

Company Registration No. 02587124 (England and Wales)

EXOL LUBRICANTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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EXOL LUBRICANTS LIMITED

COMPANY INFORMATION

Directors	Mr D B Frogson Mr S Everitt Mr Scott Donaldson Mr Stephen Dunn
Secretary	Mr D B Frogson
Company number	02587124
Registered office	All Saints Road Wednesbury West Midlands WS10 9LL
Auditor	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham West Midlands B3 3AX

EXOL LUBRICANTS LIMITED

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EXOL LUBRICANTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present the strategic report for the year ended 31 December 2021.

Fair review of the business

The result for the year is shown on page 10. The directors are very pleased with the operating performance in light of the difficult trading conditions for much of 2021. Demand for our products remained at relatively steady levels throughout 2021 as many of the markets we serve continued to operate throughout the ongoing COVID-19 pandemic. Instead, we experienced challenges of a different sort with raw material shortages, as supply chains struggled to cope with increased demand amidst labour shortages. This situation created significant price escalation which has very much continued into 2022. Operating profit reduced slightly from £4,887,596 in the previous year to £4,747,381. The company's net assets at the end of the year are £10,722,925 (2020: £9,626,002).

Principal risks and uncertainties

The war in Ukraine: In late February 2022, Russia invaded Ukraine and sent the European base oil markets into a tailspin. Since this date we have seen unprecedented price escalation as the major European players try to meet the consequential surge in demand amidst rising feedstock prices. Market tightness is expected to persist for the much of 2022 with the possibility of minor easing once turnarounds have been completed. Furthermore, we have also encountered indirect cost increases with energy, fuel and packaging pricing now at record levels.

COVID-19: Although we expect the direct pressures caused by COVID-19 in the UK to ease, the impact in the global environment in conjunction with the above war still presents many challenges. The onset of the pandemic created initial product shortages due to the reduction in demand for jet fuel and this is still to recover to pre-2020 levels. We have assumed that any future restrictions will be minimal but indirect impacts such as product and labour shortages and difficulties with freight will persist for much of 2022. However, despite these factors, an extraordinary effort from our employees and our supply chain has meant we have continued to serve our customers with only minimal disruption.

Product availability and pricing: The group companies' source raw material and finished goods on a global basis and negotiate with a dedicated strategic supply base established over many years. This, and the development of new key relationships over the last year, has enabled us to ensure continuity of supply despite the challenges with raw material shortages whilst still sourcing the most competitively priced products.

Environmental risks: the group places considerable emphasis upon environmental compliance and in this respect is fully compliant with all aspects of ISO9001 & 14001. We also utilise the expertise of industry partners for specialist areas such as packaging waste.

Credit risk: The group 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 continued management of this area will be critical as price inflation increases our exposure across the board. The group also operates with credit insurance for an element of the customer base.

The effect of legislation or other regulatory activities: The group continually monitors relevant regulation and legislation often with the help of trade bodies such as the UK Lubricants Association.

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 will always be key to mitigating against this.

All appropriate measures are taken to protect the group's intellectual property rights and minimise infringement.

Litigation: the group 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. The Philmar group of companies always perform activities in such a way as to minimise this risk and under certain circumstances legal expenses are covered by insurance.

Competitive risk: all companies operate in increasingly competitive markets. Product and business innovations or technical advances by competitors could adversely affect the group. The diversity of operations and flexibility in the business model reduces the possible impact of action by any single competitor.

EXOL LUBRICANTS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Key performance indicators

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

<u>KPI</u>	<u>2021</u>	<u>2020</u>	<u>Measure</u>
Return on capital employed	43.1%	49.7%	Profit before tax / net assets
Current ratio	1.27	1.24	Current assets : current liabilities
Stock turnover	15.37	17.99	Cost of sales / stock
Debtors days	84	69	Trade debtors / turnover x 365
Creditors days	12	12	Trade creditors / cost of sales x 365
Sales per employee (£'000)	831	774	Turnover / avg number of employees
Operating profit per employee (£'000)	47	50	Operating profit / avg number of employees

Other information and explanations

The directors will prioritise servicing existing business in 2022 as supplier product allocation restrictions become necessary. Following significant investment in the Rotherham site, we will look to exploit the opportunities presented through reduced waste throughout the production process with the installation of a state of the "pigging" solution. Further capacity was created at Wednesbury with the installation of another small pack production line in mid-2021 and this will be complemented in 2022 with continued investment in our fleet of vehicles to ensure compliance with constantly evolving emissions requirements.

