

Holchem Laboratories Limited

Directors' Report & Financial Statements

for the year ended 31 December 2011



Company registration no 01686721

Holchem Laboratories Limited
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Holchem Laboratories Limited
Officers and Advisers

Directors	S J Hardman S C Bagshaw S L Bell N Q Edwards S J Middleton
Secretary	S J Hardman
Registered office	Premier House 175 Grane Road Haslingden Rossendale Lancashire BB4 5ER
Solicitors	Cobbetts LLP 58 Mosley Street Manchester M2 3HZ
Bankers	The Royal Bank of Scotland PLC Bury 40 The Rock Bury Lancashire BL9 0NX
Auditors	Baker Tilly UK Audit LLP Chartered Accountants 3 Hardman Street Manchester M3 3HF

Holchem Laboratories Limited
Directors' Report for the Year Ended 31 December 2011

The directors present their report and the audited financial statements for the year ended 31 December 2011

Results and dividend

The results for the company are set out in the financial statements

No dividends were paid during the year

Principal activity, business review and future developments

The company's principal activity is the manufacture of specialist detergents and sanitisers and the company's revenue is derived principally from sales of these products to the food and beverage industry. Revenues for the year were £24,395,176 (2010 - £22,671,684). The profit from operations in 2011 was £2,734,777 (2010 - £3,038,883) and the profit before taxation was £2,682,628 (2010 - £2,986,452).

In common with recent years the instability in raw material prices has created challenging trading conditions during 2011 and, whilst sales revenues were satisfactory, this had an adverse impact on the company's gross margin and the uncertainty has continued into 2012.

The company remains committed to its expansion into the catering and hospitality and other areas of business, and to reducing its reliance on the food and beverage industry, and other markets are currently being actively considered.

Business risks and uncertainties

The biggest uncertainty for the company in recent years has been the cost of raw materials used in the manufacture of its main products, and this continues to be a concern. Furthermore, the current economic conditions and increasing customer expectations are also a concern, as are the costs associated with increased legislation and the possible upheaval caused in the business when the company relocates to new premises in late 2012.

Financial key performance indicators

The key indicators against which the directors measure the performance of the business, and its development and growth, are the level of revenues and gross profit margins achieved, both of which are monitored against budget and prior year performance on an ongoing basis.

Research and development

The company designs, creates and manufactures cleaning solutions and carries out research and development on an ongoing basis to improve and expand upon its product range. The company has invested heavily in laboratory facilities in recent years and its R&D is carried out largely by its specialist in-house team. In the opinion of the directors continuity of investment in this area is essential for the maintenance of the company's position in the market and for its future growth.

Market value of land and buildings

The directors are of the opinion that the market value of owned properties at 31 December 2011 would exceed the net book value included in the financial statements but they are unable to quantify this in the absence of a professional valuation, the costs of which are not considered justifiable in view of the company's intention to retain ownership of the properties for use in the business for the foreseeable future.

Financial instruments

The company's financial risk management and policies are discussed in the accounting policies note to the financial statements.

Events since the balance sheet date

No events have occurred since the year end which require reporting or disclosing in the financial statements.

Holchem Laboratories Limited
Directors' Report for the Year Ended 31 December 2011

Directors

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

- S J Hardman
- S C Bagshaw
- S L Bell
- N Q Edwards
- S J Middleton

Going concern

The directors have reviewed the adequacy of the company's banking and other facilities, and its current and forecast trading performance and cash flows, and are confident that there are no material uncertainties that cast doubt on the ability of the company to continue as a going concern. As such the directors continue to adopt the going concern basis in preparing the financial statements

Payment of creditors

It is the company's policy to agree and to clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those terms based on the timely receipt of an accurate invoice. Further information in respect of trade payables is provided in the notes to the financial statements

Third party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all directors of the company

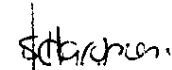
Statement as to disclosure of information to auditors

The directors who were in office as at the date of approval of these financial statements have confirmed that to the best of their knowledge there is no relevant information of which the auditors are unaware and which would have an impact on the audit. Each director has confirmed that they have taken the necessary steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors

Auditors

Baker Tilly UK Audit LLP have indicated their willingness to continue in office

Approved by the Board and signed on its behalf by



S J Hardman
Company Secretary

Date 27.09.12

Holchem Laboratories Limited
Statement of Directors' Responsibilities in respect of the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements of the company in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements are required by law and IFRS as adopted by the EU to present fairly the financial position and performance of the company. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 the financial statements, the directors are required to

- a select suitable accounting policies and then apply them consistently,
- b make judgements and accounting estimates that are reasonable and prudent,
- c state whether they have been prepared in accordance with IFRS as adopted by the EU,
- d 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.

