REGISTERED NUMBER: SC157459 (Scotland)

Strategic Report, Report of the Directors and

Financial Statements For The Year Ended 31 December 2020

for

CASTLE CHEMICALS LIMITED

Contents of the Financial Statements
For The Year Ended 31 December 2020

CASTLE CHEMICALS LIMITED

Company Information
For The Year Ended 31 December 2020

DIRECTORS:	A J McCann J Muff Mrs J J McCann Mrs S Muff
SECRETARY:	
REGISTERED OFFICE:	4th floor 115 George Street Edinburgh Lothian EH2 4JN
REGISTERED NUMBER:	SC157459 (Scotland)
SENIOR STATUTORY AUDITOR:	Steven John Collings FCCA
AUDITORS:	Leavitt Walmsley Associates Limited Chartered Certified Accountants and Statutory Auditors 8 Eastway Sale Cheshire M33 4DX

Strategic Report
For The Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

REVIEW OF BUSINESS

The directors are satisfied with the company's performance during the reporting period.

The company continues to operate on relatively low gross margins, and the margin remained relatively stable at 6.2% in the current year compared to 6.5% in 2019. It is expected that as a result of the company's strategic planning, gross margins will continue to remain stable during 2021.

Revenue has increased by 7.6% to £27m (2019: £25m) which is very encouraging considering the impact of Covid-19 on the world during 2020. The company's administrative expenditure has increased slightly by 0.9% although there has been a significant decrease in travelling expenditure due to lockdown and travel restrictions being in place during the course of 2020. This, of course, has had an impact on operating profit which has increased by 14.2% in the year. In view of a very challenging year, globally, the directors are very satisfied with the performance of the company.

The balance sheet of the company continues to be in a strong position with net assets of £1.0m as opposed to £710k in the previous year. There was a reduction in retained earnings in 2019 due to a share buyback transactions that took place due to the retirement of two shareholders. This has not happened in 2020 hence retained earnings have restored themselves due to the retained profit in 2020.

The company's cash balances have increased from £582k in 2019 to £1.2m in 2020. Conversely, borrowings via the invoice discounting facility have increased from £4.6m in 2019 to £6.0m in 2020. The directors aim to maintain a healthy level of surplus cash in the business in order to meet their working capital requirements. The finance providers are also satisfied with the performance of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors of Castle Chemicals Ltd have identified the following risks and uncertainties in its business model:

Financial risk management
Foreign exchange risk arises when the company enters into transactions denominated in a foreign currency other than its functional currency. The company is predominantly exposed to currency risk on purchases made in US Dollars and Euro and sales in Sterling. The company actively strives to buy and sell in the same currency in an attempt to mitigate its exposure to risk.

Customer profile
The company currently has a high dependency on two industrial sectors, although this issue is being addressed as part of the medium-term strategical plan which the directors keep under constant review. In addition, the company operates a rolling budget which is updated monthly against actual figures and this helps to predict any significant variations in cashflow against planned outturn.

Credit risk
The company works hard to maintain close relationships with both their customers and suppliers such that all parties can agree on credit terms enabling successful liquidity management. The company has also fully insured the vast majority of its sales ledger to minimise the risk of non-recoverability.

Interest rate risk
The company is exposed to interest rate risk on its borrowings. The company has a policy of actively managing its interest rate exposure through strict compliance with the terms of its borrowing facilities. Borrowing levels are reviewed by the board on a monthly basis and the company will always ensure that borrowing is kept within the agreed terms.

Covid-19 (Coronavirus)
The impact of Covid-19 continues to dominate the world and at the balance sheet date the UK was currently about to enter another lockdown, albeit less strict than the first one imposed by the Government in March 2020. Travel restrictions continue to be in place although goods are able to be moved between countries. Supply chains appear to be coping well, despite some countries being in a far stricter lockdown that the UK and this has enabled the company to continue securing sales. Some staff have been furloughed and the company has been able to take advantage of the UK Government's Coronavirus Job Retention Scheme grant that has enabled the company to avoid making staff redundant. In addition, the company has also been successful in securing a Coronavirus Business Interruption Loan to assist in the provision of working capital and to enable the company to meet its day-to-day obligations. This has helped as customers are taking longer to pay their debts due to the global pandemic. The company has seen its debtor days increase from 86 days in 2019 to 109 days in 2020.

