

Kerax (Chorley) Limited

**Annual report and consolidated
financial statements**

Registered number 05709663

31 December 2014

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Strategic Report

The directors present their annual report and audited financial statements for the year ended 31 December 2014.

Principal activities

The principal activity of the company during the year was that of a holding company.

The principal activity of the group during the year was sales, marketing and manufacture of performance wax and quality lubricant products to the UK and European market.

Business review and outlook

The business continued its upward path with strong sales of £22.4m (2013: £19.0m), a growth of 18%, alongside careful cost control continuing to produce a strong operating profit for the year of £0.7m (2013: £0.6m), a growth of 17%.

The sales growth during the year is largely as a result of existing UK customers experiencing an increase in their own operations which has had a positive impact on Kerax Limited. In addition Kerax Limited purchased the entire share capital of Euro Oils Limited on 30 September 2014. On the same date the trade and net assets of Euro Oils Limited were lived up into Kerax Limited. Sales generated post this transaction were £2.0m and thus contributed significantly to the upward path previously detailed.

There are still many new business opportunities available and the business is concentrating on development of new products to improve sales.

Net worth continues to be strong and substantial at £3.6m (2013: £3.1m) and prospects for 2015 look very positive.

Key performance indicators

The directors monitor and manage the performance of the group assisted by the production of detailed monthly management reports containing detailed monthly accounts and a number of key financial and non-financial performance measures. Key financial performance measures include profitability and cash management.

Principal risks and uncertainties

The company makes little use of financial instruments other than an operational bank account, secured borrowings and some forward contracts, so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit of the group.

By order of the board



Mr I D Appleton
Director

 May 2015

Directors' Report

The directors present their directors' report and financial statements for the year ended 31 December 2014.

Dividends

The directors do not recommend the payment of a dividend. A dividend of £147,000 was proposed and paid in the year ended 31 December 2013.

Directors

The directors who held office during the year were as follows:

I D Appleton
L C Appleton

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Mr I D Appleton
Director

 May 2015

Company registered number: 5709663

Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the financial statements

The director is responsible for preparing the Strategic Report and the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law he has elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 enable themselves to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Edward VII Quay
Navigation Way
Preston
PR2 2YF
United Kingdom

Independent auditor's report to the members of Kerax (Chorley) Limited

We have audited the financial statements of Kerax (Chorley) Limited for the year ended 31 December 2014 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

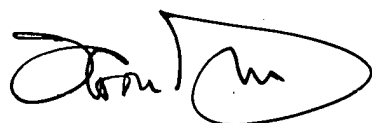
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Kerax (Chorley) Limited *(continued)*

Matters on which we are required to report by exception

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

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



Stephen Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Edward VII Quay
Navigation Way
Preston
PR2 2YF

11 May 2015

Consolidated Profit and Loss Account
for the year ended 31 December 2014

	Note	2014 £	2013 £
Turnover	2	22,406,847	19,032,161
Cost of sales		(18,135,648)	(15,721,456)
Gross profit		4,271,199	3,310,705
Distribution costs		(621,740)	(456,651)
Administrative expenses		(2,926,108)	(2,292,335)
Amortisation		(46,793)	-
Other operating income	3	33,750	84,452
Operating profit	4	710,308	646,171
Other interest receivable and similar income		309	377
Interest payable and similar charges	7	(147)	(5,299)
Profit on ordinary activities before taxation		710,470	641,249
Tax on profit on ordinary activities	8	(83,298)	(17,811)
Profit for the financial year		627,172	623,438

All activities of the group are classified as continuing.

Consolidated statement of total recognised gains and losses
for the year ended 31 December 2014

There are no recognised gains or losses other than those reflected in the profit and loss account above for the current and prior year.

The notes on page 10 to 21 form an integral part of these financial statements.

