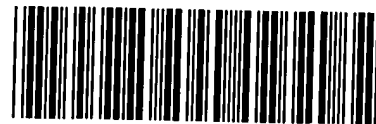


Company Registration No. 07904022

**2M GROUP LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 APRIL 2018**

FRIDAY



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28/09/2018  
COMPANIES HOUSE

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## **2M GROUP LIMITED**

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

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**Directors**  
M Kessler MBE  
C R Boyle  
R J A Smith  
D R J Dalton  
G Maller (appointed 1 August 2018)

**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 2018**

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The directors present their annual report and the audited financial statements of the Group and of the Company for the year ended 30 April 2018.

#### **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 Benelux, Nordic, Germany, 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, the Group acquired the entire share capital of Franken-Kosmetik-Chemiehandel GmbH & Co KG – a German based distributor of specialty chemicals. This further strengthens our presence on a pan-European basis. In terms of product portfolio, the business is significantly aligned with the Surfachem Group.

The Group continues to invest in its key asset – its people. We continue to support employees at all levels within the business, to reach their potential via focussed coaching and training programmes. The 2M Academy has successfully completed its inaugural year, and we will continue to develop talented individuals within our business via this programme.

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

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

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

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

The global macroeconomic climate remains uncertain. In particular, the current negotiations surrounding the UK's exit from the European Union dominate this arena.

Volatility in raw material prices continues – partly driven by exchange rate movements, and partly due to plant outages / declarations of force majeure from a number of leading manufacturers. These fluctuations offer both opportunities and issues.

#### **The group's position at the end of the year**

The Group saw a small improvement in its Cash position. The overall movement in Cash & Cash Equivalents was £726k (2017: (£335k)) leaving us with a closing Cash & Cash Equivalent position of (£10,352k).

Cash Generation from Operations returned £4,660k (2017: £5,020k). Working Capital – with strong sales throughout the year – saw Receivables increase beyond the 2017 levels.

## 2M GROUP LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 30 APRIL 2018

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This should be considered against the aggressive debt amortisation profile and the willingness of the business to continue to grow through acquisition.

The business increased its term borrowings with its funding partner, Investec, by a net £4,000k during the year, comprising £6,000k of new facilities, offset by the amortisation profile of £2,000k.

The transfer of net profits to Retained Earnings, saw our Net Assets increase to £30,297k (2017: £28,106k).

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, reported turnover increased to £128,860k (2017: £107,694k) – in particular, we continue to drive Export volumes in support of our key supply partners. However, continued expansion within our Adblue business – including the move into “retail” packs – has driven domestic turnover higher. General increases in chemical component pricing has also assisted turnover growth.

Gross Profit, a key performance indicator within our business, is reported at £36,974k (2017: £33,335k), reflecting both the increased turnover and the competitive nature of the business landscape.

Distribution Costs, reflecting the increased levels of activity within the business, have increased to £10,552k (2017: £8,838k).

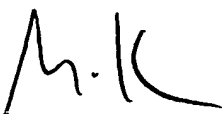
Administrative Expenses have risen over prior year, albeit the fixed cost nature of many elements of this expenditure ensure that the increase is below that of the increase in activity.

The impact of all of the above has seen an increase in Operating Profit of 7% to £6,282k (2017: £5,875k).

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

|                          | Year Ended<br>30 April 2018<br>£k | Year Ended<br>30 April 2017<br>£k |
|--------------------------|-----------------------------------|-----------------------------------|
| Operating EBITDA         | 7,209                             | 6,691                             |
| Adjustments              | 400                               | 600                               |
| Revised Operating EBITDA | 7,609                             | 7,291                             |

By order of the Board

  
**M Kessler MBE**  
Director

21 September 2018

## **2M GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2018**

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#### **Results and dividends**

The consolidated results for the year are set out on page 9.

An interim ordinary dividend was paid to shareholders amounting to £900k (2017: £600k). The directors do not recommend the payment of a final dividend.

#### **Directors**

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

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

Following the year end, G Maller was appointed as a director on 1 August 2018.

#### **Use of financial instruments**

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

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

#### **Research and Development**

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

#### **Employment policy**

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

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

#### **Auditors**

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

## **2M GROUP LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 APRIL 2018**

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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.

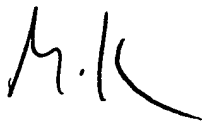
The directors confirm that the financial statements comply with the above requirements.

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 auditors**

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

By order of the Board



**M Kessler MBE**  
Director

21 September 2018

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

### **Opinion**

We have audited the group and parent company financial statements of 2M Group Limited for the year ended 30 April 2018 which comprise of the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards, as adopted in the European Union (IFRS). The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland".

In our opinion, 2M Group Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and company's affairs as at 30 April 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted in the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's and group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



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

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### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

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

### **Responsibilities of directors**

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

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

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

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**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

**Use of our report**

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



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

Chartered Accountants  
Statutory Auditor

**21** September 2018

Quadrant House  
4 Thomas More Square  
London E1W 1YW

## 2M GROUP LIMITED

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 APRIL 2018

|   | Notes | 2018<br>£'000  | 2017<br>£'000 |
|---|-------|----------------|---------------|
| Revenue   | 3     | 128,860        | 107,694       |
| Cost of sales   |       | (91,886)       | (74,359)      |
| <b>Gross profit</b>                                       |       | <b>36,974</b>  | <b>33,335</b> |
| Distribution costs  |       | (10,552)       | (8,838)       |
| Administrative expenses                                   |       | (20,140)       | (18,622)      |
| <b>Operating profit</b>                                   | 4     | <b>6,282</b>   | <b>5,875</b>  |
| Finance costs   | 5     | (1,086)        | (1,064)       |
| Finance income  | 6     | 2              | 2             |
| <b>Profit before taxation</b>                             |       | <b>5,198</b>   | <b>4,813</b>  |
| Taxation  | 7     | (979)          | (993)         |
| <b>Profit for the year</b>                                |       | <b>4,219</b>   | <b>3,820</b>  |
| <b>Other comprehensive income:</b>                        |       |                |               |
| Actuarial losses on defined benefit scheme                | 17    | (1,118)        | (293)         |
| Deferred tax associated with defined benefit scheme       |       | -              | (40)          |
| Currency translation differences                          |       | 4              | (56)          |
| <b>Other comprehensive income for the year net of tax</b> |       | <b>(1,114)</b> | <b>(389)</b>  |
| <b>Total comprehensive income for the year</b>            |       | <b>3,105</b>   | <b>3,431</b>  |