Strategic Report
For The Year Ended 31 December 2020

KEY PERFORMANCE INDICATORS
Summary financial statement information, extracted from the accompanying financial statements, is as follows:

Revenue	£27m (2019: £25m)
Operating profit	£781k (2019: £684k)
Pre-tax profit	£729k (2019: £682k)
Net current assets	£1.9m (2019: £902k)
Net assets	£1.0m (2019: £710k)
Free cash flow	£1.2m (2019: £582k)

Key performance indicators of the business include revenue, gross margins and operating profit. These KPIs are selected as 'key' on the basis that the company operates a low gross profit margin and the directors strive to maintain margins as high as possible in order to preserve profit. Operating profit is also a KPI on the grounds that this is an indicator of business performance, whereas profit before tax may include exceptional items.

The company produces monthly management information which are compared against budgeted information. Any significant variances are investigated.

FUTURE DEVELOPMENTS
The company plans to maintain its competitive advantage within its market sector. Politics, technology and world economic have changed the landscape and it is vital that growth is managed sustainably and responsibly. The directors plan to move the company forward into 2021 by maintaining its current profitable position and strengthening its position in the marketplace.

Covid-19 continues to be a challenge within the industry and there are still restrictions on travel but supply chains continue to hold up. 2021 should hopefully see the vaccine rollout be successful with a view to easing restrictions and enabling business to continue as normal. The directors keep their current risk assessments under constant review, given that circumstances can change very quickly. We will continue to strive to increase revenue and profitability and preserve jobs. Budgets and forecasts for 2021 indicate that the company will not suffer significantly as a result of Covid-19 and the directors will monitor working capital requirements on a monthly basis to ensure they are adequate and sufficient to enable the company to meet its liabilities.

ON BEHALF OF THE BOARD:

A J McCann - Director

30 June 2021

Report of the Directors
For The Year Ended 31 December 2020

The directors present their report with the financial statements of the company for the year-ended 31 December 2018.

The review of the business, principal risks and uncertainties, key performance indicators and future developments are not shown in the Directors' Report as they are shown in the Strategic Report in accordance with s414C(11) of the Companies Act 2006.

PRINCIPAL ACTIVITY
The principal activity of the company in the year under review was that of the supply of high quality performance chemical additives to the rubber, paint, surface coatings, textile and adhesive industries.

DIVIDENDS
Interim dividends per share were paid during the year as follows:

Ordinary A £1	- £2917.2352
Ordinary C £1	- £1974.7941
Ordinary D £1	- £450.64705
Ordinary E £1	- £398.98528

The directors recommend a final dividend per share as follows:

Ordinary D £1	- £367.64705
Ordinary E £1	- £367.64705

The total distribution of dividends for the year ended 31 December 2020 will be £251,676.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

A J McCann
J Muff
Mrs J J McCann
Mrs S Muff

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Leavitt Walmsley Associates Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD:

J Muff - Director

30 June 2021

Statement of Directors' Responsibilities
For The Year Ended 31 December 2020

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 and then apply them consistently;
- make judgements 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 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.

Report of the Independent Auditors to the Members of Castle Chemicals Limited

Opinion

We have audited the financial statements of Castle Chemicals Limited (the 'company') for the year ended 31 December 2020 which comprise the Profit and Loss Account, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 Financial Reporting Standard 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 company's affairs as at 31 December 2020 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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors 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.

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

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors 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 Report of the Directors.

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

- adequate accounting records have not been kept, or returns 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.

Report of the Independent Auditors to the Members of Castle Chemicals Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 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.

Report of the Independent Auditors to the Members of Castle Chemicals Limited

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 a Report of the Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risks of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed our audit procedures to respond to the assessed risks, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve more sophisticated and deliberate concealment, such as through forgery or intentional misrepresentations or via collusion. We recognised the risks arising from fraud could arise from two sources:

- manipulation of weaknesses in the system of internal control; and
- management override of the system of internal control.

These risks were built into our risk assessment and our procedures were designed in such a way that they would respond to those risks.

We focussed on laws and regulations which could give rise to a material misstatement in the financial statements, including (but not limited to), the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries with management and reviews of correspondence. We paid particular attention to legal correspondence which may indicate a breach of laws and regulations.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

During the course of our audit, we did not identify any key audit matters relating to irregularities, including fraud.