Consolidated Balance Sheet
at 31 December 2014

	Note	2014		2013	
		£	£	£	£
Fixed assets					
Intangible assets	11		913,106		(45,291)
Tangible assets	12		1,060,458		489,869
			<u>1,973,564</u>		<u>444,578</u>
Current assets					
Stocks	14	3,393,582		2,469,169	
Debtors	15	3,789,607		2,887,907	
Cash at bank and in hand		223,124		304,727	
		<u>7,406,313</u>		<u>5,661,803</u>	
Creditors: amounts falling due within one year	16	<u>(4,967,735)</u>		<u>(3,026,906)</u>	
Net current assets			<u>2,438,578</u>		<u>2,634,897</u>
Total assets less current liabilities			<u>4,412,142</u>		<u>3,079,475</u>
Creditors: amounts falling due after more than one year	17		<u>(640,311)</u>		-
Provisions for liabilities					
Deferred taxation	18		<u>(132,797)</u>		<u>(67,613)</u>
			<u>3,639,034</u>		<u>3,011,862</u>
Capital and reserves					
Called up share capital	22		100		100
Profit and loss account	23		<u>3,638,934</u>		<u>3,011,762</u>
Shareholders' funds	24		<u>3,639,034</u>		<u>3,011,862</u>

The notes on page 10 to 22 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 11th May 2015 and were signed on its behalf by:



Mr I D Appleton
Director


Company registered number: 5709663

Balance sheet
at 31 December 2014

	<i>Note</i>	2014 £	2013 £
Fixed assets			
Investments	13	3,640,105	3,640,105
Total assets less current liabilities		<u>3,640,105</u>	<u>3,640,105</u>
Capital and reserves			
Called up share capital	13	100	100
Profit and loss account	24	3,640,005	3,640,005
Shareholders' funds		<u>3,640,105</u>	<u>3,640,105</u>

The notes on page 10 to 21 form an integral part of these financial statements.

These financial statements were approved by the board of directors on its behalf by:

 May 2015 and were signed on



Mr I D Appleton
Director

Company registered number: 5709663

Consolidated Cash Flow Statement
for the year ended 31 December 2014

	<i>Note</i>	2014		2013	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	25		1,549,185		(384,473)
Returns on investments and servicing of finance					
Interest received		309		377	
Interest paid		(147)		(5,299)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			162		(4,922)
Taxation			(44,790)		(99,836)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(461,022)		(266,618)	
Cash received from tangible fixed asset disposal		368		906,500	
Payments to acquire subsidiaries		(2,350,000)		-	
Net cash (outflow)/inflow from capital expenditure			(2,810,654)		639,882
Equity dividends paid			-		(147,000)
Cash (outflow)/inflow before management of liquid resources and financing			(1,306,097)		3,651
Financing					
Increase of other creditors		510,427		778,257	
New loans		2,350,000		-	
Repayment of bank loans		-		(555,838)	
Repayment of loans		(1,476,820)		-	
Net cash inflow from financing			1,383,607		222,419
Increase in cash			77,510		226,070

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable UK accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all subsidiary undertakings.

These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation, representing the excess of consideration paid over the fair values of the net assets acquired, is capitalised and written off in line with the accounting policy. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Going concern

The directors have a reasonable expectation that the group will continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

The turnover shown in the profit and loss accounts represents amounts receivable in relation to goods despatched and services performed during the year in relation to oil and grease products, exclusive of value added tax.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Goodwill

Goodwill arising on acquisition represents the excess of consideration paid over the fair value of net assets acquired.

Negative goodwill arising on acquisition represents the excess of fair value of net assets acquired over the consideration paid.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the estimated useful economic life of that asset as follows:

Negative goodwill	-	20 years straight line
Goodwill	-	5 years straight line

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Depreciation is provided on a straight-line basis on the cost or valuation of all tangible fixed assets except freehold land and assets in the course of construction. The useful economic lives used for each category of asset are:

Plant and machinery	-	5 to 10 years
Fixtures and fittings	-	3 to 5 years

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost (including all relevant overhead expenditure) and estimated net realisable value less progress payments. Provision is made where necessary for obsolete and slow moving stocks.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is the shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight-line basis over the life of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

2 Analysis of turnover

	2014 £	2013 £
United Kingdom	19,326,804	16,059,566
Overseas	3,080,043	2,972,595
	<u>22,406,847</u>	<u>19,032,161</u>