**2M GROUP LIMITED****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)**  
**FOR THE YEAR ENDED 30 APRIL 2018**

|  | <b>2018</b><br><b>£'000</b> | <b>2017</b><br><b>£'000</b> |
|--|-----------------------------|-----------------------------|
| <b>Profit attributable to:</b>                     |                             |                             |
| Equity holders of the parent company               | 4,228                       | 3,909                       |
| Non-controlling interests                          | (9)                         | (89)                        |
|  | <hr/>                       | <hr/>                       |
|  | 4,219                       | 3,820                       |
|  | <hr/> <hr/>                 | <hr/> <hr/>                 |
| <b>Total comprehensive income attributable to:</b> |                             |                             |
| Equity holders of the parent company               | 3,095                       | 3,538                       |
| Non-controlling interests                          | 10                          | (107)                       |
|  | <hr/>                       | <hr/>                       |
|  | 3,105                       | 3,431                       |
|  | <hr/> <hr/>                 | <hr/> <hr/>                 |

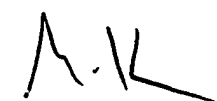
**2M GROUP LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 APRIL 2018**

|                                      | Notes | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------------|-------|---------------|---------------|
| <b>Assets</b>                        |       |               |               |
| <b>Non-current assets</b>            |       |               |               |
| Intangible assets                    | 10    | 34,676        | 32,489        |
| Property, plant and equipment        | 11    | 8,245         | 7,628         |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total non-current assets</b>      |       | 42,921        | 40,117        |
|                                      |       | <hr/>         | <hr/>         |
| <b>Current assets</b>                |       |               |               |
| Inventories                          | 12    | 9,379         | 9,264         |
| Trade and other receivables          | 13    | 25,864        | 24,048        |
| Prepayments and accrued income       |       | 1,186         | 807           |
| Cash and cash equivalents            | 22    | 3,890         | 4,722         |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total current assets</b>          |       | 40,319        | 38,841        |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total Assets</b>                  |       | 83,240        | 78,958        |
|                                      |       | <hr/>         | <hr/>         |
| <b>Liabilities</b>                   |       |               |               |
| <b>Current liabilities</b>           |       |               |               |
| Bank borrowings and overdrafts       | 15    | 16,244        | 17,800        |
| Net obligations under finance leases | 15    | 16            | 36            |
| Deferred consideration               | 15    | -             | 1,300         |
| Trade and other payables             | 14    | 22,676        | 22,481        |
| Current tax liabilities              |       | 424           | 591           |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total current liabilities</b>     |       | 39,360        | 42,208        |
|                                      |       | <hr/>         | <hr/>         |
| <b>Non-current liabilities</b>       |       |               |               |
| Bank borrowings and overdrafts       | 15    | 6,498         | 2,500         |
| Net obligations under finance leases | 15    | -             | 20            |
| Deferred tax liability               | 16    | 129           | 5             |
| Employee benefit liability           | 17    | 6,956         | 6,119         |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total non-current liabilities</b> |       | 13,583        | 8,644         |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total Liabilities</b>             |       | 52,943        | 50,852        |
|                                      |       | <hr/>         | <hr/>         |
| <b>Total Net Assets</b>              |       | 30,297        | 28,106        |
|                                      |       | <hr/> <hr/>   | <hr/> <hr/>   |

**2M GROUP LIMITED****CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**  
**AS AT 30 APRIL 2018**

|  | Notes | 2018<br>£'000 | 2017<br>£'000 |
|--|-------|---------------|---------------|
| <b>Equity</b>  |       |               |               |
| Share capital  | 18    | 133           | 133           |
| Share premium  | 18    | 165           | 165           |
| Capital restructuring reserve  |       | 14,370        | 14,370        |
| Options reserves   |       | 81            | 66            |
| Currency translation reserve   |       | (23)          | (8)           |
| Retained earnings  |       | 15,908        | 13,698        |
| <b>Equity attributable to equity<br/>holders of the parent company</b> |       | <b>30,634</b> | <b>28,424</b> |
| Minority interest in equity  |       | (337)         | (318)         |
|  |       | <b>30,297</b> | <b>28,106</b> |

The financial statements were approved by the Board of Directors and authorised for issue on  
21 September 2018.



**M Kessler MBE**  
Director



**C Boyle**  
Director

Company Registration No. 07904022

**2M GROUP LIMITED**
**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 APRIL 2018**

|   | Notes | 2018<br>£'000 | 2017<br>£'000 |
|---|-------|---------------|---------------|
| <b>Cash flows from operating activities</b>                       |       |               |               |
| Cash generated from operations                                    | 20    | 4,660         | 5,020         |
| Financial expenses  |       | (925)         | (667)         |
| Income taxes paid   |       | (1,022)       | (979)         |
|   |       | <hr/>         | <hr/>         |
| <b>Net cash generated by operating activities</b>                 |       | 2,713         | 3,374         |
|   |       | <hr/>         | <hr/>         |
| <b>Cash flows from investing activities</b>                       |       |               |               |
| Payments for property, plant and equipment                        |       | (3,747)       | (1,023)       |
| Business combinations, net of cash received                       | 21    | -             | (681)         |
| Financial income  |       | 2             | 2             |
|   |       | <hr/>         | <hr/>         |
| <b>Net cash used in investing activities</b>                      |       | (3,745)       | (1,702)       |
|   |       | <hr/>         | <hr/>         |
| <b>Cash flows from financing activities</b>                       |       |               |               |
| Repayments of loans and other obligations                         |       | (3,302)       | (5,370)       |
| Proceeds from new loans   |       | 6,000         | 4,000         |
| Repayment of finance leases                                       |       | (40)          | (37)          |
| Dividends paid to company's shareholders                          |       | (900)         | (600)         |
|   |       | <hr/>         | <hr/>         |
| <b>Net cash from/(used in) financing activities</b>               |       | 1,758         | (2,007)       |
|   |       | <hr/>         | <hr/>         |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |       | 726           | (335)         |
| Cash and cash equivalents at the beginning of the financial year  |       | (11,078)      | (10,743)      |
|   |       | <hr/>         | <hr/>         |
| <b>Cash and cash equivalents at the end of the financial year</b> | 22    | (10,352)      | (11,078)      |
|   |       | <hr/> <hr/>   | <hr/> <hr/>   |