**Independent Auditor's Report to the Members of
Holchem Laboratories Limited**

We have audited the financial statements on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the provisions of the Companies Act 2006.

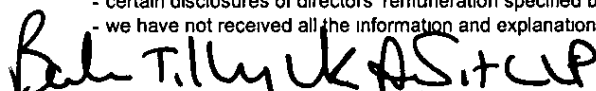
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.


GRAHAM BOND FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

27/9/12

Holchem Laboratories Limited
Statement of Comprehensive Income for the Year Ended 31 December 2011

	Note	2011 £	2010 £
Revenue	2	24,395,176	22,671,684
Cost of sales		(14,947,630)	(13,231,199)
Gross profit		<u>9,447,546</u>	<u>9,440,485</u>
Administrative expenses		(6,712,769)	(6,401,602)
Profit from operations	3	<u>2,734,777</u>	<u>3,038,883</u>
Financial income	5	768	483
Finance costs	6	(52,917)	(52,914)
Profit before taxation		<u>2,682,628</u>	<u>2,986,452</u>
Income tax expense	7	(696,093)	(899,122)
Total comprehensive income for the financial year	17	<u>1,986,535</u>	<u>2,087,330</u>

The results for the year are derived wholly from continuing operations

There are no other items of total comprehensive income and, as such, the profit for the year is equivalent to total comprehensive income for the year

Holchem Laboratories Limited
Statement of Financial Position as at 31 December 2011

	Note	2011 £	2010 £
Assets			
Non-current assets			
Property, plant and equipment	9	4,767,041	1,898,945
Current assets			
Inventories	11	1,459,551	1,245,614
Trade and other receivables	12	10,119,961	10,245,759
Cash and cash equivalents	13	<u>1,009,286</u>	<u>1,283,923</u>
		12,588,798	12,775,296
Total assets		<u>17,355,839</u>	<u>14,674,241</u>
Equity and Liabilities			
Equity			
Share capital	16	300,000	300,000
Retained earnings	17	11,939,899	9,953,364
Total equity		<u>12,239,899</u>	<u>10,253,364</u>
Non-current liabilities			
Obligations under finance leases	15	250,069	182,703
Deferred tax	10	<u>51,369</u>	<u>6,704</u>
		301,438	189,407
Current liabilities			
Current taxation		240,522	461,234
Obligations under finance leases	15	256,328	142,387
Trade and other payables	14	<u>4,317,652</u>	<u>3,627,849</u>
		4,814,502	4,231,470
Total liabilities		<u>5,115,940</u>	<u>4,420,877</u>
Total equity and liabilities		<u>17,355,839</u>	<u>14,674,241</u>

The financial statements on pages 6 to 21 were approved by the Board of Directors and authorised for issue on **27 Sept 12**.
and are signed on its behalf by


S. J. Bell
Director

Holchem Laboratories Limited
Statement of Changes in Equity for the Year Ended 31 December 2011

	Share Capital £	Retained Earnings £	Total Equity £
Balance at 31 December 2009	300,000	8,016,034	8,316,034
Changes in equity in 2010			
Total comprehensive income for the period	-	2,087,330	2,087,330
Dividends paid	-	(150,000)	(150,000)
Balance at 31 December 2010	<u>300,000</u>	<u>9,953,364</u>	<u>10,253,364</u>
Changes in equity in 2011			
Total comprehensive income for the period	-	1,986,535	1,986,535
Balance at 31 December 2011	<u>300,000</u>	<u>11,939,899</u>	<u>12,239,899</u>

Ordinary share capital represents fully paid equity voting shares, the holders of which are entitled to one vote per share at general meetings of the company

Retained earnings are the cumulative undistributed profits made by the company since inception of trading

Holchem Laboratories Limited
Statement of Cash Flows for the Year Ended 31 December 2011

