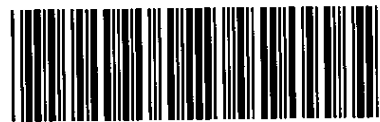


AMENDED

Houghton Plc  
Annual report and financial statements  
for the year ended 31 December 2016

Registered number 00063827

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**Houghton Plc**  
**Annual Report and Financial Statements**  
**For the Year Ended 31 December 2016**

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**Houghton Plc**  
**Annual Report and Financial Statements**  
**For the Year Ended 31 December 2016**

**Directors and advisers**

**Directors**

D S P Little  
S Mayo  
J R Percival  
E Brotherton

**Company secretary**

P Gosnold

**Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

**Registered office**

Beacon Road  
Trafford Park  
Manchester  
Lancashire  
M17 1AF

**Houghton Plc**  
**Strategic Report**  
**For the Year Ended 31 December 2016**

The directors present their strategic report on the Company for the year ended 31 December 2016.

**Principal activities**

The principal activities of the Company during the year were the manufacture of a wide range of industrial chemicals and lubricants, metal working products, hydraulic fluids and cleaners. The Company supports customers in managing the use of these products by means of individually structured contracts, including undertaking lubrication engineering, the supply of lubrication and other equipment, the provision of waste treatment and disposal solutions, and general facilities management services.

**Review of the business**

During 2016 the business saw a decline in revenue of 4% from £45.1m to £43.4m. This decline occurred due to the continuation of the slowdown in the steel and offshore markets.

The Company had a closing net asset position of £12.9m (2015: £11.5m)

**Strategic and future outlook**

External factors including volatility in raw material supply, foreign exchange movements and competition continue to challenge our business but, this notwithstanding, the Board continues to be confident in the effectiveness of company initiatives and our highly focused approach to the business.

**Future developments**

The Company intends to continue operating in the area of industrial chemicals and lubricants, with the objective of growing revenue by gaining market share and therefore increasing profitability.

**Principal risks and uncertainties**

The principal risk to the business is the movement in raw material prices and the potential impact this can have on gross margin. The company seeks to mitigate this risk by linking pricing on key customer contracts to commodity price indexes.

**Key performance indicators (KPIs)**

	2016	2015
Revenue	<b>£43,411,000</b>	£45,149,000
Gross margin %	<b>32%</b>	32%
Operating profit	<b>£3,350,000</b>	£4,462,000

Gross margin has remained at 32%, attributable to decreases in raw material prices, which have been offset by lower sales prices due to customers linked to pricing mechanisms.

Operating profit has decreased by £1.1m compared to 2015 as a result of lower sales and foreign exchange.

**On behalf of the Board**



**J Tan**  
**Director**

28 June 2017

**Houghton Plc**  
**Directors' Report**  
**For the Year Ended 31 December 2016**

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2016.

**General Information**

Houghton Plc is a public limited company and is incorporated and domiciled in the UK.

**Branches outside the UK**

The Company has a registered branch in the Republic of Ireland. The results of this branch are included within these financial statements.

**Dividends**

No dividends were declared or paid during the year.

**Research and development**

The Company has undertaken research activity during the year. The activity predominately relates to research and optimisation of existing product ranges to specific customer requirements. This expenditure has been written off to the profit and loss account during the year.

**Future developments**

Information regarding future developments of the company are disclosed within the Strategic Report on page 3.

**Donations**

The Company has made donations of £3,774 during the year for charitable purposes in the UK (2015: £1,553).

No donations for political purposes were made during the year (2015: £nil).

**Financial risk management**

The Company's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk and interest rate risk. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company by monitoring levels of group funding.

**Price risk**

The Company is exposed to commodity price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The Company has no exposure to equity securities price risk as it holds no listed or other equity investments.

**Credit risk**

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically by management.

**Liquidity risk**

The exposure to liquidity risk is considered to be not material. If required, group funding is provided by the European holding company, Houghton Europe BV.

**Houghton Plc**  
**Directors' Report**  
**For the Year Ended 31 December 2016**

**Interest rate and cash flow risk**

The Company has no interest bearing assets however it does have interest bearing intercompany loans payable. The Company has a policy of maintaining group funding at fixed rate to ensure certainty of future interest cash flows. The Company does not use derivative financial instruments to manage interest rate costs and as such, no hedge accounting is applied.

The directors will revisit the appropriateness of these policies should the Company's operations change in size or nature.

