

Exol Lubricants Limited

Annual report and financial statements

Registered number 2587124

31 December 2016

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Strategic report

The directors have pleasure in presenting their reports and the audited financial statements for the year ended 31 December 2016.

Principal activity

The principle activity of the company is the manufacture and distribution of lubricants.

Business Model

Exol Lubricants Ltd operate from a strategic base, at the heart of the central motorway network in Wednesbury in the West Midlands. Raw materials are sourced globally through a dedicated strategic supply base of market leaders which is continually monitored. Finished products are blended using the latest specifications at the Exol Lubricants (Rotherham) Ltd bulk blending facility in Yorkshire.

These are transported to Wednesbury where further value is added through packaging tailored to the customers needs. The company maintains a fleet of vehicles developed to meet the latest specifications and allow the business to meet and exceed industry wide standards on lead times.

Review of the business

The result for the year is shown on page 8. The directors are pleased with the operating performance and anticipate growth in the forthcoming year.

The company achieved this result for the year to 31 December 2016, despite the extraordinary circumstances brought about by Brexit and the subsequent turmoil within the foreign exchange markets. Operating profit decreased from £3,305,499 in the previous year to £2,750,059.

Financial key performance indicators (KPI's)

The following KPI's are part of the tools used by management to monitor performance across all aspects of the business:

	2016	2015	Measure
Return on capital employed	49.4%	62.5%	Profit before tax/net assets
Current ratio	1.07	1.04	Current assets : current liabilities
Stock turnover	22.59	12.79	Cost of sales/stock
Debtors days	48 Days	41 Days	Average debtors/turnover x365
Creditors days	42 Days	68 Days	Average creditors/turnover x365
Sales per employee (£'000)	657	698	Turnover/average number of employees
Operating profit per employee (£'000)	34	41	Operating profit/average number of employees

The principal risks and uncertainties affecting the business include the following:

Foreign currency exchange: the company monitors closely short, medium and long term major currency exchange rate forecasts and has a policy of hedging against currency fluctuations relating to planned transactions.

Product availability and pricing: the company monitors raw material and finished goods sources on a global basis and negotiates with a dedicated strategic supply base to ensure the most competitively priced products are delivered within optimum lead times. This approach has and always will be a significant component of its competitiveness.

Environmental risks: the company places considerable emphasis upon environmental compliance and not only seeks to ensure ongoing compliance with the latest relevant legislation but also strives to ensure that environmental best practice is incorporated into its operations. The company remains fully compliant with all aspects of ISO9001 & 14001.

Strategic report *(continued)*

Debtors: the company maintains strong relationships with all customers and adhere to established credit control parameters. Appropriate credit terms and limits are agreed with all customers and these are closely managed and continually reviewed. The company does operate with credit insurance for partial coverage of its customer base.

The effect of legislation or other regulatory activities: the company monitors relevant legislation regularly.

Pension funding risk: The company does not operate any significant pension plans. There is a limited, company personal pension plan for all employees which operates independently of the company. On this basis, the company bears no significant risk.

New product, project and technology risk: a comprehensive range of products has evolved through anticipating and exceeding the needs of the lubricant sector. All new technologies and products involve business risk but close relationships with our customers and suppliers are key to mitigating against this.

All appropriate measures are taken to protect the company's intellectual property rights and to minimise the risk of infringement of third party rights.

Litigation: the company is subject to litigation from time to time. The outcome of legal action is always uncertain and there is always the risk that it may prove more costly and time consuming than expected. As with most major companies there is a risk that litigation could be instigated in the future which could materially impact the company, although Exol performs its activities in such a way as to minimise risk. In some liability cases legal expenses are covered by insurance.

Competitive risk: the company operates in highly competitive markets. Product and business innovations or technical advances by competitors could adversely affect the group. The diversity of operations and flexibility in the business model reduces the possible effect of action by any single competitor.

The company invests time and technical resources, in co-operation with manufacturers and customers in order to sustain competitive advantage, and also works continually to ensure that its cost base remains competitive.

