

# **Exol Lubricants Limited**

Annual report and financial statements

Registered number: 02587124

31 December 2018



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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 2018.

### 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 customer 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 9. The directors are pleased with the operating performance and anticipate further growth in the forthcoming year.

The company achieved this result for the year to 31 December 2018 with exciting volume growth but again experienced escalating costs throughout the year which left margins under pressure. As a result, operating profit decreased from £2,555,334 in the previous year to £2,101,857.

### 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:

	2018	2017	Measure
Return on capital employed	27.6%	42.4%	Profit before tax/net assets
Current ratio	1.11	1.07	Current assets : current liabilities
Stock turnover	18.64	19.13	Cost of sales/stock
Debtors days	57 Days	53 Days	Average debtors/turnover x 365
Creditors days	59 Days	68 Days	Average creditors/cost of sales x 365
Sales per employee (£'000)	744	767	Turnover/avg no of employees
Operating profit per employee (£'000)	24	32	Operating profit/avg no of employees

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

**Brexit:** The impending departure of the UK from the EU has created unprecedented uncertainty for both the company and the wider business environment. To mitigate against these risks Exol have maintained consistent dialogue with suppliers and customers alike and will look to utilise unrivalled stock holding facilities to ensure continuity of supply in all scenarios. We continue to monitor closely short, medium and long term major currency exchange rate forecasts and will hedge against increasingly volatile currency fluctuations once transactions are fixed. Exol have ran a series of projections for the range of scenarios and as a business we are fully aware of and well placed to deal with the financial and operational challenges ahead. To this end Exol are registered for TSP and have made various arrangements with HMRC and our freight agents to make the necessary adjustments should these be required.

**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 sourced.

**Environmental risks:** the company places considerable emphasis upon environmental compliance and in this respect is fully compliant with all aspects of ISO9001 & 14001.

## Strategic report *(continued)*

**Debtors:** the company maintains strong relationships with all customers and adheres to established credit control parameters. Appropriate credit terms and limits are agreed with all customers and the company operates with credit insurance for an element of the 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 minimise infringement.

**Litigation:** the company is subject to litigation from time to time. The outcome of legal action is always uncertain and may prove more costly and time consuming than anticipated. Exol always performs its activities in such a way as to minimise this risk and under certain circumstances 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 company. The diversity of operations and flexibility in the business model reduces the possible impact of action by any single competitor.

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

### Future developments

**Wednesbury Facility:** Following investment in the small pack facility and warehouse capabilities in 2018, the company will make further investment in our fleet of vehicles in 2019.

**Sales and marketing:** In 2019 we will launch the new range of Exol branded products with investment in the latest packaging solutions and a new mobile friendly website. We will look to exploit this whilst pursuing the latest approvals which will support the development of new markets at home and overseas in line with the group's strategy.

**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 extremely low in 2018 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. We will embark on the process of gaining accreditation for ISO9001;2015 & 14001;2015 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 are looking to upgrade to the latest version of Microsoft GP over the next year having seen the benefits of the e-commerce solution which our customers enjoyed in 2018.

**Data Protection:** The business continues to be fully compliant with all aspects of GDPR utilising the procedures rolled out in 2018.

S Everitt  
Director



All Saints Road  
Darlaston  
Wednesbury  
WS10 9LL  
26<sup>th</sup> September 2019

## Directors' report

### Dividends

Dividends which have been proposed and are no longer at the discretion of the company amount to £220,000 in respect of the current year ended 31 December 2018 (2017: £1,430,000).

### Going concern

The directors have concluded that it is appropriate to prepare the accounts on a going concern basis. The company has adequate cash resources and financial projections indicate that the company is able to continue to trade within its existing facilities.

The company is part of rolling banking facilities available to the Group comprising an invoice discounting line (66% utilised at the balance sheet date and an overdraft (undrawn as at the balance sheet date). These facilities are considered by the Board to be sufficient to support the on-going needs of the business. Furthermore the Group has received assurances from the bank that these facilities will continue to be available to the Group for the foreseeable future. Notwithstanding these assurances, the Board has prepared projected profit and cash flow information with appropriate sensitivities around operational performance and banking facilities. On the basis of these projections, the directors have a reasonable expectation that the company have adequate resources to continue as a going concern.

The company continues to trade profitably at £1,505,804 (2017: £1,905,020) and generate positive cash flows. At the year end there are net assets of £6,949,659 (2017 £5,663,855).