As in all our audits, we also addressed the risk of management override of internal controls (as noted above), including testing journals and evaluating whether there was evidence of bias by the directors which represented a risk of material misstatement due to fraud.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Report of the Auditors to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Report of the Auditors. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report of the Independent Auditors to the Members of Castle Chemicals Limited

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 a Report of the Auditors 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.

Leavitt Walmsley Associates Ltd.

Steven John Collings FCCA (Senior Statutory Auditor)
for and on behalf of Leavitt Walmsley Associates Limited
Chartered Certified Accountants and
Statutory Auditors
8 Eastway
Sale
Cheshire
M33 4DX

30 June 2021

Profit and Loss Account
For The Year Ended 31 December 2020

	Notes	31.12.20 £	31.12.19 £
TURNOVER	5	27,066,848	25,155,150
Cost of sales		(25,371,911)	(23,529,832)
GROSS PROFIT		1,694,937	1,625,318
Administrative expenses		(950,211)	(941,458)
		744,726	683,860
Other operating income		36,491	-
OPERATING PROFIT	7	781,217	683,860
Interest receivable and similar income		333	2,148
		781,550	686,008
Interest payable and similar expenses	9	(52,068)	(3,724)
PROFIT BEFORE TAXATION		729,482	682,284
Tax on profit	10	(140,019)	(124,422)
PROFIT FOR THE FINANCIAL YEAR		589,463	557,862

The notes form part of these financial statements

Other Comprehensive Income
For The Year Ended 31 December 2020

	Notes	31.12.20 £	31.12.19 £
PROFIT FOR THE YEAR		589,463	557,862
OTHER COMPREHENSIVE INCOME			
Share buyback		-	(560,000)
Transfer to capital redemption reserve		-	34
Share issue		(204)	-
Income tax relating to components of other comprehensive income		-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		(204)	(559,966)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		589,259	(2,104)

The notes form part of these financial statements

Balance Sheet
31 December 2020

	Notes	31.12.20 £	31.12.20 £	31.12.19 £	31.12.19 £
FIXED ASSETS					
Tangible assets	12		10,928		8,649
Investments	13		85		85
			11,013		8,734
CURRENT ASSETS					
Stocks	14	2,882,901		2,416,969	
Debtors	15	8,810,767		6,457,327	
Cash at bank		1,179,537		582,412	
		12,873,205		9,456,708	
CREDITORS					
Amounts falling due within one year	16	10,958,570		8,554,704	
NET CURRENT ASSETS			1,914,635		902,004
TOTAL ASSETS LESS CURRENT LIABILITIES			1,925,648		910,738
CREDITORS					
Amounts falling due after more than one year	17		878,355		201,232
NET ASSETS			1,047,293		709,506
CAPITAL AND RESERVES					
Called up share capital	22		272		68
Capital redemption reserve			34		34
Retained earnings			1,046,987		709,404
SHAREHOLDERS' FUNDS			1,047,293		709,506

The financial statements were approved by the Board of Directors and authorised for issue on 30 June 2021 and were signed on its behalf by:

A J McCann - Director

J.M.A

J Muff - Director

Statement of Changes in Equity
For The Year Ended 31 December 2020

	Called up share capital £	Retained earnings £	Capital redemption reserve £	Total equity £
Balance at 1 January 2019	102	906,726	-	906,828
Changes in equity				
Issue of share capital	(34)	-	-	(34)
Dividends	-	(195,184)	-	(195,184)
Total comprehensive income	-	(2,138)	34	(2,104)
Balance at 31 December 2019	68	709,404	34	709,506
Changes in equity				
Issue of share capital	204	-	-	204
Dividends	-	(251,676)	-	(251,676)
Total comprehensive income	-	589,259	-	589,259
Balance at 31 December 2020	272	1,046,987	34	1,047,293

The notes form part of these financial statements

Cash Flow Statement
For The Year Ended 31 December 2020

	Notes	31.12.20 £	31.12.19 £
Cash flows from operating activities			
Cash generated from operations	1	(1,083,141)	1,073,440
Interest paid		(52,068)	(3,724)
Tax paid		(102,743)	(178,744)
Net cash from operating activities		(1,237,952)	890,972
Cash flows from investing activities			
Purchase of tangible fixed assets		(6,470)	(3,419)
Purchase of fixed asset investments		-	(85)
Interest received		333	2,148
Net cash from investing activities		(6,137)	(1,356)
Cash flows from financing activities			
Loan repayments in year		(48,768)	-
Amount introduced by directors		20,000	67,070
Amount withdrawn by directors		(41,074)	(6,826)
Share buyback		-	(560,000)
New loan taken out		750,000	250,000
Equity dividends paid		(251,676)	(195,184)
Net cash from financing activities		428,482	(444,940)
(Decrease)/increase in cash and cash equivalents		(815,607)	444,676
Cash and cash equivalents at beginning of year	2	(4,038,321)	(4,482,997)
Cash and cash equivalents at end of year	2	(4,853,928)	(4,038,321)

