

**Company Registration No. 07904022**

**2M GROUP LIMITED**  
**REPORT AND ACCOUNTS**  
**YEAR ENDED 30 APRIL 2015**

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## **2M GROUP LIMITED**

### **DIRECTORS, COMPANY SECRETARY AND ADVISERS**

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**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<sup>th</sup> 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 2015**

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The directors present their report and the audited financial statements of the Group and of the Company for the year ended 30 April 2015.

#### **Activities and review of business**

The principal activity of the company 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 application 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 products to the aviation, electronics and medical industries, supply of chlorinated solvents for refinery applications, 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 sampling management service.

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 acquired the entire share capital of Stowlin Limited and its subsidiaries. Additionally, the Group took majority shareholdings in Surfachem Brasil Ltda and Xinlong Banner (Shougaung) Chemicals Co Limited. These acquisitions enable the business to expand not only its product portfolio, but also enhance its international product and service offering.

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

During the period, the global economy continued to be fragile. China continues to exhibit a slowdown in growth from its previous heights, the Euro Zone has been flat at best, with specific uncertainty surrounding Greece's debt problems and its continued membership of the EU and Euro, and continued political unrest in the Middle East and Eastern Europe affecting global trade patterns. Chemical distribution markets remain as competitive as ever on the back of all of these.

#### **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 £7,043k (2014: £6,006k), with the working capital lines remaining stable despite the uplift in business.

The overall movement in Cash & Cash Equivalents was (£13k) (2014: £2,398k) to leave us with a closing position of (£13,260k). 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 annual profits to Retained Earnings, saw our Net Assets increase to £22,691k (2014: £20,416k).

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.

## 2M GROUP LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2015

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#### Financial Key Performance Indicators

During the year, the reported turnover was £106,084k (2014: £102,858k), and Gross Profit, a key performance indicator within our business, is reported at £27,748k (2014: £25,241k) – an increase of 10%. The Group's focus on value added products and services lifted the Gross Profit percentage to 26.2% (2014: 24.5%).

Distribution Costs, reflecting the increased levels of activity within the business, have increased to £8,805k (2014: £7,252k).

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 10% to £6,440k (2014: £5,830k).

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.

	2015 £'000	2014 £'000
Operating EBITDA	7,046	6,369
Adjustments	300	300
Revised operating EBITDA	7,346	6,669
	=====	=====

By order of the Board



M Kessler  
Director  
22 September 2015

## **2M GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2015**

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#### **Results and dividends**

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

An interim ordinary dividend was paid amounting to £130k (2014: £100k). 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**

Subsequent to the year-end, the Group acquired the remaining issued share capital of Surfachem Brasil Ltda for a cash consideration of R\$1.

Subsequent to the year-end, the Group has negotiated a reduction in the deferred consideration from a prior year acquisition in the amount of £490k as the asset base received did not reflect the original contract values.

#### **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 to be reappointed under section 487 (2) of the Companies Act 2006.

## **2M GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2015**

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#### **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.

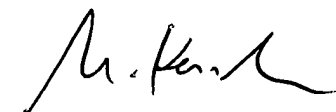
The directors confirm that the financial statements comply with the above requirements.

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  
22 September 2015

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

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We have audited the group and parent company financial statements of 2M Group Limited for the year ended 30 April 2015 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company balance sheet, the consolidated statement of cash flows, the consolidated 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).

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](http://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 2015 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**

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**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.

*UHY Hacker Young*

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

Chartered Accountants  
Statutory Auditor  
22 September 2015

## 2M GROUP LIMITED

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2015

	Notes	2015 £'000	2014 £'000
Revenue	3	106,084	102,858
Cost of sales		(78,336)	(77,617)
<b>Gross profit</b>		<b>27,748</b>	<b>25,241</b>
Distribution costs		(8,805)	(7,252)
Administrative expenses		(12,503)	(12,159)
<b>Operating profit</b>	4	<b>6,440</b>	<b>5,830</b>
Finance costs	5	(2,083)	(2,033)
Finance income	6	528	515
<b>Profit before taxation</b>		<b>4,885</b>	<b>4,312</b>
Taxation	7	(1,096)	(1,117)
<b>Profit for the year</b>		<b>3,789</b>	<b>3,195</b>
<b>Other comprehensive income:</b>			
Actuarial losses on defined benefit scheme		(1,428)	(101)
Deferred tax associated with defined benefit scheme		-	21
Currency translation differences		5	1
<b>Other comprehensive income for the year net of tax</b>		<b>(1,423)</b>	<b>(79)</b>
<b>Total comprehensive income for the year</b>		<b>2,366</b>	<b>3,116</b>