Sales and marketing: In 2022 we will further invest in the latest packaging solutions 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.

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 during 2022.

IT: We will further exploit the opportunities created by our Microsoft Teams conferencing facilities during 2022 in our drive to reduce unnecessary travel. We will also upgrade to the latest version of Microsoft GP in Q4 2022 and in doing so further expand the e-commerce solution enjoyed by our customers.

Section 172 (1) Statement

The s172(1) statement for the Philmar (Holdings) Limited group is included in the Strategic report of Philmar (Holdings) Limited, the ultimate holding company, and the statement applies equally to all of the group's subsidiaries as the group is managed as one operation.

On behalf of the board



Mr S Everitt
Director

17 November 2022

EXOL LUBRICANTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of the manufacture and distribution of lubricants.

Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £2,500,000. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D B Frogson
Mr S Everitt
Mr Scott Donaldson
Mr Stephen Dunn

Auditor

In accordance with the company's articles, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditor of the company will be put at a General Meeting.

Energy and carbon report

Exol Lubricants Limited, being a large UK entity under the Companies Act 2006, meet the SECR criteria as set out in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. This report includes energy and carbon information which relates to all group companies.

The SECR comparison below relate to the two main trading entities within the group, all other entities have no emissions.

	2021	2020
<i>Energy consumption</i>	kWh	kWh
Aggregate of energy consumption in the year	2,988,458	2,814,148

EXOL LUBRICANTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 metric tonnes	2020 metric tonnes
<i>Emissions of CO2 equivalent</i>		
Scope 1 - direct emissions		
- Gas combustion	62.99	54.13
- Fuel consumed for owned transport	440.19	464.58
	<u>503.18</u>	<u>518.71</u>
Scope 2 - indirect emissions		
- Electricity purchased	254.03	156.73
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the company	2.36	2.50
	<u>759.57</u>	<u>677.94</u>
Total gross emissions		
	<u>759.57</u>	<u>677.94</u>
<i>Intensity ratio</i>		
Per 1000 litres produced	0.013	0.009
	<u>0.013</u>	<u>0.009</u>

Quantification and reporting methodology

This report has been compiled in line with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', and the EMA methodology for SECR Reporting. All measured emissions from activities from which the organisation has financial control over are included as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement. The carbon figures have been calculated using the UK Government GHG Conversion Factors for Company Reporting for all fuels. (<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020>).

Intensity measurement

The chosen intensity measurement ratio is total gross emissions in metric tonnes CO2e per 100 litres produced, the recommended ratio for the sector.

Measures taken to improve energy efficiency

Energy Efficiency Actions Ongoing and those undertaken through 2021/22:

- Invested in 2 fuel efficient Scania R450 vehicles in 2021 with 2 more due to arrive in 2022.
- Replaced diesel fork-lift trucks with electric Aisle Master 20SHE trucks.
- Developed Microsoft Teams conferencing facilities at Wednesbury to prevent unnecessary travel.
- In 2022 the Group will install a state of the art "pigging" system at Rotherham, reducing wastage and increasing the efficiency of the blending process.
- At Wednesbury we will further reduce our energy usage through the use of solar panels in line with the Groups sustainability strategy.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

EXOL LUBRICANTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board



Mr S Everitt
Director

17 November 2022

EXOL LUBRICANTS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Exol Lubricants Limited

Report on the audit of the financial statements

Opinion

In our opinion, Exol Lubricants Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2021; the Profit and loss account, Statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Exol Lubricants Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement in respect of the annual report and financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Exol Lubricants Limited (continued)

Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislations, employment laws and regulations, health and safety legislation and anti-bribery and corruption laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations
- Assessing significant judgements and estimates in particular those relating to impairment of intangible and tangible assets, allowance for doubtful debts and net realizable value of inventory and the disclosures included on these balances within the financial statements
- Reviewing the minutes of the board meeting to check any non-compliance with laws and regulations
- Incorporating elements of unpredictability

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Exol Lubricants Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Mark Kingsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
17 November 2022

EXOL LUBRICANTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	83,986,771	74,665,256
Cost of sales		(71,870,440)	(62,042,365)
Gross profit		12,116,331	12,622,891
Distribution costs		(2,096,104)	(2,231,209)
Administrative expenses		(5,272,846)	(5,760,322)
Other operating income		-	256,236
Operating profit	4	4,747,381	4,887,596
Interest receivable and similar income	8	7,904	-
Interest payable and similar expenses	9	(134,994)	(106,325)
Profit before taxation		4,620,291	4,781,271
Tax on profit	10	(1,023,368)	(955,132)
Profit for the financial year		3,596,923	3,826,139

The profit and loss account has been prepared on the basis that all operations are continuing operations.

EXOL LUBRICANTS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £	2020 £
Profit for the year	3,596,923	3,826,139
Other comprehensive income	-	-
Total comprehensive income for the year	<u>3,596,923</u>	<u>3,826,139</u>

EXOL LUBRICANTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Fixed assets					
Tangible assets	12		5,667,455		5,300,417
Current assets					
Stocks	14	4,678,989		3,449,356	
Debtors	15	23,031,868		18,579,151	
Cash at bank and in hand		511,576		2,715,095	
		28,222,433		24,743,602	
Creditors: amounts falling due within one year	16	(22,243,997)		(19,951,048)	
Net current assets			5,978,436		4,792,554
Total assets less current liabilities			11,645,891		10,092,971
Creditors: amounts falling due after more than one year	17		(406,783)		(185,073)
Provisions for liabilities					
Deferred tax liability	19	516,183		281,896	
			(516,183)		(281,896)
Net assets			10,722,925		9,626,002
Capital and reserves					
Called up share capital	21		401,000		401,000
Profit and loss reserves			10,321,925		9,225,002
Total equity			10,722,925		9,626,002

The financial statements were approved by the board of directors and authorised for issue on 17 November 2022 and are signed on its behalf by:



Mr S Everitt
Director

Company Registration No. 02587124

EXOL LUBRICANTS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2020		401,000	7,698,863	8,099,863
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	3,826,139	3,826,139
Dividends	11	-	(2,300,000)	(2,300,000)
Balance at 31 December 2020		401,000	9,225,002	9,626,002
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	3,596,923	3,596,923
Dividends	11	-	(2,500,000)	(2,500,000)
Balance at 31 December 2021		401,000	10,321,925	10,722,925

EXOL LUBRICANTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from operations	24	1,415,388		1,049,377	
Interest paid		(134,994)		(106,325)	
Income taxes paid		(849,265)		(760,681)	
Net cash inflow from operating activities		<u>431,129</u>		<u>182,371</u>	
Investing activities					
Purchase of tangible fixed assets		(1,112,875)		(565,894)	
Proceeds on disposal of tangible fixed assets		38,001		16,000	
Directors loans repaid/(made)		275,000		(275,000)	
Interest received		<u>7,904</u>		<u>-</u>	
Net cash used in investing activities		<u>(791,970)</u>		<u>(824,894)</u>	
Financing activities					
Payment of finance leases obligations		219,322		(95,415)	
Dividends paid		<u>(2,062,000)</u>		<u>2,651,090</u>	
Net cash (used in)/generated from financing activities		<u>(1,842,678)</u>		<u>2,555,675</u>	
Net (decrease)/increase in cash and cash equivalents		<u>(2,203,519)</u>		<u>1,913,152</u>	
Cash and cash equivalents at beginning of year		<u>2,715,095</u>		<u>801,943</u>	
Cash and cash equivalents at end of year		<u><u>511,576</u></u>		<u><u>2,715,095</u></u>	

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Exol Lubricants Limited is a private company limited by shares incorporated in England and Wales. The registered office is All Saints Road, Wednesbury, West Midlands, WS10 9LL.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% straight line basis
Plant and equipment	10% to 33.3% straight line basis
Fixtures and fittings	10% to 33.3% straight line basis
Motor vehicles	15% to 25% straight line basis

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.14 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

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.