**Directors**

The directors who held office during the year and up to the date of signing the financial statements are given below:

D S P Little (resigned 10 February 2017)  
S Mayo  
J R Percival  
C Jenkinson (resigned 31 July 2016)  
E Brotherton  
J Tan (appointed 15 March 2017)  
L Bowditch (appointed 15 March 2017)

**Disabled employees**

The Company operates a policy of giving disabled people full and fair consideration for all job vacancies for which they present themselves as suitable applicants having due regard for their particular aptitudes and abilities. Whenever feasible the Company endeavours to retain any member of staff who develops a disability during his employment.

Training and career development opportunities are made available to all employees.

**Employee participation**

A policy is maintained for providing information to employees aimed at achieving a common awareness of the financial and economic factors affecting the Company and its operations and is accomplished through regular informal meetings. Employee involvement is actively encouraged at all levels.

The Company is committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

**Policy and practice on payment of creditors**

It is the Company's policy to agree terms and conditions for its business transactions with its suppliers. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods and services in accordance with the agreed terms and conditions.

Trade creditor days of the Company at 31 December 2016 were 54 days (2015: 56 days). This represents the ratio, expressed in days, between the amounts invoiced to the Company by its suppliers in the year and the amounts due, at the end of the year, to trade creditors within one year.

**Directors' Liabilities**

During the year the Company had in place an indemnity provision in favour of the directors of the Company, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

**Houghton Plc**  
**Directors' Report**  
**For the Year Ended 31 December 2016**

**Going Concern**

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Directors' Report on pages 4 to 5.

The Company has considerable financial resources together with long-term contracts with a number of material customers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has sufficient resources to continue in the operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

**Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

**Provision of information to auditors**

In accordance with Section 418 of the Companies Act 2006, in the case of each directors in office at the date of the directors' report is approved, the following applies:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- They have taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Houghton Plc**  
**Directors' Report**  
**For the Year Ended 31 December 2016**

**Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the next Annual General Meeting, to reappoint PricewaterhouseCoopers LLP as auditors of the Company.

The directors' report has been approved and is signed on behalf of the board by:



**J Tan**  
**Director**

Date: 28/6/17

Registered number: 00063827



## Houghton Plc

### Independent Auditors' Report For the Year Ended 31 December 2016

## Report on the financial statements

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### Our opinion

In our opinion, Houghton PLC's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 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.
- 

### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance Sheet as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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## Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

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## Other matters on which we are required to report by exception

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### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Houghton Plc

### Independent Auditors' Report For the Year Ended 31 December 2016

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### What an audit of financial statements involves

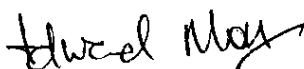
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Edward Moss (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
28 June 2017

# Houghton Plc

## Statement of Comprehensive Income For the Year Ended 31 December 2016

	Note	2016 £'000	2015 £'000
<b>Revenue</b>	4	43,411	45,149
Cost of sales		(29,518)	(30,775)
<b>Gross profit</b>		13,893	14,374
Distribution costs		(3,356)	(3,562)
Administrative expenses		(7,187)	(6,350)
<b>Operating profit</b>	5	3,350	4,462
Impairment of fixed asset investments	13	(115)	(4,625)
Income from fixed asset investments		1,553	4,555
Interest receivable and similar income	8	24	17
Interest payable and similar expenses	9	(277)	(339)
<b>Profit before taxation</b>		4,535	4,070
Tax on profit	10	(631)	(996)
<b>Profit for the financial year</b>		3,904	3,074
<b>Other comprehensive (expense)/income:</b>			
Actuarial (loss)/gain on pension scheme	22	(2,904)	1,173
Movement on deferred tax relating to pension deficit	10	482	(257)
<b>Total movement in other comprehensive (expense)/income</b>		(2,422)	916
<b>Total comprehensive income for the year</b>		1,482	3,990

All revenues and results arose from continuing operations.

The accounting policies and notes on pages 13 to 36 form an integral part of these financial statements.