The notes form part of these financial statements

Notes to the Cash Flow Statement
For The Year Ended 31 December 2020

1. **RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.20	31.12.19
	£	£
Profit before taxation	729,482	682,284
Depreciation charges	4,191	5,218
Finance costs	52,068	3,724
Finance income	(333)	(2,148)
	785,408	689,078
Increase in stocks	(465,932)	(565,891)
(Increase)/decrease in trade and other debtors	(2,325,516)	1,003,259
Increase/(decrease) in trade and other creditors	922,899	(53,006)
Cash generated from operations	(1,083,141)	1,073,440

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2020

	31.12.20	1.1.20
	£	£
Cash and cash equivalents	1,179,537	582,412
Bank overdrafts	(6,033,465)	(4,620,733)
	(4,853,928)	(4,038,321)

Year ended 31 December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	582,412	122,487
Bank overdrafts	(4,620,733)	(4,605,484)
	(4,038,321)	(4,482,997)

3. **ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.20	Cash flow	At 31.12.20
	£	£	£
Net cash			
Cash at bank	582,412	597,125	1,179,537
Bank overdrafts	(4,620,733)	(1,412,732)	(6,033,465)
	(4,038,321)	(815,607)	(4,853,928)
Debt			
Debts falling due within 1 year	(48,768)	(24,109)	(72,877)
Debts falling due after 1 year	(201,232)	(677,123)	(878,355)
	(250,000)	(701,232)	(951,232)
Total	(4,288,321)	(1,516,839)	(5,805,160)

Notes to the Financial Statements
For The Year Ended 31 December 2020

1. GOING CONCERN

The impact of Covid-19 on the industry in which this company operates has been significant, as is the case with most businesses around the world. After discovery of the virus, the directors implemented immediate strategies aimed at reducing the impact that the pandemic would have on the business. This included, among other things, reviewing the company's working capital sources and availability, current order levels and whether these orders could be fulfilled in light of travel and other restrictions imposed by Governments around the world and reviewing our budgets and forecasts to account for the 'worst case scenario' where the virus was concerned.

Since the first lockdown was announced in March 2020, the company has continued to operate, although staff have been working from home in order to comply with guidelines and regulations issued by the UK Government. Global supply chains did manage to hold up well and orders did manage to get fulfilled.

The directors' strategy in managing the risks associated with Covid-19 have proved to be successful during a turbulent year. The company has maintained adequate levels of working capital and has been successful in applying for additional funding as a backup to ensure the company can continue to operate and meets its obligations as they fall due.

After reviewing the company's budgets and management accounts, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore adopts the going concern basis of accounting in the preparation of its financial statements.

2. STATUTORY INFORMATION

Castle Chemicals Limited is a private company, limited by shares, registered in Scotland. The company's registered number and registered office address can be found on the Company Information page.

The presentation currency of the financial statements is the Pound Sterling (£).

The company's trading office is:

Gateway House
Styal Road
Heald Green
Manchester M22 5WY

3. STATEMENT OF COMPLIANCE

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

4. ACCOUNTING POLICIES

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention. The company's functional and presentation currency is GBP. Monetary amounts in these financial statements are rounded to the nearest £.

Preparation of consolidated financial statements
The financial statements contain information about Castle Chemicals Limited as an individual company and do not contain consolidated financial information as the parent of a group. The parent's subsidiary is deemed to be immaterial to the parent and therefore, in accordance with FRS 102, paragraph 9.9A the subsidiary has been excluded from consolidation as its inclusion is not material for the purposes of giving a true and fair view.

continued...

4. **ACCOUNTING POLICIES - continued**

Critical accounting judgements and key sources of estimation uncertainty
In the application of the company's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements include the following:

Revenue recognition
The company receives commissions from its largest material supplier. During the accounting period an estimate was recognised as revenue in respect of commissions receivable as at 31 December 2020.