**2M GROUP LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2018**

|  | Share<br>Capital<br>£'000 | Share<br>Premium<br>£'000 | Restruc-<br>turing<br>Reserve<br>£'000 | Options<br>Reserve<br>£'000 | Currency<br>Reserve<br>£'000 | Retained<br>Earnings<br>£'000 | Total<br>£'000 | Non-<br>Controlling<br>Interests<br>£'000 | Total<br>Equity<br>£'000 |
|--|---------------------------|---------------------------|--|-----------------------------|------------------------------|-------------------------------|----------------|---|--------------------------|
| At 1 May 2016                                    | 133                       | 165                       | 14,370                                 | 52                          | 30                           | 10,722                        | 25,472         | (217)                                     | 25,255                   |
| Share based payments                             | -                         | -                         | -                                      | 14                          | -                            | -                             | 14             | -   | 14                       |
| Total comprehensive income<br>for the year       | -                         | -                         | -                                      | -                           | (38)                         | 3,576                         | 3,538          | (107)                                     | 3,431                    |
| Dividend paid                                    | -                         | -                         | -                                      | -                           | -                            | (600)                         | (600)          | -   | (600)                    |
| Non-controlling interest<br>in subsidiary equity | -                         | -                         | -                                      | -                           | -                            | -                             | -              | 6   | 6                        |
| At 30 April 2017                                 | 133                       | 165                       | 14,370                                 | 66                          | (8)                          | 13,698                        | 28,424         | (318)                                     | 28,106                   |
| Share based payments                             | -                         | -                         | -                                      | 15                          | -                            | -                             | 15             | -   | 15                       |
| Total comprehensive income<br>for the year       | -                         | -                         | -                                      | -                           | (15)                         | 3,110                         | 3,095          | 10  | 3,105                    |
| Dividend paid                                    | -                         | -                         | -                                      | -                           | -                            | (900)                         | (900)          | -   | (900)                    |
| Non-controlling interest<br>in subsidiary equity | -                         | -                         | -                                      | -                           | -                            | -                             | -              | (29)                                      | (29)                     |
| At 30 April 2018                                 | 133                       | 165                       | 14,370                                 | 81                          | (23)                         | 15,908                        | 30,634         | (337)                                     | 30,297                   |



## **2M GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018**

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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 2018 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 2018. 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 ("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 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 2018

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#### 1.5 Intangible fixed assets

##### *Goodwill*

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

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

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

##### *Patents*

Patents are valued at cost, less provision for impairment.

Amounts received on the sub-licencing of patents is shown as deferred income and is released to profit and loss account over the period of the licencing agreement.

##### *Licences*

Licences are initially measured at cost and subsequently measure at cost or valuation, net of amortisation and any impairment losses.

Amortisation is recognised over the remaining term of the licence agreements.

#### 1.6 Investments

Investments are stated at cost less any provision for impairment.

#### 1.7 Property, plant and equipment

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

|                       |               |
|-----------------------|---------------|
| Freehold buildings    | 50 years      |
| Plant and equipment   | 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.

## **2M GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018**

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#### **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.

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.

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1.12 Taxation (continued)

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

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

#### 1.13 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 in issue but not yet effective at the date of authorisation of these financial statements and have not yet been adopted by the group:

|  | <i>Effective date</i> |
|--|-----------------------|
| IFRS 9 Financial Instruments: Classification and Measurement | 1 January 2018        |
| IFRS 15 Revenue from Contracts with Customers                | 1 January 2018        |
| IFRS 16 Leases   | 1 January 2019        |

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. The group has not yet assessed the financial impact of adopting IFRS 16 for the financial year ending 30 April 2020.

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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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 1.5 above and goodwill in note 10 below). This determination requires significant judgment. In making this judgment, the group estimates the recoverable amount of the cash generating units to which goodwill has been allocated based on value-in-use calculations. The value-in-use calculations require the entity to estimate the future cash flows expected to arise from the cash generating units and a suitable discount rate in order to calculate present value. For the purpose of impairment testing, goodwill has been allocated to the company's subsidiaries.

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

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

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

##### 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 17. 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 19.

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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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   | 2018<br>£’000 | 2017<br>£’000 |
| United Kingdom and Eire | 98,954        | 89,682        |
| Europe                  | 18,380        | 8,565         |
| Americas                | 3,449         | 2,631         |
| Australasia             | 162           | 59            |
| Africa                  | 1,578         | 1,352         |
| Middle East             | 1,087         | 1,015         |
| Asia                    | 4,872         | 3,648         |
| Other                   | 378           | 742           |
|                         | <hr/>         | <hr/>         |
|                         | 128,860       | 107,694       |
|                         | =====         | =====         |

Revenues from the top 20 customers of the group’s Storage, Blending and Distribution of Chemical Products segment represent approximately 20% (2017: 19%) of the group’s total revenues.

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 4. Operating profit

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| The operating profit for the year is stated after charging/(crediting):                              |               |               |
| Depreciation on property, plant and equipment  | 927           | 816           |
| Amounts paid in respect of operating leases for plant and machinery                                  | 905           | 976           |
| (Profit)/loss on foreign currency  | (155)         | 112           |
| Auditors' remuneration (see below)   | 120           | 112           |
|  | =====         | =====         |
| <b>Audit services</b>  |               |               |
| Fees payable to the company's auditors for the audit of the parent company and consolidated accounts | 20            | 13            |
| Fees payable to the company's auditors for the audit of the company's subsidiaries                   | 100           | 99            |
| <i>Other services</i>  |               |               |
| Other services relating to taxation  | 17            | 17            |
| Other advisory services  | 24            | 25            |
|  | =====         | =====         |

#### 5. Finance costs

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Bank interest expense                  | 923           | 754           |
| Other interest                         | 2             | 81            |
| Finance lease charges                  | 2             | 2             |
| Interest on loan notes                 | -             | 23            |
| Interest on pension scheme liabilities | 159           | 204           |
|  | =====         | =====         |
|  | 1,086         | 1,064         |
|  | =====         | =====         |