**Houghton Plc**  
**Balance Sheet**  
**As at 31 December 2016**

	Note	31 December 2016 £'000	31 December 2015 £'000
<b>Fixed assets</b>			
Intangible assets	12	4,219	4,528
Property plant & equipment	11	2,254	2,429
Investments:			
Subsidiaries	13	305	420
Other	13	<u>6</u>	<u>6</u>
		6,784	7,383
<b>Current assets</b>			
Inventories	15	4,421	4,553
Trade and other receivables	14	16,094	18,677
Cash and cash equivalents		<u>3,710</u>	<u>2,420</u>
		24,225	25,650
<b>Creditors – amount falling due within one year</b>	16	<u>(9,572)</u>	<u>(14,292)</u>
<b>Net current assets</b>		14,653	11,358
<b>Total assets less current liabilities</b>		21,437	18,741
Pension deficit	22	(8,493)	(7,279)
<b>Net assets</b>		<u>12,944</u>	<u>11,462</u>
<b>Share capital and reserves</b>			
Called up share capital	19	1,850	1,850
Retained earnings	20	<u>11,094</u>	<u>9,612</u>
<b>Total shareholders' funds</b>		<u>12,944</u>	<u>11,462</u>

The accounting policies and notes on pages 13 to 36 form an integral part of these financial statements.

The financial statements on pages 10 to 36 were approved by the Board of directors on 28 June 2017 and were signed on its behalf by:



**J Tan**  
**Director**

**Registered number 00063827**

# Houghton Plc

## Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000
<b>At 1 January 2015</b>	1,850	5,622	7,472
Profit for the financial year	-	3,074	3,074
Other comprehensive income	-	916	916
<b>Total comprehensive income for the year</b>	-	<u>3,990</u>	<u>3,990</u>
<b>Balance as at 31 December 2015</b>	<u>1,850</u>	<u>9,612</u>	<u>11,462</u>
Profit for the financial year	-	3,904	3,904
Other comprehensive expense	-	(2,422)	(2,422)
<b>Total comprehensive income for the year</b>	-	<u>1,482</u>	<u>1,482</u>
<b>Balance as at 31 December 2016</b>	<u>1,850</u>	<u>11,094</u>	<u>12,944</u>

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 1. Authorisation of financial statements and statement of compliance with FRS101

The financial statements of Houghton Plc (the 'Company') for the year ended 31 December 2016 were authorised for issue by the board of directors on 30 June 2017 and the balance sheet was signed on the board's behalf by 30 June 2017. Houghton Plc is a public limited company incorporated in England and Wales.

The Company is a wholly owned subsidiary of Houghton Holdings Limited and is included within the consolidated financial statements of Global Houghton Limited. The consolidated financial statements of Global Houghton Limited can be obtained from the Chambers of Commerce, t.a.v. Handelsregister, Postbus 2852, 1000 CW Amsterdam. The Company is therefore exempt from the obligation to prepare consolidated financial statements in accordance with section 400 of the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

### 2. Significant accounting policies

#### *Basis of preparation*

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and on the going concern basis as disclosed in the statement of going concern as set out in the Directors' Report.

Once approved, the financial statements cannot be amended without re-presenting them for approval by the Board.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 23 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained. The key disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows, IFRS 7 Financial Instrument disclosures, IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective, IAS 24 disclosure of key management personnel compensation and for related party transactions entered into between two or more members of the group, IAS 16 property, plant and equipment, IAS 38 intangible assets.

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities, and its exposures to price, credit, liquidity and cash flow risk are described in the Directors Report on pages 4 to 5.

The Company has considerable financial resources together with long-term contracts with a number of material customers. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has sufficient resources to continue in the operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payments, non-current assets held for sale, financial instruments,

## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 2. Significant accounting policies *(continued)*

capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Global Houghton Limited. The group financial statements of Global Houghton Limited are available to the public and can be obtained as set out in Note 23.

The principal accounting policies adopted are set out below.

#### *Adoption of new or amended standards and interpretations in the current year*

In the current year, the following new or amended standards have been adopted. Their adoption has not had a significant impact on the amounts reported or the disclosure and presentation in these financial statements, but may impact the accounting or the disclosure and presentation for future transactions and arrangements.

- IAS 1 Amendment “Presentation of Items of Other Comprehensive Income” is effective for annual reporting periods commencing on or after 1 November 2013. The amendment requires disclosure of items that may be reclassified to profit or loss and items that will not be reclassified to profit or loss.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, ‘Share-based payment’ (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, ‘Financial Instruments: Disclosures’
- Paragraphs 91 to 99 of IFRS 13, ‘Fair value measurement’ (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, ‘Presentation of financial statements’ comparative information requirements in respect of:
  - i. paragraph 79(a)(iv) of IAS 1;
  - ii. paragraph 73(e) of IAS 16 Property, plant and equipment;
  - iii. paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, ‘Presentation of financial statements’:
  - 10(d), (statement of cash flows)
  - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 40A-D (requirements for a third statement of financial position
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures)
- IAS 7, ‘Statement of cash flows’
- Paragraph 30 and 31 of IAS 8 ‘Accounting policies, changes in accounting estimates and errors’ (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- The requirements in IAS 24, ‘Related party disclosures’ to disclose related party transactions entered into between two or more members of a group.