Future developments

Wednesbury Site: With the multi million pound redevelopment of the Wednesbury site recently completed, the company will make further investment to enhance the production and filling capabilities.

Sales and marketing: new and replacement business is being successfully targeted on a continuing basis; new markets have been developed at home and overseas in line with the group's strategy and key customer relationships are maintained at all levels.

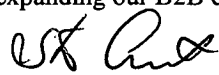
Product sourcing: new products continue to be developed for both existing and development markets; sourcing and supply chain efficiencies are constantly monitored and new initiatives developed to improve the company's flexible business model.

Health and Safety: accident and absenteeism rates have again remained low in 2016 and the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved for all.

Environment: New methods of achieving greater environmental effectiveness are continually being examined and we aim to continue to meet and exceed the standards set out in ISO9001 & 14001 throughout 2017. We plan to extend these capabilities in order to meet the relative 2015 versions of ISO9001 & 14001 towards the end of the year.

Competitive advantage: the company focuses on areas where it has competitive advantage involving flexible, tailored, supply chain solutions designed around individual customer needs.

IT: The company will look to fully exploit the benefits of our Microsoft GP system, which was implemented in 2015 expanding our B2B capability.


S D Everitt
Director

All Saints Road
Darlaston
Wednesbury
WS10 9LL
2017

17th June

Directors' report

Dividends

Dividends which have been proposed and are no longer at the discretion of the company amount to £1,846,250 in respect of the current year ended 31 December 2016 (2015: £2,040,000).

Research and development

The company is continually researching and developing new products with our key strategic partners, with a view to bringing these to market so as to increase our competitive advantage.

Disabled employees

Applicants for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings.

Environmental policies

Exol Lubricants Ltd is totally dedicated to the maintenance of the highest standards of control for its customers, its work force and the environment. The company works diligently to ensure that its operating procedures conform to current legislation and safe working practices. Highly trained and knowledgeable technical staff provides advice on every aspect of 'duty of care' as defined under the Environmental Protection Act so that customers can be assured that their legal obligations are fully met.

Directors

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

D B Frogson
S D Everitt
S Donaldson
S L Dunn

The directors of the company have been indemnified against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force for the directors serving during the financial year and as at the date of approving the Directors' report and the Strategic Report.

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 themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

Auditors

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.

By order of the board



S Everitt
Director

All Saints Road
Darlaston
Wednesbury
WS10 9LL
2017

17th June

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

The directors are responsible for preparing the Annual 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 UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgments 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; 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. They 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 LLP

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Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent auditor's report to the members of Exol Lubricants Ltd

We have audited the financial statements of Exol Lubricants Limited for the year ended 31 December 2016 set out on pages 8 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic Report and the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Exol Lubricants Limited *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Johnathan Pass (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

19 June

2017

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2016

	<i>Note</i>	2016 £	2015 £
Turnover	2	52,566,217	55,826,941
Cost of sales		(44,801,740)	(47,805,905)
Gross profit		7,764,477	8,021,036
Distribution costs		(1,783,986)	(1,867,990)
Administrative expenses		(3,230,432)	(2,847,547)
Operating profit		2,750,059	3,305,499
Interest payable and similar expenses	4	(178,683)	(181,819)
Profit before taxation	3	2,571,376	3,123,680
Tax on profit	7	(527,133)	(648,930)
Profit for the financial year		2,044,243	2,474,750

There is no other comprehensive income during the accounting period.

The turnover and profit on ordinary activities for both financial years derive from continuing operations and all recognised gains and losses are included in the profit and loss account.

The historic profit does not differ from the reported profit.

The notes of pages 11 to 20 form part of the financial statements.