**2M GROUP LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)  
FOR THE YEAR ENDED 30 APRIL 2015**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
<b>Profit attributable to:</b>		
Equity holders of the parent company	3,881	3,280
Non-controlling interests	(92)	(85)
	<hr/>	<hr/>
	3,789	3,195
	=====	=====
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent company	2,457	3,198
Non-controlling interests	(91)	(82)
	<hr/>	<hr/>
	2,366	3,116
	=====	=====

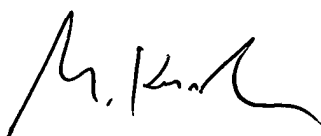
**2M GROUP LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 APRIL 2015**

	Notes	2015 £'000	2014 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	32,419	31,270
Property, plant and equipment	11	7,383	7,174
Deferred tax asset	16	207	485
<b>Total non- current assets</b>		40,009	38,929
<b>Current assets</b>			
Inventories	12	8,563	7,749
Trade and other receivables	13	21,340	21,095
Prepayments and accrued income		1,298	1,355
Cash and cash equivalents	23	2,196	1,853
<b>Total current assets</b>		33,397	32,052
<b>Total assets</b>		73,406	70,981
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank borrowings and overdrafts	15	17,081	16,775
Net obligations under finance leases	15	36	-
4.5% Secured loan notes	15	1,000	1,000
Deferred consideration	15	1,250	1,000
Trade and other payables	14	18,391	17,947
Current tax liabilities		510	422
<b>Total current liabilities</b>		38,268	37,144
<b>Non- current liabilities</b>			
Bank borrowings and overdrafts	15	3,444	3,569
Net obligations under finance leases	15	93	-
4.5% Secured loan notes	15	500	1,500
Deferred consideration	15	2,750	4,000
Accruals and deferred income	17	-	13
Employee benefit liability	18	5,660	4,339
<b>Total non- current liabilities</b>		12,447	13,421
<b>Total Liabilities</b>		50,715	50,565
<b>Total Net Assets</b>		22,691	20,416

**2M GROUP LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT 30 APRIL 2015**

	Notes	2015 £'000	2014 £'000
<b>Equity</b>			
Share capital	19	133	133
Share premium	19	165	165
Capital restructuring reserve		14,370	14,370
Options reserves		37	23
Currency translation reserve		3	(1)
Retained earnings		8,178	5,855
<b>Equity attributable to equity holders of the parent company</b>		<b>22,886</b>	<b>20,545</b>
Minority interest in equity		(195)	(129)
		<b>22,691</b>	<b>20,416</b>

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2015.



**M Kessler**  
Director



**C Boyle**  
Director

**Company Registration No. 07904022**

## 2M GROUP LIMITED

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 APRIL 2015

	Notes	2015 £'000	2014 £'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	7,043	6,006
Financial expenses		(1,371)	(1,337)
Income taxes paid		(827)	(1,088)
<b>Net cash generated by operating activities</b>		<b>4,845</b>	<b>3,581</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(522)	(224)
Business combinations, net of cash received	22	(1,691)	(5,103)
<b>Net cash used in investing activities</b>		<b>(2,213)</b>	<b>(5,327)</b>
<b>Cash flows from financing activities</b>			
Repayments of loans and other obligations		(4,000)	(2,000)
Proceeds from new loans		1,500	6,244
Repayment of finance leases		(15)	-
Dividends paid to company's shareholders		(130)	(100)
<b>Net cash (used in) / from financing activities</b>		<b>(2,645)</b>	<b>4,144</b>
<b>Net (decrease) / increase in cash and cash Equivalents</b>		<b>(13)</b>	<b>2,398</b>
Cash and cash equivalents at the beginning of the financial year		(13,247)	(15,645)
<b>Cash and cash equivalents at the end of the financial year</b>	23	<b>(13,260)</b>	<b>(13,247)</b>

**2M GROUP LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2015**

	Share Capital	Share Premium	Restruc- turing Reserve	Options Reserve	Currency Reserve	Retained Earnings	Total	Non- Controlling Interests	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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 for the year	-	-	-	-	4	2,453	2,457	(91)	2,366
Dividend paid	-	-	-	-	-	(130)	(130)	-	(130)
Non-controlling interest in subsidiary equity	-	-	-	-	-	-	-	25	25
At 30 April 2015	133	165	14,370	37	3	8,178	22,886	(195)	22,691
At 1 May 2013	133	165	14,370	8	1	2,757	17,434	(48)	17,386
Share based payments	-	-	-	15	-	-	15	-	15
Total comprehensive income for the year	-	-	-	-	(2)	3,198	3,196	(82)	3,114
Dividend paid	-	-	-	-	-	(100)	(100)	-	(100)
Non-controlling interest in subsidiary equity	-	-	-	-	-	-	-	1	1
At 30 April 2014	133	165	14,370	23	(1)	5,855	20,545	(129)	20,416

## **2M GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015**

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#### **1. Accounting policies**

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

The group financial statements for the year ended 30 April 2015 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 2015. 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.