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 2. Significant accounting policies *(continued)*

No new accounting standards, or amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2016, have had a material impact on the Company.

#### ***Consolidation***

The financial statements contain information about Houghton Plc as an individual undertaking and do not contain consolidated financial information as the parent of a group.

In accordance with Section 400 of the Companies Act 2006, the company has taken an exemption from preparing Group financial statements.

#### ***Revenue recognition***

Revenue comprises the invoiced value of goods despatched and services supplied during the year exclusive of value added tax. Revenue is recognised when goods are despatched or service is provided.

#### ***Intangible assets***

##### **(a) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the business unit containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### **(b) Customer lists**

Customer lists are valued at cost on acquisition and are amortised over their estimated useful economic lives of 5 or 10 years.

##### **(c) Computer software**

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use; management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.



## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 3. Significant accounting policies *(continued)*

##### (a) Computer software *(continued)*

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

##### ***Property, plant and equipment***

Tangible assets are valued at cost less any provision for impairment. Freehold land is not depreciated. The cost of other fixed assets is written off over their expected useful lives as follows:

Leasehold improvements	shorter of remaining life of the lease and asset life
Plant and equipment, consisting of:	
Plant, machinery, fixtures and fittings	15% on written down value
Motor vehicles	25% on cost
Computer equipment	20% on cost
Fluid management contract plant	over the life of the contract

Fixed assets are reviewed when adverse economic conditions or other events indicate that they may be impaired. The carrying value of the asset is compared to its estimated recoverable amount (being higher of net realisable value and value in use) and any resulting impairment loss is recognised in the profit and loss account.

##### ***Investments***

Investments in subsidiaries, associates and joint venture are accounted at cost less any provision for impairment. Current account balances due to and from subsidiaries are included within current trade receivables and payable.

##### ***Tax***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 and deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 generally 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 2. Significant accounting policies *(continued)*

##### *Tax (continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax liabilities on a net basis.

##### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand and balances with banks including outstanding bank overdrafts.

##### *Financial Instruments*

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the balance sheet at fair value when the company becomes a party to the contractual provisions of the instrument.

##### *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less 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 and is measured as the difference between carrying value and present value of estimated future cash flows. Subsequent recoveries of previously impaired trade receivables are recognised as a credit to profit as recorded.

##### *Inventories*

Inventories are valued at the lower of cost or net realisable value on a standard cost basis after making due allowance for any obsolete or slow moving items. Cost comprises direct materials, direct labour and an appropriate proportion of manufacturing overheads.

##### *Trade payables*

Trade payables are not interest bearing and are stated at fair value and subsequently measured at amortised cost.

##### *Share capital*

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Company's ordinary shares are classified as equity instruments.

##### *Dividends*

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are declared and paid to shareholders.

##### *Foreign currency*

Transactions in foreign currencies are translated into Sterling at the rates of exchange prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities in the balance sheet are translated into Sterling at the rates of exchange at the end of the year. Resulting exchange gains and losses are taken to the profit and loss account.

## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 2. Significant accounting policies (*continued*)

##### *Leases*

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the periods of the leases.

##### *Pension costs*

The principal fund is that in the United Kingdom where the Company operates a pension scheme providing benefits based on final pensionable salary. The scheme is funded with the assets being held by the Trustees separately from the assets of the Company. The Company also contributes to various defined contribution and state schemes.

The most recent valuation was at 30 September 2016 and updated to 31 December 2016. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. Pension assets are measured at their year end market values. The cost of benefits accruing during the year in respect of current and past service is charged in arriving at operating profit.

The expected return on the schemes' assets and the increase in the present value of the schemes' liabilities arising from the passage of time, are included in other finance income. Actuarial gains and losses are recognised in other comprehensive income in the year in which they arise.

##### *Research and development costs*

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

#### 3 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### **Critical accounting judgements and key sources of estimation uncertainty**

The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective current with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publically available mortality tables. Future pension increases are based on expected inflation rates – further details are included in note 22.

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 4. Revenue

Revenue comprises the invoice value of goods and services supplied exclusive of value added tax. The Company continues to trade in a single class of business being the manufacture and service of industrial chemicals and lubricants.

