U-POL Limited

Directors' report, Strategic report and financial statements

Registered number 464919

For the year ended 31 December 2019

Contents

Strategic Report

The directors present their Strategic report for the year ended 31 December 2019.

Principal business objectives and strategies for achieving them

The principal activity of the company in the year under review was as a specialist supplier for the automotive repair industry supplying Bodyshop's directly and through our Channel Partners and a supplier of protective coatings used in a wide variety of applications through trade and retail outlets.

The company has and will continue to invest in the development of its employees.

The principal business objective is to maximise longer term shareholder value. Our key strategies for achieving this are i) to be safety focussed by conducting our global operations in the safest possible manner ii) by being marketing and technology driven, listening to our customers and delivering solutions for them iii) by investing in new product development to anticipate and exceed our customers' expectations iv) to be uncompromising on quality and integrity v) by recruiting and retaining employees of the highest calibre enabling them to work in an inclusive and empowered environment and vi) by being performance orientated across the organisation.

Markets

Export accounts for 69% of total business *(2018: 69%).*

Results and review of the business

The profit and loss account is set out on page 10 and shows profit for the year, the Company generated sales of £59.9 million *(2018: £56.7 million)* an increase of 5.6% and profit before tax of £9.3 million *(2018: £7.1 million)* an increase of 31%.

The Company enjoyed year on year sales growth in all markets. we continue to invest in our brands across the business in all our major markets.

The Directors meet a minimum of eleven times each year in addition to an unscheduled review of the 3-year strategy and business plan during which two of the key considerations are the development of the business and the health and safety performance and issues within the Group. Two additional areas of focus are identified before each meeting and then analysed in the meeting.

In order to support the Directors role to promote its long-term success the business at every level is operated under prudent and tightly managed controls. All costs and processes are under constant review and we look for efficiencies and savings wherever possible. Costs are analysed and reported monthly to keep overheads under control and protect margins.

2017 and 2018 saw significant investment in all aspects of the business. Following this transformational phase, the results in 2019 have shown strong growth. We will continue to invest in our sales structure across the World, with future growth coming in particular from increasing our Market share in Retail Customers in North America, further investment in new products plus continual investment in our key facilities and equipment and in our employees in order to keep growing the business.

Going concern

The Company is part of the U-POL Holdings Limited group (the "Group"). The Company's ability to continue to operate as a going concern is directly linked to the Group position.

The Board of the Group undertook an assessment of the ability of the Group to continue in operation and meet its liabilities as they fall due over a period up to 31 December 2021. The Group's assessment was made available to the Directors of the Company. The Directors did not consider that this assessment indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group have provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and will not seek repayment of the amounts currently made available. This should enable the

Strategic Report *(continued)*

Going concern *(continued)*

Company to continue in operational existence for the 12 months from the date of signing these financial statements by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Going concern assessment by the Board of U-POL Holdings Limited

The Covid-19 pandemic has had a significant impact on the global economy; however, the group has traded comparatively strongly in the period since March 2020. The Group, since the outbreak, has necessarily had an increased focus on managing risk and on cash as well as ensuring the safety of our employees remain paramount. Automotive repair has been classified as an essential industry in almost every country in the World and the Group's Retail, DIY & Online business has been thriving. The Group has, and is, benefiting from the global reach and the strategy to be able to operate in all relevant channels: core automotive, retail and online whilst crucially expanding U-POL's products into new, adjacent markets with little customer or market concentration. As a result, we have been able to keep all the business' four key operating assets, namely the Wellingborough Factory, the UK International distribution centre, the Russian distribution centre and the USA distribution centre, open throughout the entire period. We continue to operate within the relevant Government guidelines and laws around the World during the crisis. Except for PPE, which represents a small part of the Group's sales and margin, we have seen minimal disruption to our supply chains both inbound and outbound and have now largely returned to pre-Covid 19 operational levels. Prior to the outbreak of Covid-19, the business was continuing to grow significantly in early 2020 and after a strong trading and cashflow performance in 2019 and in Q1 2020 we entered the pandemic with a healthy balance sheet and a strong cash position. Since the pandemic, in Q2 2020 sales were down 24% but have recovered in July showing an 8% growth as vehicle miles travelled recover & in some instances to above pre-Covid 19 levels. Sales have increased each month since the low of April 2020. New Business Development & New Product Development pipelines remain strong and should support growth post Covid 19.