	Note	2011 £	2010 £
Cash flow from operating activities			
Profit before taxation		2,682,628	2,986,452
Financial income	5	(768)	(483)
Finance costs	6	52,917	52,914
Depreciation of property, plant and equipment		438,117	319,484
Loss on disposal of fixed assets		14,990	10,814
Increase in inventories		(213,937)	(134,467)
Decrease/(increase) in trade and other receivables		125,798	(1,027,118)
Increase in trade and other payables		689,803	370,521
Tax losses surrendered by parent company		(28,176)	(45,128)
Cash generated from operations		<u>3,761,372</u>	<u>2,532,989</u>
Taxation paid		(843,964)	(656,904)
Net cash flow from operating activities		<u>2,917,408</u>	<u>1,876,085</u>
Investing activities			
Purchase of property, plant and equipment		(2,952,898)	(465,061)
Sale of property, plant and equipment		33,837	24,267
Bank interest received		768	483
Net cash used in investing activities		<u>(2,918,293)</u>	<u>(440,311)</u>
Financing activities			
Invoice discounting interest paid		(25,852)	(34,294)
Payments under finance leases - capital		(220,835)	(143,204)
Payments under finance leases - interest		(27,065)	(18,620)
Equity dividends paid		-	(150,000)
Decrease in invoice discounting loan		-	(209,395)
Net cash used in financing activities		<u>(273,752)</u>	<u>(555,513)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(274,637)</u>	<u>880,261</u>
Cash and cash equivalents at the beginning of the year		<u>1,283,923</u>	<u>403,662</u>
Cash and cash equivalents at the end of the year		<u>1,009,286</u>	<u>1,283,923</u>

Holchem Laboratories Limited
Notes to the Financial Statements for the Year Ended 31 December 2011

1 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC Interpretations as endorsed by the EU ("IFRS") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS

Holchem Laboratories Limited is incorporated and domiciled in the United Kingdom

The principal accounting policies adopted are set out below

Going concern

The financial statements have been prepared on a going concern basis. This assumes that the company will continue in existence for the foreseeable future and that sufficient funds will be available to satisfy its liabilities as and when they fall due. Projections of the future cash inflows and outflows of the business are prepared and reviewed by the directors on an ongoing basis, in conjunction with discussions with the company's bankers, if appropriate. The latest projections, which are considered to be prudent and which incorporate recently extended bank facilities, suggest that sufficient funding will be available. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Critical accounting estimates and judgements

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.

The company makes estimates and assumptions concerning the future. The resulting accounting judgements will, by definition, seldom equal the related actual results. Assets and liabilities where there is a more significant risk of a material adjustment to their carrying amounts being required within the next financial year are as follows:

- deferred tax asset, the carrying value of which is assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities settled, and estimates as to the timing of such future events and as to the future tax rates which will be applicable
- inventory balance, the carrying value of which is reduced to reflect the fact that certain items are likely to be sold free of charge (as is customary within the industry in which the company operates), such reductions being based upon past experience and the judgement of the directors

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, comprise executive directors.

Property, plant and equipment

Owned assets

All owned items of property, plant and equipment are stated at historical cost less accumulated depreciation and provision for impairment.

Depreciation

Depreciation is provided on tangible fixed assets so as to write off the cost or valuation, less any estimated residual value, over their expected useful economic lives as follows:

Leasehold and freehold property	2% on the cost of the building
Plant and machinery	25% reducing balance
Fixtures and fittings	25% on cost
Motor vehicles	25% reducing balance
Freehold and long leasehold land are not depreciated	

Holchem Laboratories Limited
Notes to the Financial Statements for the Year Ended 31 December 2011

The residual values and the useful lives of the assets are reviewed annually for continued appropriateness and indications of impairment, and adjusted if appropriate

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income

Impairment of property, plant and equipment

At each accounting reference date the company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these amounts have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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 been 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Interpretations and standards effective for the year ended 31 December 2011

The following new standards, amendments to standards or interpretations became effective for the first time during the year. The adoption of these interpretations, standards or amendments to standards were either not relevant for the company or have not led to any significant impact on the company's financial statements.

