**Kerax (Chorley) Limited**

# Annual report and consolidated financial statements

Registered number 05709663

31 December 2017

## Contents

## Strategic Report

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

**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 overseas markets.

**Business review and outlook**

The business maintained strong sales of £30.2m *(2016: £26.6m)* alongside careful cost control continuing to produce a strong operating profit for the year of £0.4m (*2016: £1.1m*).

Sales have increased by 13.6% year on year although this hasn't been reflected in the gross profit performance.

Following the EU referendum result in June 2016 and as anticipated, the cost of raw materials have increased due to political uncertainty and in turn fluctuating foreign exchange rates. These increased costs have mostly not been passed down the value chain and therefore the business has had to suffer a decline in its gross margin in order to maintain and improve market share.

Operating profit has been impacted by the declining gross margin but also due to increased administration costs. This has been partially caused by the business starting to operate an additional site from June 2017 incurring fixed overheads immediately upon start-up of the new operation. Towards the end of 2017 the business was starting to see efficiencies from the new site which will continue into 2018 resulting in administration costs as a proportion of sales returning to anticipated and historical levels.

The group also benefited from the purchase and subsequent sale of foreign exchange contracts at a profit in 2016, originally purchased for intended investments which failed to materialise. These have impacted the operating administrative expenses of the group year on year.

Debtors have increased by £0.7m due to an increase in sales in the second half of the year resulting in Trade Debtors increasing by £0.3m whilst a loan of £0.4m has been made to parties related through common ownership.

There are still many new business opportunities available and the business is concentrating on the development of new products and processes to improve sales and gross margins. Careful cost control continues to be a priority in an uncertain political and economic environment.

Net worth continues to be strong and substantial at £5.8m (*2016: £5.7m*) and prospects for 2018 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 as follows:

| | **2017** | *2016* |
|---|---|---|
| Return on Sales before Tax | **1.2%** | *3.7%* |
| Stock Turnover | **68 days** | *84 days* |
| Trade Debtor Days | **40 days** | *42 days* |
| Trade Creditor Days | **20 days** | *13 days* |

**Principal risks and uncertainties**

The company and group 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

Ian Appleton

**Mr I D Appleton**
*Director*

9/7/ 2018

# Directors' Report

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

**Directors**

The directors who held office during the year and at the date of this report were as follows:

I D Appleton
L C Appleton

**Dividends**

The directors paid a dividend of £250,000 in 2017. (2016: £250,000).

**Post balance sheet events**

On 11th May 2018 the group purchased property at a cost of £440,000 in readiness for future growth opportunities.

**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 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 Group's auditor is aware of that information.

**Strategic Report**

The group has chosen in accordance with Companies Act 2006, s414C (11) to set out in the group's Strategic Report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch 7 to be contained in the directors' report.

**Auditor**

RSM UK Audit LLP were appointed as auditor to the group and in accordance with Section 485 of the Companies Act 2006, a resolution proposing that they be reappointed will be put at a General Meeting.

By order of the board

Ian Appleton

**Mr I D Appleton**
*Director*

9/7/ 2018

Company registered number: 5709663

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

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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of the profit or loss of the group for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the parent company and enable them to ensure that its 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 group and the parent company and to prevent and detect fraud and other irregularities.

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

**Opinion**

We have audited the financial statements of Kerax (Chorley) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and notes to the financial statements, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 2017 and of the group's 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent 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 group's or the parent 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's 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 our 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.

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

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 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.

**Responsibilities of directors**
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, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

**Auditor's 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 auditor's 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: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**
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.

RSM UK Audit LLP

Anthony Steiner FCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Bluebell House
Brian Johnson Way
Preston
Lancashire
PR2 5PE

