows:

Subsidiary undertakings	Activities	Ownership (ordinary shares & voting rights) 2016
Held indirectly:		
2M London Limited	Dormant	100%
SB Dormantco One Limited	Dormant	100%
SB Dormantco Three Limited	Dormant	100%
Samuel Banner Polymers Limited	Dormant	100%
K M Z Chemicals Limited	Dormant	100%
Integrated Chemicals Specialties Limited	Dormant	100%
Croftshaw (Solvents) Limited	Dormant	100%
Stowlin Croftshaw Limited	Dormant	100%
Stowlin Specialised Chemicals Limited	Dormant	100%
Gel-Chem Limited	Dormant	100%
Netscore Limited	Dormant	100%
Specialty Food Ingredients Limited	Dormant	100%
Surfachem International Limited	Dormant	100%
Worsall Limited	Dormant	100%

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

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

The subsidiary company, Surfachem Nordic AS is incorporated in Norway.

The subsidiary company, Surfachem Brasil Ltda is incorporated in Brazil.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

5. Financial instruments

	30 April 2016 £'000	30 April 2015 £'000
Carrying amount of financial assets		
Debt instruments measured at amortised cost	45	219
	=====	=====
Carrying amount of financial liabilities		
Measured at amortised cost	6,073	4,755
	=====	=====

6. Debtors

	30 April 2016 £'000	30 April 2015 £'000
Due from subsidiary undertakings	45	219
Other debtors	5	-
Corporation tax repayable	8	8
	=====	=====
	58	227
	=====	=====

Other debtors include an amount receivable from employees of £5k for the transfer of shares between employees during the year.

7. Creditors: Amounts falling due within one year

	30 April 2016 £'000	30 April 2015 £'000
Directors' loan	1,050	-
Accruals	86	29
Due to subsidiary undertakings	4,523	3,255
4.5% secured loan notes	500	1,000
	=====	=====
	6,159	4,284
	=====	=====

The directors' loan is unsecured, interest free and has no fixed repayment date.

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

8. Creditors: Amounts due after one year

	30 April 2016 £'000	30 April 2015 £'000
Loan notes (secured)		
4.5% secured loan notes	500	1,500
Due within 1 year	(500)	(1,000)
	<u> </u>	<u> </u>
	-	500
	<u> </u>	<u> </u>
Due between 1 and 2 years	-	500
Due between 2 and 5 years	-	-
	<u> </u>	<u> </u>
	-	500
	<u> </u>	<u> </u>

As part of the acquisition of 2M Holdings Limited and its subsidiaries, the company issued loan notes amounting to £4,500k to a former shareholder. Interest is payable quarterly and is charged on the loan notes at 4.5% per annum. The loan notes are secured by way of a debenture over the assets of 2M Group Limited and certain of its subsidiaries. At 30 April 2016 an amount of £500k (2015: £1,500k) remains outstanding on these loan notes.

9. Share capital

	Number of shares	Share Capital £'000	Share premium £'000	Total £'000
Ordinary A shares	130,000	130	-	130
Ordinary B shares	1,490	2	164	166
Ordinary C shares	130,000	1	-	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 April 2016	261,490	133	164	297
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

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

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

10. Share based payment transactions

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

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

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

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

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

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

The options outstanding at 30 April 2016 have an exercise price of £111.54 per share and a weighted average remaining contractual life of 7.42 years.

11. Control

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

12. Guarantees and other financial commitments

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

2M GROUP LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2016

13. Cash generated from operations	2016 £'000	2015 £'000
Loss before taxation	(44)	(120)
Add back non-operating items:		
Financial expense	44	113
Cost of share options	15	14
Adjustments for:		
Decrease in debtor	169	42
Increase in payables	1,325	1,164
	<hr/>	<hr/>
Cash generated from operations	1,509	1,213
	<hr/>	<hr/>
14. Cash and cash equivalents	2016 £'000	2015 £'000
Cash at bank and in hand	60	15
Bank overdrafts / funding	-	-
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	60	15
	<hr/>	<hr/>

15. Directors' transactions

Dividends totalling £1,398 (2015 - £130) were paid in the year in respect of shares held by the company's directors.