3 Turnover and other revenue

	2021 £	2020 £
Turnover analysed by geographical market		
UK	78,314,154	65,796,802
Rest of Europe	3,242,863	5,090,873
Rest of World	2,429,754	3,777,581
	<u>83,986,771</u>	<u>74,665,256</u>
	2021 £	2020 £
Other significant revenue		
Interest income	7,904	-
Grants received	-	256,236
	<u>-</u>	<u>256,236</u>

4 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	(354,147)	(541,609)
Government grants	-	(256,236)
Depreciation of owned tangible fixed assets	511,431	333,987
Depreciation of tangible fixed assets held under finance leases	229,602	237,576
Profit on disposal of tangible fixed assets	(33,197)	(16,000)

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

5 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	40,212	35,669
For other services		
Taxation compliance services	26,240	10,933

6 Employees

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

	2021 Number	2020 Number
Production	41	37
Sales and distribution	34	34
Administration	26	27
Total	101	98

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	7,028,564	7,552,413
Social security costs	895,653	840,388
Pension costs	129,112	130,497
	8,053,329	8,523,298

7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	3,363,926	3,780,278
Company pension contributions to defined contribution schemes	28,819	30,809
	3,392,745	3,811,087

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Directors' remuneration

(Continued)

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021 £	2020 £
Remuneration for qualifying services	2,812,589	3,158,796
Company pension contributions to defined contribution schemes	3,500	5,500

8 Interest receivable and similar income

	2021 £	2020 £
Interest income		
Interest on bank deposits	7,904	-

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	7,904	-
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9 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	260	4,866
Interest on invoice finance arrangements	111,327	80,753
	111,587	85,619
Other finance costs:		
Interest on finance leases and hire purchase contracts	23,407	20,706
	134,994	106,325

10 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	791,414	902,132
Adjustments in respect of prior periods	(2,333)	19,358
Total current tax	789,081	921,490

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

10 Taxation

(Continued)

	2021 £	2020 £
Deferred tax		
Origination and reversal of timing differences	107,961	25,558
Changes in tax rates	124,866	-
Adjustment in respect of prior periods	1,460	8,084
Total deferred tax	234,287	33,642
Total tax charge	1,023,368	955,132

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £	2020 £
Profit before taxation	4,620,291	4,781,271
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	877,855	908,441
Tax effect of expenses that are not deductible in determining taxable profit	21,520	19,249
Adjustments in respect of prior years	(873)	27,442
Effect of change in corporation tax rate	124,866	-
Taxation charge for the year	1,023,368	955,132

11 Dividends

	2021 £	2020 £
Final paid	2,500,000	2,300,000

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Tangible fixed assets

	Freehold buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 2021	3,960,694	2,933,210	998,795	1,656,748	9,549,447
Additions	5,653	739,771	10,598	356,853	1,112,875
Disposals	-	-	-	(233,954)	(233,954)
At 31 December 2021	3,966,347	3,672,981	1,009,393	1,779,647	10,428,368
Depreciation and impairment					
At 1 January 2021	597,798	1,940,551	710,933	999,748	4,249,030
Depreciation charged in the year	78,542	310,283	86,965	265,243	741,033
Eliminated in respect of disposals	-	-	-	(229,150)	(229,150)
At 31 December 2021	676,340	2,250,834	797,898	1,035,841	4,760,913
Carrying amount					
At 31 December 2021	3,290,007	1,422,147	211,495	743,806	5,667,455
At 31 December 2020	3,362,896	992,659	287,862	657,000	5,300,417

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2021 £	2020 £
Plant and equipment	438,438	274,148
Fixtures and fittings	41,204	60,212
Motor vehicles	442,536	617,462
	922,178	951,822