Date 11.7.18

## Consolidated Profit and Loss Account and Other Comprehensive Income
*for the year ended 31 December 2017*

| | Note | 2017<br>£ | *2016*<br>*£* |
|---|---|---|---|
| **Turnover** | 2 | **30,154,154** | *26,554,878* |
| Cost of sales | | **(24,920,399)** | *(21,319,699)* |
| **Gross profit** | | **5,233,755** | *5,235,179* |
| Distribution costs | | **(817,598)** | *(827,584)* |
| Administrative expenses | | **(3,801,045)** | *(3,578,213)* |
| Foreign exchange variances not at fair value | | **(11,258)** | *437,559* |
| Amortisation | | **(196,510)** | *(196,510)* |
| **Operating profit** | *3* | **407,344** | *1,070,431* |
| Fair value gains and losses on foreign exchange contracts | | **(32,125)** | *(72,617)* |
| Interest payable and similar charges | *6* | **(16)** | *-* |
| Interest receivable and similar income | *7* | **7** | *21* |
| **Profit on ordinary activities before taxation** | | **375,210** | *997,835* |
| Tax on profit on ordinary activities | *8* | **(62,419)** | *(190,576)* |
| **Profit for the financial year** | | **312,791** | *807,259* |
| **Total comprehensive income for the year** | | **312,791** | *807,259* |

There were no other comprehensive income other than as shown in the profit and loss account above.

All activities of the group are classified as continuing.

The notes on pages 12 to 25 form an integral part of these financial statements.

# Consolidated Balance Sheet
## *at 31 December 2017*

| | Note | 2017 £ | 2017 £ | *2016 £* | *2016 £* |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | *10* | | | | |
| Goodwill | | | **350,496** | | *550,779* |
| Negative goodwill | | | **(30,199)** | | *(33,972)* |
| Net goodwill | | | **320,297** | | *516,807* |
| Other intangible assets | *10* | | **8,817** | | *-* |
| Total intangible assets | | | **329,114** | | *516,807* |
| Tangible assets | *11* | | **1,479,548** | | *1,511,144* |
| Investments | *12* | | **-** | | *-* |
| | | | **1,808,662** | | *2,027,951* |
| **Current assets** | | | | | |
| Stocks | *13* | **4,299,924** | | *4,511,525* | |
| Debtors | *14* | **4,636,325** | | *3,930,762* | |
| Cash at bank and in hand | | **226,302** | | *292,607* | |
| | | **9,162,551** | | *8,734,894* | |
| **Creditors:** amounts falling due within one year | *15* | **(5,049,631)** | | *(4,912,958)* | |
| **Net current assets** | | | **4,112,920** | | *3,821,936* |
| **Total assets less current liabilities** | | | **5,921,582** | | *5,849,887* |
| **Provisions for liabilities** | | | | | |
| Deferred taxation | *16* | | **(133,090)** | | *(124,186)* |
| Net assets | | | **5,788,492** | | *5,725,701* |
| **Capital and reserves** | | | | | |
| Called up share capital | *22* | | **100** | | *100* |
| Profit and loss account | *23* | | **5,788,392** | | *5,725,601* |
| **Shareholders' funds** | | | **5,788,492** | | *5,725,701* |

The notes on pages 12 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 9/7/ 2018 and were signed on its behalf by:

Ian Appleton

**Mr I D Appleton**
*Director*

Company registered number: 5709663

# Company Balance sheet
***at 31 December 2017***

| | *Note* | **2017** **£** | *2016* *£* |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | *12* | **3,640,105** | *3,640,105* |
| **Total assets less current liabilities** | | **3,640,105** | *3,640,105* |
| **Capital and reserves** | | | |
| Called up share capital | *22* | **100** | *100* |
| Profit and loss account | *23* | **3,640,005** | *3,640,005* |
| **Shareholders' funds** | | **3,640,105** | *3,640,105* |

As permitted by S408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit and total comprehensive income for the year was £250,000 (2016: £250,000).

The notes on page 12 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 9/7/ 2018 and were signed on its behalf by:

Ian Appleton

**Mr I D Appleton**
*Director*

Company registered number: 5709663

## Consolidated Statement of Changes in Equity
*for the year ended 31 December 2017*

| | Called up Share capital £ | Profit and loss account £ | Total equity £ |
|---|---|---|---|
| Balance at 1 January 2016 | 100 | 5,168,442 | 5,168,442 |
| **Total comprehensive income for the year** | | | |
| Profit for the year | - | 807,259 | 807,259 |
| Total comprehensive income for the year | - | 807,259 | 807,259 |
| **Transactions with owners recorded directly in equity** | | | |
| Dividends | - | (250,000) | (250,000) |
| **Balance at 31 December 2016** | **100** | **5,725,601** | **5,725,701** |
| Balance at 1 January 2017 | 100 | 5,725,601 | 5,725,701 |
| **Total comprehensive income for the year** | | | |
| Profit for the year | - | 312,791 | 312,791 |
| Total comprehensive income for the year | - | 312,791 | 312,791 |
| **Transactions with owners recorded directly in equity** | | | |
| Dividends | - | (250,000) | (250,000) |
| **Balance at 31 December 2017** | **100** | **5,788,392** | **5,788,492** |