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1. In addition the financial statements include the principal risks and uncertainties facing the business, details of its financial instruments and the company exposures to credit risk and liquidity risk, where applicable.

### 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.

**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  
26<sup>th</sup> September 2019

## **Directors' report** *(continued)*

### **Statement of directors' responsibilities in respect of the annual 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 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 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 the 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.



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LS1 4DA  
United Kingdom

## **Independent auditor's report to the members of Exol Lubricants Limited**

### **Opinion**

We have audited the financial statements of Exol Lubricants Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss account and other Comprehensive Income, Balance Sheet and 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 2018 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.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of trade debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **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, including the impact of Brexit, 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 Exol Lubricants 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 5, 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).

### **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.

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



**Johnathan Pass (Senior Statutory Auditor)  
For and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants  
1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA

**27** September 2019

## Profit and loss account and Other Comprehensive Income

for the year ended 31 December 2018

	Note	2018 £	2017 £
<b>Turnover</b>	2	65,507,751	60,592,365
Cost of sales		(58,000,485)	(53,133,695)
<b>Gross profit</b>		7,507,266	7,458,670
Distribution costs		(1,971,977)	(1,760,523)
Administrative expenses		(3,433,432)	(3,142,813)
<b>Operating profit</b>		2,101,857	2,555,334
Interest payable and similar expenses	4	(184,341)	(154,922)
<b>Profit before taxation</b>		1,917,516	2,400,412
Tax on profit	7	(411,712)	(495,392)
<b>Profit for the financial year</b>		1,505,804	1,905,020

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 2018

	Note	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Tangible assets	9		5,410,307		4,777,072
<b>Current assets</b>					
Stocks	10	3,110,987		2,777,999	
Debtors	11	14,164,691		15,250,832	
Cash at bank and in hand		510,660		537,850	
		<u>17,786,338</u>		<u>18,566,681</u>	
<b>Creditors</b>					
amounts falling due within one year	12	(15,573,836)		(17,318,811)	
<b>Net current assets</b>			<u>2,212,502</u>		<u>1,247,870</u>
<b>Total assets less current liabilities</b>			<u>7,622,809</u>		<u>6,024,942</u>
<b>Creditors</b>	13		(471,270)		(180,329)
amounts falling due after more than one year					
<b>Provisions for liabilities and charges</b>					
Deferred tax liability	14		(201,880)		(180,758)
			<u>6,949,659</u>		<u>5,663,855</u>
<b>Capital and reserves</b>					
Called up share capital	17		401,000		401,000
Profit and loss account			6,548,659		5,262,855
<b>Shareholder's funds</b>			<u>6,949,659</u>		<u>5,663,855</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 26<sup>th</sup> September 2019 and were signed on its behalf by:



S Everitt  
Director

All Saints Road  
Darlaston  
Wednesbury  
WS10 9LL

**Statement of changes in equity**  
*for the year ended 31 December 2018*

	<b>Called up Share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance at 1 January 2017</b>	401,000	4,787,835	5,188,835
<b>Total comprehensive Income for the period</b>			
Profit or loss	-	1,905,020	1,905,020
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	1,905,020	1,905,020
Transactions with owners, recorded directly in equity			
Dividends	-	(1,430,000)	(1,430,000)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(1,430,000)	(1,430,000)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2017</b>	<b>401,000</b>	<b>5,262,855</b>	<b>5,663,855</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
<b>Balance at 1 January 2018</b>	401,000	5,262,855	5,663,855
<b>Total comprehensive Income for the period</b>			
Profit or loss	-	1,505,804	1,505,804
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	-	1,505,804	1,505,804
Transactions with owners, recorded directly in equity	-	-	-
Dividends	-	(220,000)	(220,000)
	<hr/>	<hr/>	<hr/>
Total contributions by and distributions to owners	-	(220,000)	(220,000)
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2018</b>	<b>401,000</b>	<b>6,548,659</b>	<b>6,949,659</b>
	<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 2016 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

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 directors have concluded that it is appropriate to prepare the accounts on a going concern basis. The company has adequate cash resources and financial projections indicate that the company is able to continue to trade within its existing facilities.