IFRS 7 Financial Instruments - Disclosures - Amendments, Disclosures - Transfers of Financial Assets
IAS 24 Revised IAS 24 Related Party Disclosures
IFRIC 19 Extinguishing Financial Liabilities With Equity Improvements Project

Interpretations of existing standards and new standards that are not yet effective and have not been adopted early by the company

IAS 12 Income Taxes - Amendment, Deferred Tax - Recovery of Underlying Assets
IFRS 9 Financial Instruments
IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities
IFRS 13 Fair Value Measurement
IAS 27 Separate Financial Statements (As Amended 2011)
IAS 28 Investments in Associates and Joint Ventures (As Amended 2011)
IAS 1 Presentation of Financial Statements - Amendment, Presentation of Items of Other Comprehensive Income
IAS 19 Employee Benefits - Amendments
IFRS 7 Financial Instruments - Disclosure - Amendment, Offsetting Financial Assets and Financial Liabilities
IAS 32 Financial Instruments - Presentation - Amendment, Offsetting Financial Assets and Financial Liabilities

Holchem Laboratories Limited
Notes to the Financial Statements for the Year Ended 31 December 2011

Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the company has become a party to the contractual provisions of the instrument

Trade and other receivables

Trade receivables, classified as loans and receivables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less a provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Trade payables

Trade payables, classified as other liabilities, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Borrowings

Interest-bearing invoice discounting loans are classified as other financial liabilities as they are an integral part of the entity's cash management. They are initially recorded at fair value, which represents the fair value of the consideration received, net of any direct transaction costs associated with other borrowings. Borrowings are subsequently stated at amortised cost and finance charges are recognised in the statement of comprehensive income over the term of the instrument using an effective rate of interest.

Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the accounting reference date.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Revenue recognition

Revenue is recognised when revenue and associated costs can be measured reliably and future economic benefits are probable. Revenue is measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Delivery occurs when the products have arrived at the specified location, and the risks and rewards of ownership have been transferred to the customer.

Revenue from services is recognised at the contractual rates as hours are delivered and materials expenses are incurred.

Interest income is accrued on a time-apportioned basis, by reference to the principal balance and the effective interest rate applicable.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Holchem Laboratories Limited
Notes to the Financial Statements for the Year Ended 31 December 2011

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred

An internally-generated intangible asset arising from the company's business development is recognised only if all of the following conditions are met

- an asset is created that can be identified,
- it is probable that the asset created will generate future economic benefits,
- the development cost of the asset can be measured reliably,
- the company has intention to complete the asset and the ability and intention to use or sell it,
- the product or process is technically and commercially feasible, and
- sufficient resources are available to complete the development and to either sell or use the asset

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred

Currencies

The company's functional currency in which it operates, and its operational currency in which the financial statements are presented, is sterling

Where business is transacted with customers and suppliers in a foreign currency, such transactions are translated into sterling at the average rate ruling during the period in which the transaction took place. Assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates at the accounting reference date and the exchange differences are included in the statement of comprehensive income

Finance leases

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, or where there is an option to acquire title to a hired asset, are capitalised in the statement of financial position and are depreciated over their useful lives. The capital elements of future obligations under the leases are included as liabilities in the statement of financial position. The interest element of the rental obligation is charged to the statement of comprehensive income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Assets acquired under instalment finance agreements are treated as tangible fixed assets and depreciation is provided accordingly. The capital element of future finance payments is included within creditors. Finance charges are allocated to accounting periods over the length of the contract.

Operating leases

Rentals payable under operating leases are charged in the statement of comprehensive income on a straight line basis over the lease term.

Taxation

The tax charge represents the sum of the current tax expense and the deferred tax expense or credit.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Holchem Laboratories Limited
Notes to the Financial Statements for the Year Ended 31 December 2011

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the accounting reference date. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

2 Revenue

3.64% of the company's revenue related to exports (2010 - 3.42%)

An analysis of revenue by geographical market is given below

	2011 £	2010 £
Revenues - UK	23,506,829	21,896,723
Revenues - Europe	888,347	774,961
	<u>24,395,176</u>	<u>22,671,684</u>

The company has one reportable segment, namely the provision of cleaning products and related services. This disclosure correlates with the information which is presented to the company's chief decision maker, the Managing Director. The company's revenue, profit before taxation and net assets were all derived from its principal activity. Operations are carried out within the United Kingdom and the Rest of Europe.