## Company Statement of Changes in Equity
*for the year ended 31 December 2017*

| | Called up Share capital £ | Profit and loss account £ | Total equity £ |
|---|---|---|---|
| Balance at 1 January 2016 | 100 | 3,640,005 | 3,640,105 |
| Profit | - | 250,000 | 250,000 |
| Dividends | - | (250,000) | (250,000) |
| **Balance at 31 December 2016** | **100** | **3,640,005** | **3,640,105** |
| Balance at 1 January 2017 | 100 | 3,640,005 | 3,640,105 |
| Profit | - | 250,000 | 250,000 |
| Dividends | - | (250,000) | (250,000) |
| **Balance at 31 December 2017** | **100** | **3,640,005** | **3,640,105** |

## Consolidated Cash Flow Statement
***for the year ended 31 December 2017***

| | 2017<br>£ | *2016*<br>*£* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit after Tax | **312,791** | *807,259* |
| *Adjustments for:* | | |
| Depreciation, amortisation and impairment | **409,284** | *408,953* |
| Revaluation of land and buildings | **12,609** | - |
| Taxation | **62,419** | *190,576* |
| Loss on disposal of fixed assets | **2,637** | - |
| | **799,740** | *1,406,788* |
| Increase in trade and other debtors | **(705,563)** | *(59,069)* |
| Decrease/(Increase) in stocks | **211,601** | *(794,953)* |
| Increase/(Decrease) in trade and other creditors | **549,619** | *(264,202)* |
| | **855,397** | *288,564* |
| Dividends paid | **(250,000)** | *(250,000)* |
| Tax paid | **(190,005)** | *(386,887)* |
| **Net cash from operating activities** | **415,392** | *(348,323)* |
| **Cash flows from investing activities** | | |
| Acquisition of tangible and intangible fixed assets | **(205,241)** | *(710,733)* |
| Acquisition of investments | **(30)** | - |
| Disposal of investments | **30** | - |
| **Net cash from investing activities** | **(205,241)** | *(710,733)* |
| **Cash flows from financing activities** | | |
| (Decrease)/Increase in borrowings | **(276,456)** | *1,061,439* |
| **Net cash from financing activities** | **(276,456)** | *1,061,439* |
| Net (Decrease)/increase in cash and cash equivalents | **(66,305)** | *2,383* |
| Cash and cash equivalents at 1 January | **292,607** | *290,224* |
| **Cash and cash equivalents at 31 December** | **226,302** | *292,607* |

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

Kerax (Chorley) Limited (the "Company") is a private company limited by shares and incorporated and domiciled in England & Wales. The registered address of the company is Moorland Gate House, Cowling Road, Chorley, Lancashire, PR6 9DR. The principal activity of the company is stated in the strategic report.

The group consists of Kerax (Chorley) Limited and all of its subsidiaries.

These financial statements have been prepared in accordance with FRS102 'The Financial Reporting standard applicable in the UK and Republic of Ireland' (FRS102) and the requirements of the Companies Act 2006, including the provisions of the large and medium sized companies and groups (Accounts and Reports) regulations 2008.

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

The Parent Company has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures
- Section 33 'Related Party Disclosures' – Compensation for key management personnel
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts for financial instruments measured at amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches, and descriptions of hedging relationships.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

***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.

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 during the year in relation to wax and oil products, exclusive of value added tax.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***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.

***Leases***

Annual rentals are charged to profit or loss on a straight line basis over the lease term.

Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised, on a straight-line basis over the lease term.

***Taxation***

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. It is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

***Goodwill***

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

Negative goodwill arises when the cost of a business combination is less than the fair value of the interest in the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss over 20 years.

