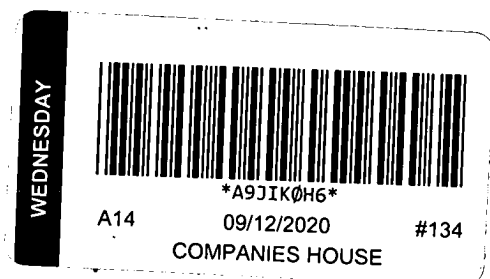


## **U-POL Bidco Limited**

Directors' report, Strategic report and  
financial statements

Registered number 07330406

For the year ended 31 December 2019



## Contents

Strategic report	1
Directors' report	3
Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements	4
Independent auditor's report to the members of U-POL Bidco Limited	5
Profit and loss account	8
Statement of other comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes	11

## Strategic report

The principal activity of the company in the year under review was that of an intermediate holding company which includes the external debt.

The loss after taxation for the financial year amounted to £1,601,075 (2018: loss of £7,718,000), and has been recognised in reserves.

Reporting of principal risks and uncertainties and key performance indicators have been undertaken at a group level and are disclosed in the group strategic report of U-POL Holdings Limited. There are no additional significant risks that relate to U-POL Bidco Limited.

### Going concern

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £17.8 million (2018: £10.5 million), net liabilities of £16.1 million (2018: £14.0 million) and a loss for the year then ended of £1.6 million (2018: £7.7 million) which the directors believe to be appropriate for the following reasons.

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 Company is an intermediate holding company which includes the external debt held for the Group. The company shows net current liabilities of £17.8 million (2018: £10.5 million), net liabilities of £16.1 million (2018: £14.0 million) and a loss for the year then ended of £1.6 million (2018: £7.7 million). The Capital and interest repayments of bank loans have been included as part of the Group cashflows that have been prepared for the Going Concern review.

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.

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

## Strategic report

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

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 within 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.

On behalf 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.

### Proposed dividend

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

### Directors

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

MJ Coombes  
GH Williams

### 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 07330406

## **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 and 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.



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

### **Opinion**

We have audited the financial statements of U-Pol Bidco Limited ("the company") for the year ended 31 December 2019 which comprise the profit and loss account, statement of other 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 loss 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 Bidco 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 4, 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.

### **Auditor's 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](http://www.frc.org.uk/auditorsresponsibilities).



## **Independent auditor's report to the members of U-POL Bidco 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
Administrative expenses		(18)	(80)
<b>Operating loss</b>		<b>(18)</b>	<b>(80)</b>
Interest payable and similar charges	4	(4,146)	(7,832)
Interest receivable and similar income	5	2,563	194
<b>Loss before tax</b>	<b>2-5</b>	<b>(1,601)</b>	<b>(7,718)</b>
Tax	6	-	-
<b>Loss for the year</b>		<b>(1,601)</b>	<b>(7,718)</b>

The results shown above are derived entirely from continuing operations.

**Statement of other comprehensive income**  
*for the year ended 31 December 2019*

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<b>Loss for the year</b>	<b>(1,601)</b>	<b>(7,718)</b>
Effective portion of changes in fair value of cash flow hedges	(457)	282
<b>Total losses recognised during the year</b>	<b>(2,058)</b>	<b>(7,436)</b>


The notes on pages 11 to 18 form an integral part of these financial statements.

**Balance sheet**  
*at 31 December 2019*

	Note	31 December 2019		31 December 2018	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments	7		51,361		51,361
<b>Current assets</b>					
Debtors	8	3,798		4,388	
Cash		-		1	
		<u>3,798</u>		<u>4,389</u>	
Creditors: amounts falling due within one year	9	(21,568)		(14,878)	
<b>Net current liabilities</b>			(17,770)		(10,489)
<b>Total assets less current liabilities</b>			<u>33,591</u>		<u>40,872</u>
Creditors: amounts falling due after more than one year	10		(49,676)		(54,899)
<b>Net liabilities</b>			<u>(16,085)</u>		<u>(14,027)</u>
<b>Capital and reserves</b>					
Called up share capital	11		-		-
Profit and loss account	12		(16,092)		(14,491)
Cash flow hedge reserve	12		7		464
<b>Shareholders' deficit</b>	13		<u>(16,085)</u>		<u>(14,027)</u>

The notes on pages 11 to 18 form part of these financial statements.

These financial statements were approved by the board of directors on 7/13/22 and were signed on its behalf by:

  
**MJ Coombes**  
Director

**Statement of Changes in Equity**  
*At 31 December 2019*

	Called-up share capital £000	Cash flow hedge reserve £000	Profit and loss account £000	Total equity £000
Balance at 1 January 2018	-	182	(6,773)	(6,591)
Loss for the year	-	-	(7,718)	(7,718)
Cash flow hedge	-	282	-	282
<b>Balance at 31 December 2018</b>	<b>-</b>	<b>464</b>	<b>(14,491)</b>	<b>(14,027)</b>
Loss for the year	-	-	(1,601)	(1,601)
Cash flow hedge	-	(457)	-	(457)
<b>Balance at 31 December 2019</b>	<b>-</b>	<b>7</b>	<b>(16,092)</b>	<b>(16,085)</b>

The notes on pages 11 to 18 form part of these financial statements.

## 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 16.

#### *Going concern*

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of £17.8 million (2018: £10.5 million), net liabilities of £16.1 million (2018: £14.0 million) and a loss for the year then ended of £1.6 million (2018: £7.7 million) which the directors believe to be appropriate for the following reasons.

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 Company is an intermediate holding company which includes the external debt held for the Group. The company shows net current liabilities of £17.8 million (2018: £10.5 million), net liabilities of £16.1 million (2018: £14.0 million) and a loss for the year then ended of £1.6 million (2018: £7.7 million). The Capital and interest repayments of bank loans have been included as part of the Group cashflows that have been prepared for the Going Concern review.