Against that background the Directors have prepared profit and cash flow forecasts for the Group for a period up to 31 December 2021. In preparing those forecasts they have considered the impacts of Covid-19. Specifically, they have considered a severe but plausible downside scenario in which, they have assumed that the sales will be down by 40% in the month of November and December 2020 in comparison to 2019 to allow for a reduced level of activity or another lockdown. Under this scenario the company will still have more than adequate cash resources to meet its obligations as they fall due.

The Group has £134.6 million of loans as at the balance sheet date, the directors note that the significant portion of these loans are not repayable in short-term and only £7.63 million of the total loan is repayable with in the forecasts period of 31 December 2021. As at the date of signing, the Group has met its Q1 and Q2 2020 banking loan covenants and is forecast to do so with adequate headroom in the plausible downside scenario in the foreseeable future.

Consequently, at the date of approval of these financial statements, the directors believe that the company has adequate financial resources to continue in operational existence for the foreseeable future; thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Strategic Report *(continued)*

Principal risks and uncertainties

The company operates in a competitive market where continuing growth is dependent upon consolidating on existing customer relationships and developing new income streams. The company is confident it can achieve these objectives and minimise the risk of falling short of its targets through continuous review and improvement. During 2018 and 2019 a large investment was made in automated manufacturing equipment in the main facility in Wellingborough, this was to support growth plans for the future. This created a significant level of disruption in the business which adversely affected the results in both years. The restructuring and business transformation was largely completed by the autumn of 2019 and the results in the last 6 months to the date of this report have shown really strong growth.

The directors consider the two main areas of risk are interest rates and exchange rates for which hedging contracts have been put in place and risk management strategies continue to be developed.

Enhancements have been made to our sales order process and procedures to review and increase the control over customer supply by an approval process checking the amount of credit granted, margin and overdue debt. There has also been improvement in the controls and reporting of overdue accounts to Management.

There is uncertainty in the business environment caused by the UK exiting the European Union and at the date of this report it is difficult to quantify the impact on the business. The directors have put in place several steps to counter any possible disruption to the business including working with our raw material suppliers to hold excess stocks of our key components and by holding excess levels of finished goods for our key products. In addition, we are working with our logistics providers to provide a flexible service should disruption arise around any actual exit date.

Apart from COVID-19, There have been no significant events since the balance sheet date which require additional disclosures in the financial statements.

Section 172 (1) Companies Act 2006

The Directors set out a revised three-year strategic plan in 2016, as referred to above, to deliver long term shareholder value. This is reviewed annually by the Board and updated on a rolling three-year basis. As part of the strategy the Company has been repositioned as a premium branded surface repair and protection business. Within surface repair the Company operates in all channels of the Automotive repair industry. The Company has a strong and growing presence globally and has developed a highly profitable niche position in the protective coatings market. The Directors believe that combined, these two core platforms will allow to promote the success of the company for the benefit of the shareholders as a whole. The Company's key risks and mitigating actions are referred to above in this strategic report.

The automotive repair industry has undergone significant change in the last few years with large, national and international distributors and Bodyshop chains emerging. These large customers look to partner with a smaller number of manufacturers where innovation is key to winning those partnering relationships as it offers greater sales opportunities for distributors and cost-saving opportunities for Bodyshop's. As a result, the Company has worked hard on engaging the customer base, the sales capability has been upgraded, category management refined, and key account management introduced. Also working with our customers, the innovation programme has been a particular area of investment and the Brand portfolio has been revamped. All of the above will lead to long term shareholder value.

