Exol Lubricants Limited

Annual report and financial statements
Registered number: 02587124
31 December 2020

Contents

Strategic report

The directors have pleasure in presenting their reports and the audited financial statements for the year ended 31 December 2020.

Principal activities

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

Business Model

Exol Lubricants Limited 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) Limited (a fellow subsidiary) bulk blending facility in Yorkshire.

These are transported to the company at 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 pleased with the operating performance and anticipate further growth in the forthcoming year. 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. Volumes fell to unprecedented levels almost immediately but had almost recovered by the end of June. The reduction in global demand generated a sudden reduction in raw material costs in Q2 which then slowly unwound as the year progressed.

Operating profit increased from £3,276,083 in the previous year to £4,887,596. The company's net assets at the end of the year are £9,675,003 (2019: £8,099,863).

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:

	2020	2019	Measure
Return on capital employed	**49.7%**	37.9%	Profit before tax/net assets
Current ratio	**1.24**	1.24	Current assets : current liabilities
Stock turnover	**17.99**	19.23	Cost of sales/stock
Debtors days	**77 Days**	75 Days	Average debtors/turnover x 365
Creditors days	**46 Days**	54 Days	Average creditors/cost of sales x 365
Sales per employee (£'000)	**762**	774	Turnover/avg no of employees
Operating profit per employee (£'000)	**50**	34	Operating profit/avg no of employees

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.

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

Covid 19: The outbreak of Covid 19 continues to create uncertainty both in our industry and in the wider economy. At this stage we face product shortages and price escalation caused by the pandemic, due to the reduction in demand for jet fuel and these conditions look likely to challenge us throughout 2021. However, we have assumed that any future restrictions look no worse than those imposed in early 2021 when an extraordinary effort from our employees and our supply chain meant we continued to serve our customers despite the circumstances we operated within.

Strategic report *(continued)*

Brexit: On January 31st, 2020 the UK left the EU and entered into a transitional period which expired at the end of 2020. Although we experienced several teething problems with exports to the EU initially and have experienced changes in tax structures in some overseas markets, constant dialogue with our customers and suppliers has mitigated these risks where possible. We have adjusted business processes where necessary and have used the expertise of our freight agents to aid this and ensure a smooth transition.

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

Environmental risks: Exol 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.

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 business operates with credit insurance for an element of the customer base which has helped us in dealing with elevated risks during the pandemic.

The effect of legislation or other regulatory activities: Exol 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 company's intellectual property rights and minimise infringement.

Litigation: the business 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 perform activities in such a way as to minimise this risk and under certain circumstances legal expenses are covered by insurance.

Competitive risk: Exol operate 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.

Financial Risk Management

Cash Flow and Liquidity Risk: The company cash flow profile generally sees sales being paid for on either 30- or 60-day terms with the aforementioned range of parameters in place to manage this risk. Purchases from our range of suppliers are generally smooth throughout the month. There are no medium to long term cash flow issues as per the comments within the Going Concern section of the report and the directors are comfortable with the very low levels of liquidity risk within the business.

Currency Risk: The business closely monitors fluctuations in exchange rates and has a policy of purchasing against known liabilities using specialist partners to gain competitive rates.

Interest Rate Risk: The company's principal exposure regards the use of commercial finance provided by the bank. Our view is that interest rates are likely to remain at the current levels and that the relatively low level of interest payments present very little risk.

Price Risk: The company is exposed to commodity risk in the form of base oil pricing. However, the market has the ability to move prices on a four-to-six-week basis and therefore bears no significant long-term risk.

Strategic report *(continued)*

Future developments

The directors will target continued growth in 2021. Further capacity will be created at Wednesbury with the installation of another small pack production line in mid-2021 and this will be complemented with continued investment in our fleet of vehicles to ensure compliance with constantly evolving emissions requirements.

Sales and marketing: In 2020 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 capitalise on this in 2021 and will continue to pursue the latest approvals which will support the development of new markets at home and overseas in line with the company'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 towards the end of 2021.

IT: The business prioritised investment in conferencing facilities during 2020 incorporating the use of Microsoft Teams. This was essential in our drive to reduce unnecessary travel and was vital in retaining contact with all stakeholders during the pandemic. We will continue to leverage these facilities in 2021 and are also looking to upgrade to the latest version of Microsoft GP having seen the benefits of the e-commerce solution which our customers continue to enjoy.

This report was approved and signed by the board on 28th September 2021 and signed on its behalf.

S Everitt
Director

All Saints Road
Darlaston
Wednesbury
WS10 9LL

Directors' report

The directors present their report together with the audited financial statements of the company for the year ended 31 December 2020.

Dividends

Total dividends of £502,788 were paid during the year (2019: £1,006,125). The directors recommend a final total dividend for 2020 of £2,300,000 which will be paid during the course of 2021. These financial statements reflect this dividend payable as the amount was determined, approved and announced pre-yearend

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 pages 1 to 3. In addition, the financial statements include the principal risks and uncertainties facing the business, details of its financial instruments and the company exposures to credit risk and liquidity risk, where applicable.

