

Chemique Adhesives and Sealants Limited

Directors' Report and Financial Statements

For the year ended 31 December 2017



Chemique Adhesives and Sealants Limited

Company Information

Directors	M J McMullen A J McMullen S I Francis
Company secretary	M J McMullen
Registered number	01945954
Registered office	Unit 21 Empire Close Brickyard Road Aldridge West Midlands WS9 8UR
Independent auditors	Dains LLP 15 Colmore Row Birmingham B3 2BH
Bankers	HSBC Bank Plc South East Midlands Commercial Centre Church Green West Redditch Worcestershire B97 4EA

Chemique Adhesives and Sealants Limited

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Principal activities

The principal activities of the Company continued to be the manufacture and sale of adhesives.

Business review

We aim to present a balanced and comprehensive review of the development and performance of the Company during the year and its position at the year end. Our review is consistent with the size and non-complex nature of the company and is written in the context of the risks and uncertainties we face.

Principal risks and uncertainties

As for many companies of our size, the business environment in which we operate continues to be challenging. With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside of our control. However we will continue to show flexibility and respond to market conditions and opportunities as they arise.

The Company's principal financial instruments comprise bank balances, bank loans, invoice discounting, trade debtors and trade creditors. The main purpose of these instruments is to finance the business' operations.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through use of invoice discounting at floating rates of interest. All of the Company's cash balances are held in such a way that achieves a competitive rate of interest.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and regular monitoring of amounts outstanding for both time and credit limits. The amounts presented in the balance sheet are net of allowances for doubtful debtors.

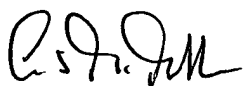
Trade creditors' liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Exposure to the volatility of the US Dollar / Sterling and Euro / Sterling exchange rate is monitored and reviewed by management to ensure that this is minimised where possible.

Financial key performance indicators

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the Company as a whole, these being turnover and gross profit. During the year the Company's turnover grew by 8.4% from £11.9 million to £12.9 million whilst gross profit increased from £4.55 million in 2016 to £4.56 million in 2017. The directors are satisfied with the performance during the year.

This report was approved by the board on 11 June 2018 and signed on its behalf.



M J McMullen
Director

Chemique Adhesives and Sealants Limited

Directors' report For the year ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors

The directors who served during the year were:

M J McMullen
A J McMullen
S I Francis

Results and dividends

The profit for the year, after taxation, amounted to £861,938 (2016 - £1,380,748).

Dividends of £223,580 (2016 - £422,400) were paid during the year.

Future developments

The directors are confident of the continued good performance of the Company. The Company continues to promote its product range and seeks to increase its market share.

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Chemique Adhesives and Sealants Limited

Directors' report (continued) For the year ended 31 December 2017

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Matters covered in the strategic report

Details on the principal risks and uncertainties are contained in the strategic report.

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

During the year, Dains LLP were reappointed auditors. Dains LLP have expressed their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *11 June 2018* and signed on its behalf.



M J McMullen
Director

Independent Auditors' Report to the Members of Chemique Adhesives and Sealants Limited

Opinion

We have audited the financial statements of Chemique Adhesives and Sealants Limited (the 'Company') for the year ended 31 December 2017, which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 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.

Other information

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

Independent Auditors' Report to the Members of Chemique Adhesives and Sealants Limited (continued)

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.

Opinion 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 directors' responsibilities statement on page 2, 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.

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. This description forms part of our auditors' report.



Mark Hargate FCA (Senior Statutory Auditor)

for and on behalf of

Dains LLP

Statutory Auditor

Chartered Accountants

Birmingham

Date: 11 / 6 / 2018

Chemique Adhesives and Sealants Limited

Profit and loss account For the year ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	12,939,027	11,933,133
Cost of sales		(8,374,418)	(7,384,895)
Gross profit		4,564,609	4,548,238
Distribution costs		(738,889)	(732,763)
Administrative expenses		(2,914,700)	(2,200,723)
Other operating income	5	3,545	7,799
Fair value movements on investment property	15	32,000	-
Operating profit	6	946,565	1,622,551
Interest receivable and similar income	9	-	13
Interest payable and similar expenses	10	(5,269)	(3,916)
Profit before tax		941,296	1,618,648
Tax on profit	11	(79,358)	(237,900)
Profit for the financial year		861,938	1,380,748

The notes on pages 11 to 29 form part of these financial statements.