##### **1.2 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.

##### **1.3 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

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#### 1.4 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.

#### 1.5 Investments

Investments are stated at cost less any provision for impairment.

#### 1.6 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.

#### 1.7 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.

#### 1.8 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.

#### 1.9 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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2015**

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**1.9 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.

**1.10 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.

**1.11 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

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#### 1.11 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.

#### 1.12 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.

#### 1.13 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.

#### 1.14 New standards and interpretations

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
IAS 1 Amendments to IAS 1 – Disclosure Initiative	1 January 2016
IAS 19 Amendments to IAS 19 – Defined Benefits Plans: Employee Contributions	1 July 2014
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

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2015**

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**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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

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#### 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	2015 £'000	2014 £'000
United Kingdom and Eire	92,335	88,875
Europe	5,958	6,356
Americas	1,791	1,208
Australasia	63	73
Africa	822	1,096
Middle East	1,314	2,907
Asia	3,512	2,017
Other	289	326
	<hr/>	<hr/>
	106,084	102,858
	<hr/>	<hr/>

Revenues from the top 20 customers of the group’s Storage, Blending and Distribution of Chemical Products segment represent approximately 17% of the group’s total revenues.

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 3. Segmental reporting (continued)

	Storage, blending & distribution £'000	All other segments £'000	Total 2015 £'000	Total 2014 £'000
<b>Revenue</b>				
Total revenue	107,344	1,263	108,607	104,899
Inter segment sales	(1,277)	(1,246)	(2,523)	(2,041)
	<u>106,067</u>	<u>17</u>	<u>106,084</u>	<u>102,858</u>
<b>Profit / (loss)</b>				
Depreciation on property, plant and equipment	598	8	606	539
	<u>598</u>	<u>8</u>	<u>606</u>	<u>539</u>
Segment operating profit / (loss)	7,653	(1,213)	6,440	5,830
Finance costs	(1,970)	(113)	(2,083)	(2,033)
Finance income	528	-	528	515
	<u>(1,970)</u>	<u>(113)</u>	<u>(2,083)</u>	<u>(2,033)</u>
Profit / (loss) before taxation	6,211	(1,326)	4,885	4,312
Taxation	(1,077)	(19)	(1,096)	(1,117)
	<u>(1,077)</u>	<u>(19)</u>	<u>(1,096)</u>	<u>(1,117)</u>
Profit / (loss) for the year	<u>5,134</u>	<u>(1,345)</u>	<u>3,789</u>	<u>3,195</u>
<b>Assets and liabilities</b>				
Capital expenditures	272	250	522	1,224
	<u>272</u>	<u>250</u>	<u>522</u>	<u>1,224</u>
Segment assets	50,938	22,468	73,406	70,981
Segment liabilities	(48,941)	(1,774)	(50,715)	(50,565)
	<u>(48,941)</u>	<u>(1,774)</u>	<u>(50,715)</u>	<u>(50,565)</u>
Total net assets	<u>1,997</u>	<u>20,694</u>	<u>22,691</u>	<u>20,416</u>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 4. Operating profit

	2015 £'000	2014 £'000
The operating profit for the year is stated after charging/(crediting):		
Depreciation on property, plant and equipment	606	539
Amounts paid in respect of operating leases for plant and machinery	786	769
(Profit) / loss on foreign currency	(139)	73
Auditors' remuneration (see below)	100	100
	=====	=====
<b>Audit services</b>		
Fees payable to the company's auditors for the audit of the parent company and consolidated accounts	12	12
Fees payable to the company's auditors for the audit of the company's subsidiaries	88	88
<b>Other services</b>		
Other services relating to taxation	16	15
Other	33	28
	=====	=====

#### 5. Finance costs

	2015 £'000	2014 £'000
Bank interest expense	922	935
Other interest	336	244
Finance lease charges	1	-
Interest on loan notes	112	158
Interest on pension scheme liabilities	712	696
	=====	=====
	2,083	2,033
	=====	=====