The Business has also been simplified in terms of a reduction in unprofitable products, reducing the number of countries in which the products are sold to and reducing the number of suppliers. As part of the innovation programme our chemists work closely with our key suppliers to deliver cost effective and functional new products. The culture across our customer and supplier base is one of "Quality, value, service, innovation and trust" and this is embedded throughout the supply chain and the whole organisation.

The Directors and management operate the business in a responsible manner with the aim of ensuring that the Company maintains a reputation for high standards of business conduct and good governance.

Strategic Report *(continued)*

Section 172 (1) Companies Act 2006 *(continued)*

Our employees are fundamental to the delivery of this aim and the Company's long-term plan. The health, safety and well-being of our employees is our primary consideration in the way we do business. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The Directors hold regular employee briefings throughout the year with all employees covering all aspects of the business and these include a Q&A session. These briefings have been as frequent as every two weeks during the Covid-19 pandemic. In addition, in 2016 the Company introduced quarterly and annual Values awards across the business in the six key categories of Health & Safety, develop our people, Drive for results, delight our customers, dare to change & Deliver on commitments. These are nominated by any employee and are voted on by the wider management team. U-POL is involved in several wider Community initiatives which include providing free U-POL products to local UK colleges for them to use and supporting the Outbound Bound Trust with providing employee Ambassadors who get involved with local schools for disadvantaged children.

The Directors review annually the Company's Health and Safety, Quality & Diversity and Whistleblowing policies along with the Slavery and Human Trafficking statement which explains the activities we have undertaken to demonstrate our commitment to ensuring there is no slavery, forced labour or human trafficking within our supply chains or any other part of the business.

The Company is committed to reducing the quantity of waste through its production process and has invested in capital equipment and revised processes in order to achieve this. Some new processes introduced in the year have proved successful with significant savings. In addition, further capital investment has been made to reduce the likelihood of product spillage before, during and after the production processes.

Consequently the Directors consider they have acted in accordance with their duties in particular to act in a way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole, having regard to the matters set out in section 172(1) of the Companies Act 2006.

Environment

The company is committed to reducing the quantity of waste through its production process and has invested in capital equipment and revised processes in order to achieve this.

Research and development

The company purses a programme for the development of new products and enhancements of existing products. Costs incurred during the year were £972,000 *(2018: £932,000)* and have been charged against profits.

By order of the board

MJ Coombes
Director

U-POL Tech Centre
Denington Road
Wellingborough
Northamptonshire
NN8 2QH

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit and loss account is set out on page 10 and shows the profit for the year.

The directors do not recommend the payment of a dividend *(2018: £nil)*.

Directors

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

MJ Coombes

GH Williams

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disabled persons

The group's policy is to provide equal opportunities in the recruitment of disabled workers for those vacancies that they can fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Disclosure of information to auditor

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

Auditor

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

On behalf of the board

MJ Coombes
Director

U-POL Tech Centre
Denington Road
Wellingborough
Northamptonshire
NN8 2QH

Registered number 464919

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate company or to cease operations or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of U-POL Limited

Opinion

We have audited the financial statements of U-Pol Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland;* and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent auditor's report to the members of U-POL Limited *(continued)*

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given. in those reports for the financial year is consistent with the financial statements; and
- *in our opinion those reports have been prepared in accordance with the Companies Act 2006.*

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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. We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK.) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Independent auditor's report to the members of U-POL Limited *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

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.

Aimie Keki (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
The Pinnacle
170 Midsummer Boulevard
Milton Keynes
MK9 1BP

Date: 7th October 2020

Profit and Loss Account
for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Turnover	2	59,893	56,722
Cost of sales		(40,465)	(39,453)
Gross Profit		19,428	17,269
Other income		3	2
		19,431	17,271
Distribution costs		(1,214)	(1,192)
Administration expenses		(7,956)	(9,573)
Operating profit	3-5	10,261	6,506
Interest receivable and similar income	6	-	673
Interest payable and similar charges	7	(986)	(31)
Profit before taxation		9,275	7,148
Taxation on profit	8	(1,224)	(902)
Profit for the financial year		8,051	6,246

The results shown above are derived entirely from continuing operations. The company has no gains or losses other than those identified above.