***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 |
| Trademarks | - | 10 years straight line |

The group review the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

***Tangible fixed assets and depreciation***

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

| | | |
|---|---|---|
| Land and buildings | - | 60 years |
| Plant and machinery | - | 5 to 10 years |
| Computer and office equipment | - | 3 to 7 years |

## Notes *(continued)*

### 1 Accounting policies *(continued)*

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Land and buildings are held under the valuation method with the directors considering the market value at each reporting date. Periodic valuations are carried out by appropriately qualified surveyors to aid the director's decision making.

This represents a change in accounting policy. The impact on the comparative figures is not considered to be material.

***Other intangible assets***

Intangible assets purchased other than in a business combination are recognised when future economic benefits are probable and the cost or value of the asset can be measured reliably.

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

***Fixed asset investments***

Interests in subsidiaries 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 at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit and loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

***Impairment of fixed assets***

At each reporting period end date, the group and company review the carrying amounts of its tangible and intangible assets 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 group and company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not be adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

## Notes *(continued)*

### 1 Accounting policies *(continued)*

***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. Cost is based on the cost of purchase on a first in, first out basis. Net realisation value is based on estimated selling price less additional costs to completion and disposal.

At each reporting date, the group assesses whether stocks are impaired or if an impairment loss recognised in prior periods has reversed. Any excess of the carrying amount of stock over its estimated selling price less costs to complete and sell is recognised as an impairment loss in the profit or loss.

***Financial instruments***

The group and company have elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group and company become 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, other debtors 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

***Impairment of financial assets***

Financial assets 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.

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 group and company after deducting all of its liabilities.

***Basic financial liabilities***

Basic financial liabilities, including trade and other creditors and amounts owed to invoice discounters, 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 payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Derivatives***

Derivatives, including foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to fair value, at each reporting date. Fair value gains and losses are recognised in profit or loss unless hedge accounting is applied and the hedge is a cash flow hedge.

***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the group and company's contractual obligations are discharged, cancelled, or they expire.

***Employee benefits***

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group and company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

***Retirement benefits***

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

***Reserves***

The profit and loss reserve is an aggregation of prior year profits less dividends paid. These are distributable reverses and can be used for future dividend distribution.

***Judgements and key sources of estimation uncertainty***

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates and assumptions*

The group makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- The directors review all items of stock at the end of year, making provisions for obsolete, slow moving and rework stock. This is based upon the director's knowledge and opinion as to whether these items of stock will generate future economic benefit to the company. Details regarding such movements in provision have been disclosed in note 13.

*Critical areas of judgement*

- The directors have undertaken an impairment review on the net book value of goodwill at the year end. Based upon current economic benefits being derived now and into the future the directors deem there to be no requirement for impairment to the value of goodwill.
- The directors engaged an RICS qualified Chartered Surveyor to undertake a valuation for FRS102 purposes on the property it purchased in 2016 which has since had significant renovation work completed on it. At the year end the directors have judged this to be the open market value of the property and thus have adopted the valuation at the balance sheet date as disclosed in note 11.

## Notes *(continued)*

### 2 Analysis of turnover

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| United Kingdom | **25,069,345** | 22,200,095 |
| European Union | **2,915,938** | 2,621,176 |
| Overseas | **2,168,871** | 1,733,607 |
| | **30,154,154** | 26,554,878 |

### 3 Operating profit

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| ***Profit on ordinary activities before taxation is stated after charging/(crediting):*** | | |
| Amortisation of goodwill | **196,510** | *196,510* |
| Depreciation of owned fixed assets | **212,774** | *212,443* |
| Auditors remuneration | **16,250** | *16,500* |
| Operating lease costs: land and buildings | **241,165** | *237,126* |
| Operating lease costs: plant and equipment and cars on hire | **98,991** | *85,328* |
| Net loss/(profit) on foreign currency translation | **11,258** | *(437,559)* |
| Loss on revaluation of buildings | **12,609** | - |

### 4 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** | |
|---|---|---|
| | **2017** | *2016* |
| Production | **48** | *43* |
| Maintenance | **7** | *7* |
| Labs | **8** | *7* |
| Management | **1** | *1* |
| Administration | **16** | *15* |
| Sales | **5** | *6* |
| | **85** | *79* |

The aggregate payroll costs of these persons were as follows:

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| Wages and salaries | **2,743,828** | *2,597,675* |
| Social security costs | **252,569** | *246,620* |
| Other pension costs | **121,537** | *117,066* |
| | **3,117,934** | *2,961,361* |

## Notes *(continued)*

### 5 Remuneration of directors

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| Aggregate remuneration | **204,624** | *231,580* |
| Value of group contributions to money purchase pension schemes | **40,000** | *40,000* |
| | **244,624** | *271,580* |

Benefits in kind of £20,370 were not included in the prior year disclosure.