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Financial instruments

Foreign exchange contracts

At the balance sheet date the company had entered into contracts to purchase Euros in order to settle group purchases made in Euros as follows:

2021

Date	Euro	Rate	GBP
05/01/2022	€10,000	1.1903	£8,401
14/01/2022	€1,500,000	1.1812	£1,269,904
14/01/2022	€600,000	1.1701	£512,765
11/02/2022	€1,500,000	1.1890	£1,261,520

2020

Date	Euro	Rate	GBP
14/01/2021	€1,600,000	1.1094	£1,442,235
12/02/2021	€1,600,000	1.1087	£1,443,099

14 Stocks

	2021 £	2020 £
Raw materials and consumables	1,260,797	958,863
Finished goods and goods for resale	3,418,192	2,490,493
	<u>4,678,989</u>	<u>3,449,356</u>

15 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	19,290,036	14,101,916
Amounts owed by group undertakings	3,554,278	3,968,173
Other debtors	-	275,220
Prepayments and accrued income	187,554	233,842
	<u>23,031,868</u>	<u>18,579,151</u>

Amounts owed by group undertakings do not accrue interest, have no security against them and are repayable on demand.

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

16 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Obligations under finance leases	18	339,751	342,139
Trade creditors		2,284,856	1,986,867
Amounts owed to group undertakings		4,778,357	5,085,690
Corporation tax		467,272	527,456
Other taxation and social security		1,678,367	2,161,214
Dividends payable		6,438,000	6,000,000
Other creditors		2,268,398	44,828
Accruals and deferred income		3,988,996	3,802,854
		<u>22,243,997</u>	<u>19,951,048</u>

Amounts owed to group undertakings do not accrue interest, have no security against them and are repayable on demand.

17 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Obligations under finance leases	18	<u>406,783</u>	<u>185,073</u>

18 Finance lease obligations

	2021 £	2020 £
Future minimum lease payments due under finance leases:		
Within one year	339,750	342,139
In two to five years	296,720	114,625
In over five years	110,064	70,448
	<u>746,534</u>	<u>527,212</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is between 1 and 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

19 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2021 £	Liabilities 2020 £
Balances:		
Accelerated capital allowances	520,274	281,896
STTD's	(4,091)	-
	<u>516,183</u>	<u>281,896</u>
		2021
Movements in the year:		£
Liability at 1 January 2021		281,896
Charge to other comprehensive income		232,827
Other		1,460
		<u>516,183</u>
Liability at 31 December 2021		<u>516,183</u>

20 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>129,112</u>	<u>130,497</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the end of the year there were outstanding pension contributions of £21,533 (2020 £19,999).

21 Share capital

	2021 Number	2020 Number	2021 £	2020 £
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	<u>401,000</u>	<u>401,000</u>	<u>401,000</u>	<u>401,000</u>

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

22 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2020 £
Within one year	99,021	107,290
Between two and five years	92,492	191,513
	<u>191,513</u>	<u>298,803</u>

23 Ultimate controlling party

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

24 Cash generated from operations

	2021 £	2020 £
Profit for the year after tax	3,596,923	3,826,139
Adjustments for:		
Taxation charged	1,023,368	955,132
Finance costs	134,994	106,325
Investment income	(7,904)	-
Gain on disposal of tangible fixed assets	(33,197)	(16,000)
Depreciation and impairment of tangible fixed assets	741,033	571,563
Movements in working capital:		
Increase in stocks	(1,229,633)	(153,408)
Increase in debtors	(4,727,717)	(5,156,148)
Increase in creditors	1,917,521	915,774
Cash generated from operations	<u>1,415,388</u>	<u>1,049,377</u>

EXOL LUBRICANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

25 Analysis of changes in net funds/(debt)

	1 January 2021 £	Cash flows £	31 December 2021 £
Cash at bank and in hand	2,715,095	(2,203,519)	511,576
Obligations under finance leases	(527,212)	(219,322)	(746,534)
	<u>2,187,883</u>	<u>(2,422,841)</u>	<u>(234,958)</u>