Exol Lubricants Limited

Annual report and financial statements
Registered number: 02587124
31 December 2019

Contents

Strategic report

The directors have pleasure in presenting their reports and the audited financial statements for the year ended 31 December 2019.

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 10. The directors are happy with the operating performance and anticipate further growth in the forthcoming year.

The company achieved this result for the year to 31 December 2019 with continued volume growth against a backdrop of steady raw material costs as opposed to previous years where constant escalation had been the theme. As a result, operating profit increased from £2,101,857 in the previous year to £3,276,083.

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:

	2019	2018	Measure
Return on capital employed	**37.9%**	27.6%	Profit before tax/net assets
Current ratio	**1:25**	1:11	Current assets : current liabilities
Stock turnover	**19.23**	18.64	Cost of sales/stock
Debtors days	**75 Days**	57 Days	Average debtors/turnover x 365
Creditors days	**54 Days**	59 Days	Average creditors/cost of sales x 365
Sales per employee (£'000)	**774**	744	Turnover/avg no of employees
Operating profit per employee (£'000)	**34**	24	Operating profit/avg no of employees

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

Covid 19: As was the case within the wider economy, the business was rocked in late March 2020 with the sudden lockdown of the UK following the outbreak and subsequent spread of Covid 19. As a result we were forced to review all business processes ensuring that the safety of our employees and all of our stakeholders was prioritised. Up to this stage our employees and our supply chain have done an incredible job in helping to ensure our customers' needs have been catered for in these most adverse of circumstances. Although this remains the biggest single challenge we are ever likely to face the business has again performed with credit in 2020 to ensure we retain our position as the largest independent supplier of lubricants in the UK.

Brexit: On January 31st 2020, the UK left the EU and we are now in the transitional period which is due to expire at the end of 2020. To mitigate against the risks presented with a no deal Brexit the business will maintain a constant 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.

We have updated the series of projections first used in 2019 for the range of scenarios and are aware of and well placed to deal with the financial and operational challenges ahead. To this end Exol have registered for TSP and have

Strategic report *(continued)*

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 negotiate with a dedicated strategic supply base to ensure the most competitively priced products are sourced.

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

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 which will aid us in dealing with increased risks with this particular area following the outbreak of Covid 19.

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

Health and Safety: Accident and absenteeism rates remained extremely low in 2019. In 2020 we have and will continue to review all working procedures and make investments where required to ensure the business is Covid Secure in line with government guidelines. The directors will take all necessary actions to ensure that a safe and healthy working environment is maintained for all in these most challenging of circumstances.

Wednesbury Facility: Following investment in the small pack facility and warehouse capabilities over the last couple of years, the company will make further investment in our fleet of vehicles in 2020 to ensure compliance with constantly evolving emissions requirements.

Sales and marketing: In 2019 we launched 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 in 2020 and will continue to pursue 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.

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 ISO45001;2018 & 50001;2018 towards the end of 2020.

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

Strategic report *(continued)*

Future developments *(continued)*

IT: The company is 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 continue to enjoy in 2019. We will also prioritise investment in Microsoft Teams both in the office and remotely to ensure we are able to maintain working relationships in these changing times.

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

S Everitt
Director

All Saints Road
Darlaston
Wednesbury
WS10 9LL
16th November 2020

Directors' report

Dividends

Dividends which have been proposed and are no longer at the discretion of the company amount to £1,288,913 in respect of the current year ended 31 December 2019 *(2018: £220,000)*.

Going concern

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's exposures to credit risk and liquidity risk, where applicable.

The company had profit before tax of £3,067,063 (2018: £1,917,516) and generated positive cash flows from operating activities. At the year end there are net current assets of £3,335,683 (2018: £2,212,502).

The company is part of rolling banking facilities available to the Group comprising an invoice discounting line (58% utilised at the balance sheet date) and a revolving credit facility (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 company.