Chemique Adhesives and Sealants Limited

**Statement of comprehensive income
For the year ended 31 December 2017**

	Note	2017 £	2016 £
Profit for the financial year		<u>861,938</u>	<u>1,380,748</u>
Other comprehensive income		<u></u>	<u></u>
Total comprehensive income for the year		<u><u>861,938</u></u>	<u><u>1,380,748</u></u>

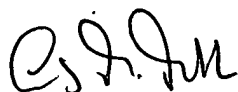
Chemique Adhesives and Sealants Limited
Registered number:01945954

Balance sheet
As at 31 December 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	1,905,236	1,529,236
Investments	14	99	99
Investment property	15	431,610	399,610
		<u>2,336,945</u>	<u>1,928,945</u>
Current assets			
Stocks	16	976,060	813,014
Debtors: amounts falling due within one year	17	2,670,405	2,151,645
Cash at bank and in hand	18	691,810	1,043,064
		<u>4,338,275</u>	<u>4,007,723</u>
Creditors: amounts falling due within one year	19	(2,068,131)	(2,050,569)
Net current assets		<u>2,270,144</u>	<u>1,957,154</u>
Total assets less current liabilities		<u>4,607,089</u>	<u>3,886,099</u>
Creditors: amounts falling due after more than one year	20	(298,515)	(243,042)
Provisions for liabilities			
Deferred tax	23	(113,000)	(85,841)
Net assets		<u>4,195,574</u>	<u>3,557,216</u>
Capital and reserves			
Called up share capital	24	45,000	45,000
Capital redemption reserve	25	5,000	5,000
Profit and loss account	25	4,145,574	3,507,216
		<u>4,195,574</u>	<u>3,557,216</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

11 June 2018.



M J McMullen
Director

The notes on pages 11 to 29 form part of these financial statements.

Chemique Adhesives and Sealants Limited

**Statement of changes in equity
For the year ended 31 December 2017**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	45,000	5,000	3,507,216	3,557,216
Comprehensive income for the year				
Profit for the year	-	-	861,938	861,938
Total comprehensive income for the year	-	-	861,938	861,938
Dividends: Equity capital	-	-	(223,580)	(223,580)
Total transactions with owners	-	-	(223,580)	(223,580)
At 31 December 2017	45,000	5,000	4,145,574	4,195,574

**Statement of changes in equity
For the year ended 31 December 2016**

	Called up share capital	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2016	45,000	5,000	2,548,868	2,598,868
Comprehensive income for the year				
Profit for the year	-	-	1,380,748	1,380,748
Total comprehensive income for the year	-	-	1,380,748	1,380,748
Dividends: Equity capital	-	-	(422,400)	(422,400)
Total transactions with owners	-	-	(422,400)	(422,400)
At 31 December 2016	45,000	5,000	3,507,216	3,557,216

The notes on pages 11 to 29 form part of these financial statements.

**Notes to the financial statements
For the year ended 31 December 2017**

1. General information

Chemique Adhesives and Sealants Limited is a private company incorporated in England and Wales under the Companies Act. The address of the registered office is given in the company information section. The nature of the company's operations and its principal activities are set out in the strategic report and directors report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Chemique UK Limited as at 31 December 2017 and these financial statements may be obtained from Chemique UK Limited, Unit 21 Empire Close, Brickyard Road, Aldridge, West Midlands, WS9 8UR.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold buildings	- 2% straight line
Leasehold land and buildings	- straight line over the term of the lease
Plant and machinery	- 10% straight line
Fixtures and fittings	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

2.5 Investment property

Investment property is carried at fair value determined annually by the directors and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss account.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**Notes to the financial statements
For the year ended 31 December 2017**

2. Accounting policies (continued)

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an 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.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the profit and loss account within 'other operating income'.