3 Profit from operations

Operating profit is stated after charging

	2011 £	2010 £
Operating lease rentals - land and buildings	123,250	123,250
Operating lease rentals - other	72,017	75,424
Auditor's remuneration - audit services	19,880	18,000
Auditor's remuneration - tax	23,050	13,441
Auditor's remuneration - other	-	7,303
Foreign currency losses	31,031	45,732
Research and development expenditure	258,608	218,887
Loss on sale of property, plant and equipment	14,990	10,814
Depreciation of property, plant and equipment - owned assets	286,364	260,892
Depreciation of property, plant and equipment - leased assets	151,753	58,592

4 Staff costs

Number of employees

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

	2011 No	2010 No
Production	42	44
Distribution	13	12
Administration	31	33
Sales	58	59
	<u>144</u>	<u>148</u>

Employment costs

	2011 £	2010 £
Wages and salaries	4,749,472	4,523,899
Social security	526,568	486,074
Other pension costs	90,280	111,409
	<u>5,366,320</u>	<u>5,121,382</u>

Holchem Laboratories Limited
Notes to the Financial Statements for the Year Ended 31 December 2011

Directors' emoluments

	2011 £	2010 £
Directors' emoluments (including benefits in kind)	539,740	560,961
Directors' pension contributions	<u>23,017</u>	<u>46,389</u>
	<u>562,757</u>	<u>607,350</u>

During the period the number of directors who were accruing benefits under company pension schemes was as follows

	2011 No	2010 No
Money purchase	5	5

The emoluments of the highest paid director were £146,539 (2010 - £154,090), and company pension contributions of £1,283 (2010 - £7,475) were made to a money purchase scheme on their behalf

5 Financial income

	2011 £	2010 £
Bank deposit interest	<u>768</u>	<u>483</u>

6 Finance costs

	2011 £	2010 £
Invoice discounting interest	25,852	34,294
Interest payable under finance leases	<u>27,065</u>	<u>18,620</u>
	<u>52,917</u>	<u>52,914</u>

7 Taxation

	2011 £	2010 £
<i>Current tax charge</i>		
Corporation tax charge for the year	668,693	801,089
Adjustment in respect of prior years	<u>(17,265)</u>	<u>245</u>
Total current tax charge	651,428	801,334
<i>Deferred tax</i>		
Origination and reversal of temporary differences	18,773	86,189
Adjustment in respect of prior years	<u>25,892</u>	<u>11,599</u>
	44,665	97,788
Tax charge for the year	<u>696,093</u>	<u>899,122</u>

The tax charge is stated gross of relief for group losses which, if offset against the gross charge, would reduce the charge by £28,176 (2010 - £45,128)

Factors affecting the tax charge for the year

The standard rate of corporation tax for the year was 28.0% for the period 1 January to 31 March 2011 and 26.0% for the period 1 April to 31 December 2011 and the tax assessed for the year as a whole results in an average rate for the year of 26.493% (2010 - 28.0%). The tax assessed for the year differs from the average rate of 26.493% for the following reasons

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	2011 £	2010 £
Profit before taxation	2,682,628	2,986,452
Profit multiplied by the average rate of corporation tax	710,713	836,207
Effects of		
Adjustments in respect of research and development tax allowances	(53,506)	(38,882)
Other permanent differences	30,259	89,953
Adjustment in respect of prior years	8,627	11,844
Tax charge for the year	696,093	899,122

8 Dividends

	2011 £	2010 £
Equity dividends paid	-	150,000

The dividend per share paid was £nil (2010 - £0.50)

9 Property, plant and equipment

	Land and buildings £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>					
As at 1 January 2010	818,951	789,461	604,328	998,577	3,211,317
Additions	-	82,335	218,725	452,811	753,871
Disposals	-	-	(37,281)	(187,656)	(224,937)
As at 1 January 2011	818,951	871,796	785,772	1,263,732	3,740,251
Additions	2,770,478	48,637	57,049	478,876	3,355,040
Disposals	-	(85,789)	(18,516)	(99,469)	(203,774)
As at 31 December 2011	3,589,429	834,644	824,305	1,643,139	6,891,517
<i>Depreciation</i>					
As at 1 January 2010	182,679	494,429	411,273	623,297	1,711,678
Charge for the year	13,226	83,120	89,342	133,796	319,484
Eliminated on disposals	-	-	(29,057)	(160,799)	(189,856)
As at 1 January 2011	195,905	577,549	471,558	596,294	1,841,306
Charge for the year	22,104	80,075	97,800	238,138	438,117
Eliminated on disposals	-	(75,647)	(15,565)	(63,735)	(154,947)
As at 31 December 2011	218,009	581,977	553,793	770,697	2,124,476
<i>Net book value</i>					
As at 31 December 2011	3,371,420	252,667	270,512	872,442	4,767,041
As at 31 December 2010	623,046	294,247	314,214	667,438	1,898,945