#### 6. Finance income

|                      | 2018<br>£'000 | 2017<br>£'000 |
|----------------------|---------------|---------------|
| Bank interest income | 2             | 2             |
|                      | =====         | =====         |

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 7. Taxation

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| UK corporation tax on profits for the year at 19% (2017: 20%)  | 887           | 943           |
| Adjustments in respect of prior periods  | (32)          | (61)          |
|  | 855           | 882           |
| Deferred tax charge: origination and reversal of temporary timing differences                          | 124           | 111           |
| Total tax expense in the income statement  | 979           | 993           |
| <b>Factors affecting the tax charge for the year:</b>  |               |               |
| Profit on ordinary activities before tax   | 5,198         | 4,813         |
| Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 19% (2017: 20%) | 988           | 963           |
| <i>Effects of:</i>   |               |               |
| Non-deductible expenses  | 18            | 61            |
| Depreciation on non-qualifying assets  | 15            | 24            |
| Tax rate difference  | (15)          | 1             |
| Prior year adjustments   | (31)          | (61)          |
| Other adjustments  | 4             | 5             |
|  | (9)           | 30            |
| Total tax charge   | 979           | 993           |

Deferred taxation balances are analysed in note 16 below.



## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 8. Staff numbers and costs

|  | 2018<br>Number        | 2017<br>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  | 292<br>=====          | 258<br>=====          |
| Staff costs including directors:   | <b>2018<br/>£'000</b> | <b>2017<br/>£'000</b> |
| Wages and salaries   | 9,853                 | 8,758                 |
| Social security costs  | 946                   | 916                   |
| Other pension costs:   |                       |                       |
| Contributions to defined contribution schemes  | 441                   | 355                   |
| Contributions to defined benefit schemes   | 440                   | 426                   |
| Costs of share option scheme   | 7                     | 14                    |
|  | -----                 | -----                 |
|  | 11,687<br>=====       | 10,469<br>=====       |

#### 9. Directors' emoluments

|                                     | 2018<br>£'000 | 2017<br>£'000 |
|-------------------------------------|---------------|---------------|
| Emoluments for qualifying services: |               |               |
| Aggregate directors' emoluments     | 572           | 467           |
| Pension contributions               | 37            | 57            |
|                                     | -----         | -----         |
|                                     | 609<br>=====  | 524<br>=====  |

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 (2017: 4).

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 10. Intangible non-current assets

| Group                           | Licences and<br>Patents<br>£'000 | Goodwill<br>£'000 | Total<br>£'000 |
|---------------------------------|----------------------------------|-------------------|----------------|
| At 1 May 2016                   | 1                                | 31,928            | 31,929         |
| Additions in the year (note 21) | -                                | 560               | 560            |
|                                 | =====                            | =====             | =====          |
| At 30 April 2017                | 1                                | 32,488            | 32,489         |
|                                 | =====                            | =====             | =====          |
| Additions in the year (note 21) | 81                               | 2,306             | 2,387          |
| Reduction in year (note 21)     | -                                | (200)             | (200)          |
|                                 | =====                            | =====             | =====          |
| At 30 April 2018                | 82                               | 34,594            | 34,676         |
|                                 | =====                            | =====             | =====          |

Goodwill represents the goodwill arising on various acquisitions.

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 12.1%

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 2018

#### 11. Property, plant and equipment

|                          | Freehold<br>land and<br>buildings<br>£'000 | Plant and<br>equipment<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|--------------------------|--|---------------------------------|----------------------------|----------------|
| <b>Cost or valuation</b> |  |                                 |                            |                |
| At 1 May 2016            | 4,255                                      | 13,402                          | 301                        | 17,958         |
| Additions                | 22   | 1,001                           | -                          | 1,023          |
| Acquired with subsidiary | -  | 105                             | -                          | 105            |
| Exchange differences     | -  | (1)                             | -                          | (1)            |
| At 30 April 2017         | 4,277                                      | 14,507                          | 301                        | 19,085         |
| Additions                | -  | 1,214                           | 68                         | 1,282          |
| Acquired with subsidiary | -  | 275                             | -                          | 275            |
| Disposals                | -  | (6)                             | (28)                       | (34)           |
| At 30 April 2018         | 4,277                                      | 15,990                          | 341                        | 20,608         |
| <b>Depreciation</b>      |  |                                 |                            |                |
| At 1 May 2016            | 1,087                                      | 9,364                           | 190                        | 10,641         |
| Charge for the year      | 58   | 711                             | 47                         | 816            |
| At 30 April 2017         | 1,145                                      | 10,075                          | 237                        | 11,457         |
| Charge for the year      | 56   | 815                             | 56                         | 927            |
| Disposals                | -  | -                               | (21)                       | (21)           |
| At 30 April 2018         | 1,201                                      | 10,890                          | 272                        | 12,363         |
| <b>Net book value</b>    |  |                                 |                            |                |
| At 30 April 2018         | 3,076                                      | 5,100                           | 69                         | 8,245          |
| At 30 April 2017         | 3,132                                      | 4,432                           | 64                         | 7,628          |

Freehold land and buildings include non-depreciable land with a value of £1,338k (2017: £1,338k).

The directors have reviewed freehold land and buildings at 30 April 2018 for any indicators of impairment in their carrying value. The directors concluded that no impairment existed and that the carrying value of freehold land and buildings is approximate to the assets fair value.

**2M GROUP LIMITED****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018****12. Inventories**

|                  | <b>2018</b>  | <b>2017</b>  |
|------------------|--------------|--------------|
|                  | <b>£'000</b> | <b>£'000</b> |
| Goods for resale | 9,379        | 9,264        |
|                  | =====        | =====        |

**13. Trade and other receivables**

|                   | <b>2018</b>  | <b>2017</b>  |
|-------------------|--------------|--------------|
|                   | <b>£'000</b> | <b>£'000</b> |
| Trade receivables | 24,704       | 23,072       |
| Other receivables | 1,160        | 976          |
|                   | =====        | =====        |
|                   | 25,864       | 24,048       |
|                   | =====        | =====        |

Other receivables include an amount receivable from employees of £5k (2017: £5k) for the transfer of shares between employees during the year ended 30 April 2017.