2.14 Finance costs

Finance costs are charged to the profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit and loss account over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the profit and loss account is charged with fair value of goods and services received.

2.17 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2.18 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.19 Interest income

Interest income is recognised in the profit and loss account using the effective interest method.

2.20 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the year in which they are incurred.

Notes to the financial statements
For the year ended 31 December 2017

2. Accounting policies (continued)

2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.22 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

Notes to the financial statements
For the year ended 31 December 2017

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the Directors believe that the critical accounting policies where judgements or estimating are necessarily applied are summarised below.

Depreciation and residual values

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of plant and machinery, and have concluded that straight line depreciation policy is more appropriate as it reflects the useful economic lives of assets and their residual values more reliably than the reducing balance depreciation policy.

Fair value of investment property

The Directors have reviewed the current market rents and investment property yields for comparable real estate and have concluded that the value of investment property is appropriate.

Fair value of share options

As market prices are not readily available, the fair value of the options calculated by the Directors is based on estimates using present values or other valuation techniques. These techniques are significantly affected by the assumptions used, including estimates of future budget and cash flow forecasts.

4. Turnover

The whole of the turnover is attributable to the Company's principal activity.

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	10,367,646	9,646,397
Rest of Europe	1,654,752	1,150,959
Rest of the world	916,629	1,135,777
	<u>12,939,027</u>	<u>11,933,133</u>

5. Other operating income

	2017 £	2016 £
Net rents receivable	2,645	6,899
Government grants receivable	900	900
	<u>3,545</u>	<u>7,799</u>

Notes to the financial statements
For the year ended 31 December 2017

6. Operating profit

The operating profit is stated after expensing:

	2017	2016
	£	£
Research & development charged as an expense	6,434	12,746
Depreciation of tangible fixed assets	110,693	72,211
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	10,750	10,550
Exchange differences	88,028	(164,693)
Other operating lease rentals	237,731	191,606
Defined contribution pension cost	169,826	138,292
	<u> </u>	<u> </u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£	£
Wages and salaries	2,209,451	1,918,851
Social security costs	239,707	209,236
Cost of defined contribution scheme	169,826	138,292
	<u>2,618,984</u>	<u>2,266,379</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017	2016
	No.	No.
Manufacturing	34	33
Sales and administration	18	18
	<u>52</u>	<u>51</u>

Notes to the financial statements
For the year ended 31 December 2017

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	623,479	417,417
Company contributions to defined contribution pension schemes	68,053	48,253
	<u>691,532</u>	<u>465,670</u>

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £284,779 (2016 - £136,221).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £36,000 (2016 - £23,900).

9. Interest receivable and similar income

	2017 £	2016 £
Other interest receivable	-	13
	<u>-</u>	<u>13</u>

10. Interest payable and similar expenses

	2017 £	2016 £
Bank interest payable	5,269	3,916
	<u>5,269</u>	<u>3,916</u>

Notes to the financial statements
For the year ended 31 December 2017

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	55,737	210,237
Adjustments in respect of previous periods	(3,538)	3,154
Total current tax	<u>52,199</u>	<u>213,391</u>
Deferred tax		
Origination and reversal of timing differences	27,159	27,917
Effect of tax rate change on opening balance	-	(3,408)
Total deferred tax	<u>27,159</u>	<u>24,509</u>
Taxation on profit	<u>79,358</u>	<u>237,900</u>

Factors affecting tax expense for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit before tax	<u>941,296</u>	<u>1,618,648</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	181,199	323,730
Effects of:		
Expenses not deductible for tax purposes	16,137	20,491
Adjustments to tax expense in respect of prior periods	(3,537)	3,154
Other timing differences	(10,349)	(8,335)
Adjustment in research and development tax credit	(104,092)	(101,140)
Total tax charge for the year	<u>79,358</u>	<u>237,900</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Notes to the financial statements
For the year ended 31 December 2017

12. Dividends

	2017 £	2016 £
Ordinary shares - £4.97 (2016: £9.39) per share	223,580	422,400
	<u>223,580</u>	<u>422,400</u>