The company is part of rolling banking facilities available to the Group comprising an invoice discounting line (66% utilised at the balance sheet date and an overdraft (undrawn as at the balance sheet date). These facilities are considered by the Board to be sufficient to support the on-going needs of the business. Furthermore the Group has received assurances from the bank that these facilities will continue to be available to the Group for the foreseeable future. Notwithstanding these assurances, the Board has prepared projected profit and cash flow information with appropriate sensitivities around operational performance and banking facilities. On the basis of these projections, the directors have a reasonable expectation that the company have adequate resources to continue as a going concern.

The company continues to trade profitably at £1,505,804 (2017: £1,905,020) and generate positive cash flows. At the year end there are net assets of £6,949,659 (2017 £5,663,855).

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1. In addition the financial statements include the principal risks and uncertainties facing the business, details of its financial instruments and the company exposures to credit risk and liquidity risk, where applicable.

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

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 costs
Freehold land	No depreciation

## Notes (continued)

### 1 Accounting policies (continued)

#### *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.

##### *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.



## Notes (continued)

### 2 Turnover

	2018 £	2017 £
<i>Analysis of turnover by geographical market</i>		
UK	54,592,140	51,880,542
Rest of Europe	6,390,116	6,017,662
Rest of World	4,525,495	2,694,161
	<u>65,507,751</u>	<u>60,592,365</u>

All sales are made in one type of activity

### 3 Expenses and auditor's remuneration

	2018 £	2017 £
Included in profit/loss are the following:		
Depreciation		
Tangible fixed assets owned	322,290	290,930
Tangible fixed assets held under finance leases and hire purchase contracts	160,161	181,141
Hire of plant and equipment under operating leases	113,688	104,537
Gain on sale of fixed asset	(59,341)	(3,979)
Auditor's remuneration:		
Audit of these financial statements	22,997	16,150
Taxation services	13,900	6,300
	<u>22,997</u>	<u>16,150</u>

### 4 Interest payable and similar charges

	2018 £	2017 £
Finance charges in respect of finance leases and hire purchase contracts	23,463	27,312
Other interest payable and similar charges	160,878	127,610
	<u>184,341</u>	<u>154,922</u>

## Notes (continued)

### 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:

	2018 No.	2017 No.
Production	46	38
Sales and distribution	21	20
Administration	21	21
	<u>88</u>	<u>79</u>

The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	4,495,298	4,576,721
Social security costs	524,002	514,337
Pension costs	59,420	68,815
	<u>5,078,720</u>	<u>5,159,873</u>

### 6 Directors remuneration

Remuneration in respect of directors was as follows:

	2018 £	2017 £
Emoluments	1,560,422	1,776,706
Company contributions to pension schemes	24,045	52,746
	<u>1,584,467</u>	<u>1,829,452</u>

During the year three directors (2017: Three) participated in the company pension scheme.

Highest paid director:

	2018 £	2017 £
Emoluments	1,273,487	1,499,526
Company contributions to pension schemes	10,000	40,000
	<u>1,283,487</u>	<u>1,539,526</u>

## Notes (continued)

### 7 Taxation

Taxation	2018 £	2018 £	2017 £	2017 £
<i>Current tax</i>				
UK corporation tax on profits for the year	372,224		489,795	
Adjustments in respect of previous years	18,366		2,537	
		390,590		492,332
Deferred tax (see note 14)				
Origination and reversal of timing differences in year	17,121		5,217	
Adjustments to rate change	-		-	
Adjustments in respect of prior year	4,001		(2,157)	
		21,122		3,060
Tax on profit on ordinary activities		411,712		495,392

The current tax charge is higher (2017: higher) than 19% (2017: 19.25%) for the reasons stated below:

Profit on ordinary activities before tax	1,917,516	2,400,412
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	364,328	461,997
<i>Effects of:</i>		
Expenses not deductible for tax purposes	12,879	11,603
Adjustments in respect of previous years	18,366	2,537
Fixed asset differences	14,153	14,102
Adjustments in respect of previous years – deferred tax	4,001	(2,157)
Adjust closing deferred tax to average rate of 19%	(23,751)	(23,887)
Adjust opening deferred tax to average rate of 19%	21,736	23,197
Unexplained difference	-	8,000
Total tax expense recognised in profit and loss	411,712	495,392

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 2018 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:

	2018 £	2017 £
Dividends authorised and no longer at the discretion of the company	<b>220,000</b>	1,430,000