**14. Trade and other payables**

|                              | <b>2018</b>  | <b>2017</b>  |
|------------------------------|--------------|--------------|
|                              | <b>£'000</b> | <b>£'000</b> |
| Trade payables               | 15,156       | 15,350       |
| Taxation and social security | 997          | 1,013        |
| Other payables               | 1,520        | 1,665        |
| Accruals and deferred income | 5,003        | 4,453        |
|                              | =====        | =====        |
|                              | 22,676       | 22,481       |
|                              | =====        | =====        |

As at 30 April 2018 other payables includes a director's loan of £Nil (2017: £605k). The loan was not subject to any interest charge and had no fixed repayment date.

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 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.

|  | 2018<br>£'000   | 2017<br>£'000   |
|--|-----------------|-----------------|
| <b>Current liabilities:</b>  |                 |                 |
| Bank facilities, loans and overdrafts (secured)                                | 16,244          | 17,800          |
| Deferred consideration   | -               | 1,300           |
| Net obligations under finance leases   | 16              | 36              |
| Director's loan  | -               | 650             |
|  | <hr/>           | <hr/>           |
|  | 16,260          | 19,786          |
|  | <hr/>           | <hr/>           |
| <b>Non current:</b>  |                 |                 |
| Bank facilities, loans and overdrafts (secured)                                | 6,498           | 2,500           |
| Net obligations under finance leases   | -               | 20              |
|  | <hr/>           | <hr/>           |
|  | 6,498           | 2,520           |
|  | <hr/>           | <hr/>           |
| <b>Total borrowings</b>  | <b>22,758</b>   | <b>22,306</b>   |
|  | <hr/>           | <hr/>           |
| <b>Borrowings are repayable as follows:</b>                                    |                 |                 |
| On demand or within one year   | 16,244          | 19,750          |
| Between one and two years  | 3,298           | 2,000           |
| Between two and five years   | 3,200           | 500             |
|  | <hr/>           | <hr/>           |
|  | 22,742          | 22,250          |
| <b>Less: Amount due within 12 months<br/>(shown under current liabilities)</b> | <b>(16,244)</b> | <b>(19,750)</b> |
|  | <hr/>           | <hr/>           |
|  | 6,498           | 2,500           |
|  | <hr/>           | <hr/>           |

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

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. At 30 April 2018 an amount of £Nil (2017: £1,300k) remained outstanding on the deferred consideration.

All of the group's funding is subject to a group guarantee (note 24).

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 15. Financial Instruments and Financial Risk Management (continued)

| Net obligations under finance leases                                | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Repayable within one year   | 20            | 38            |
| Repayable between one and five years                                | -             | 21            |
|   | <hr/>         | <hr/>         |
|   | 20            | 59            |
| Finance charges and interest allocated to future accounting periods | (4)           | (3)           |
|   | <hr/>         | <hr/>         |
|   | 16            | 56            |
| Less: Amount due within 12 months (shown under current liabilities) | (16)          | (36)          |
|   | <hr/>         | <hr/>         |
|   | -             | 20            |
|   | <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.

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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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 or 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 3.15% and 4.15% over LIBOR.

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 2018

#### 16. Deferred tax assets and liabilities

|  | Employee<br>benefits<br>£'000 | Excess<br>capital<br>allowances<br>£'000 | Other<br>timing<br>differences<br>£'000 | Total<br>£'000 |
|--|-------------------------------|--|---|----------------|
| As at 1 May 2017                       | (910)                         | 358                                      | 557                                     | 5              |
| Charge/(credit) to income<br>statement | -                             | 16                                       | 108                                     | 124            |
| As at 30 April 2018                    | (910)                         | 374                                      | 665                                     | 129            |
| Deferred tax asset                     | (910)                         | -  | -                                       | (910)          |
| Deferred tax liability                 | -                             | 374                                      | 665                                     | 1,039          |
| As at 30 April 2018                    | (910)                         | 374                                      | 665                                     | 129            |
| As at 1 May 2016                       | (951)                         | 413                                      | 391                                     | (147)          |
| Charge/(credit) to income<br>statement | 1                             | (55)                                     | 166                                     | 112            |
| Charge/(credit) to equity              | 40                            | -  | -                                       | 40             |
| As at 30 April 2017                    | (910)                         | 358                                      | 557                                     | 5              |
| Deferred tax asset                     | (910)                         | -  | -                                       | (910)          |
| Deferred tax liability                 | -                             | 358                                      | 557                                     | 915            |
| As at 30 April 2017                    | (910)                         | 358                                      | 557                                     | 5              |

Deferred tax is provided for at the future tax rate applying at the reporting date. At 30 April 2018 the future tax rate applying was 19%



## **2M GROUP LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018**

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#### **17. Pension liability**

##### **Defined Contribution Scheme**

The group operates a Defined Contribution Pension Scheme. During the year ended 30 April 2018 the pension cost charge to the income statement amounted to £441k (2017: £355k). 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 14 years and 8 months from 1 April 2017 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 2018. 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 £440k (2017: £426k).

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

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 17. Pension liability (continued)

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

|  | 2018<br>% | 2017<br>% |
|--|-----------|-----------|
| Discount rate                                  | 2.8       | 2.7       |
| Inflation rate                                 | 3.1       | 3.3       |
| Increase to pensions                           | 3.1       | 3.3       |
| Expected overall rate of return on plan assets | 2.8       | 2.7       |

The expected rate of return on plan assets was determined, based on the discount rate for the year ended 30 April 2018, in line with IAS 19.