The notes on pages 14 to 24 form part of these financial statements

Statement of comprehensive income
for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit for the year	3	**8,051**	6,246
Other comprehensive income			
Gains on property revaluation net of tax		-	957
Foreign exchange difference on translation of foreign operations		-	1
Total comprehensive income		**8,051**	7,204

The notes on pages 14 to 24 form part of these financial statements

Balance Sheet
at 31 December 2019

	Note	Year ended 31 December 2019		Year ended 31 December 2018	
		£'000	£'000	£'000	£'000
Fixed Assets					
Tangible assets	9		7,536		7,717
Current Assets					
Stocks	10	4,870		6,520	
Debtors	11	169,298		161,613	
Cash		6,577		3,426	
		180,745		171,559	
Creditors: amounts falling due within one year	12	(43,411)		(42,457)	
Net current assets			137,334		129,102
Total assets less current liabilities			144,870		136,819
Net assets					
Capital and reserves					
Called up share capital	13		15		15
Revaluation reserve			1,601		1,621
Profit and loss account			143,246		135,175
Foreign exchange reserve			8		8
Shareholders' funds			144,870		136,819

The notes on pages 14 to 24 form part of the financial statements.

These financial statements were approved by the directors on 7/12/12 and were signed on its behalf by:

MJ Coombes
Director

Company registered number 464919

Statement of Changes in Equity
At 31 December 2019

	Called-up share capital £000	Revaluation reserve £000	Profit and loss account £000	Foreign exchange reserve £000	Total equity £000
Balance at 1 January 2018	15	684	128,909	7	129,615
Profit for the year	-	-	6,246		6,246
Revaluation gain	-	957	-	-	957
Depreciation transfer	-	(20)	20	-	-
Foreign exchange gain	-	-	-	1	1
Balance at 31 December 2018	**15**	**1,621**	**135,175**	**8**	**136,819**
Profit for the year	-	-	8,051	-	8,051
Revaluation gain	-	-	-	-	-
Depreciation transfer	-	(20)	20	-	-
Foreign exchange gain	-	-	-	-	-
Balance at 31 December 2019	**15**	**1,601**	**143,246**	**8**	**144,870**

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis unless otherwise indicated. The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- Cash Flow Statement and related notes; and
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The consolidated financial statements of U-POL Holdings Limited, within which this company is included, can be obtained from the address given in note 17.

Going concern

The Company is part of the U-POL Holdings Limited group (the "Group"). The Company's ability to continue to operate as a going concern is directly linked to the Group position.

The Board of the Group undertook an assessment of the ability of the Group to continue in operation and meet its liabilities as they fall due over a period up to 31 December 2021. The Group's assessment was made available to the Directors of the Company. The Directors did not consider that this assessment indicated the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group have provided the Company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the Company and will not seek repayment of the amounts currently made available. This should enable the Company to continue in operational existence for the 12 months from the date of signing these financial statements by meeting its liabilities as they fall due for payment.

As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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Notes *(continued)*

1 Accounting policies *(continued)*

Going concern assessment by the Board of U-POL Holdings Limited *(continued)*

Sales have increased each month since the low of April 2020. New Business Development & New Product Development pipelines remain strong and should support growth post Covid 19.

Against that background the Directors have prepared profit and cash flow forecasts for the Group for a period up to 31 December 2021. In preparing those forecasts they have considered the impacts of Covid-19. Specifically, they have considered a severe but plausible downside scenario in which, they have assumed that the sales will be down by 40% in the month of November and December 2020 in comparison to 2019 to allow for a reduced level of activity or another lockdown. Under this scenario the company will still have more than adequate cash resources to meet its obligations as they fall due.