**Remuneration of the highest paid director**

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| Aggregate remuneration (excluding pension contributions) | **85,100** | *150,290* |
| Value of company pension contributions to money purchase pension schemes | **40,000** | - |
| | **125,500** | *150,290* |

Benefits in kind of £3,795 were not included in the prior year disclosure.

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

| | **2017** | *2016* |
|---|---|---|
| | **No** | *No* |
| Money purchase schemes | **1** | *1* |

### 6 Interest payable and similar charges

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| Bank interest payable | **16** | - |
| | **16** | - |

### 7 Interest receivable and similar charges

| | **2017** | *2016* |
|---|---|---|
| | **£** | **£** |
| Bank interest receivable | - | *21* |
| Interest received on early corporation tax payment | 7 | - |
| | 7 | *21* |

## Notes *(continued)*

### 8 Taxation

**Total tax expense recognised in the profit and loss account, other comprehensive income and equity**

| | **2017** | | *2016* | |
|---|---|---|---|---|
| | **£** | **£** | *£* | *£* |
| **Current tax** | | | | |
| Current tax on income for the period | | **58,469** | | *204,416* |
| Adjustments in respect of prior periods | | **(4,954)** | | *(9,443)* |
| Total current tax | | **53,515** | | *194,973* |
| *Deferred tax (see note 17)* | | | | |
| Origination and reversal of timing differences | **8,904** | | *2,747* | |
| Change in tax rate | **-** | | *(7,144)* | |
| Total deferred tax | | **8,904** | | *(4,397)* |
| **Total tax** | | **62,419** | | *190,576* |

| | **2017** | | | *2016* | | |
|---|---|---|---|---|---|---|
| | **£** | **£** | **£** | *£* | *£* | *£* |
| | **Current tax** | **Deferred tax** | **Total tax** | *Current tax* | *Deferred tax* | *Total tax* |
| Recognised in Profit and loss account | **53,515** | **8,904** | **62,419** | **194,973** | **(4,397)** | **190,576** |
| Total tax | **53,515** | **8,904** | **62,419** | **194,973** | **(4,397)** | **190,576** |

**Reconciliation of effective tax rate**

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| Profit for the year | **312,791** | *807,259* |
| Total tax expense | **62,419** | *190,576* |
| Profit excluding taxation | **375,210** | *997,835* |
| Tax using the UK corporation tax rate of 19.25% (*2016: 20%*) | **72,215** | *199,567* |
| Non-deductible expenses | **6,778** | *10,379* |
| Over provided in prior years | **(4,118)** | *(9,443)* |
| Fixed asset differences | **38,651** | *39,302* |
| Deduction for R&D expenditure | **(50,041)** | *(41,600)* |
| Deferred tax rated differences | **(1,066)** | *(7,629)* |
| Total tax expense included in profit or loss | **62,419** | *190,576* |

The rate of UK corporation tax was reduced from 20% to 19% from 1 April 2017 and will reduce to 17% from April 2020. These changes have been reflected in the deferred tax provisions.

## Notes *(continued)*

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

The profit dealt with in the financial statements of the parent company was £250,000 *(2016: £250,000).*

### 10 Intangible fixed assets

**Group**

| | Trademarks £ | Goodwill £ | Negative Goodwill £ | Total £ |
|---|---|---|---|---|
| *Cost* | | | | |
| At 1 January 2017 | - | 1,001,417 | (75,460) | 925,957 |
| Additions | 8,817 | - | - | 8,817 |
| At 31 December 2017 | 8,817 | 1,001,417 | (75,460) | 934,774 |
| *Amortisation* | | | | |
| At 1 January 2017 | - | 450,638 | (41,488) | 409,150 |
| Charge for year | - | 200,283 | (3,773) | 196,510 |
| At 31 December 2017 | - | 650,921 | (45,261) | 605,660 |
| *Net book value* | | | | |
| **At 31 December 2017** | **8,817** | **350,496** | **(30,199)** | **329,114** |
| At 31 December 2016 | - | 550,779 | (33,972) | 516,807 |

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 (now registered as Hyperdrive Lubricants Limited) by Kerax Limited on 30 September 2014. This represents the excess of the consideration paid over the fair value of net assets acquired.