Management have considered the revenue recognition criteria in FRS 102, Section 23 'Revenue' and, in particular, whether this commission was associated with a contract whose outcome could be reliably estimated. After detailed analysis and confirmation post year-end as to the amount to be paid by the customer, the directors are satisfied that the estimate is reliable and that the revenue recognition criteria in FRS 102, Section 23 is met.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are as follows:

Stock
Estimated selling prices, less further costs expected to be incurred to completion and disposal are based on historic experiences, which are derived from unobservable market prices.

Leases
Determination of whether lease arrangements entered into by the company are operating leases or finance leases depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.

Turnover
Turnover is measured at the fair value of the consideration received or receivable. Turnover is reduced for estimated customer returns, rebates and other similar allowances.

The company has processes in place which ensure that revenue is recognised in the correct accounting period, which is usually at the point that the customer has signed for the delivery of goods. At this point, the risks and rewards of ownership of the goods pass to the customer and hence the recognition of revenue takes place.

Revenue in respect of commissions receivable is recognised when the company has fulfilled its contractual obligations to the customer in terms of shipping and the revenue can be reliably measured.

Amounts paid upfront by customers are treated as deferred income and are not recognised as revenue until such time as the risks and rewards of ownership pass to the customer. This takes place once all contractual and ongoing obligations have been fulfilled and management have no ongoing involvement with the goods.

continued...

4. **ACCOUNTING POLICIES - continued**

Tangible fixed assets
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	-	33% on cost
Fixtures and fittings	-	33% on cost and 20% on cost

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value (which is the expected amount that would currently be obtained from disposal of an asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life), over the useful economic life of the respect asset in accordance with the above depreciation rates.

Tangible fixed assets are stated at cost, net of depreciation charges and any provision for impairment. Residual values of fixed assets are calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of profit for the period.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items of fixed assets have suffered an impairment loss. If any such indication exists, the recoverable amount of an 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 the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as expenses immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined (net of depreciation charges) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately.

At each balance sheet date, the directors review the useful lives and residual values of the company's assets and these are revised as necessary. Any revisions to useful lives and residual values are applied prospectively from the date of change.

Government grants
Government grants are recognised when the recognition criteria in FRS 102, Section 24 'Government Grants' are met. The company's accounting policy of grant recognition is the accrual model.

Grants in respect of Covid-19 are recognised in income once the recognition criteria are met.

Capital-based grants are recognised as deferred income and released to profit and loss on a systematic basis over the useful life of the asset to which they relate (ordinarily to match the depreciation or amortisation expense).

Revenue-based grants are recognised in income when the recognition criteria are met.

Any grants that become repayable are recognised as a liability once the company has a legal obligation to repay the grant.

Investments in subsidiaries
Investments in subsidiary undertakings are recognised at cost.

After initial recognition at cost, the investment is measured at cost less impairment. At each reporting date the directors assess whether the investment is showing indicators of impairment. Where there are indicators of impairment, recoverable amount is established and the investment is written down to recoverable amount (where carrying amount exceeds recoverable amount) by way of an impairment loss.

continued...

4. **ACCOUNTING POLICIES - continued**

Stocks
Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs, which include directly attributable costs such as freight and irrecoverable taxes, are based on the method most appropriate to the type of inventory class, but usually on a weighted average cost basis. Overheads are charged to profit or loss as incurred. Estimated selling price is based on the price that an unconnected third party would be prepared to pay in the open market less any costs to be incurred to complete the sale.

When stocks are sold, the carrying amount of those stocks is recognised as an expense in the period in which the related revenue is recognised.

At each balance sheet date, the directors undertake a review of its stock to establish if any stock is slow-moving or has become obsolete. Where any write-downs of stock become necessary so as to reduce the value from cost to estimated selling price less costs to complete and sell, such write-downs are recognised as an expense in profit or loss in the period in which the write-down or loss occurs. Where such write-downs subsequently reverse, the amount of any reversal is recognised as a reduction in the amount of stock recognised as an expense in the period in which the reversal occurs.

Taxation
Taxation for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation
Deferred tax liabilities are recognised in respect of all timing differences that have arisen, but have not been reversed by the balance sheet date where transactions have occurred that create an obligation to pay more tax in the future. The company recognises deferred tax assets in respect of all deductible timing differences to the extent that it is probable that either taxable profits will be available against which those deductible timing differences can be used or they will be recovered against the reversal of deferred tax liabilities. The carrying value of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that either sufficient taxable profits or deferred tax liabilities will be available to allow all, or part, of the asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured using the tax rates and tax laws which have been enacted, or substantively, enacted, by the balance sheet date that are expected to apply to the reversal of the timing difference.