#### 6. Finance income

	2015 £'000	2014 £'000
Bank interest income	-	-
Expected returns on pension scheme assets	528	515
	=====	=====
	528	515
	=====	=====

**2M GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2015****7. Taxation**

	<b>2015 £'000</b>	<b>2014 £'000</b>
UK corporation tax on profits for the year at 21% (2014: 23%)	862	878
Deferred tax charge: origination and reversal of temporary timing differences	234	239
	<hr/>	<hr/>
Total tax expense in the income statement	1,096	1,117
	<hr/>	<hr/>
Factors affecting the tax charge for the year:		
Profit on ordinary activities before tax	4,884	4,312
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 21% (2014: 23%)	1,026	992
	<hr/>	<hr/>
Effects of:		
Non-deductible expenses	19	33
Depreciation in excess of capital allowances previously unrecognised	51	25
Other tax adjustments	-	67
	<hr/>	<hr/>
	70	125
	<hr/>	<hr/>
Total tax charge	1,096	1,117
	<hr/>	<hr/>

Deferred taxation balances are analysed in note 16.



**2M GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2015****8. Staff numbers and costs**

	<b>2015 Number</b>	<b>2014 Number</b>
The average number of people employed by the group (including directors) during the year was as follows:		
Average number of employees during the year	229	196
Staff costs including directors:	<b>2015 £'000</b>	<b>2014 £'000</b>
Wages and salaries	7,122	6,399
Social security costs	756	708
Other pension costs:		
Contributions to defined contribution schemes	342	253
Contributions to defined benefit schemes	357	346
Costs of share option scheme	15	15
	8,592	7,721

**9. Directors' emoluments**

	<b>2015 £'000</b>	<b>2014 £'000</b>
Emoluments for qualifying services:		
Aggregate directors' emoluments	393	527
Pension contributions	56	55
	449	582

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 (2013: 3).

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 10. Intangible non-current assets

Group	Patents £'000	Goodwill £'000	Total £'000
At 1 May 2014	1	31,269	31,270
Acquisition in the year	-	1,149	1,149
	<hr/>	<hr/>	<hr/>
At 30 April 2015	1	32,418	32,419
	<hr/>	<hr/>	<hr/>
At 1 May 2013	1	22,345	22,346
Acquisition in the year	-	8,924	8,924
	<hr/>	<hr/>	<hr/>
At 30 April 2014	1	31,269	31,270
	<hr/>	<hr/>	<hr/>

Goodwill represents the goodwill arising on various acquisitions.

On 15 December 2014, the company acquired the issued ordinary share capital of Stowlin Limited and its subsidiaries. Goodwill arising from this acquisition amounted to £1,149k. Full details of the acquisition are set out in note 22 below.

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 14%

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 11. Property, plant and equipment

	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>				
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
At 1 May 2013	3,994	10,304	37	14,335
Additions	5	1,219	-	1,224
At 30 April 2014	3,999	11,523	37	15,559
<b>Depreciation</b>				
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
At 1 May 2013	924	6,885	37	7,846
Charge for the year	52	487	-	539
At 30 April 2014	976	7,371	37	8,385
<b>Net book value</b>				
At 30 April 2015	3,221	4,004	158	7,383
At 30 April 2014	3,023	4,151	-	7,174

Freehold land and buildings include non-depreciable land with a value of £1,338k (2014: £1,338k).

The freehold land and buildings have been valued by the directors at 30 April 2015 on an open market basis.

**2M GROUP LIMITED****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2015**

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**12. Inventories**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Goods for resale	8,563	7,749
	<hr/>	<hr/>
	<b>8,563</b>	<b>7,749</b>
	<b>=====</b>	<b>=====</b>

**13. Trade and other receivables**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Trade receivables	20,959	20,866
Other receivables	381	229
	<hr/>	<hr/>
	<b>21,340</b>	<b>21,095</b>
	<b>=====</b>	<b>=====</b>

**14. Trade and other payables**

	<b>2015</b> <b>£'000</b>	<b>2014</b> <b>£'000</b>
Trade payables	12,331	12,046
Taxation and social security	1,444	1,449
Other payables	841	720
Accruals and deferred income	3,775	3,732
	<hr/>	<hr/>
	<b>18,391</b>	<b>17,947</b>
	<b>=====</b>	<b>=====</b>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 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.