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

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| <b>Analysis of amount reported in financial income and expense</b> |               |               |
| Expenses   | (42)          | (44)          |
| Expected return on pension scheme assets                           | 349           | 427           |
| Interest cost  | (508)         | (631)         |
|  | <hr/>         | <hr/>         |
| Net cost   | (201)         | (248)         |
|  | <hr/>         | <hr/>         |

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

|  |         |         |
|--|---------|---------|
| Return on plan assets  | 381     | 1,880   |
| Experience losses arising on the defined benefit obligation      | (1,543) | 1       |
| Effects of changes in demographic assumptions                    | (372)   | 579     |
| Effects of changes in financial assumptions                      | 416     | (2,753) |
|  | <hr/>   | <hr/>   |
| Net actuarial losses recognised under other comprehensive income | (1,118) | (293)   |
|  | <hr/>   | <hr/>   |

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

##### **Change in defined benefit obligation:**

|   |         |        |
|---|---------|--------|
| Defined benefit obligation brought forward                  | 20,369  | 18,475 |
| Movement in the year:                                       |         |        |
| Expenses  | 42      | 44     |
| Interest cost   | 508     | 631    |
| Experience losses arising on the defined benefit obligation | 1,543   | (1)    |
| Effects of changes in demographic assumptions               | 372     | (579)  |
| Effects of changes in financial assumptions                 | (416)   | 2,753  |
| Actual benefits paid  | (3,128) | (954)  |
|   | <hr/>   | <hr/>  |
| Defined benefit obligation at end of year                   | 19,290  | 20,369 |
|   | <hr/>   | <hr/>  |

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 17. Pension scheme (continued)

|   | 2018<br>£'000                         | 2017<br>£'000                         |
|---|---------------------------------------|---------------------------------------|
| <b>Change in plan assets:</b>                                       |                                       |                                       |
| Fair value of plan assets brought forward                           | 14,250                                | 12,471                                |
| Movement in year:   |                                       |                                       |
| Interest income   | 349                                   | 427                                   |
| Return on plan assets   | 381                                   | 1,880                                 |
| Actual employer contributions                                       | 482                                   | 426                                   |
| Actual benefits paid  | (3,128)                               | (954)                                 |
|   | <hr/>                                 | <hr/>                                 |
| Fair value of plan assets at end of year                            | 12,334                                | 14,250                                |
|   | =====                                 | =====                                 |
| <b>Funded status – Financial position</b>                           |                                       |                                       |
| Net pension liability   | (6,956)                               | (6,119)                               |
|   | =====                                 | =====                                 |
| The assets in the pension scheme return were:                       |                                       |                                       |
|   | Value at<br>30 April<br>2018<br>£'000 | Value at<br>30 April<br>2017<br>£'000 |
| UK Equities   | 2,688                                 | 3,746                                 |
| Overseas equities   | 5,364                                 | 5,544                                 |
| Bonds   | 4,242                                 | 4,909                                 |
| Others  | 40                                    | 51                                    |
|   | <hr/>                                 | <hr/>                                 |
| Total market value of scheme assets                                 | 12,334                                | 14,250                                |
| Present value of the scheme's liabilities (provided by the actuary) | (19,290)                              | (20,369)                              |
|   | <hr/>                                 | <hr/>                                 |
| Net pension liability (funded)                                      | (6,956)                               | (6,119)                               |
|   | =====                                 | =====                                 |

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 17. Pension scheme (continued)

The history of experience adjustments is as follows:

|   | Value at<br>30 April<br>2018<br>£'000 | Value at<br>30 April<br>2017<br>£'000 |
|---|---------------------------------------|---------------------------------------|
| <b>Experience gains / (losses) on scheme assets</b>       |                                       |                                       |
| Amount (£)  | 381                                   | 1,880                                 |
| Percentage of scheme assets                               | 3.1%                                  | 13.2%                                 |
| <b>Experience gains / (losses) on scheme liabilities*</b> |                                       |                                       |
| Amount (£)  | (1,543)                               | (1)                                   |
| Percentage of the present<br>value of scheme liabilities  | 8%                                    | 0.0%                                  |

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

#### 18. Share capital

|                                    | Number<br>of shares | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Total<br>£'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 2017 and 30 April 2018 | 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 2018

#### 19. Cost of issuing share options

Included within administration expenses is a charge of £14k (2017: £14k) for share options. The share based payment charge represents the current year's allocation of the expense for relevant share options issued in 2012. The company has granted share options under an Unapproved Share Option Plan (the 'Unapproved Plan').

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

The Company granted 2,600 share options under the Unapproved Plan during 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<br>Issued 2012<br>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 2018 have an exercise price of £111.54 per share and a weighted average remaining contractual life of 7.42 years.

| 20. Cash generated from operations          | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| Profit before taxation                      | 5,198         | 4,813         |
| Add back non-operating items:               |               |               |
| Financial income                            | (2)           | (2)           |
| Financial expense                           | 1,086         | 1,064         |
| Adjustments for:                            |               |               |
| Pension movement (cost, less contributions) | (440)         | (382)         |
| Depreciation                                | 927           | 816           |
| Other non-cash items                        | 35            | (42)          |
| Increase in inventories                     | (115)         | (439)         |
| (Increase)/decrease in receivables          | (2,224)       | (3,675)       |
| Increase in payables                        | 195           | 2,867         |
| Cash generated from operations              | 4,660         | 5,020         |

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 21. Business combinations

During the year under review, the group acquired the ordinary share capital of Franken-Kosmetik-Chemiehandel GmbH & Co KG, a company incorporated and based in Germany, for a total cash consideration of £2,344k. Net assets on acquisition amounted to £47k resulting in goodwill on acquisition of £2,297k (note 10).

During the year under review, the group invested further in CE-O2 Trockeneis GmbH, a company incorporated and based in Germany, for a total cash consideration of £9k.

An alteration, during the year, in relation to a deferred payment in respect of a prior year acquisition, resulted in a reduction in consideration due and as a result, goodwill of £200k.

#### 22. Cash and cash equivalents

|  | 2018<br>£'000 | 2017<br>£'000 |
|--|---------------|---------------|
| Cash at bank and in hand                             | 3,890         | 4,722         |
| Bank overdrafts / short term funding                 | (14,242)      | (15,800)      |
|  | <hr/>         | <hr/>         |
| Cash and cash equivalents in the cash flow statement | (10,352)      | (11,078)      |
|  | =====         | =====         |

## 2M GROUP LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 23. Operating leases

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

|                            | 2018<br>£'000 | 2017<br>£'000 |
|----------------------------|---------------|---------------|
| Within one year            | 852           | 718           |
| Between one and five years | 1,040         | 824           |
| In more than five years    | 236           | 3             |
|                            | <hr/>         | <hr/>         |
|                            | 2,128         | 1,545         |
|                            | =====         | =====         |

#### 24. Guarantees and other financial commitments

- a) At 30 April 2018 the group had no capital commitments.
- b) The group has granted a composite guarantee and debenture to Investec Bank plc in respect of amounts due to the bank by 2M Group Limited and its subsidiaries.
- c) A subsidiary company, 2M Holdings Limited has issued guarantees to the Samuel Banner Pension Fund Limited as trustee of the Samuel Banner staff pension scheme. The guarantee states that 2M Holdings Limited is obliged to make payments to the Scheme up to a maximum amount of £4,500k.