3 Other operating income

	2014 £	2013 £
Rent receivable	-	42,452
Management charge receivable	33,750	42,000
	<u>33,750</u>	<u>84,452</u>

Notes (continued)

4 Operating profit

	2014 £	2013 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Amortisation of goodwill	43,020	(3,773)
Depreciation of owned fixed assets	153,611	95,168
Net profit on fixed asset disposals	(368)	-
Auditors remuneration	18,875	14,500
Net loss on foreign currency translation	45,555	88,985
Operating lease costs: land and buildings	181,733	147,167
Operating lease costs: plant and equipment and cars on hire	49,321	53,482
	<u> </u>	<u> </u>

5 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2014	2013
Production	31	23
Maintenance	6	6
Labs	5	5
Management	1	1
Administration	8	7
Sales	3	2
	<u> </u>	<u> </u>
	54	44
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	1,676,429	1,224,705
Social security costs	170,189	120,933
Other pension costs	78,876	156,094
	<u> </u>	<u> </u>
	1,925,494	1,501,732
	<u> </u>	<u> </u>

Notes (continued)

6 Remuneration of directors

	2014 £	2013 £
Aggregate remuneration	172,302	12,135
Value of group contributions to money purchase pension schemes	27,500	110,000
	<u>199,802</u>	<u>122,135</u>

The number of directors on whose behalf the group made pension contributions was as follows:

	2014 No.	2013 No.
Money purchase schemes	<u>2</u>	<u>2</u>

7 Interest payable and similar charges

	2014 £	2013 £
Bank interest payable	147	354
Other similar charges payable	-	4,945
	<u>147</u>	<u>5,299</u>

8 Taxation

	2014 £	2013 £
UK Corporation tax		
Current tax on income for the period	40,542	59,524
Adjustment relating to prior period	(22,428)	(69,883)
	<u>18,114</u>	<u>(10,359)</u>
Deferred tax		
Origination of timing differences	65,184	28,170
	<u>83,298</u>	<u>17,811</u>

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are explained below:

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before taxation	710,470	641,249
	<hr/>	<hr/>
Current tax at 21.49% (2013: 23.25%).	152,680	149,090
<i>Effects of:</i>		
Expenses not deductible for tax purposes	8,734	2,409
Capital allowances in excess of depreciation	(72,270)	(41,428)
Marginal relief	(2,058)	(3,874)
Other short term timing differences	12,516	3,004
Over provision in prior period	(22,428)	(69,883)
Deduction for R&D expenditure	(42,986)	(49,677)
Deduction for land remediation expenditure	(16,074)	-
	<hr/>	<hr/>
Total current tax charge (see above)	18,114	(10,359)
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2014 has been calculated based on the rates of 20% substantively enacted at the balance sheet date.

Notes (continued)

9 Acquisitions

On 30 September 2014, Kerax Limited acquired the entire share capital of Euro Oils Limited for consideration of £2,350,000. The net assets value at this date was £1,348,583, shown by category below, and hence goodwill of £1,001,417 arose on this transaction. The resulting goodwill was capitalised and will be written off over a five year period.

	Book value £	Fair value £
Fixed assets		
Tangible	263,178	263,178
Current assets		
Stock	625,843	625,843
Debtors	1,569,947	1,569,947
Total assets	<u>2,458,968</u>	<u>2,458,968</u>
Liabilities		
Creditors	1,110,385	1,110,385
Total liabilities	<u>1,110,385</u>	<u>1,110,385</u>
Net assets	<u>1,348,583</u>	<u>1,348,583</u>
Goodwill		<u>1,001,417</u>
Purchase consideration		<u>2,350,000</u>

The acquired undertaking made a profit before tax of £308,902 from the beginning of its financial year to the date of acquisition. In its previous financial year ending 31 December 2013, the profit was £181,492.

The 2014 results of Kerax Limited include turnover of £1,955,719 and an operating loss of £12,527 relating to the operations of the acquired entity in the last three months of 2014.

10 Profit attributable to members of the parent company

The profit dealt with in the financial statements of the parent company was £nil (2013: £147,000).