	2015 £'000	2014 £'000
<b>Current liabilities:</b>		
Bank facilities, loans and overdrafts (secured)	17,081	16,775
4.5% Secured loan notes	1,000	1,000
Deferred consideration	1,250	1,000
Net obligations under finance leases	36	-
	<u>19,367</u>	<u>18,775</u>
<b>Non current:</b>		
Bank facilities, loans and overdrafts (secured)	3,444	3,569
4.5% secured loan notes	500	1,500
Deferred consideration	2,750	4,000
Net obligations under finance leases	93	-
	<u>6,787</u>	<u>9,069</u>
<b>Total borrowings</b>	<u>26,154</u>	<u>27,844</u>
<b>Borrowings are repayable as follows:</b>		
On demand or within one year	19,331	18,775
Between one and two years	3,425	4,425
Between two and five years	3,269	4,644
	<u>26,025</u>	<u>27,844</u>
Less: Amount due within 12 months (shown under current liabilities)	(19,331)	(18,775)
	<u>6,694</u>	<u>9,069</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 2015 an amount of £1,500k remains outstanding on these loan notes.

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 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 is payable between 1 and 4 years from completion. At 30 April 2015 an amount of £4,000k remains outstanding on the deferred consideration.

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

Net obligations under finance leases	2015 £'000	2014 £'000
Repayable within one year	38	-
Repayable between one and five years	98	-
	<hr/>	<hr/>
	136	-
Finance charges and interest allocated to future accounting periods	(7)	-
	<hr/>	<hr/>
	129	-
Less: Amount due within 12 months (shown under current liabilities)	(36)	-
	<hr/>	<hr/>
	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 FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2015**

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**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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 16. Deferred tax assets and liabilities

	Employee Benefits £'000	Excess capital allowances £'000	Other timing differences £'000	Total £'000
As at 1 May 2014	(911)	390	36	(485)
Acquired with subsidiary	-	23	-	23
Charge / (credit) to income statement	22	13	199	234
Charge / (credit) to equity	-	-	-	-
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)
As at 1 May 2013	(1,013)	403	(93)	(703)
Charge / (credit) to income statement	123	(13)	129	239
Charge / (credit) to equity	(21)	-	-	(21)
As at 30 April 2014	(911)	390	36	(485)
Deferred tax asset	(911)	-	-	(911)
Deferred tax liability	-	390	36	426
As at 30 April 2014	(911)	390	36	(485)

Deferred tax is provided for at the future tax rate applying at the reporting date. At 30 April 2015 the future tax rate applying was 20%.



## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 17. Accruals and deferred income

	2015 £'000	2014 £'000
Balance at 1 May 2014	31	53
Credit to income in the year	(18)	(22)
	<hr/>	<hr/>
Included under current liabilities	13 (13)	31 (18)
	<hr/>	<hr/>
Balance at 30 April 2015	-	13
	<hr/> <hr/>	<hr/> <hr/>

#### 18. Pension liability

##### Defined Contribution Scheme

The group operates a Defined Contribution Pension Scheme. During the year ended 30 April 2015 the pension cost charge to the income statement amounted to £342k (2014: £253k). 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.

The most recent valuation was at 30 April 2015. The principal actuarial assumptions made were that investment returns would exceed salary increases by an average of 1.2% per annum and that present and future pensions would increase at the rate of 3.2% per annum in respect of pension accrued prior to 1 October 2000 by members joining before 1 April 1995, and 2.9% in respect of other accrued pension. The market value of assets of the scheme was £12.1 million and the actuarial valuation of these assets represented 73% of the value of benefits that had accrued to members. The companies are currently making contributions, as recommended by the scheme's actuaries on the basis of triennial valuations using the attained age method.

Contributions in the year totalled £357k (2014: £346k). The estimated employer contributions to the scheme for the next financial year are £368k (2014: £356k).

The scheme's deficit shown below under the IAS 19 basis is £5,660k as at 30 April 2015 (2014: £4,339k).

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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 18. Pension liability (continued)

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

	2015	2014
Valuation method	Projected Unit	Projected Unit
Discount rate	3.5%	4.4%
Inflation rate	2.9%	3.2%
Revaluation of deferred pensions	2.0%	2.3%
Increase to pensions	2.9%	3.2%
Expected rate of return on plan assets	4.4%	4.3%

The expected rate of return on plan assets was determined, based on the discount rate for the year ended 30 April 2015, in line with IAS 19.