13. Tangible fixed assets

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 January 2017	1,099,150	1,722,418	331,473	3,153,041
Additions	315,832	170,861	-	486,693
At 31 December 2017	<u>1,414,982</u>	<u>1,893,279</u>	<u>331,473</u>	<u>3,639,734</u>
Depreciation				
At 1 January 2017	350,457	953,174	320,174	1,623,805
Charge for the year on owned assets	21,983	77,744	10,966	110,693
At 31 December 2017	<u>372,440</u>	<u>1,030,918</u>	<u>331,140</u>	<u>1,734,498</u>
Net book value				
At 31 December 2017	<u>1,042,542</u>	<u>862,361</u>	<u>333</u>	<u>1,905,236</u>
At 31 December 2016	<u>748,693</u>	<u>769,244</u>	<u>11,299</u>	<u>1,529,236</u>

Notes to the financial statements
For the year ended 31 December 2017

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	99
At 31 December 2017	99
Net book value	
At 31 December 2017	99
At 31 December 2016	99

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Bondseal Services Limited	Ordinary	100 %	Dormant

The aggregate of the share capital and reserves as at 31 December 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £
Bonseal Services Limited	99
	99

Notes to the financial statements
For the year ended 31 December 2017

15. Investment property

	Long term leasehold investment property £
Valuation	
At 1 January 2017	399,610
Surplus on revaluation	32,000
At 31 December 2017	431,610

The directors believe that the fair value of the investment properties at 31 December 2017 is not materially different from the above.

	2017 £	2016 £
Revaluation reserves		
At 1 January 2017	-	-
Surplus on revaluation	32,000	-
At 31 December 2017	32,000	-

16. Stocks

	2017 £	2016 £
Raw materials and consumables	559,508	404,613
Work in progress (goods to be sold)	63,712	52,350
Finished goods and goods for resale	352,840	356,051
	976,060	813,014

Chemique Adhesives and Sealants Limited

Notes to the financial statements For the year ended 31 December 2017

17. Debtors

	2017 £	2016 £
Trade debtors	1,823,237	1,572,362
Amounts owed by related undertakings	740,934	437,560
Other debtors	650	650
Prepayments and accrued income	105,584	141,073
	<u>2,670,405</u>	<u>2,151,645</u>

18. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	691,810	1,043,064
	<u>691,810</u>	<u>1,043,064</u>

19. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank loan	25,680	25,680
Trade creditors	1,679,019	1,583,725
Amounts owed to group undertakings	99	99
Corporation tax	55,737	210,237
Other taxation and social security	222,798	134,052
Other creditors	900	28,899
Accruals and deferred income	83,898	67,877
	<u>2,068,131</u>	<u>2,050,569</u>

Notes to the financial statements
For the year ended 31 December 2017

20. Creditors: Amounts falling due after more than one year

	2017 £	2016 £
Bank loan	190,375	214,002
Government grants received	108,140	29,040
	<u>298,515</u>	<u>243,042</u>

Secured loans

The bank loan is secured over all present and future assets and undertaking of the Company with fixed and floating charges.

21. Loans

Analysis of the maturity of loans is given below:

	2017 £	2016 £
Amounts falling due within one year		
Bank loan	25,680	25,680
	<u>25,680</u>	<u>25,680</u>
Amounts falling due 1-2 years		
Bank loan	25,680	25,680
	<u>25,680</u>	<u>25,680</u>
Amounts falling due 2-5 years		
Bank loan	77,041	77,041
	<u>77,041</u>	<u>77,041</u>
Amounts falling due after more than 5 years		
Bank loans	87,654	111,281
	<u>87,654</u>	<u>111,281</u>
	<u>216,055</u>	<u>239,682</u>

Notes to the financial statements
For the year ended 31 December 2017

22. Financial instruments

	2017 £	2016 £
Financial assets		
Financial assets that are debt instruments measured at undiscounted amounts receivable	3,256,631	3,053,636
	<u>3,256,631</u>	<u>3,053,636</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(216,055)	(239,682)
Financial liabilities measured at undiscounted amounts payable	(1,875,266)	(1,373,041)
	<u>(2,091,321)</u>	<u>(1,612,723)</u>

Financial assets that are debt instruments measured at undiscounted amounts receivable comprise bank balances, trade and other debtors and amounts owed by related undertakings.