Notes (continued)

11 Intangible fixed assets

Group

	Goodwill £
Cost	
At 1 January 2014	(75,460)
Additions	1,001,417
	<hr/>
At 31 December 2014	925,957
	<hr/>
Amortisation	
At 1 January 2014	(30,169)
Charge for year	43,020
	<hr/>
At 31 December 2014	(12,851)
	<hr/>
Net book value	
At 31 December 2014	913,106
	<hr/>
At 31 December 2013	(45,291)
	<hr/>

Negative goodwill arose upon acquisition of Kerax Limited by the group. This represents the excess of the fair value of net assets acquired over the consideration paid.

Positive goodwill arose upon the acquisition of Euro Oils Limited by Kerax Limited on 30 September 2014. This represents the excess of the consideration paid over the fair value of net assets acquired.

12 Tangible fixed assets

	Plant and machinery £	Computer & office equipment £	Total £
Cost			
At 1 January 2014	1,314,053	130,014	1,444,067
Additions	702,234	21,966	724,200
Disposals	(2,046)	-	(2,046)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	2,014,241	151,980	2,166,221
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 January 2014	837,016	117,182	954,198
Charge for year	142,047	11,564	153,611
Disposals	(2,046)	-	(2,046)
	<hr/>	<hr/>	<hr/>
At 31 December 2014	977,017	128,746	1,105,763
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2014	1,037,224	23,234	1,060,458
	<hr/>	<hr/>	<hr/>
At 31 December 2013	477,037	12,832	489,869
	<hr/>	<hr/>	<hr/>

Notes (continued)

13 Investments

Company

Group companies
£

Cost

At 1 January 2014 and 31 December 2014

3,640,105

Net book value

At 1 January 2014 and 31 December 2014

3,640,105

Subsidiary undertakings

	Country of Incorporation	Holding	Proportion of voting rights and shares held	Nature of Business
Kerax Limited	England and Wales	£100 Ordinary	100%	Performance wax products
Euro Oils Limited	England and Wales	£100 Ordinary	100%	Manufacture of lubricants

The company holds 100% of the ordinary share capital of Kerax Limited, which is incorporated in England & Wales. The principal activity of Kerax Limited is the manufacture, marketing and sale of performance wax products.

14 Stocks

	2014 £	2013 £
Raw materials	2,238,844	1,674,597
Work in progress	116,295	-
Finished goods	1,038,443	794,572
	<u>3,393,582</u>	<u>2,469,169</u>

15 Debtors

	2014 £	2013 £
Trade debtors	3,583,033	2,631,037
Other debtors	58,468	57,867
Directors current accounts	-	86,749
Prepayments and accrued income	148,106	112,254
	<u>3,789,607</u>	<u>2,887,907</u>

Notes (continued)

16 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	1,376,553	410,587
Corporation tax	109,785	66,553
Other taxation and social security	330,492	396,895
Other creditors	2,104,726	1,594,299
Accruals and deferred income	813,310	558,572
Directors' current accounts	232,869	-
	<u>4,967,735</u>	<u>3,026,906</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2014 £	2013 £
Other creditors	<u>2,104,726</u>	<u>1,594,299</u>

17 Creditors: amounts falling due after more than one year

	2014 £	2013 £
Directors' current accounts	<u>640,311</u>	<u>-</u>

18 Deferred taxation

The movement in the deferred taxation provision during the year was:

	2014 £	2013 £
Provision brought forward	67,613	39,443
Increase in provision	65,184	28,170
	<u>132,797</u>	<u>67,613</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group

	2014 £	2013 £
Excess of taxation allowances over depreciation on fixed assets	140,118	72,929
Other timing differences	(7,321)	(5,316)
	<u>132,797</u>	<u>67,613</u>

Notes (continued)

19 Commitments under operating leases

	2014		2013	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				
Within one year	-	3,806	-	18,173
Within two to five years	90,000	64,799	-	32,411
After more than five years	145,000	-	171,000	-
	<u>235,000</u>	<u>68,605</u>	<u>171,000</u>	<u>50,584</u>

20 Transactions with the directors

The following loans to directors subsisted during the years ended 31 December 2014 and 2013.