Balance sheet
at 31 December 2016

	Note	2016	2015
		£	£
Fixed assets			
Tangible assets	9	4,957,282	5,275,900
Current assets			
Stocks	10	1,983,124	3,738,736
Debtors	11	13,631,509	12,836,850
Cash at bank and in hand		808,546	2,209
		<u>16,423,179</u>	<u>16,577,795</u>
Creditors: amounts falling due within one year	12	<u>(15,410,003)</u>	<u>(15,863,312)</u>
Net current assets		<u>1,013,176</u>	<u>714,483</u>
Total assets less current liabilities		<u>5,970,458</u>	<u>5,990,383</u>
Creditors: amounts falling due after more than one year	13	<u>(603,925)</u>	<u>(806,173)</u>
Provisions for liabilities and charges			
Deferred tax liability	14	<u>(177,698)</u>	<u>(193,368)</u>
		<u>5,188,835</u>	<u>4,990,842</u>
Capital and reserves			
Called up share capital	17	401,000	401,000
Profit and loss account		4,787,835	4,589,842
Shareholder's funds		<u>5,188,835</u>	<u>4,990,842</u>

The notes of pages 11 to 20 form part of the financial statements.

These financial statements were approved by the board of directors on *17th June* 2017 and were signed on its behalf by:



S Everitt
Director

Statement of changes in equity
for the year ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2015	401,000	4,155,092	4,556,092
Total comprehensive Income for the period			
Profit or loss	-	2,474,750	2,474,750
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	2,474,750	2,474,750
Transactions with owners, recorded directly in equity			
Dividends	-	(2,040,000)	(2,040,000)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(2,040,000)	(2,040,000)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	401,000	4,589,842	4,990,842
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2016	401,000	4,589,842	4,990,842
Total comprehensive Income for the period			
Profit or loss	-	2,044,243	2,044,243
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	2,044,243	2,044,243
Transactions with owners, recorded directly in equity			
Dividends	-	(1,846,250)	(1,846,250)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(1,846,250)	(1,846,250)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	401,000	4,787,835	5,188,835
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Exol Lubricants Limited is a company limited by shares and incorporated and domiciled in the UK.

The financial statements have been prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard in the UK and Republic of Ireland (FRS 102) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

FRS 102 grants certain first time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business Combinations that took place prior to transition date have not been restated.
- The fair value at transition date has been used as deemed cost for tangible fixed assets.

The Company's parent undertaking, Philmar (Holdings) Ltd includes the Company in its consolidated financial statements. The consolidated financial statements of Philmar (Holdings) Ltd are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Management does not consider there to be any significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, in the preparation of the financial statements.

Measurement Convention

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Going concern

The financial statements have been prepared on a going concern basis, as the Directors consider that this is appropriate. The directors have prepared forecasts which indicate that the company will be able to meet its liabilities as they fall due.

Classification of financial instruments issued by the company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

Notes (continued)

1 Accounting policies (continued)

Classification of financial instruments issued by the company (continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital account exclude amounts in relation to those shares.

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.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Turnover

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation and less any provision for impairment.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Freehold buildings	-	2% on cost
Plant, fixtures and fittings	-	10% - 33.5% on costs
Motor vehicles	-	15% - 25% on cost

No depreciation is provided on freehold land.

Employee Benefits

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Stocks

Stocks are stated at the lower of cost and estimated selling price less cost to complete and sell. Cost is based on the first in, first out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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 except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

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 provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax.

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.

Research and development

Expenditure on research and development of new products is charged against the revenues of the year in which it is incurred.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

	2016 £	2015 £
<i>Analysis of turnover by geographical market</i>		
UK	46,556,055	49,435,271
Rest of Europe	4,910,346	4,850,526
Rest of World	1,099,816	1,541,144
	<u>52,566,217</u>	<u>55,826,941</u>

All sales are made in one type of activity.