The directors have prepared forecasts that extend to at least 12 months from the date of approval of these financial statements. These forecasts comprise projected profit and cash flow information with appropriate sensitivities around operational performance and banking facilities. On the basis of these forecasts, the directors have a full expectation that the company have adequate resources to continue as a going concern. Furthermore, the directors' cash flow forecasts takes into account the expected impact of the COVID-19 pandemic, modelling a severe but plausible situation where a "second wave" of the virus requires a further period of lockdown. The directors have modelled a similar two-month financial impact to the conditions experienced from April to May 2020, in terms of sales (down c40%) during the forecast period from January 2021 with no assumed growth in sales during the 2021 financial year end. The forecast also assumes no government support (such as the Job Retention Scheme), and that no cost mitigations are taken, despite the directors ability to control certain costs through mechanisms readily available to it.

After considering these scenarios, the directors have determined that the company has adequate cash resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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' report (continued)

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
16th November 2020

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.

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
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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 2019 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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, 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.

KPMG LLP
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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 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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.

KPMG LLP
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Independent auditor's report to the members of Exol Lubricants 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.

Oliver Stephenson

Oliver Stephenson (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

17 November 2020

Profit and loss account and Other Comprehensive Income
for the year ended 31 December 2019

	Note	2019	2018
		£	£
Turnover	2	**73,483,341**	65,507,751
Cost of sales		**(63,385,855)**	(58,000,485)
Gross profit		**10,097,486**	7,507,266
Distribution costs		**(2,405,328)**	(1,971,977)
Administrative expenses		**(4,425,075)**	(3,433,432)
Operating profit		**3,276,083**	2,101,857
Interest payable and similar expenses	4	**(200,020)**	(184,341)
Profit before taxation		**3,067,063**	1,917,516
Tax on profit	7	**(627,946)**	(411,712)
Profit for the financial year		**2,439,117**	1,505,804

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 13 to 22 form part of the financial statements.

Balance sheet
at 31 December 2019

	Note	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	9		**5,306,086**		5,410,307
Current assets					
Stocks	10	**3,295,948**		3,110,987	
Debtors	11	**13,148,003**		14,164,691	
Cash at bank and in hand		**801,943**		510,660	
		17,245,894		17,786,338	
Creditors amounts falling due within one year	12	**(13,910,211)**		(15,573,836)	
Net current assets			**3,335,683**		2,212,502
Total assets less current liabilities			**8,641,769**		7,622,809
Creditors amounts falling due after more than one year	13		**(293,652)**		(471,270)
Provisions for liabilities and charges					
Deferred tax liability	14		**(248,254)**		(201,880)
			8,099,863		6,949,659
Capital and reserves					
Called up share capital	17		**401,000**		401,000
Profit and loss account			**7,698,863**		6,548,659
Shareholder's funds			**8,099,863**		6,949,659

The notes of pages 13 to 22 form part of the financial statements.

These financial statements were approved by the board of directors on 16th November 2020 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 2019

	Called up Share capital £	Profit and loss account £	Total £
Balance at 1 January 2018	401,000	5,262,855	5,663,855
Total comprehensive Income for the period			
Profit or loss	-	1,505,804	1,505,804
Total comprehensive income for the period	-	1,505,804	1,505,804
Transactions with owners, recorded directly in equity			
Dividends	-	(220,000)	(220,000)
Total contributions by and distributions to owners	-	(220,000)	(220,000)
Balance at 31 December 2018	**401,000**	**6,548,659**	**6,949,659**

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2019	401,000	6,548,659	6,949,659
Total comprehensive Income for the period			
Profit or loss	-	2,439,117	2,439,117
Total comprehensive income for the period	-	2,439,117	2,439,117
Transactions with owners, recorded directly in equity	-	-	-
Dividends	-	(1,288,913)	(1,288,913)
Total contributions by and distributions to owners	-	(1,288,913)	(1,288,913)
Balance at 31 December 2019	**401,000**	**7,698,863**	**8,099,863**

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 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's exposures to credit risk and liquidity risk, where applicable.

The company had profit before tax of £3,067,063 (2018: £1,917,516) and generated positive cash flows from operating activities. At the year end there are net current assets of £3,335,683 (2018: £2,212,502).

The company is part of rolling banking facilities available to the Group comprising an invoice discounting line (58% utilised at the balance sheet date) and a revolving credit facility (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 company.