Amounts of deferred tax are generally recognised in profit or loss, except when they relate to items which are recognised in other comprehensive income or directly in equity and in such cases the amounts are also recognised in other comprehensive income or equity as the case may be.

Foreign currencies
Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Pension costs and other post-retirement benefits
The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

continued...

4. **ACCOUNTING POLICIES - continued**

Financial instruments
Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all liabilities.

Cash and cash equivalents
These comprise cash at bank and other short-term highly liquid bank deposits with an original maturity of three months or less.

Debtors
Debtors do not carry any interest and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired.

Trade creditors
Trade creditors are not interest-bearing and are stated at their nominal value.

Impairment of financial assets
At each balance sheet date, financial assets are reviewed to determine whether there is an indication that an asset may be impaired. Financial assets are considered to be impaired if there is objective evidence that the estimated future cash flows associated with the financial asset has been adversely affected by one, or more, events or conditions.

In respect of trade debtors, objective evidence that a trade debtor, or a group of trade debtors, has become impaired is usually due to an increase in trade debtor days. If a trade debtor, or a group of trade debtors, becomes overdue in excess of agreed credit terms without corroborative evidence that the respective debtor(s) is not experiencing financial difficulty, then the relevant assets are reduced to recoverable amount by way of a specific bad debt provision. Corroborative evidence that a debtor(s) is not experiencing financial difficulty would be where, for example, the company agrees to extended credit terms.

In respect of financial assets which are carried at amortised cost, the amount of the impairment loss is the difference between the asset's carrying amount in the financial statements and the present value of the estimated future cash flows expected to be received by the company. These expected future cash flows are discounted using the asset's original effective interest rate. All amounts in respect of impairment losses are recognised in profit or loss. If, in a subsequent accounting period, the amount of the impairment loss decreases and the decrease can be related objectively to an event which takes place after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had no impairment loss been recognised in prior periods.

In respect of financial assets carried at cost, the amount of the impairment loss is the difference between the asset's carrying amount in the financial statements and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The directors do not consider that any impairment losses recognised in respect of such financial assets will reverse.

Derecognition of financial liabilities
Financial liabilities are derecognised from the balance sheet when they are discharged, expire or cancelled. Ordinarily the company will derecognise a financial liability from the balance sheet when the liability has been appropriately settled.

Employee benefits
Short-term employee benefits are recognised as an expense in the period they are incurred.

The company operates a defined contribution pension scheme and the obligations for contributions are recognised as an expense in the period they are incurred. Differences between contributions payable in the year and those actually paid are recognised as prepayments or accruals in the balance sheet. The assets of the defined contribution pension scheme are held separately from those of the company in an independently administered fund.

continued...

5. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.20	31.12.19
	£	£
United Kingdom	4,817,899	3,873,893
Europe	15,644,638	16,433,859
United States of America	4,466,030	2,902,904
Asia	2,138,281	1,944,494
	27,066,848	25,155,150

Turnover is recognised in respect of the sale of goods and commission received.

Commissions received during the year amounted to £34,922 (2019: £14,563).

6. EMPLOYEES AND DIRECTORS

	31.12.20	31.12.19
	£	£
Wages and salaries	367,638	297,104
Social security costs	36,996	29,026
Other pension costs	12,964	14,924
	417,598	341,054

The average number of employees during the year was as follows:

	31.12.20	31.12.19
Management	4	6
Administration staff	8	6
	12	12

	31.12.20	31.12.19
	£	£
Directors' remuneration	102,737	106,728

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	1	1

7. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.20	31.12.19
	£	£
Other operating leases	30,287	26,040
Depreciation - owned assets	4,191	5,218
Foreign exchange (gain) loss	(69,421)	146,527
Government grants received	(36,284)	-

8. AUDITORS' REMUNERATION

	31.12.20	31.12.19
	£	£
Fees payable to the company's auditors for the audit of the company's financial statements	7,500	7,500

continued...

8. **AUDITORS' REMUNERATION - continued**

No services were provided pursuant to contingent fee arrangements.

9. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.20	31.12.19
	£	£
Bank loan interest	52,068	3,724

10. **TAXATION**

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	31.12.20	31.12.19
	£	£
Current tax:		
UK corporation tax	140,019	124,422
Tax on profit	140,019	124,422

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.20	31.12.19
	£	£
Profit before tax	729,482	682,284
Profit multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	138,602	129,634
Effects of:		
Expenses not deductible for tax purposes	1,850	4,235
Capital allowances in excess of depreciation	(433)	-
Depreciation in excess of capital allowances	-	342
Adjustments to tax charge in respect of previous periods	-	(9,789)
Total tax charge	140,019	124,422

Tax effects relating to effects of other comprehensive income

		31.12.20	
	Gross	Tax	Net
	£	£	£
Share buyback			
Transfer to capital redemption reserve			
Share issue	(204)	-	(204)
	(204)	-	(204)

		31.12.19	
	Gross	Tax	Net
	£	£	£
Share buyback	(560,000)	-	(560,000)
Transfer to capital redemption reserve	34	-	34
	(559,966)	-	(559,966)

continued...

11. DIVIDENDS

	31.12.20	31.12.19
	£	£
Ordinary A shares of £1 each		
Interim div share type A	72,608	92,276
Ordinary B shares of £1 each		
Interim div share type B	-	21,508
Ordinary C shares of £1 each		
Interim div share type C	72,608	81,400
Ordinary D shares of £1 each		
Final dividend share type D	25,000	-
Interim div share type D	28,230	-
Ordinary E shares of £1 each		
Final dividend share type E	25,000	-
Interim div share type E	28,230	-
	251,676	195,184

12. TANGIBLE FIXED ASSETS

	Improvements to property	Fixtures and fittings	Totals
	£	£	£
COST			
At 1 January 2020	6,447	44,457	50,904
Additions	-	6,470	6,470
At 31 December 2020	6,447	50,927	57,374
DEPRECIATION			
At 1 January 2020	6,447	35,808	42,255
Charge for year	-	4,191	4,191
At 31 December 2020	6,447	39,999	46,446
NET BOOK VALUE			
At 31 December 2020	-	10,928	10,928
At 31 December 2019	-	8,649	8,649

13. FIXED ASSET INVESTMENTS

	Shares in group undertakings
	£
COST	
At 1 January 2020 and 31 December 2020	85
NET BOOK VALUE	
At 31 December 2020	85
At 31 December 2019	85

The company's investments at the Balance Sheet date in the share capital of companies include the following:

Castle Chemicals (Ireland) Ltd
Registered office: 25 Herbert Place, Dublin 2, Ireland
Nature of business: Distribution of rubber products

	%
Class of shares:	holding
Ordinary	100.00

continued...

14. STOCKS

	31.12.20	31.12.19
	£	£
Stocks	2,882,901	2,416,969

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20	31.12.19
	£	£
Trade debtors	8,049,668	5,932,185
Amounts owed by group undertakings	-	12,452
Other debtors	180,178	53,022
Directors' current accounts	289,946	268,872
Tax	108,179	101,329
VAT	111,483	-
Prepayments	71,313	89,467
	8,810,767	6,457,327

The directors' current accounts (see note 22) are repayable on demand. Amounts owed by group undertakings are interest-free and are repayable on demand.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.20	31.12.19
	£	£
Bank loans and overdrafts (see note 18)	6,106,342	4,669,501
Trade creditors	4,538,129	3,651,485
Tax	180,555	136,429
Social security and other taxes	9,244	8,481
VAT	-	44,005
Other creditors	92,230	32,303
Accrued expenses	32,070	12,500
	10,958,570	8,554,704

Included within other creditors is a dividend payable to the shareholders amounting to £50,000 (2019: £nil).

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.20	31.12.19
	£	£
Bank loans (see note 18)	878,355	201,232

18. LOANS

An analysis of the maturity of loans is given below:

	31.12.20	31.12.19
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	6,033,465	4,620,733
Bank loans	72,877	48,768
	6,106,342	4,669,501
Amounts falling due between two and five years:		
Bank loans - 2-5 years	878,355	201,232

continued...