#### *Analysis of amounts charged to the statement of comprehensive income*

	2015 £'000	2014 £'000
<b>Analysis of amount reported in financial income and expense</b>		
Expenses	66	-
Expected return on pension scheme assets	528	515
Interest cost	(712)	(696)
	<hr/>	<hr/>
Net cost	(250)	(181)
	<hr/>	<hr/>

#### **Analysis of amount recognised under other comprehensive income**

Return on plan assets	976	(294)
Experience losses arising on the defined benefit obligation	(312)	75
Effects of changes in demographic assumptions	370	(101)
Effects of changes in financial assumptions	(2,462)	219
	<hr/>	<hr/>
Net actuarial losses recognised under other comprehensive income	(1,428)	(101)
	<hr/>	<hr/>

#### *Reconciliation of change in assets and liabilities*

<b>Change in defined benefit obligation:</b>		
Defined benefit obligation brought forward	16,476	16,417
Movement in the year:		
Expenses	66	-
Interest cost	712	696
Experience losses arising on the defined benefit obligation	(312)	75
Effects of changes in demographic assumptions	370	(101)
Effects of changes in financial assumptions	(2,462)	219
Actual benefits paid	(640)	(444)
	<hr/>	<hr/>
Defined benefit obligation at end of year	19,018	16,476
	<hr/>	<hr/>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 18. Pension scheme (continued)

	2015 £'000	2014 £'000
<b>Change in plan assets:</b>		
Fair value of plan assets brought forward	12,137	12,014
Movement in year:		
Interest income	528	515
Return on plan assets	976	(294)
Actual employer contributions	375	346
Actual benefits paid	(640)	(444)
	<hr/>	<hr/>
Fair value of plan assets at end of year	13,358	12,137
	<hr/>	<hr/>
<b>Funded status – Financial position</b>		
Net pension liability	(5,660)	(4,339)
	<hr/>	<hr/>

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

	Rate of return expected at 30 April 2015	Value at 30 April 2015 £'000	Rate of return expected at 30 April 2014	Value at 30 April 2014 £'000
UK Equities	4.4%	3,546	4.3%	2,437
Overseas equities	4.4%	5,321	4.3%	3,540
Bonds	4.4%	4,443	4.3%	6,021
Others	4.4%	48	4.3%	139
		<hr/>		<hr/>
Total market value of scheme assets		13,358		12,137
Present value of the scheme's liabilities (provided by the actuary)		(19,018)		(16,476)
		<hr/>		<hr/>
Net pension liability (funded)		5,660		(4,339)
		<hr/>		<hr/>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 18. Pension scheme (continued)

The history of experience adjustments is as follows:

	Value at 30 April 2015 £'000	Value at 30 April 2014 £'000
<b>Experience gains / (losses) on scheme assets</b>		
Amount (£)	976	(294)
Percentage of scheme assets	7.3%	2.4%
<b>Experience gains / (losses) on scheme liabilities*</b>		
Amount (£)	312	(75)
Percentage of the present value of scheme liabilities	1.6%	0.5%

\* 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 2014 and 30 April 2015	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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 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 £110.59 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 £144 being amortised over ten years. In 2014 this has been time apportioned and £15 is included in the charge to administration expenses as noted above.

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

	<b>Unapproved plan Issued 2012 Employees</b>
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 2015 have an exercise price of £110.59 per share and a weighted average remaining contractual life of 8.42 years.

<b>21. Cash generated from operations</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Profit before taxation	4,885	4,312
Add back non-operating items:		
Financial income	(528)	(515)
Financial expense	2,083	2,033
Loss on disposal of property, plant and equipment	2	-
Adjustments for:		
Pension movement (cost, less contributions)	(291)	(346)
Depreciation	606	539
Other non-cash items	110	120
(Increase) / decrease in inventories	(526)	632
Decrease / (increase) in receivables	725	(1,910)
(Decrease) / increase in payables	(23)	1,141
	<hr/>	<hr/>
Cash generated from operations	7,043	6,006
	<hr/>	<hr/>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

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#### 22. Business combinations

##### Acquisition of Stowlin Limited

On 15 December 2014, the group acquired 100% of the issued ordinary share capital of Stowlin Limited and its subsidiaries for a total consideration of £2.2million. The acquisition was settled by a cash consideration.

Recognised amounts of identifiable assets acquired and liabilities assumed	£'000
Property, plant and equipment	295
Investments	15
Inventories	288
Trade and other receivables	913
Cash and cash equivalents	559
Trade and other payables	(1,020)
	<hr/>
Total identifiable net assets	1,050
Goodwill arising on consolidation	1,149
	<hr/>
Total consideration	2,199
	<hr/> <hr/>

##### Other acquisitions

During the year under review, the group acquired 74.15% of the share capital of Surfachem Brasil Ltda, a company registered in Brazil, and 51% of the share capital of Xinglong Banner (Shougaung) Chemicals Co. Limited, a company registered in China, for a combined cash consideration of £51k.