## Notes *(continued)*

### 11 Tangible fixed assets

**Group**

| | **Land & Buildings** | **Plant & machinery** | **Computer & office equipment** | **Total** |
|---|---|---|---|---|
| | **£** | **£** | **£** | **£** |
| *Cost* | | | | |
| At 1 January 2017 | 498,415 | 2,319,178 | 195,937 | 3,013,530 |
| Additions | 21,870 | 170,275 | 4,279 | 196,424 |
| Disposals | (2,361) | - | (321) | (2,682) |
| Revaluation | (12,609) | - | - | (12,609) |
| At 31 December 2017 | 505,315 | 2,489,453 | 199,895 | 3,194,663 |
| ***Depreciation*** | | | | |
| At 1 January 2017 | - | 1,350,192 | 152,194 | 1,502,386 |
| Charged in year | 4,308 | 187,035 | 21,431 | 212,774 |
| Disposals | - | - | (45) | (45) |
| At 31 December 2017 | 4,308 | 1,537,227 | 173,580 | 1,715,115 |
| ***Net book value*** | | | | |
| **At 31 December 2017** | **501,007** | **952,226** | **26,315** | **1,479,548** |
| At 31 December 2016 | 498,415 | 968,986 | 43,743 | 1,511,144 |

The directors have adopted a policy of holding land and buildings at open market value.

On 11th August 2017 Andrew Dixon & Company Chartered Surveyors valued the property at £500,000. This valuation has been adopted at the reporting date by the directors, deeming the value of the property will not have materially changed since the date of the valuation was completed.

The impact on the comparative figures is not considered material.

The historical cost of land and buildings is £515,924 (2016: 498,415).

The company has no fixed assets.

## Notes *(continued)*

### 12 Investments

#### Group

| | Share in associate £ | Total £ |
|---|---|---|
| ***Cost*** | | |
| At 1 January 2017 | - | - |
| Additions | 30 | 30 |
| Disposals | (30) | (30) |
| At 31 December 2017 | - | - |
| ***Amortisation*** | | |
| At 1 January 2017 | - | - |
| Charge for year | - | - |
| At 31 December 2017 | - | - |
| ***Net book value*** | | |
| **At 31 December 2017** | - | - |
| At 31 December 2016 | - | - |

On 1 February 2017 Kerax Limited acquired a 30% shareholding in PF Capital Limited.

On 11 December 2017 Kerax Limited disposed of its 30% shareholding in PF Capital Limited to Mr I D Appleton at nominal value.

The directors consider PF Capital Limited is not material to warrant the application of equity accounting.

#### Company

| | Group companies £ |
|---|---|
| ***Cost*** | |
| At 1 January 2017 and 31 December 2017 | 3,640,105 |
| ***Net book value*** | |
| At 1 January 2017 and 31 December 2017 | 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 |
| Hyperdrive Lubricants Limited | England and Wales | £100 Ordinary | 100% | Dormant |

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 and quality lubricant products.

# Notes *(continued)*

## 13 Stocks

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Raw materials | **3,242,805** | *3,443,817* |
| Work in progress | **185,781** | *139,248* |
| Finished goods | **871,338** | *928,460* |
| | **4,299,924** | *4,511,525* |

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £22,920,274 *(2016: £20,467,606)*. The write-down of stocks to net realisable value amounted to £163,454 (*2016: £170,702)*. The write-down and reversal are included in cost of sales.

The company has no stock.

## 14 Debtors

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Trade debtors | **3,936,818** | *3,675,253* |
| Other debtors | **439,988** | *46,027* |
| Prepayments and accrued income | **259,519** | *209,482* |
| | **4,636,325** | *3,930,762* |

Included within other debtors is the fair value of forward foreign exchange contracts amounting to (£4,541) (2016: £27,584).

The company has no debtors.