Notes (continued)

3 Expenses and auditor's remuneration

	2016 £	2015 £
Included in profit/loss are the following:		
Depreciation		
Tangible fixed assets owned	297,458	239,160
Tangible fixed assets held under finance leases and hire purchase contracts	216,114	240,266
Hire of plant and equipment under operating leases	97,104	109,016
Gain on sale of fixed asset	(27,112)	(691)
Auditor's remuneration:		
Audit of these financial statements	17,000	20,000
Taxation services	4,800	4,500
	<u> </u>	<u> </u>

4 Interest payable and similar charges

	2016 £	2015 £
Finance charges in respect of finance leases and hire purchase contracts	34,244	34,390
Other interest payable and similar charges	144,439	147,429
	<u> </u>	<u> </u>
	178,683	181,819
	<u> </u>	<u> </u>

5 Staff numbers and costs

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

	2016 No.	2015 No.
Production	38	42
Sales and distribution	21	21
Administration	21	17
	<u> </u>	<u> </u>
	80	80
	<u> </u>	<u> </u>

The aggregate payroll costs of these persons were as follows:

	2016 £	2015 £
Wages and salaries	4,557,070	4,352,975
Social security costs	486,653	445,066
Pension costs	86,146	77,765
	<u> </u>	<u> </u>
	5,129,869	4,875,806
	<u> </u>	<u> </u>

Notes (continued)

6 Directors remuneration

Remuneration in respect of directors was as follows:

	2016 £	2015 £
Emoluments	1,994,295	1,869,924
Company contributions to pension schemes	37,612	55,354
	<u>2,031,907</u>	<u>1,925,278</u>

During the year three directors (2015: *Three*) participated in the company pension scheme.

Highest paid director:

	2016 £	2015 £
Emoluments	1,671,863	1,394,573
Company contributions to pension schemes	25,000	40,000
	<u>1,696,863</u>	<u>1,434,573</u>

Notes (continued)

7 Taxation

	2016 £	£	2015 £	£
<i>Current tax:</i>				
UK corporation tax on profits of the year	559,636		590,545	
Adjustments in respect of prior years	(16,833)		(42,724)	
		542,803		547,821
<i>Deferred tax (See note 14)</i>				
Origination and reversal of timing differences in the year	(16,962)		85,774	
Adjustment to rate change	(11,451)		(11,955)	
Adjustments in respect of prior years	12,743		27,290	
		(15,670)		101,109
Total tax		527,133		648,930

The current tax charge is higher (2015: higher) than 20% (2015: 20.25%) for the reasons stated below:

	2016 £	2015 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,571,376	3,123,680
Tax on profit on ordinary activities at standard CT rate of 20% (2015: 20.25%)	514,275	632,438
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10,935	5,327
Fixed Asset Differences	14,469	49,260
Adjustment in respect of previous years	(16,833)	(42,724)
Adjustments to tax charge in respect of previous periods – deferred tax	12,743	27,290
Adjust deferred tax to average rate of 20% (Previous year 20.25%)	(8,456)	(22,661)
Total tax expense recognised in profit and loss	527,133	648,930

From 1 April 2015, the main rate of corporation tax was reduced to 20%. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. Any deferred tax at 31 December 2016 has been calculated based on the rate of 17% being the rate substantively enacted at the balance sheet date.

Notes (continued)

8 Dividends

The aggregate amount of dividends comprises:

	2016 £	2015 £
Dividends authorised and no longer at the discretion of the company	<u>1,846,250</u>	<u>2,040,000</u>

9 Tangible fixed assets

	Freehold land £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 31 December 2015	3,884,545	1,773,632	733,709	1,429,276	7,821,162
Additions	-	76,038	17,341	142,602	235,981
Disposals	-	(13,783)	(11,398)	(192,445)	(217,626)
	<u>3,884,545</u>	<u>1,835,887</u>	<u>739,652</u>	<u>1,379,433</u>	<u>7,839,517</u>
At 31 December 2016	3,884,545	1,835,887	739,652	1,379,433	7,839,517
Depreciation					
At 31 December 2015	226,292	1,175,345	345,966	797,659	2,545,262
Charged in the year	72,347	120,751	61,166	259,308	513,572
Disposals	-	(13,783)	(10,970)	(151,846)	(176,599)
	<u>298,639</u>	<u>1,282,313</u>	<u>396,162</u>	<u>905,121</u>	<u>2,882,235</u>
At 31 December 2016	298,639	1,282,313	396,162	905,121	2,882,235
Net book value					
31 December 2016	<u>3,585,906</u>	<u>553,574</u>	<u>343,490</u>	<u>474,312</u>	<u>4,957,282</u>
Net book value					
31 December 2015	<u>3,658,253</u>	<u>598,287</u>	<u>387,743</u>	<u>631,617</u>	<u>5,275,900</u>

Included within plant and machinery, and motor vehicles are assets held under hire purchase contracts with a net book value of £597,003 (2015: £757,662). The depreciation charge on these assets amounted to £216,115 (2015: £240,266).