##### Reconciliation of amounts paid in business combinations net of cash:

	2015 £'000	2014 £'000
Amounts paid on acquisition:		
Stowlin Limited	2,199	-
Other acquisitions	51	103
Packed Chlorine business	-	5,000
	<hr/>	<hr/>
Total paid	2,250	5,103
Cash and cash equivalents	(559)	-
	<hr/>	<hr/>
	1,691	5,103
	<hr/> <hr/>	<hr/> <hr/>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 23. Cash and cash equivalents

	2015 £'000	2014 £'000
Cash at bank and in hand	2,196	1,853
Bank overdrafts / funding	(15,456)	(15,100)
	<hr/>	<hr/>
Cash and cash equivalents in the cash flow statement	(13,260)	(13,247)
	<hr/>	<hr/>

#### 24. Operating leases

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

	2015 £'000	2014 £'000
Within one year	795	749
Between one and five years	1,206	767
In more than five years	32	-
	<hr/>	<hr/>
	2,033	1,516
	<hr/>	<hr/>

#### 25. Guarantees and other financial commitments

- At 30 April 2015 the group had no capital commitments.
- 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.
- 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.
- 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 £136k (2014: £180k) 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.

## **2M GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015**

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#### **28. Subsequent events**

Subsequent to the year-end, the Group acquired the remaining issued share capital of Surfachem Brasil Ltda for a cash consideration of R\$1.

Subsequent to the year-end, the Group has negotiated a reduction in the deferred consideration from a prior year acquisition in the amount of £490k as the asset base received did not reflect the original contract values.



## 2M GROUP LIMITED

### COMPANY BALANCE SHEET AS AT 30 APRIL 2015

	Notes	30 April 2015 £'000	30 April 2014 £'000
<b>Fixed assets</b>			
Investments	4	29,267	29,267
<b>Current assets</b>			
Debtors	5	227	314
Cash at bank and in hand		15	-
		<u>242</u>	<u>314</u>
<b>Creditors: amounts falling due within one year</b>	6	(4,284)	(3,120)
		<u></u>	<u></u>
<b>Net current liabilities</b>		(4,042)	(2,806)
		<u></u>	<u></u>
<b>Total assets less current liabilities</b>		25,225	26,461
<b>Creditors: Amounts falling due after one year</b>	7	(500)	(1,500)
		<u></u>	<u></u>
<b>Net Assets</b>		<u>24,725</u>	<u>24,961</u>
<b>Capital and reserves</b>			
Called up share capital	8	133	133
Share premium	8	164	164
Option reserve	10	37	23
Merger reserve	10	14,370	14,370
Profit and loss account	10	10,021	10,271
		<u></u>	<u></u>
<b>Shareholders' funds - equity</b>	11	<u>24,725</u>	<u>24,961</u>

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2015.



**M Kessler**  
Director



**C Boyle**  
Director

Company Registration No. 07904022

## **2M GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015**

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#### **1. Accounting policies**

The 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 financial statements have been prepared under the historical cost convention.

##### **1.2 Compliance with accounting standards**

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated) .

##### **1.3 Turnover**

Turnover represents management fees, intergroup interest and intercompany dividends.

##### **1.4 Investments**

Investments are stated at cost less any provision for impairment.

##### **1.5 Deferred Tax**

Deferred tax 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.

##### **1.6 Share based payment transactions**

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.

#### **2. Profit attributable to members of the parent company**

The company has taken advantage of the exemption under Section 480 of the Companies Act 2006 in not presenting its own profit and loss account. The loss after taxation amounted to £120k (2014: £158k) for the year ended 30 April 2015.