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Consequently, at the date of approval of these financial statements, the directors believe that the company has adequate financial resources to continue in operational existence for the foreseeable future; thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Stocks

Stocks are valued at the lower of cost and net realizable value. Cost of finished stock consists of raw materials, labour and attributable manufacturing overheads.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument

Interest –bearing borrowing classified as basic financial instruments.

Interest –bearing borrowing are recognised initially at the present value of payments discounted at the market rate of interest. Subsequently to initial recognition, interest-bearing borrowings are stated at amortised cost using effective interest method, any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost impairment in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Cash or cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Foreign Currency

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

Depreciation

Deprecation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold property and leasehold improvements	2% to 10%
Plant and machinery	4% to 20%
Office equipment fixtures and fittings	10% to 33%
Motor vehicles	40% for 1st year then 20%

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective that it is impaired. A financial asset is impaired if objective evidence that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Impairment losses are recognized in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

Post- retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represent the contributions payable to the scheme in the respect of the accounting year.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account.

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because celtain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or subsequently enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Turnover

The turnover of the company for the year has been achieved from its principal activity
The geographical analysis of turnover is as follows:

	2019 £000	2018 £000
United Kingdom	18,518	17,338
Europe	13,808	12,291
Rest of the World	27,567	27,093
	59,893	56,722

The amount of profit before interest and tax, and net assets for each market has not been disclosed as this would, in the opinions of the directors, be seriously prejudicial to the interests of the company.

Notes *(continued)*

3 Profit before taxation

	2019 £000	2018 £000
Profit for the year is stated after charging:		
Operating lease rentals – land and buildings	256	239
Depreciation		
Owned	1,392	1,171
Auditor's remuneration		
Audit	44	37
Taxation	37	36
Research and development expenditure	972	932

4 Remuneration of Directors

	2019 £000	2018 £000
Directors' remuneration	971	561
Company contributions to money purchase pension scheme	41	40
	1,012	601

The aggregate emoluments of the highest paid director were £563,000 *(2018:* £337,000) and there were company contributions to money purchase schemes of £23,000 (*2018: £23,000)* paid on their behalf.

	Number of directors 2019	2018
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	2	2

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees 2019	2018
Manufacturing	137	124
Distribution and sales	63	65
Administration and management	37	37
	237	226
Agents and contractors	41	56
	278	282

The aggregate payroll costs of those persons were as follows:

	2019 £000	2018 £000
Wages and salaries	11,562	10,828
Social security costs	1,244	1,141
Other pension costs	424	398
	13,230	12,367

6 Interest receivable and similar income

	2019 £000	2018 £000
Net exchange gains	-	673
	-	673

7 Interest payable and similar charges

	2019 £000	2018 £000
Interest due to group undertakings	17	31
Net exchange loss	969	-
	986	31

Notes *(continued*

8 Taxation

Analysis of charge in year

	2019 £000	2018 £000
UK corporation tax		
Current tax on income for the year	1,136	899
Adjustments in respect of prior periods	14	(55)
Total current tax	1,150	844
Deferred tax		
Origination and reversal of timing differences	74	29
Adjustments in respect of previous years	-	29
Effect of tax rate change on opening balance	-	-
Tax on profit	1,224	902

Factors affecting the tax charge for the current year

The tax assessed for the period is lower (*2018: lower*) than the standard rate of corporation tax in the UK of 19% *(2018: 19%)*. The differences are explained below.

	2019 £000	2018 £000
Tax reconciliation		
Profit before tax	9,275	7,148
Tax at 19.00% *(2018: 19%)*	1,762	1,358
Effects of:		
Expenses not deductible for tax purposes	54	28
Adjustments in respect of prior periods	21	(26)
Group relief claimed not paid for	(595)	(458)
Other	(18)	-
Total tax charge (see above)	1,224	902

Factors that may affect future current and total tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget, it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. This will have a consequential effect on the company's future tax charge.