#### 25. Control

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

#### 26. Related party transactions

Trade and other payables include an amount of £390k (2017: £390k) due to Metachem Industrial Comercial Ltda. Metachem Industrial Comercial Ltda is the non-controlling interest holder in the subsidiary company Surfachem Brasil Ltda. The loan is interest free, unsecured and has no fixed repayment terms.

#### 27. 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 2018**

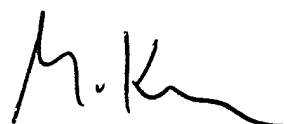


# 2M GROUP LIMITED


## COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 APRIL 2018

|   | Notes | 30 April<br>2018<br>£'000 | 30 April<br>2017<br>£'000 |
|---|-------|---------------------------|---------------------------|
| <b>Fixed assets</b>                                   |       |                           |                           |
| Investments   | 4     | 29,267                    | 29,267                    |
| <b>Current assets</b>                                 |       |                           |                           |
| Debtors   | 6     | 107                       | 100                       |
| Cash at bank and in hand                              |       | 2                         | 3                         |
|   |       | 109                       | 103                       |
| <b>Creditors: amounts falling due within one year</b> | 7     | (7,644)                   | (6,753)                   |
| <b>Net current liabilities</b>                        |       | (7,535)                   | (6,650)                   |
| <b>Total assets less current liabilities</b>          |       | 21,732                    | 22,617                    |
| <b>Net Assets</b>                                     |       | 21,732                    | 22,617                    |
| <b>Capital and reserves</b>                           |       |                           |                           |
| Share capital   | 8     | 133                       | 133                       |
| Share premium   | 8     | 164                       | 164                       |
| Option reserve  |       | 81                        | 66                        |
| Merger reserve  |       | 14,370                    | 14,370                    |
| Retained earnings                                     |       | 6,984                     | 7,884                     |
| <b>Shareholders' funds - equity</b>                   |       | 21,732                    | 22,617                    |

The financial statements were approved by the Board of Directors and authorised for issue on 21 September 2018.



**M Kessler MBE**  
Director



**C Boyle**  
Director

Company Registration No. 07904022

**2M GROUP LIMITED****COMPANY STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 APRIL 2018**

|   | Notes | 2018<br>£'000 | 2017<br>£'000 |
|---|-------|---------------|---------------|
| <b>Cash flows from operating activities</b>                       |       |               |               |
| Cash generated from operations                                    | 12    | 1,504         | 1,511         |
| Financial expenses  |       | -             | (23)          |
|   |       | <hr/>         | <hr/>         |
| <b>Net cash generated by operating activities</b>                 |       | 1,504         | 1,488         |
|   |       | <hr/>         | <hr/>         |
| <b>Cash flows from financing activities</b>                       |       |               |               |
| Repayments of loans and other obligations                         |       | (605)         | (945)         |
| Dividends paid to company's shareholders                          |       | (900)         | (600)         |
|   |       | <hr/>         | <hr/>         |
| <b>Net cash used in financing activities</b>                      |       | (1,505)       | (1,545)       |
|   |       | <hr/>         | <hr/>         |
| <b>Net (decrease) / increase in cash and cash equivalents</b>     |       | (1)           | (57)          |
| Cash and cash equivalents at the beginning of the financial year  |       | 3             | 60            |
|   |       | <hr/>         | <hr/>         |
| <b>Cash and cash equivalents at the end of the financial year</b> | 13    | 2             | 3             |
|   |       | =====         | =====         |

**2M GROUP LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2018**

|                                       | Share<br>Capital | Share<br>Premium | Merger<br>Reserve | Options<br>Reserve | Retained<br>earnings | Total<br>Equity<br>Interests |
|---------------------------------------|------------------|------------------|-------------------|--------------------|----------------------|------------------------------|
|                                       | £'000            | £'000            | £'000             | £'000              | £'000                | £'000                        |
| At 1 May 2017                         | 133              | 164              | 14,370            | 66                 | 7,884                | 22,617                       |
| Share based payments                  | -                | -                | -                 | 15                 | -                    | 15                           |
| Total comprehensive loss for the year | -                | -                | -                 | -                  | -                    | -                            |
| Dividend paid                         | -                | -                | -                 | -                  | (900)                | (900)                        |
| At 30 April 2018                      | 133              | 164              | 14,370            | 81                 | 6,984                | 21,732                       |
| At 1 May 2016                         | 133              | 164              | 14,370            | 52                 | 8,507                | 23,226                       |
| Share based payments                  | -                | -                | -                 | 14                 | -                    | 14                           |
| Total comprehensive loss for the year | -                | -                | -                 | -                  | (23)                 | (23)                         |
| Dividend paid                         | -                | -                | -                 | -                  | (600)                | (600)                        |
| At 30 April 2017                      | 133              | 164              | 14,370            | 66                 | 7,884                | 22,617                       |

## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies

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

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

##### 1.1 Accounting convention

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

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

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

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

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £62 (2017: £23k 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.

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

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**1. Accounting policies (continued)**

**1.3 Fixed asset investments (continued)**

***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.

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.

**NOTES TO THE COMPANY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 APRIL 2018**

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**1. Accounting policies (continued)**

**1.5 Financial instruments (continued)**

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.