Depreciation is recognised within administrative expenses in the Statement of Comprehensive Income

Land and buildings

The net book value of land and buildings includes

	2011 £	2010 £
Buildings	2,239,961	481,587
Freehold land	1,031,459	41,459
Long leasehold land	100,000	100,000
	3,371,420	623,046

Finance leases

Included within the total net book value of tangible fixed assets is £611,246 (2010 - £348,017) in respect of assets held under finance leases

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10 Deferred taxation

	2011 £	2010 £
Accelerated capital allowances	(58,694)	(13,312)
Other timing differences	7,325	6,608
Net deferred tax (liabilities)/assets	<u>(51,369)</u>	<u>(6,704)</u>
Net deferred tax (liabilities)/assets		
Net amounts due to be recovered within 12 months	(7,349)	3,280
Net amounts due to be (settled)/recovered after 12 months	<u>(44,020)</u>	<u>(9,984)</u>
	<u>(51,369)</u>	<u>(6,704)</u>

11 Inventories

	2011 £	2010 £
Packaging and equipment	318,376	272,337
Raw materials	470,752	436,130
Finished goods	<u>670,423</u>	<u>537,147</u>
	<u>1,459,551</u>	<u>1,245,614</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material

Inventories with a carrying amount of £11,172,213 were expensed in the income statement during the year (2010 - £9,827,821)

Inventories with a carrying value of £263,585 were written down to zero as at the year end (2010 - £317,251) No earlier inventory writedowns were reversed during the year

12 Trade and other receivables

	2011 £	2010 £
Trade receivables	5,302,148	4,727,332
Less provision for impairment of trade receivables	<u>(58,779)</u>	<u>(16,422)</u>
Trade receivables - net	5,243,369	4,710,910
Amounts owed by related parties	4,046,116	5,320,618
Prepayments and accrued income	<u>830,476</u>	<u>214,231</u>
	<u>10,119,961</u>	<u>10,245,759</u>

At 31 December 2011 £5,077,642 (2010 - £4,596,945) of net trade receivables were denominated in Sterling and £165,727 (2010 - £113,965) in Euros

The average credit period taken on sale of goods is 60 days (2010 - 57 days)

As at 31 December 2011 £58,779 (2010 - £16,422) of trade receivables were impaired in relation to customers who are known to be in financial difficulty

The following table provides analysis of trade and other receivables that were past due as at 31 December but not impaired. The company believes that the balances are ultimately recoverable based on a review of past payment history and the known current financial status of the customers

	2011 £	2010 £
Up to 3 months overdue	1,787,897	1,482,721
Between 3 and 6 months overdue	<u>39,932</u>	<u>16,211</u>
	<u>1,827,829</u>	<u>1,498,932</u>

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The company only has a provision account for trade receivables and the movements on the provision account were as follows

	2011 £	2010 £
<i>Balance at the beginning of the year</i>	16,422	9,497
Provision for receivables impairment	66,659	19,024
Receivables written off during the year	(22,555)	(11,823)
Unused amounts reversed	(1,747)	(276)
<i>Balance at the end of the year</i>	<u>58,779</u>	<u>16,422</u>

The directors consider that the carrying amount of trade and other receivables approximates to their fair value

13 Cash and cash equivalents

At 31 December 2011 cash and cash equivalents of £1,009,286 (2010 - £1,283,923) were held by the company and comprise cash and short-term deposits. The carrying amount of these assets approximates to their fair value

At 31 December 2011 £656,313 (2010 - £1,143,804) of cash and cash equivalents was denominated in Sterling, £344,363 (2010 - £113,379) in Euros, £4,146 (2010 - £23,637) in US Dollars and £4,464 (2010 - £3,103) in Danish Krone