Revenue may be analysed as follows:

<b>Geographical analysis of revenue by destination</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
United Kingdom	32,451	33,667
Europe	8,962	9,291
Rest of the world	1,998	2,191
	<u>43,411</u>	<u>45,149</u>

<b>Breakdown of revenue by products and services</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Sales of goods	37,739	39,031
Revenue from services	5,672	6,118
	<u>43,411</u>	<u>45,149</u>

### 5. Operating profit

<b>Operating profit is after charging/(crediting)</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Depreciation of property, plant and equipment	383	368
Amortisation of intangible assets	309	313
Net foreign currency exchange differences	567	(50)
Costs of stocks recognised as an expense (included in Cost of Sales)	21,469	22,772
Operating lease payments	684	660

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 6. Auditors' remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company.

	2016 £'000	2015 £'000
Audit of the financial statements	72	68
Non audit services	7	-
	<u>79</u>	<u>68</u>

### 7. Staff costs and directors' remuneration

#### (a) Staff costs

	2016 £'000	2015 £'000
Wages and salaries	7,403	7,620
Social security costs	724	763
Other pension costs (note 22)	285	311
	<u>8,412</u>	<u>8,694</u>

The average monthly number of employees during the year was made up as follows

By activity	2016 Number	2015 Number
Production	167	164
Selling, distribution and technology	73	73
Administration	14	16
	<u>254</u>	<u>253</u>

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 7 Staff costs and directors' remuneration (continued)

#### (b) Directors' remuneration

	<b>2016</b> <b>£'000</b>	2015 £'000
Directors' remuneration	<b>957</b>	1,127
Amounts receivable under long-term incentive plans	-	37
Number of directors who received contributions to money purchase arrangements	<b>5</b>	7
Number of directors who exercised share options	-	1
 In respect of highest paid director:	 <b>2016</b> <b>£'000</b>	 2015 £'000
Aggregate remuneration	<b>210</b>	349
Accrued pension at the end of the year	-	-
Accrued lump sum at the end of the year	-	-

All 5 directors which have been recharged onto other group undertaking (2015: 5 directors).

Pre-existing share option arrangements which were conditional on the sale of the Company's previous ultimate parent undertaking (HII Holding Corporation) were cancelled immediately prior to the sale of HII Holding Corporation to GH Holding Inc. No directors received compensation for cancellation of share options, relating to their service to the company during the year (2015: £36,930).

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 8 Interest receivable and similar income

	2016 £'000	2015 £'000
Interest income from group undertakings	24	17
<b>Total interest receivable and similar income</b>	<b>24</b>	<b>17</b>

### 9 Interest payable and similar expenses

	2016 £'000	2015 £'000
Bank loans and overdraft	-	-
Interest payable to group undertakings	40	10
<b>Total interest expense</b>	<b>40</b>	<b>10</b>
 Pension charges (note 22)	 237	 329
<b>Total interest payable and similar costs</b>	<b>277</b>	<b>339</b>

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 10 Tax on profit

a) Analysis of charge for year	2016 £'000	2015 £'000
<b>Current tax</b>		
UK corporation tax at 20.00 % (2015: 20.25%)	277	293
Foreign tax credit	(8)	9
Adjustments in respect of prior years	36	(6)
<b>Total current tax</b>	<b>305</b>	<b>296</b>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	328	581
Adjustment in respect of prior years	(1)	-
Effect of change in tax rate	(1)	119
<b>Total deferred tax charge</b>	<b>326</b>	<b>700</b>
<b>Tax on profit</b>	<b>631</b>	<b>996</b>

### b) Tax relating to items charged or credited to other comprehensive

	2016 £'000	2015 £'000
<b>Deferred tax:</b>		
Actuarial gains/(losses) on defined benefit pension plans	482	(257)
<b>Total expense in the statement of other comprehensive income</b>	<b>482</b>	<b>(257)</b>



# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 11 Tax on profit (continued)

#### c) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Profit before taxation	4,534	4,070
Profit before taxation multiplied by standard rate in the UK of 20.00% (2015: 20.25%)	907	824
Effects of:		
(Income)/Expenses not taxable/deductible	(302)	49
Difference in tax rate	(1)	119
Adjustments in respect of prior years	35	(5)
Tax on branch profits	(8)	9
Total tax charge for the year	<u>631</u>	<u>996</u>

#### d) Factors which may affect future tax charges

The Finance Act 2012 introduced a reduction in the main rate of corporation tax from April 2015 to 20% as such the rate of 20% has been used to calculate the tax liability for the year ended 31 December 2016.

The Finance Act 2016, which was substantively enacted in September 2016, included provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020, and Finance Act 2015 (No.2) included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017. Accordingly, any deferred tax asset at the balance sheet date has been calculated at the lower rate of 17%.