Notes *(continued*

9 Tangible Fixed assets

	Freehold property & land £'000	Leasehold improvements £'000	Plant, equipment & fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At the beginning of the year	3,932	571	13,081	522	18,106
Additions	-	-	1,093	131	1,224
Disposals	-	-	(2)	(66)	(68)
At end of year	3,932	571	14,172	587	19,262
Cost is represented by:					
Cost	2,224	571	13,118	587	16,500
Revaluation 1989	1,000	-	1,054	-	2,054
Revaluation 2002	(1,239)	-	-	-	(1,239)
Revaluation 2007	1,330	-	-	-	1,330
Revaluation 2013	(537)	-	-	-	(537)
Revaluation 2018	1,154	-	-	-	1,154
	3,932	**571**	**14,172**	**587**	**19,262**
Depreciation					
At the beginning of the year	481	489	9,096	323	10,389
Charge for the year	48	15	1,204	125	1,392
Eliminated on disposals	-	-	(2)	(53)	(55)
At end of year	529	504	10,298	395	11,726
Net book value					
At 31 December 2019	**3,403**	**67**	**3,874**	**192**	**7,536**
At 31 December 2018	3,451	82	3,985	199	7,717

The freehold property was revalued at an open market value by an external valuer in 2018. As a result of the revaluation, £1,154,000 was added to the cost of the freehold buildings.

Notes *(continued*

9 Tangible Fixed assets *(continued)*

If the revalued assets were to be accounted for on historical cost basis, the figures would be:

	Freehold property & Land £000	Plant, equipment & fittings £000
Cost	1,357	2,277
Accumulated depreciation	(646)	(2,277)
	711	-

10 Stocks

	2019 £000	2018 £000
Raw materials and consumables	2,776	2,833
Finished goods and goods for sale	2,094	3,687
	4,870	6,520

11 Debtors

	2019 £000	2018 £000
Trade debtors	11,515	10,949
Amounts owed by group undertakings	156,724	149,792
Other debtors	1,059	872
	169,298	161,613

Notes *(continued*

12 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Trade creditors	**8,758**	8,885
Amounts owed to group undertakings	**30,630**	30,590
Other taxes and social security	**262**	514
Other creditors and accruals	**3,069**	1,788
Deferred tax liability	**257**	183
Corporation tax liability	**435**	497
	43,411	42,457

13 Called up share capital

Authorised, allocated, called up and fully paid	2019 £000	2018 £000
15,000 ordinary shares at £1 each	**15**	15

14 Commitments

At 31 December 2019 the company had capital commitments amounting to £nil *(2018: £nil)*.

Annual commitments under non-cancellable operating leases are as follows:

	2019 Land and buildings £000	2018 Land and buildings £000
Operating leases which expires:		
Within one year	**127**	108
In the second to fifth year inclusive	**411**	428
Over five years	**13**	101
	551	637

Notes *(continued)*

15 Pensions

The company operates a defined contributions pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £424,000 *(2018: £398,000)*.

16 Non adjusting events after the financial period

The company has determined that the COVID-19 pandemic is a non-adjusting subsequent event. We also refer to note 1 Accounting policies for discussion on going concern.

17 Ultimate parent company

The smallest group in which these accounts are consolidated is that headed by U-POL Holdings Limited, incorporated in the United Kingdom. Copies of the consolidated financial statements of U-POL Holdings Limited can be obtained from the Company Secretary, U-POL Tech Centre, Dinnington Road, Wellingborough, Northamptonshire, NN8 2QH.

The A ordinary shares of U-POL Holdings Limited are held by funds managed by Graphite Capital and Dunedin. None of the funds individually has an ultimate controlling stake in the Company. No individual holds more than 20% of the share capital of the Company. Hence, the Directors consider that there is no ultimate controlling party of the group