14 Trade and other payables

	2011 £	2010 £
Trade payables	2,680,238	2,569,274
Social security and other taxes	662,277	562,022
Accruals and deferred income	975,137	496,553
	<u>4,317,652</u>	<u>3,627,849</u>

Trade payables relate to the purchase of goods and services. At 31 December 2011 £2,572,925 (2010 - £2,528,092) of trade payables were denominated in Sterling, £12,330 (2010 - £8,976) in Euros, £16,471 (2010 - £4,388) in Danish Krone, £75,146 (2010 - £27,818) in US Dollars and £3,366 in Polish Zloty (2010 - £nil). The average credit period taken for trade purchases during the year was 51 days (2010 - 51 days)

The directors consider that the carrying amount of trade and other payables approximates to their fair value

15 Financial Instruments

The activities of the company expose it to financial risks which it manages on an ongoing basis as discussed below

Liquidity risk

The company monitors its access to funding in comparison to its outstanding commitments on a regular basis to ensure it has sufficient funds to satisfy its obligations as they fall due

Projections of the future cash inflows and outflows of the business are prepared and reviewed by the directors on an ongoing basis. Expected net cash flows are monitored in conjunction with amounts available under the company's invoice discounting facility to ensure that sufficient funding is available to the company

Security and borrowing facilities

The company has an invoice discounting arrangement in place with RBS Invoice Finance Limited. Interest (the discounting charge) accrues at a rate of 2.0% over the Royal Bank of Scotland plc base rate. The facility available is dependent upon the level of accrued sales against which the borrowings are secured but in any event cannot exceed £3,750,000. At the year end the outstanding borrowings under this arrangement were £nil (2010 - £nil)

Amounts due under finance leases at the year end amounted to £506,397 (2010 - £325,090). Further information is given below

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At the year end all borrowings by the company and its parent company, The Holchem Group Limited, from Royal Bank of Scotland plc were secured by way of a composite inter company guarantee between the two companies and an unscheduled mortgage debenture over the assets of the company, dated 19 June 2006. Additionally, Royal Bank of Scotland plc had legal charges over land and buildings dated 19 June 2006 and 30 June 2011. Since the year end the inter company guarantee has been replaced by an unlimited guarantee from The Holchem Group Limited in favour of the company and a limited guarantee from the company in favour of The Holchem Group Limited, both dated 9 July 2012.

RBS Invoice Finance Limited has secured all monies due under the invoice discounting arrangement by way of a fixed and floating charge over the company and all property and assets.

Debt maturity analysis

Amounts repayable

	Obligations under finance leases £
<i>As at 31 December 2011</i>	
In one year or less on demand	256,328
Between one and two years	194,470
Between two and five years	55,599
	<u>506,397</u>
<i>As at 31 December 2010</i>	
In one year or less on demand	142,387
Between one and two years	116,865
Between two and five years	65,838
	<u>325,090</u>

Finance lease liabilities

Finance leases have been entered into for the purchases of vehicles and borrowings are repayable over three years. The liabilities are secured on the assets to which they relate.

	2011 £	2010 £
Gross finance lease liabilities - minimum lease payments		
No later than one year	281,442	157,078
Later than one year and no later than five years	274,656	199,532
	<u>556,098</u>	<u>356,610</u>
Future finance charges on finance leases	(49,701)	(31,520)
Present value of finance lease liabilities	<u>506,397</u>	<u>325,090</u>
The net present value of finance leases is as follows		
No later than one year	256,328	142,387
Later than one year and no later than five years	250,069	182,703
	<u>506,397</u>	<u>325,090</u>

Interest rate risk

The company's interest rate exposure arises from its interest bearing borrowings, namely its invoice discounting loan. The obligations under finance leases are at a fixed rate of interest.

The company's liability at the year end in respect of borrowings which attract a variable interest rate is £nil (2010 - £nil), further details of which are provided in the debt maturity analysis earlier in this note.

Interest rate sensitivity analysis

The company has performed a sensitivity analysis on the effects of interest rates on its financial liabilities which are subject to variable rates of interest. The impact of base rates during 2011 being 1% higher would have been a reduction in the profit for the year of £661 (2010 - £4,714).