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.

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.

## Notes (continued)

### 1 Accounting policies (continued)

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

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 within 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.

#### Investments

Investments are shown at cost. Any permanent diminution in value is written off directly to the profit and loss account as incurred.

#### Finance costs

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 certain 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 substantively 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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

#### *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.

##### *Cash and 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.

##### *Other financial instruments*

##### *Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

### 2 Loss before taxation

The company's auditor's remuneration of £3,000 (2018: £2,000) was borne by the indirect subsidiary company, U-POL Limited.

### 3 Directors' remuneration

All directors' remuneration was borne by the indirect subsidiary company, U-POL Limited. Directors' remuneration is disclosed in the financial statements of U-POL Limited. The notional cost to the entity of the directors was £35,000 (2018: £20,000).

**Notes (continued)**

**4 Interest payable and similar charges**

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Net exchange rate loss on retranslation of US Dollar loans and intercompany balances	-	3,650
On bank loans and overdrafts	3,838	3,874
Debt issue costs amortisation	308	308
	<u>4,146</u>	<u>7,832</u>

**5 Interest receivable and similar income**

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Other finance income	176	194
Net exchange rate gain on retranslation of US Dollar loans and intercompany balances	2,387	-
	<u>2,563</u>	<u>194</u>



## Notes (continued)

### 6 Taxation

#### Factors affecting the tax charge for the current year

	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
<i>Current tax reconciliation</i>		
Loss for the year	(1,601)	(7,718)
Current tax at 19 % (2018: 19%)	(304)	(1,466)
<i>Effects of:</i>		
Disallowable expenses	163	1,009
Designated currency election	(459)	-
Group relief surrendered	600	457
Total tax charge	-	-

#### 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 group's future tax charge.

### 7 Fixed asset investments

	Shares in subsidiary undertakings £'000
<i>Cost</i>	
At beginning and end of year	51,361

## Notes (continued)

### 7 Fixed asset investments (continued)

The company's wholly owned subsidiaries are:

<i>Indirect subsidiary undertakings</i>	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>Class and Percentage of Company Shares</b>
U-POL Bond Limited	Great Britain	Intermediate Holding Company	100% ordinary shares
U-POL Mezzanine Limited	Great Britain	Intermediate Holding Company	100% ordinary shares
U-POL Products Limited	Great Britain	Intermediate Holding Company	100% ordinary shares
U-POL Limited	Great Britain	Manufacture and distribution of automotive refinish products	100% ordinary shares
U-POL Russia	Russia	Distribution of automotive refinish products	100% ordinary shares
U-POL Coatings (Shanghai) Co., Ltd	China	Distribution of automotive refinish products	100% ordinary shares
U-POL Canada Limited	Canada	Distribution of automotive refinish products	100% ordinary shares
<i>Direct subsidiary undertakings</i>			
U-POL Acquisition Limited	Great Britain	Intermediate Holding Company	100% ordinary shares
U-POL US Corporation	USA	Distribution of automotive refinish products	100% ordinary shares

The registered office for all of the UK subsidiaries is the address disclosed on page 3. The registered office for U-POL Russia is 14, Nizhnyay Street, Moscow, 125040. The registered office for U-POL US Corporation is 108 Commerce Way, Stockertown, PA 18083. The registered office for U-POL Coatings (Shanghai) Co., Ltd is Room 313-18, Building No.1, 38 Debao Road, Shanghai Pilot Free Trade Zone, China. The registered office for U-POL Canada Ltd is 1200 Waterfront Centre, 200 Burrard Street, Vancouver BC VTX T12, Canada.

### 8 Debtors

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by group undertakings	3,763	3,896
Other debtors	28	28
Interest rate swap debtor	7	464
	<b>3,798</b>	<b>4,388</b>

#### *Financial instruments measured at fair value*

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. The fair value of the interest rate swap is included within Debtors and amounts to £7,000 (2018: £464,000). The change in fair value in the year was £457,000 (2018: £282,000) and is recognised in other comprehensive income.

## Notes (continued)

### 9 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Bank loans and overdrafts	3,587	2,965
Other creditors and accruals	-	85
Amounts owed to group undertakings	17,981	11,828
	<u>21,568</u>	<u>14,878</u>

### 10 Creditors: amounts falling due after more than one year

	2019 £'000	2018 £'000
Bank loans	49,676	54,899
	<u>49,676</u>	<u>54,899</u>

### Analysis of debt:

	2019 £'000	Restated 2018 £'000
Debt can be analysed as falling due:		
In one year or less, or on demand	3,587	2,965
Between one and two years	4,361	3,730
Between two and five years	46,454	52,615
	<u>54,402</u>	<u>59,310</u>
Less: unamortised issue costs	(1,139)	(1,446)
	<u>53,263</u>	<u>57,864</u>

These bank facilities accrue interest at the LIBOR base rate, plus a margin payable in arrears.

The loans are made up as follows:

- \$25,000,000 facility A loan is repayable in instalments. The loan terminates on 30 September 2022. As at the year end the total amount outstanding in respect of facility A loan amounts to \$16,750,000 (2018: \$20,500,000).
- \$55,000,000 facility B loan is repayable on termination on 14 September 2023.

## Notes (continued)

### 11 Share capital

	Authorised £	Allotted, called up and fully paid £
1 ordinary share of £1	1	1

### 12 Contingent liabilities

The company had no contingent liabilities at 31 December 2019 (2018: none).

### 13 Commitments

The company had no capital commitments at the end of the year (2018: none).

### 14 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.

### 15 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, Denington 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.