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 12 Property, plant and equipment

	<b>Leasehold improvements £'000</b>	<b>Plant and equipment £'000</b>	<b>FA in construction £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2016	1,183	4,677	149	6,009
Additions	2	97	109	208
Transfers	44	198	(242)	-
<b>At 31 December 2016</b>	<b>1,229</b>	<b>4,972</b>	<b>16</b>	<b>6,217</b>
<b>Accumulated Depreciation</b>				
At 1 January 2016	482	3,098	-	3,580
Provided during the year	86	297	-	383
<b>At 31 December 2016</b>	<b>568</b>	<b>3,395</b>	<b>-</b>	<b>3,963</b>
<b>Net book value</b>				
<b>At 31 December 2016</b>	<b>661</b>	<b>1,577</b>	<b>16</b>	<b>2,254</b>
At 31 December 2015	701	1,579	149	2,429

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 13 Intangible assets

	<b>Customer lists £'000</b>	<b>Computer Software £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2016	1,843	794	2,680	5,317
Additions	-	-	-	-
<b>At 31 December 2016</b>	<b>1,843</b>	<b>794</b>	<b>2,680</b>	<b>5,317</b>
<b>Accumulated amortisation</b>				
At 1 January 2016	459	330	-	789
Amortisation	150	159	-	309
<b>At 31 December 2016</b>	<b>609</b>	<b>489</b>	<b>-</b>	<b>1,098</b>
<b>Carrying amount</b>				
<b>At 31 December 2016</b>	<b>1,234</b>	<b>305</b>	<b>2,680</b>	<b>4,219</b>
At 31 December 2015	1,384	464	2,680	4,528

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 13 Investments

#### (a) Investment in Subsidiaries

	<b>£000</b>
At 1 January 2016	420
Impairments on investments	(115)
<b>At 31 December 2016</b>	<b>305</b>

Impairment review was performed on existing investments and a correction has been booked.

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at 31 December 2016 are as follows:

	Registered address	Year end	Proportion held ordinary shares	Country of incorporation	Status
Houghton Danmark A/S*	Energiens, Energivej 3, 4180 Soro, Denmark	31 December	100%	Denmark	Trading
Houghton Sverige AB*	Kapplöpningsgatan 6, 252 30 Helsingborg, Sweden	31 December	100%	Sweden	Trading
Houghton Oils & Chemicals (Ireland) Limited*	Unit 76c, Dunboyne Industrial Estate, Dunboyne, Co Meath, 220804, Ireland	31 December	100%	Ireland	Non trading

Braemar (UK) Limited was dissolved on 14<sup>th</sup> June 2016. There were no gains or losses as it was fully impaired in previous years.

All trading companies are engaged in the main activities as disclosed in the directors' report.

\* owned directly by Houghton Plc.

The directors believe that the remaining carrying value of the investments is supported by their underlying net assets.

#### (b) Other investments

	<b>2016 £'000</b>	<b>2015 £'000</b>
At 1 January and 31 December	6	6

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 14. Trade and other receivables

	2016 £'000	2015 £'000
<b>Current Assets</b>		
Trade receivables	6,151	6,578
Amounts owed by group undertakings	3,012	4,125
Loans owed by group undertakings	2,390	1,950
Other receivables	57	3
Prepayments and accrued income	3,074	4,512
Corporation tax recoverable	165	419
Interest receivable	4	6
Deferred tax asset (note 17)	1,241	1,084
	<b>16,094</b>	<b>18,677</b>

Interest is not charged or accrued in respect of amounts receivable from group undertakings and the amounts are subject to the normal trading terms and conditions of the company which are 30 days end of month. Trade receivables includes £1,355,442 (2015: £2,710,885) falling due after one year.

The loans owed by Group undertaking are due from Houghton Holdings Limited and Houghton Europe BV. This loan was granted for a period of 1 year (expiring 30<sup>th</sup> April 2016), and then to be automatically renewed for a further year unless notice of termination is received by either party 30 days prior to the date of renewal. An interest charge is calculated on a monthly basis according to LIBOR plus 0.75%.

Provisions are estimated by management based on past default experience and their assessment of the current economic environment. The creation and release of provisions for receivables is charged / (credited) to administrative expenses in the statement of comprehensive income.

The credit risk of customers is assessed, taking into account their financial positions, past experiences and other relevant factors. Individual customer credit limits are imposed based on these factors.

The closing provision for bad debt included within trade receivables is £55,000 (2015: £72,000)

No other receivables have been deemed to be impaired.