	2014 £	2013 £
Mr I D Appleton		
Balance outstanding at start of year	26,749	86,556
Balance outstanding at end of year	(862,530)	26,749
Maximum balance outstanding during the year	56,740	119,556
	2014 £	2013 £
Mrs L C Appleton		
Balance outstanding at start of year	60,000	60,000
Balance outstanding at end of year	(10,650)	60,000
Maximum balance outstanding during the year	108,928	115,000

21 Related party transactions

Kerax (Chorley) Limited owns 100% of the issued ordinary share capital of Kerax Limited.

During the year dividends of £nil (2013: £147,000) were paid to Kerax (Chorley) Limited by Kerax Limited.

Kerax (Chorley) Limited indirectly owns Euro Oils Limited as the entire share capital was acquired by Kerax Limited on 30 September 2014.

Management and other charges of £33,750 (2013: £42,000) have been charged to Euro Oils Limited during the year. Additionally, rents have been charged in the year to Euro Oils Limited of £nil (2013: £42,452) in relation to 48 Heming Road.

Rental payments to the SIPP of Mr I D Appleton totalled £145,000 (2013: £145,000).

Rental payments to the SIPP of Mr I D Appleton, Mrs L C Appleton and Mr L Burgess totalled £23,733 (2013: £nil).

All transactions are undertaken on an arm's length basis.

Notes (continued)

22 Called up share capital

	2014		2013	
	No	£	No	£
Allotted, called up and fully paid:				
95 ordinary A shares of £1 each	95	95	95	95
5 ordinary B shares of £1 each	5	5	5	5
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

23 Reserves

Group

	Profit and loss account £
Balance brought forward	3,011,762
Profit for the year	627,172
	<u>3,638,934</u>
Balance carried forward	3,638,934

Company

	Profit and loss account £
Balance brought forward	3,640,005
	<u>3,640,005</u>
Balance carried forward	3,640,005

24 Reconciliation of movements in shareholders' funds

Group	2014 £	2013 £
Profit for the financial year	627,172	623,438
Equity dividends	-	(147,000)
	<u>627,172</u>	<u>476,438</u>
Net addition to shareholders' funds	627,172	476,438
Opening shareholders' funds	3,011,862	2,535,424
	<u>3,639,034</u>	<u>3,011,862</u>
Closing shareholders' funds	3,639,034	3,011,862

Notes (continued)

25 Analysis of cash flows

	2014 £	2013 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	710,308	646,171
(Profit)/loss on disposal of fixed assets	(368)	400
Amortisation	43,020	(3,773)
Depreciation	153,611	95,168
Increase in stocks	(298,570)	(194,423)
Decreases/(Increase) in debtors	668,246	(40,392)
Increase/(Decrease) in creditors	272,938	(887,624)
Net cash inflow/(outflow) from operating activities	<u>1,549,185</u>	<u>(384,473)</u>

	2014 £	2014 £	2013 £	2013 £
Reconciliation of net cash flow movement in net debt				
Increase in cash in the period	77,510		226,070	
Net cash inflow from other creditors	(510,427)		(778,257)	
Net cash outflow from bank loans	-		555,838	
Net cash acquired	(159,113)		-	
Net cash inflow from loans	(873,180)		-	
Change in net debt		<u>(1,465,210)</u>		<u>3,651</u>
Net debt at 1 January		<u>(1,289,572)</u>		<u>(1,293,223)</u>
Net debt at 31 December		<u>(2,754,782)</u>		<u>(1,289,572)</u>

26 Analysis of net debt

	At 1 January 2014 £	Cash flow £	Acquisition £	At 31 December 2014 £
Net cash				
Cash at bank and in hand	304,727	77,510	(159,113)	223,124
Debt				
Debt due within one year	(1,594,299)	(743,296)	-	(2,337,595)
Debt due after one year	-	(640,311)	-	(640,311)
	<u>(1,594,299)</u>	<u>(1,383,607)</u>	<u>-</u>	<u>(2,977,906)</u>
Net debt	<u>(1,289,572)</u>	<u>(1,306,097)</u>	<u>(159,113)</u>	<u>(2,754,782)</u>

27 Ultimate controlling party

For the whole of the current and previous year, the company was under the ultimate control of Mr I D Appleton.