The directors have prepared forecasts that extend to at least 12 months from the date of approval of these financial statements. These forecasts comprise projected profit and cash flow information with appropriate sensitivities around operational performance and banking facilities. On the basis of these forecasts, the directors have a full expectation that the company have adequate resources to continue as a going concern. Furthermore, the directors' cash flow forecasts takes into account the expected impact of the COVID-19 pandemic, modelling a severe but plausible situation where a "second wave" of the virus requires a further period of lockdown. The directors have modelled a similar two-month financial impact to the conditions experienced from April to May 2020, in terms of sales (down c40%) during the forecast period from January 2021 with no assumed growth in sales during the 2021 financial year end. The forecast also assumes no government support (such as the Job Retention Scheme), and that no cost mitigations are taken, despite the directors ability to control certain costs through mechanisms readily available to it.

After considering these scenarios, the directors have determined that the company has adequate cash resources to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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 is it 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

	2019 £	2018 £
Analysis of turnover by geographical market		
UK	64,365,813	54,592,140
Rest of Europe	4,822,429	6,390,116
Rest of World	4,295,099	4,525,495
	73,483,341	65,507,751

All sales are made in one type of activity

3 Expenses and auditor's remuneration

	2019 £	2018 £
Included in profit/loss are the following:		
Depreciation		
Tangible fixed assets owned	327,274	322,290
Tangible fixed assets held under finance leases and hire purchase contracts	214,676	160,161
Hire of plant and equipment under operating leases	120,265	113,688
Gain on sale of fixed asset	(26,657)	(59,341)
Auditor's remuneration:		
Audit of these financial statements	22,129	22,997
Taxation services	15,942	13,900

4 Interest payable and similar charges

	2019 £	2018 £
Finance charges in respect of finance leases and hire purchase contracts	23,613	23,463
Other interest payable and similar charges	176,407	160,878
	200,020	184,341

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:

	2019 No.	2018 No.
Production	49	46
Sales and distribution	22	21
Administration	24	21
	95	88

The aggregate payroll costs of these persons were as follows:

	2019 £	2018 £
Wages and salaries	5,532,698	4,495,298
Social security costs	624,806	524,002
Pension costs	95,098	59,420
	6,252,602	5,078,720

6 Directors remuneration

Remuneration in respect of directors was as follows:

	2019 £	2018 £
Emoluments	2,224,591	1,560,422
Company contributions to pension schemes	32,600	24,045
	2,257,191	1,584,467

During the year three directors *(2018: Three)* participated in the company pension scheme.

Highest paid director:	2019 £	2018 £
Emoluments	1,829,139	1,273,487
Company contributions to pension schemes	10,000	10,000
	1,839,139	1,283,487

Notes *(continued)*

7 Taxation

Taxation	**2019**	**2019**	2018	2018
	£	**£**	£	£
Current tax				
UK corporation tax on profits for the year	**581,572**		372,224	
Adjustments in respect of previous years	**-**		18,366	
		581,572		390,590
Deferred tax (see note 14)				
Origination and reversal of timing differences in year	**46,374**		17,121	
Adjustments to rate change	**-**		-	
Adjustments in respect of prior year	**-**		4,001	
		46,374		21,122
Tax on profit on ordinary activities		**627,946**		411,712

The current tax charge is higher *(2018: higher)* than 19% *(2018: 19%)* for the reasons stated below:

	2019	2018
Profit on ordinary activities before tax	**3,067,063**	1,917,516
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2017: 19.25%)*	**582,742**	364,328
Effects of:		
Expenses not deductible for tax purposes	**36,332**	12,879
Adjustments in respect of previous years	**-**	18,366
Fixed asset differences	**14,328**	14,153
Adjustments in respect of previous years – deferred tax	**-**	4,001
Adjust closing deferred tax to average rate of 19%	**(29,206)**	(23,751)
Adjust opening deferred tax to average rate of 19%	**23,750**	21,736
Unexplained difference	**-**	-
Total tax expense recognised in profit and loss	**627,946**	411,712

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantially enacted on 6 September 2016, and the UK deferred tax assets as at 31 December 2019 have been calculated on this basis. This will reduce the company's future current tax charge accordingly. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly as well as have an increase on the deferred tax asset recognised in the financial statements.