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 3. Taxation

	2015 £'000	2014 £'000
<b>UK corporation tax</b>		
Current year tax credit	-	(45)
	<u>          </u>	<u>          </u>
<b>Tax credit on profit on ordinary activities</b>	-	(45)
	<u>          </u>	<u>          </u>
<b>Factors affecting the tax charge for the year</b>		
Loss on ordinary activities before taxation	(120)	(202)
	<u>          </u>	<u>          </u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporate tax of 21% (2014: 23%)	(25)	(46)
<b>Effects of:</b>		
Non-deductible items	-	1
Tax losses	25	-
	<u>          </u>	<u>          </u>
Current tax credit	-	(45)
	<u>          </u>	<u>          </u>

#### 4. Fixed asset investments

	Shares in subsidiary undertakings £'000
<b>Cost</b>	
At 30 April 2014 and 30 April 2015	29,267
	<u>          </u>

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 4. Fixed asset investments (continued)

The group's principal subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2015 were as follows:

Subsidiary undertakings	Activities	Ownership (ordinary shares & voting rights) 2015
<b>Held directly:</b>		
2M Holdings Limited	Holding company	100%
<b>Held indirectly:</b>		
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%
K M Z Chemicals Limited	Distribution of chemical industry products	100%
Banner Chemicals Benelux NV	Distribution of chemical industry products	65%
Xinlong Banner (Shougaung) Chemicals Co. Limited	Distribution of chemical industry products	51%
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	74%

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

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#### 4. Fixed asset investments (continued)

The group's dormant subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2015 were as follows:

Subsidiary undertakings	Activities	Ownership (ordinary shares & voting rights) 2015
<b>Held indirectly:</b>		
2M London Limited	Dormant	100%
SB Dormantco One Limited	Dormant	100%
SB Dormantco Three Limited	Dormant	100%
Samuel Banner Polymers 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 companies Xinlong Banner (Shougaung) Chemicals Co. Limited and Samplerite Qingdao Limited, are incorporated in the People's Republic of China and have a reporting date of 31 December. The subsidiaries prepare 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 5. Debtors

	30 April 2015 £'000	30 April 2014 £'000
Due from subsidiary undertakings	219	261
Corporation tax repayable	8	53
	<u>227</u>	<u>314</u>
	=====	=====

#### 6. Creditors: Amounts falling due within one year

	30 April 2015 £'000	30 April 2014 £'000
Accruals	29	26
Due to subsidiary undertakings	3,255	2,094
4.5% secured loan notes	1,000	1,000
	<u>4,284</u>	<u>3,120</u>
	=====	=====

#### 7. Creditors: Amounts due after one year

	30 April 2015 £'000	30 April 2014 £'000
<b>Loan notes (secured)</b>		
4.5% secured loan notes	1,500	2,500
Due within 1 year	(1,000)	(1,000)
	<u>500</u>	<u>1,500</u>
	=====	=====
Due between 1 and 2 years	500	1,000
Due between 2 and 5 years	-	500
	<u>500</u>	<u>1,500</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 2015 an amount of £1,500k (2014: £2,500k) remains outstanding on these loan notes.

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 8. Share capital

	Number of shares	Share Capital £'000	Share premium £'000	Total £'000
Ordinary A shares	130,000	130	-	130
Ordinary B shares	1,490	2	164	166
Ordinary C shares	130,000	1	-	1
At 30 April 2015	261,490	133	164	297

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

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

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

#### 9. Share based payment transactions

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

Under the Unapproved Plan, options are granted to employees and directors to acquire Ordinary B shares at a price of £110.59 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 £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.

## 2M GROUP LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015

#### 9. Share based payment transactions (continued)

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

	<b>Unapproved plan Issued 2013 Employees</b>
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 2015 have an exercise price of £110.59 per share and a weighted average remaining contractual life of 8.42 years.

#### 10. Statement of movement on reserves

	<b>Merger Reserve £'000</b>	<b>Options Reserve £'000</b>	<b>Profit and loss Account £'000</b>
At 30 April 2014			
Issue of shares	14,370	23	10,271
Share based payment charge	-	14	-
Retained loss for the year	-	-	(120)
Dividends paid	-	-	(130)
	<hr/>	<hr/>	<hr/>
At 30 April 2015	14,370	37	10,021
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 11. Reconciliation of movement of shareholders' funds

	<b>30 April 2015 £'000</b>	<b>30 April 2014 £'000</b>
Share based payment charge	14	15
(Loss) / Profit for the year	(120)	(158)
Dividends	(130)	(100)
	<hr/>	<hr/>
Net addition to shareholders' fund	(236)	(243)
Opening shareholders' funds	24,961	25,204
	<hr/>	<hr/>
At 30 April 2014	24,725	24,961
	<hr/> <hr/>	<hr/> <hr/>



## **2M GROUP LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2015**

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#### **12. Control**

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

#### **13. Guarantees and other financial commitments**

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

#### **14. Related party transactions**

The company has taken advantage of the exemption available in accordance with FRS 8 'Related party transactions' not to disclose transactions entered with wholly owned group companies on the ground that consolidated financial statements are prepared for the group.