## 15 Creditors: amounts falling due within one year

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Trade creditors | **1,539,274** | *865,532* |
| Corporation tax | **58,463** | *194,953* |
| Other taxation and social security | **335,030** | *138,785* |
| Other creditors | **2,341,725** | *2,618,181* |
| Accruals and deferred income | **685,139** | *1,022,382* |
| Directors current accounts | **90,000** | *73,125* |
| | **5,049,631** | *4,912,958* |

The company has no creditors.

The following liabilities disclosed under creditors falling due within one year are secured on the book debts of the group:

| | 2017 | 2016 |
|---|---|---|
| | £ | £ |
| Other creditors | **2,341,725** | *2,618,181* |

# Notes *(continued)*

## 16 Deferred taxation

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

| | 2017 | *2016* |
|---|---|---|
| | £ | *£* |
| At beginning of year | **124,186** | *128,583* |
| Profit and loss account movement arising during the year | **8,904** | *(4,397)* |
| **At end of year** | **133,090** | *124,186* |

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

**Group**

| | 2017 | *2016* |
|---|---|---|
| | £ | *£* |
| Excess of taxation allowances over depreciation on fixed assets | **133,090** | *129,506* |
| Other timing differences | **-** | *(5,320)* |
| | **133,090** | *124,186* |

## 17 Commitments under operating leases

| | 2017 | | *2016* | |
|---|---|---|---|---|
| | **Land and buildings** | **Other items** | *Land and buildings* | *Other items* |
| | £ | £ | *£* | *£* |
| Less than one year | **151,165** | **111,109** | *173,665* | *112,183* |
| Between one to five years | **314,660** | **106,036** | *459,660* | *183,751* |
| More than five years | **340,616** | **228** | *346,781* | *-* |
| | **806,441** | **217,373** | *980,106* | *295,934* |

During the year £340,156 was recognised as an expense in the profit and loss account in respect of operating leases (*2016: £322,454*)

## 18 Capital commitments

Amounts contracted for but not provided in the financial statements.

| | 2017 | *2016* |
|---|---|---|
| | £ | *£* |
| Acquisition of tangible fixed assets | **30,534** | *-* |

## 19 Post balance sheet events

On 11th May 2018 the group purchased property at a cost of £440,000 in readiness for future growth opportunities.

## Notes *(continued)*

### 20 Transactions with the directors

The following loans to directors existed during the years ended 31 December 2017 and 2016.

| | **2017** | *2016* |
|---|---|---|
| | **£** | *£* |
| **Mr I D Appleton** | | |
| Balance owed by the Company at start of year | **(70,000)** | - |
| Balance owed by the Company at end of year | **(87,500)** | *(70,000)* |
| Maximum balance overdue during the year | **88,609** | - |

| | **£** | *£* |
|---|---|---|
| **Mrs L C Appleton** | | |
| Balance owed by the Company at start of year | **(3,125)** | - |
| Balance owed by the Company at end of year | **(2,500)** | *(3,125)* |

### 21 Related party transactions

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

A dividend of £250,000 (2016: £250,000) was received from Kerax Limited during the year.

A dividend of £250,000 (2016: £250,000) was paid by Kerax (Chorley) Limited to directors during the year.

Kerax (Chorley) Limited indirectly owns Euro Oils Limited as the entire share capital was acquired by Kerax Limited on 30 September 2014. On 24 November 2017 Euro Oils Limited was renamed at Companies House to Hyperdrive Lubricants Limited.

No transactions took place with Hyperdrive Lubricants Limited during this year or last year.

Rental payments to the SIPP of Mr I D Appleton totalled £145,000 *(2016: £145,000)*.

Rental payments to the SIPP of Mr I D Appleton, Mrs L C Appleton and Mr L Burgess totalled £90,000 *(2016: £90,000)*.

Included in other debtors is £425,000 (2016: nil) owed by parties related through common ownership.

In addition to amounts shown as Director's remuneration, other amounts in respect of Key Management Personnel include £560,249 (2016: £595,836).

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

### 22 Called up share capital

| | **2017** | | *2016* | |
|---|---|---|---|---|
| | **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* |
| | **100** | **100** | *100* | *100* |

### 23 Reserves

**Profit and loss account**

The profit and loss reserves represent the cumulative profit and loss net of distributions to owners.

### 24 Ultimate controlling party

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