Notes *(continued)*

8 Dividends

The aggregate amount of dividends comprises:

	2019 £	2018 £
Dividends authorised and no longer at the discretion of the company	**1,288,913**	220,000

9 Tangible fixed assets

	Freehold land £	Plant and machinery £	Fixtures And fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2019	3,934,000	2,487,294	836,460	1,640,810	8,898,564
Additions	-	176,456	135,934	143,831	456,221
Disposals	-	-	-	(208,102)	(208,102)
At 31 December 2019	3,934,000	2,663,750	972,394	1,576,539	9,146,683
Depreciation					
At 1 January 2019	446,395	1,581,063	527,799	933,000	3,488,257
Charged in the year	75,408	154,086	86,729	225,727	541,950
Disposals	-	-	-	(189,610)	(189,610)
At 31 December 2019	521,803	1,735,149	614,528	969,117	3,840,597
Net book value					
31 December 2019	**3,412,197**	**928,601**	**357,866**	**607,422**	**5,306,086**
Net book value					
31 December 2018	3,487,605	906,231	308,661	707,810	5,410,307

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 £975,968 (2018: £1,017,037). The depreciation charge on these assets amounted to £214,676 (2018 £160,161).

Notes *(continued)*

10 Stocks

	2019 £	2018 £
Raw materials	**904,622**	741,167
Manufactured stock	**2,391,326**	2,369,820
	3,295,948	3,110,987

11 Debtors

	2019 £	2018 £
Trade debtors	**12,983,303**	10,405,869
Amounts owed by group undertakings	-	3,554,278
Prepayments and accrued income	**164,700**	204,544
	13,148,003	14,164,691

12 Creditors: amounts falling due within one year

	2019 £	2018 £
Bank loans	-	62,500
Trade creditors	**2,013,690**	1,411,625
Amounts owed to group undertakings	**1,147,403**	6,321,155
Social security and other taxes	**841,737**	676,536
Corporation tax	**366,647**	209,992
Hire purchase creditors	**328,975**	324,631
Other creditors	**50,259**	36,356
Invoice Discounting Advances	**5,879,605**	4,847,635
Accruals and deferred income	**2,232,985**	1,463,406
Dividends payable	**1,048,910**	220,000
	13,910,211	15,573,836

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

	2019	2018
	£	£
Amounts due under finance leases and hire purchase contracts	**293,652**	471,270
	293,652	471,270

Analysis of debt:

	£	£
Debt can be analysed as falling due:		
In one year or less, or on demand	**6,208,580**	5,234,766
Between one and two years	**234,222**	283,812
Between two and five years	**59,430**	187,458
	6,502,232	5,706,036

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

	2019	2018
	£	£
Within one year	**328,975**	324,631
In the second to fifth years	**293,652**	471,270
	622,627	795,901

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	201,880	-	201,880
Recognised during the year	46,374	-	46,374
At end of year	**248,254**	-	**248,254**

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 £5,090,751 *(2018 £5,040,004)*.

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 the year end was £150,831 *(2018 £101,128)*.

16 Operating lease commitments

Non-cancellable operating leases are payable as follows:

	2019 Land and buildings £	2019 Other £	2018 Land and buildings £	2018 Other £
Less than one year	-	108,157	-	109,623
Between one and five years	-	95,843	-	118,274
	-	204,000	-	227,897

During the year, £120,265 was recognised as an expense in the profit and loss account in respect of operating leases *(2018: £113,688)*.

17 Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
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 £95,098 *(2018 £59,420)*. At the end of the year there were outstanding pension contributions of £11,097 *(2018 £12,824)*.

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.

21 Post balance sheet events

As touched upon within the strategic report, our activities were affected by COVID-19 at the end of the first quarter of 2020 and this continued into April and May. However demand rebounded strongly at the end of the second quarter and we are pleased to report there has been no negative impact on the financial statements in 2020. Obviously this major crisis constitutes a post-closing event, but there is no impact on the value of the company's assets and liabilities at December 31, 2019. At the date the Board of Directors approved the entity's 2019 financial statements, the entity's management is not aware of any material uncertainties that call into question the entity's ability to continue as a going concern.