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 15. Inventories

	<b>2016</b> <b>£'000</b>	2015 £'000
Raw materials and consumables	<b>1,599</b>	1,416
Work in progress	-	-
Finished goods	<b>2,822</b>	3,137
	<b>4,421</b>	4,553

There is no significant difference between the replacement cost and the values shown for all inventory categories.

Inventory is stated after provisions for impairment of £296,000 (2015: £252,000)

### 16. Creditors – amounts falling due within one year

	<b>2016</b> <b>£'000</b>	2015 £'000
Trade creditors	<b>4,351</b>	4,728
Amounts owed to group undertakings	<b>3,339</b>	3,621
Group loans	-	4,026
Other taxation and social security	<b>825</b>	816
Corporation tax liability	-	-
Other creditors	<b>270</b>	210
Accruals and deferred income	<b>787</b>	891
	<b>9,572</b>	14,292

Interest is not charged or accrued in respect of amounts payable to Group undertakings and the amounts are subject to the normal trading terms and conditions of the company which are 30 days end of month.

All group balances are unsecured.

The directors consider that the carrying amount of trade payables approximate to their fair value due to the expected settlement in the short-term.

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 17. Deferred tax asset

	£'000
<b>At 31 December 2014</b>	<b>2,292</b>
Charged to profit and loss account	(700)
Charged to goodwill	(251)
Charged to other comprehensive income	(257)
<b>At 31 December 2015</b>	<b>1,084</b>
Adjustment in respect of prior years	1
Charged to profit and loss account	(326)
Charged to other comprehensive income	482
<b>At 31 December 2016</b>	<b>1,241</b>

The above amounts at 31 December 2016 are disclosed as debtors (note 14).

The deferred tax asset comprises:

	2016 £'000	2015 £'000
<b>Liabilities</b>		
Property, plant and equipment	219	239
	<u>219</u>	<u>239</u>
<b>Assets</b>		
Property, plant and equipment	-	-
Employee benefits	-	1,310
Short-term timing differences	1,460	13
<b>Deferred tax asset</b>	<u>1,460</u>	<u>1,323</u>

The company has tax losses of £214,464 (2015: £214,464) that are available indefinitely to offset against future taxable profits of the company. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty about the recoverability.

## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 18 Dividends on equity shares

No dividends were declared in 2016.

#### 19 Called up share capital

	2016 £'000	2015 £'000
<b>Allotted and fully paid</b>		
1,850,000 (2015: 1,850,000) Ordinary shares of £1 each	<u>1,850</u>	<u>1,850</u>



# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 20 Reserves

	2016 £'000	2015 £'000
<b>Profit and loss account</b>		
At 1 January	9,612	5,622
Actuarial (loss)/gain (note 22)	(2,904)	1,173
Tax relating to actuarial loss (note 17)	482	(257)
Dividends paid	-	-
Profit for the financial year	3,904	3,074
<b>At 31 December (including pension liability)</b>	<b>11,094</b>	<b>9,612</b>
Pension deficit (note 22)	8,493	7,279
<b>At 31 December (excluding pension liability)</b>	<b>19,587</b>	<b>16,891</b>

### 21 Operating lease commitments

Future minimum rentals under non-cancellable operating leases are as follows:

	2016 £'000	2015 £'000
Not later than one year	954	808
After one year but not more than five years	2,782	2,527
After five years	35	474
	<b>3,771</b>	<b>3,809</b>

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 22 Defined benefit pension scheme

The Company operates a pension scheme in the United Kingdom which provides both pensions in retirement and death benefits to members. Pension benefits are related to the member's final pensionable salary at retirement and their length of service.

The participating employers' contributions made to the scheme during the year were £1,927,000 (2015: £2,576,000). Since 20 February 2008 the Scheme has been closed to new members and on 1 May 2013 the Company closed the scheme to active members and transferred them to a defined contribution scheme. The Company currently contributes £1,742,400 per year in respect of the shortfall in funding.

The assets and liabilities have been calculated in accordance with the requirements of IAS 19. The last full actuarial valuation was performed on 30 September 2016 and updated to 31 December 2016 by Mitchell Consulting Actuaries Limited, independent consulting actuaries.