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Notes to the Financial Statements for the Year Ended 31 December 2011

Foreign currency risk

The company's business in foreign currencies is primarily with customers in Eire and suppliers in the USA and Denmark and the company is therefore exposed to foreign exchange risk in connection with the Euro, US Dollar and Danish Krone currencies in particular. Due to the relative stability of these currencies, and the relatively low level of transactions, the directors consider the risks to foreign currency assets and future trading transactions as a result of such trading to be immaterial.

Credit risk exposure

Credit risk predominantly arises from trade receivables. The company's policy is to internally assess the credit quality of each customer before agreeing any terms of trade. Internal procedures are performed taking into account potential customers' financial positions as well as their reputation within the industry and past experience.

Fair value of financial liabilities

The fair value of the financial instruments detailed above was not materially different from their book values.

Capital management

The company's main objective in managing capital is to ensure that, in conjunction with its parent company, The Holchem Group Limited, it is able to continue trading for the foreseeable future, thereby continuing to be able to fund the debt of its parent company, protecting returns to the ultimate shareholders of the group and minimising the group's cost of capital.

16 Share capital

	2011 £	2010 £
<i>Authorised</i>		
<i>Equity</i>		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
<i>Allotted, called up and fully paid</i>		
<i>Equity</i>		
300,000 Ordinary shares of £1 each	<u>300,000</u>	<u>300,000</u>

The holders of ordinary shares are entitled to one vote per share at general meetings of the company.

There were no movements in the share capital of the company in either the 2011 or 2010 reporting periods.

17 Retained earnings

	2011 £	2010 £
<i>Balance at the beginning of the year</i>	9,953,364	8,016,034
<i>Profit for the financial year</i>	1,986,535	2,087,330
<i>Dividends</i>	-	(150,000)
<i>Balance at the end of the year</i>	<u>11,939,899</u>	<u>9,953,364</u>

18 Operating lease commitments

As at 31 December 2011 the following amounts were payable under non-cancellable operating leases:

	Land and Buildings		Other	
	2011 £	2010 £	2011 £	2010 £
Not later than one year	123,250	123,250	59,586	71,416
Later than one year and not later than five years	<u>178,966</u>	<u>302,216</u>	<u>35,743</u>	<u>95,329</u>
	<u>302,216</u>	<u>425,466</u>	<u>95,329</u>	<u>166,745</u>

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The commitments in respect of land and buildings represent the amounts due under lease agreements for two warehouses. The lease on each expires on 14 June 2014.

Other commitments represent the amounts due under vehicle lease agreements.

19 Pension schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £90,280 (2010 - £111,409).

At the end of the year contributions amounting to £29,300 were outstanding (2010 - £23,600).

20 Related parties

Parent and ultimate controlling entity

At the accounting reference date, the company is a wholly owned subsidiary of The Holchem Group Limited, a company incorporated in England and Wales. This is the smallest and largest group for which consolidated results are presented. A copy of the financial statements can be obtained from the Registrar of Companies, Cardiff. The Holchem Group Limited is controlled by members of the Bell family which includes S L Bell and S J Hardman who are also directors of both Holchem Laboratories Limited and The Holchem Group Limited.

Related party transactions

During the year the company has made various payments (bank loan and loan note repayments, including interest) on behalf of its parent company, The Holchem Group Limited. Its parent company also made a loan to the company to assist with the purchase of a new building and surrendered tax relief, at full value, thereby reducing the amount due to the company from its parent. At the year end £4,046,116 was owed to the company by The Holchem Group Limited.

The following summarises the transactions during the year:

	2011 £	2010 £
<i>Balance at the beginning of the year</i>	5,320,618	4,937,332
Loans repaid by the company on behalf of its parent company	378,674	575,914
Other expenses paid by the company on behalf of its parent company	-	2,500
Loan from parent company	(1,625,000)	-
Tax losses surrendered by parent company	(28,176)	(45,128)
Dividend paid to parent company	-	(150,000)
<i>Balance at the end of the year</i>	<u>4,046,116</u>	<u>5,320,618</u>

Remuneration of key management personnel

The remuneration of key management personnel, which includes all the directors, is set out below:

	2011 £	2010 £
Emoluments (including benefits in kind)	651,409	668,148
Pension contributions	28,828	52,109
	<u>680,237</u>	<u>720,257</u>

Further information about remuneration of directors is provided in note 4.