### 9 Tangible fixed assets

	Freehold land £	Plant and machinery £	Fixtures And fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2018	3,916,390	2,030,142	783,015	1,382,351	8,111,898
Additions	17,610	457,152	53,445	622,433	1,150,640
Disposals	-	-	-	(363,974)	(363,974)
At 31 December 2018	<b>3,934,000</b>	<b>2,487,294</b>	<b>836,460</b>	<b>1,640,810</b>	<b>8,898,564</b>
<b>Depreciation</b>					
At 1 January 2018	371,908	1,414,645	459,851	1,088,422	3,334,826
Charged in the year	74,487	166,418	67,948	173,598	482,451
Disposals	-	-	-	(329,020)	(329,020)
At 31 December 2018	<b>446,395</b>	<b>1,581,063</b>	<b>527,799</b>	<b>933,000</b>	<b>3,488,257</b>
<b>Net book value</b>					
<b>31 December 2018</b>	<b>3,487,605</b>	<b>906,231</b>	<b>308,661</b>	<b>707,810</b>	<b>5,410,307</b>
<b>Net book value</b>					
<b>31 December 2017</b>	<b>3,544,482</b>	<b>615,497</b>	<b>323,164</b>	<b>293,929</b>	<b>4,777,072</b>

Included within plant and machinery and motor vehicles are assets held under hire purchase contracts with a net book value at the balance sheet date of £1,017,037 (2017: £409,064). The depreciation charge on these assets amounted to £160,161 (2017: £181,141).

## Notes (continued)

### 10 Stocks

	2018 £	2017 £
Raw materials	741,167	672,583
Manufactured stock	2,369,820	2,105,416
	<u>3,110,987</u>	<u>2,777,999</u>

### 11 Debtors

	2018 £	2017 £
Trade debtors	10,405,869	9,213,576
Amounts owed by group undertakings	3,554,278	5,874,838
Prepayments and accrued income	204,544	162,418
	<u>14,164,691</u>	<u>15,250,832</u>

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

	2018 £	2017 £
Bank loans	62,500	250,000
Trade creditors	1,411,625	1,240,418
Amounts owed to group undertakings	6,321,155	8,158,226
Social security and other taxes	676,536	904,508
Corporation tax	209,992	269,316
Hire purchase creditors	324,631	181,769
Other creditors	36,356	12,110
Invoice Discounting Advances	4,847,635	4,831,855
Accruals and deferred income	1,463,406	1,370,609
Dividends payable	220,000	100,000
	<u>15,573,836</u>	<u>17,318,811</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

	2018 £	2017 £
Amounts due under finance leases and hire purchase contracts	471,270	117,829
Bank loans	-	62,500
	<u>471,270</u>	<u>180,329</u>

#### Analysis of debt:

	£	£
Debt can be analysed as falling due:		
In one year or less, or on demand	5,234,766	5,263,624
Between one and two years	283,812	119,952
Between two and five years	187,458	60,377
	<u>5,706,036</u>	<u>5,443,953</u>

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

	2018 £	2017 £
Within one year	324,631	181,769
In the second to fifth years	471,270	117,829
	<u>795,901</u>	<u>299,598</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	180,758	-	180,758
Recognised during the year	21,122	-	21,122
	<u>201,880</u>	<u>-</u>	<u>201,880</u>

## Notes (continued)

### 15 Contingent liabilities

The company has provided a joint and several guarantees for the bank liabilities of fellow group companies. The bank liabilities of these companies at the year end were £4,355,633 (2017 £5,985,784).

The company is party to a group VAT registration. Under this registration, each member is jointly and severally liable for the total VAT owed to Customs & Excise. The contingent liability at 31 December 2018 was £101,128 (2017 £181,318).

### 16 Operating lease commitments

Non-cancellable operating leases are payable as follows:

	2018 Land and buildings £	2018 Other £	2017 Land and buildings £	2017 Other £
Less than one year	-	109,623	-	93,415
Between one and five years	-	118,274	-	94,056
	-	227,897	-	187,471

During the year, £113,688 was recognised as an expense in the profit and loss account in respect of operating leases (2017: £104,537).

### 17 Share capital

	2018 £	2017 £
<i>Allotted, called up and fully paid</i>		
401,000 Ordinary shares of £1 each	401,000	401,000

### 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 £59,420 (2017 £68,815). At the end of the year there were outstanding pension contributions of £12,824 (2017 £8,132).

### 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.