Notes (continued)

10 Stocks

	2016 £	2015 £
Raw materials	531,969	638,782
Manufactured stock	1,451,155	3,099,954
	<u>1,983,124</u>	<u>3,738,736</u>

11 Debtors

	2016 £	2015 £
Trade debtors	8,031,065	7,110,584
Amounts owed by group undertakings	5,469,429	5,627,337
Prepayments and accrued income	131,015	98,929
	<u>13,631,509</u>	<u>12,836,850</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans	257,310	432,107
Director Loans	1,345,455	-
Trade creditors	1,606,664	1,301,094
Amounts owed to group undertakings	3,123,641	7,735,247
Social security and other taxes	900,319	750,383
Corporation tax	219,337	122,400
Hire purchase creditors	212,561	196,602
Other creditors	23,201	31,405
Invoice Discounting Advances	5,588,067	3,341,077
Payments received in advance	-	542,467
Accruals and deferred income	1,418,448	1,170,530
Dividends payable	715,000	240,000
	<u>15,410,003</u>	<u>15,863,312</u>

The bank loan and overdraft are secured by a mortgage debenture over the assets of the company. Invoice discounting advances are secured by a charge over trade debtors and other assets.

Notes (continued)

13 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Amounts due under finance leases and hire purchase contracts	291,425	253,673
Bank loans	312,500	552,500
	<u>603,925</u>	<u>806,173</u>

Analysis of debt:

	2016 £	2015 £
Debt can be analysed as falling due:		
In one year or less, or on demand	7,403,393	3,969,786
Between one and two years	414,619	398,041
Between two and five years	189,306	408,132
	<u>8,007,318</u>	<u>4,775,959</u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2016 £	2015 £
Within one year	212,561	196,602
In the second to fifth years	291,425	253,673
	<u>503,986</u>	<u>450,275</u>

14 Provisions for liabilities and charges

Full provision for deferred taxation has been made and relates to the differences between accumulated depreciation and amortisation and capital allowances.

	Deferred taxation £	Other provisions £	Total £
At beginning of year	193,368	-	193,368
Recognised during the year	(15,670)	-	(15,670)
	<u>177,698</u>	<u>-</u>	<u>177,698</u>

Notes (continued)

15 Contingent liabilities

The company has provided a joint and several guarantee for the bank liabilities of fellow group companies. The bank liabilities of these companies at the yearend was £nil (2015: £nil).

16 Operating lease commitments

Non-cancellable operating leases are payable as follows:

	2016 Land and buildings £	2016 Other £	2015 Land and buildings £	2015 Other £
Less than one year	-	105,345	-	109,086
Between one and five years	-	191,072	-	238,338
	<u>-</u>	<u>296,417</u>	<u>-</u>	<u>347,424</u>

During the year, £97,104 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £109,016).

17 Share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i>		
401,000 Ordinary shares of £1 each	<u>401,000</u>	<u>401,000</u>

18 Pension scheme

The company operates a defined contribution pension scheme.

The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £86,146 (2015: £77,765). At the end of the year there were outstanding pension contributions of £5004 (2015: £8,402).

19 Ultimate parent undertaking

The company is a subsidiary undertaking of Philmar (Holdings) Limited, incorporated in England and Wales. The largest group in which the results of the company are consolidated is that headed by Philmar (Holdings) Limited. The consolidated accounts of this group are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

20 Accounting estimates and judgements

Management does not consider there to be any significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, in the preparation of the financial statements.