**1.6 Equity instruments**

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

## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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#### 1. Accounting policies (continued)

##### 1.7 Retirement benefits

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

##### 1.8 Taxation

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

##### *Current Tax*

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

##### *Deferred Tax*

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

##### 1.9 Share based payment transactions

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

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

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

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

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

## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 2. Taxation

|   | 2018<br>£'000 | 2017<br>£'000 |
|---|---------------|---------------|
| <b>UK corporation tax</b>   |               |               |
| Current year tax credit   | -             | -             |
|   | =====         | =====         |
| <b>Tax credit on profit on ordinary activities</b>  | -             | -             |
|   | =====         | =====         |
| <b>Factors affecting the tax charge for the year:</b>   |               |               |
| Loss on ordinary activities before taxation   | -             | (23)          |
|   | =====         | =====         |
| Profit on ordinary activities before taxation multiplied<br>by standard rate of UK corporate tax of 19% (2017: 20%) | -             | (5)           |
| <b>Effects of:</b>  |               |               |
| Non-deductible items  | -             | -             |
| Tax losses  | -             | 5             |
|   | =====         | =====         |
| Current tax charge  | -             | -             |
|   | =====         | =====         |

#### 3. Dividends

|                        | 2018<br>£'000 | 2017<br>£'000 |
|------------------------|---------------|---------------|
| Interim dividends paid | 900           | 600           |
|                        | =====         | =====         |

#### 4. Fixed asset investments

|                                    | Shares in<br>subsidiary<br>undertakings<br>£'000 |
|------------------------------------|--|
| <b>Cost</b>                        |  |
| At 30 April 2017 and 30 April 2018 | 29,267   |
|                                    | =====  |



## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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

The group's principal subsidiary undertakings (incorporated in England and Wales unless otherwise stated below) at 30 April 2018 were as follows:

| <b>Subsidiary undertakings</b>             | <b>Activities</b>   | <b>Ownership<br/>(ordinary shares<br/>&amp; voting rights)<br/>2018</b> |
|--|---|---|
| <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%  |
| CE-O2 Trockeneis GmbH                      | Distribution of chemical industry products                                | 100%  |
| Franken-Kosmetik-Chemiehandel GmbH & Co KG | Distribution of chemical industry products                                | 100%  |
| Banner Chemicals Limited                   | Holding company   | 100%  |
| Samuel Banner & Co Limited                 | Formulation and distribution of solvents and performance cleaning product | 100%  |
| Prism Chemicals Limited                    | Blending and formulation of solvent and chemical products                 | 100%  |
| M P Storage and Blending Limited           | Storage, drumming and blending of solvents and chemical products          | 100%  |
| Banner Chemicals Benelux NV                | Distribution of chemical industry products                                | 100%  |
| Stowlin Limited                            | Manufacture and distribution of 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 2018

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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 2018 were as follows:

| Subsidiary undertakings                  | Activities | Ownership<br>(ordinary shares<br>& voting rights)<br>2018 |
|--|------------|---|
| <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%  |
| K M Z Chemicals Limited                  | Dormant    | 100%  |
| Integrated Chemicals Specialties Limited | Dormant    | 100%  |
| Croftshaw (Solvents) Limited             | Dormant    | 100%  |
| Stowlin Croftshaw Limited                | Dormant    | 100%  |
| Stowlin Specialised Chemicals Limited    | Dormant    | 100%  |
| Gel-Chem Limited                         | Dormant    | 100%  |
| Netscore Limited                         | Dormant    | 100%  |
| Specialty Food Ingredients Limited       | Dormant    | 100%  |
| Surfachem International Limited          | Dormant    | 100%  |
| Worsall Limited                          | Dormant    | 100%  |

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

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

The subsidiary company Surfachem Nordic AS is incorporated in Norway.

The subsidiary company Surfachem Brasil Ltda is incorporated in Brazil.

The subsidiary companies CE-O2 Trockeneis GmbH and Franken-Kosmetik-Chemiehandel GmbH & Co KG are incorporated in Germany.

## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 5. Financial instruments

|   | 30 April<br>2018<br>£'000 | 30 April<br>2017<br>£'000 |
|---|---------------------------|---------------------------|
| <b>Carrying amount of financial assets</b>      |                           |                           |
| Debt instruments measured at amortised cost     | 103                       | 103                       |
|   | =====                     | =====                     |
| <b>Carrying amount of financial liabilities</b> |                           |                           |
| Measured at amortised cost                      | 7,599                     | 6,706                     |
|   | =====                     | =====                     |

#### 6. Debtors

|                                  | 30 April<br>2018<br>£'000 | 30 April<br>2017<br>£'000 |
|----------------------------------|---------------------------|---------------------------|
| Due from subsidiary undertakings | 48                        | 40                        |
| Other debtors                    | 6                         | 7                         |
| Corporation tax repayable        | 53                        | 53                        |
|                                  | =====                     | =====                     |
|                                  | 107                       | 100                       |
|                                  | =====                     | =====                     |

Other debtors include an amount receivable from employees of £5k (2017: £5k) for the transfer of shares between employees during the year ended 30 April 2017.

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

|                                | 30 April<br>2018<br>£'000 | 30 April<br>2017<br>£'000 |
|--------------------------------|---------------------------|---------------------------|
| Directors' loan                | -                         | 605                       |
| Accruals                       | 48                        | 49                        |
| Due to subsidiary undertakings | 7,596                     | 6,099                     |
|                                | =====                     | =====                     |
|                                | 7,644                     | 6,753                     |
|                                | =====                     | =====                     |

The directors' loan was unsecured, interest free and had no fixed repayment date.

## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

#### 8. Share capital

|                   | Number<br>of shares | Share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Total<br>£'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 2018  | 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 £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 £14k has been charged in the subsidiary companies under which the employees are remunerated.

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

## 2M GROUP LIMITED

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2018

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

#### Unapproved plan Issued 2012 Employees

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

The options outstanding at 30 April 2018 have an exercise price of £111.54 per share and a weighted average remaining contractual life of 6.42 years.

#### 10. Control

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

#### 11. Guarantees and other financial commitments

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

#### 12. Cash generated from operations

|                                      | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------------------|---------------|---------------|
| Loss before taxation                 | -             | (23)          |
| <i>Add back non-operating items:</i> |               |               |
| Financial expense                    | -             | 23            |
| Cost of share options                | 15            | 14            |
| <i>Adjustments for:</i>              |               |               |
| (Increase)/decrease in debtor        | (7)           | 4             |
| Increase in payables                 | 1,496         | 1,493         |
|                                      | <hr/>         | <hr/>         |
| Cash generated from operations       | 1,504         | 1,511         |
|                                      | <hr/>         | <hr/>         |

#### 13. Cash and cash equivalents

|                          | 2018<br>£'000 | 2017<br>£'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | 2             | 3             |
|                          | <hr/>         | <hr/>         |

#### 14. Directors' transactions

Dividends totalling £850k (2017: £567k) were paid in the year in respect of shares held by the company's directors.