Financial liabilities measured at amortised cost comprise bank loans.

Financial liabilities measured at undiscounted amounts payable comprise trade and other creditors, amounts owed to group undertakings and accruals.

23. Deferred taxation

	2017 £	2016 £
At beginning of year	(85,841)	(61,332)
Charged to the profit or loss	(27,159)	(24,509)
At end of year	<u>(113,000)</u>	<u>(85,841)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(113,000)	(85,841)
	<u>(113,000)</u>	<u>(85,841)</u>

Notes to the financial statements
For the year ended 31 December 2017.

24. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
45,000 Ordinary shares of £1 each	<u>45,000</u>	<u>45,000</u>

25. Reserves

Capital redemption reserve

The capital redemption reserve represents the nominal amount of share capital transferred to reserves arising on the purchase of shares in the Company.

Profit & loss account

The profit and loss account represents all current and prior period retained profit and losses, net of dividends paid and other adjustments.

26. Share based payments

During the year ended 31 December 2015 a share option scheme agreement was drawn up between M J McMullen, S Francis and the parent company, Chemique UK Limited, granting S Francis options over a number of M J McMullen's shares in Chemique UK Limited if certain conditions were met. 351,040 options were granted which are exercisable in 4 equal tranches of 87,760. The tranches are exercisable annually at an exercise price of £1 per tranche. The first tranche was exercised in 2016 and the second tranche in 2017 leaving 175,520 options outstanding at the year end which are exercisable subject to the Company meeting the required conditions.

Section 26 of Financial Reporting Standard 102 requires the recognition of the share based payments at the fair value at the date of the grant to the extent that it is expected that the option will be exercised. The directors have considered the fair value of the options using a binomial pricing model and have concluded that the charge for the year would not be material and therefore it has not been recognised.

27. Capital commitments

At 31 December 2017 the Company had capital commitments as follows:

	2017 £	2016 £
Contracted for but not provided in these financial statements	<u>86,400</u>	-
	<u>86,400</u>	-

Notes to the financial statements
For the year ended 31 December 2017

28. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £169,826 (2016 - £138,292). No amounts were outstanding at the year end (2016 - £Nil).

29. Commitments under operating leases

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Land and buildings		
Not later than 1 year	113,917	125,668
Later than 1 year and not later than 5 years	344,000	380,000
Later than 5 years	296,000	370,000
	<u>753,917</u>	<u>875,668</u>
	2017 £	2016 £
Other		
Not later than 1 year	113,938	127,856
Later than 1 year and not later than 5 years	100,852	182,329
	<u>214,790</u>	<u>310,185</u>

30. Related party transactions

M J McMullen, director and controlling shareholder of the parent company, owns one of the units from which the Company operates. The rent charge was £36,000 (2016 - £36,000). M J McMullen has given a personal guarantee to the Company's bankers which is supported by a charge over the property.

At 31 December 2017, the outstanding balance owed by the Company to M J McMullen was £Nil (2016 - £28,000).

M J McMullen and A J McMullen are also directors of Chemique Adhesives Inc., a company under common control and incorporated in the United States of America. During the year the Company made sales to Chemique Adhesives Inc. of £861,734 (2016 - £915,065) and at 31 December 2017 a balance was due to the Company of £740,934 (2016 - £437,560). Purchases of £12,249 were made from Chemique Adhesives Inc. by the Company and the balance due from the Company at 31 December 2017 was £Nil (2016 - £1,065).

The total compensation received by Key Management Personnel during the year was £691,531 (2016 - £465,670).

31. Ultimate parent company

The immediate and ultimate parent company is Chemique UK Limited. M J McMullen is the ultimate controlling party by virtue of his controlling interest in that company.

The largest and smallest group in which the results of the company are consolidated is that headed by Chemique UK Limited, a company incorporated in England and Wales.

The consolidated financial statements of this group are available to the public and may be obtained from Chemique UK Limited, Unit 21 Empire Close, Brickyard Road, Aldridge, West Midlands, WS9 8UR.