The assets and liabilities of the schemes at 31 December are:

	2016 £'000	2015 £'000
Present value of funded obligations	(67,000)	(54,500)
Fair value of plan assets	58,507	47,221
Deficit in the plan	<u>(8,493)</u>	<u>(7,279)</u>

The movement in the defined benefit liability over the year is as follows:

Amounts recognised in the income statement are:

	2016 £'000	2015 £'000
Current service cost	-	-
Net interest cost (on net defined benefit liability)	237	329
Total	<u>237</u>	<u>329</u>

# Houghton Plc

## Notes to the Financial Statements For the Year Ended 31 December 2016

### 22 Defined benefit pension scheme (continued)

Amounts recognised in Other Comprehensive Income are:

	2016	2015
	£'000	£'000
Actuarial gains/(losses) on the assets	10,098	(1,565)
Experience adjustment	(1,452)	119
Changes in financial assumptions	(11,550)	2,619
Changes in demographic assumptions	-	-
Total market (loss)/gain recognised in OCI	<u>(2,904)</u>	<u>1,173</u>

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions (in nominal terms):

	2016 %	2015 %
Rate of increase of salaries	n/a	n/a
Rate of increase in pensions in payment:		
Pension accrued pre April 1997 (3% fixed)	3.00	3.00
Pension accrued from April 1997 to April 2005 (CPI up to 5%)	2.45	2.10
Pension accrued post April 2005 (CPI up to 2.5%)	1.90	1.80
Discount rate	2.60	3.75
Inflation assumption CPI	2.50	2.15
Inflation assumption RPI	3.30	2.95

	2016 Years	2015 Years
<b>Assumed life expectancies on retirement at age 65 are:</b>		
Retiring today: Males	23.0	23.0
Females	25.0	25.0
Retiring in 20 years: Males	25.0	25.0
Females	27.0	27.0

The assumptions used in determining the overall return of the Scheme have been set with reference to yields available on Government Bonds and appropriate risk margins. The discount rate is based on published indices for 15 year AA bonds. This has been adjusted to reflect the duration of the liabilities and the range of yields within the index. The inflation rate (RPI) are rates published by the Bank of England relevant to the duration of the liabilities (15 years) less an inflation risk premium. The assumption on pension increases are derived by an inflation model to reflect any caps or floors.

Post retirement mortality assumptions allow for expected increases in longevity. The above disclosures relate to assumptions based on longevity following retirement at the balance sheet date.

## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 22 Defined benefit pension scheme (continued)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below

Assumption	Increase	Decrease
	%	%
Change in discount rate by 0.25%	(4.80)	4.80
Change in salary growth by 0.25%	-	-
Change in pension increase assumption by 0.25%	(3.20)	3.20
Increase of 1 year on the life expectancy	3.00	(3.00)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2016	2015
	£'000	£'000
As at 1 January	(54,500)	(57,400)
Current service costs	-	-
Interest cost	(1,997)	(1,972)
Actuarial (losses)/gains	(13,002)	2,738
Benefits paid	2,499	2,134
As at 31 December	<u>(67,000)</u>	<u>(54,500)</u>

Changes in the fair value of plan assets are analysed as follows:

	2016	2015
	£'000	£'000
As at 1 January	47,221	46,701
Expected return on plan assets	1,760	1,643
Actuarial gains/(losses)	10,098	(1,565)
Contributions paid by employer	1,927	2,576
Benefits paid	(2,499)	(2,134)
As at 31 December	<u>58,507</u>	<u>47,221</u>

## Houghton Plc

### Notes to the Financial Statements For the Year Ended 31 December 2016

#### 22 Defined benefit pension scheme (continued)

<b>Scheme assets at fair value</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Risk seeking assets	<b>45,081</b>	35,690
Matching assets	<b>13,315</b>	11,518
Dynamic asset allocation	-	-
Net current assets	<b>111</b>	13
Total market value of assets	<b>58,507</b>	47,221

All assets are at bid value.

During the year the Company also made contributions into defined contribution schemes of £285,308 (2015: £310,968). Included within creditors is £65,268 in relation to the defined contribution scheme at the year end (2015: £69,591).

#### 23 Ultimate parent company and controlling party

The immediate parent undertaking is Houghton Holdings Limited, a company registered in England and Wales.

The ultimate parent company is considered to be AMAS Holding SPF, a company registered in Luxemburg. AMAS Holding SPF a private wealth management company, which in turn is beneficially owned by numerous members of the Hinduja family, with no single individual having a beneficial interest in AMAS Holding SPF of 5% or more.

Global Houghton Limited is the largest and smallest Company of undertakings to consolidate these financial statements at 31 December 2016. The consolidated financial statements of Global Houghton Limited can be obtained from the Chambers of Commerce, t.a.v. Handelsregister, Postbus 2852, 1000 CW Amsterdam.