19. **LEASING AGREEMENTS**

Minimum lease payments under non-cancellable operating leases fall due as follows:

	31.12.20	31.12.19
	£	£
Within one year	21,900	21,000
Between one and five years	65,700	-
	87,600	21,000

20. **SECURED DEBTS**

The following secured debts are included within creditors:

	31.12.20	31.12.19
	£	£
Bank overdrafts	6,033,465	4,620,733
Bank loans	951,232	250,000
	6,984,697	4,870,733

The Directors have made personal guarantees in favour of HSBC UK on behalf of the company as follows:

A Guarantee limited to £125,000 by Mr A J McCann
A Guarantee limited to £125,000 by Mr J Muff

A floating charge dated 13 December 2019 in favour of HSBC Invoice Finance (UK) Ltd over all the property or undertakings of the company including uncalled capital.

A floating charge dated 2 January 2020 in favour of HSBC UK Bank PLC over all the property or undertakings of the company including uncalled capital.

A charge in favour of HSBC Bank PLC containing a legal assignment of contract monies with a negative pledge.

21. **FINANCIAL INSTRUMENTS**

The company has entered into an invoice discounting agreement with HSBC Invoice Finance. The risks and rewards associated with trade debtors to which this invoice discounting agreement relates remain with the company, hence trade debtors remain on the balance sheet. The company retains the risk of slow- and non-payment which are significant risks. The carrying amount of trade debtors at the balance sheet date is £8,049,668 (2019: £5,932,185).

22. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.20	31.12.19
			£	£
68	Ordinary A	£1	68	34
68	Ordinary C	£1	68	34
68	Ordinary D	£1	68	-
68	Ordinary E	£1	68	-
			272	68

During the year shares were issued at par as follows:

- Ordinary £1 A shares: 34
- Ordinary £1 C shares: 34
- Ordinary £1 D shares: 68
- Ordinary £1 E shares: 68

A total of 204 (2019: nil) shares were issued as a bonus issue.

continued...

23. CAPITAL COMMITMENTS

	31.12.20	31.12.19
	£	£
Contracted but not provided for in the financial statements	-	-

24. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

The following advances and credits to directors subsisted during the years ended 31 December 2020 and 31 December 2019:

	31.12.20	31.12.19
	£	£
J Muff		
Balance outstanding at start of year	134,973	134,973
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	134,973	134,973
A J McCann		
Balance outstanding at start of year	113,899	107,073
Amounts advanced	21,074	6,826
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	134,973	113,899
J P L Wood		
Balance outstanding at start of year	-	57,070
Amounts repaid	-	(57,070)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	-
Mrs N Wood		
Balance outstanding at start of year	-	10,000
Amounts repaid	-	(10,000)
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	-	-
Mrs J J McCann		
Balance outstanding at start of year	10,000	10,000
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	10,000	10,000
Mrs S Muff		
Balance outstanding at start of year	10,000	10,000
Amounts repaid	-	-
Amounts written off	-	-
Amounts waived	-	-
Balance outstanding at end of year	10,000	10,000

continued...

24. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES - continued

The Directors loan accounts are included within Debtors: amounts falling due within one year.

During the year a director received an advance of £21,074 (2019: £6,826).

In respect of the advances made to the directors, the rate of interest charged by the company on the advances is 0% and no formal conditions exist in relation to the advances and hence the loan accounts are repayable on demand.

During the year no amounts were written off or waived (2019: £nil).

25. RELATED PARTY DISCLOSURES

During the year, total dividends of £251,676 were paid to the directors.

The company has taken advantage of the exemption in FRS 102, paragraph 33.1A which allows an exemption from disclosing transactions entered into between members of a group which are wholly owned within the group.

Other related parties

Transactions with related parties are carried out on an arm's length basis and concluded under normal commercial terms.

During the year, a total of key management personnel compensation of £338,038 (2019 - £288,715) was paid.

26. ULTIMATE CONTROLLING PARTY

The company is controlled by the directors.

27. GOVERNMENT GRANTS

During the year the company received Government grants in respect of Covid-19 in the form of the Coronavirus Job Retention Scheme Grant amounting to £5,589 (2019: £nil). In addition a notional grant was received through the Coronavirus Business Interruption Loan Scheme (CBILS) which was paid by the Government to the lender in the form of a Business Interruption Payment amounting to £30,695 (2019: £nil). All such grants have been recognised in profit or loss within income.

Under the CBILS, the Government provides lenders with a guarantee of 80% on each loan. It is possible that this guarantee could result in a lower rate of interest than would otherwise have been payable and hence could represent a secondary Government grant which the entity has benefited from. In light of the practical difficulties and complexities in arriving at a prevailing market rate of interest, the directors have been unable to arrive at an appropriate amount for this potentially secondary grant, although the amount would not be material.