The company had profit before tax of £4,781,271 (2019: £3,067,063) and generated positive cash flows from operating activities. At the balance sheet date there are net current assets of £4,792,554 (2019: £3,335,683).

The company has rolling banking facilities in place comprising a commercial finance agreement (17% 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 business.

The directors have prepared forecasts that extend to at least 12 months from the approval date of these financial statements. These forecasts comprise projected profit and cash flow information with appropriate sensitivities around operational performance and banking facilities. Based on these forecasts, the directors have a full expectation that the business has adequate resources to continue as a going concern. These forecasts incorporate the expected impact of another national lockdown and have assumed this could look similar to that experienced in early 2021.

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

Applications 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 involvement

The company endeavours to keep its employees informed on matters affecting them as employees, and on the performance of the company and of Philmar (Holdings) Limited of which it is a wholly owned subsidiary, through formal and informal meetings. Other information is distributed through publications such as the Philmar (Holdings) Limited annual report and financial statements and the staff handbook which are circulated to all employees.

Streamlined Energy and Carbon Reporting

Disclosures in respect of Streamlined Energy and Carbon Reporting are provided at a group level in the Directors' report of the ultimate holding company, Philmar (Holdings) Limited.

Future developments

Details of future developments are contained in the Strategic report.

Directors' report (continued)

Stakeholder engagement

The company's stakeholder statements are incorporated within the Strategic report of Philmar (Holdings) Limited, the ultimate holding company, and apply equally to all of the group's subsidiaries as the group is managed as one operation.

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements 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.

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements 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).

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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.

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.

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Directors' report (continued)

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and PricewaterhouseCoopers LLP will therefore continue in office.

On behalf of the board on 28th September 2021

S Everitt
Director

All Saints Road
Darlaston
Wednesbury
WS10 9LL

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 2020 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 2020; the Profit and loss account 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 2020 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 Statement of directors' responsibilities in respect of the annual report and the 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 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

Mark Kingsbury (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Birmingham

29 September 2021

Profit and loss account

for the year ended 31 December 2020

	Note	**2020**	2019
		£	£
Turnover	*2*	**74,665,256**	73,483,341
Cost of sales		**(62,042,368)**	(63,385,855)
Gross profit		**12,622,888**	10,097,486
Distribution costs		**(2,230,306)**	(2,405,328)
Administrative expenses		**(5,504,986)**	(4,425,075)
Operating profit		**4,887,596**	3,267,083
Interest payable and similar expenses	*4*	**(106,325)**	(200,020)
Profit before taxation		**4,781,271**	3,067,063
Tax on profit	*7*	**(955,132)**	(627,946)
Profit for the financial year		**3,826,139**	2,439,117

There is no other comprehensive income during the financial year.

The turnover and profit 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 14 to 25 form an integral part of the financial statements.

Balance sheet
at 31 December 2020

	Note	**2020**		2019	
		£	**£**	£	£
Fixed assets					
Tangible assets	*9*		**5,300,417**		5,306,086
Current assets					
Stocks	*10*	**3,449,356**		3,295,948	
Debtors	*11*	**18,579,151**		13,148,003	
Cash at bank and in hand		**2,715,095**		801,943	
		24,743,602		17,245,894	
Creditors					
amounts falling due within one year	*12*	**(19,951,048)**		(13,910,211)	
Net current assets			**4,792,554**		3,335,683
Total assets less current liabilities			**10,092,971**		8,641,769
Creditors amounts falling due after more than one year	*13*		**(185,073)**		(293,652)
Provisions for liabilities					
Deferred tax liability	*14*		**(281,896)**		(248,254)
Net assets			**9,626,002**		8,099,863
Capital and reserves					
Called up share capital	*17*		**401,000**		401,000
Profit and loss account			**9,225,002**		7,698,863
Total Shareholder's funds			**9,626,002**		8,099,863

The notes of pages 14 to 25 form an integral part of the financial statements.

The financial statements on pages 11 to 25 were approved by the Board of Directors on 28th September 2021 and 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 2020

	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 year			
Profit for the financial year	-	2,439,117	2,439,117
Total comprehensive income for the year	-	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**

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2020	401,000	7,698,863	8,099,863
Total comprehensive Income for the year			
Profit for the financial year	-	3,826,139	3,826,139
Total comprehensive income for the year	-	3,826,139	3,826,139
Transactions with owners, recorded directly in equity	-	-	-
Dividends	-	(2,300,000)	(2,300,000)
Total contributions by and distributions to owners	-	(2,300,000)	(2,300,000)
Balance at 31 December 2020	**401,000**	**9,225,002**	**9,626,002**

Notes

(forming part of the financial statements)

1 Accounting policies

Exol Lubricants Limited is a private company limited by shares and incorporated and domiciled in the UK. The address of the registered office as per Companies House is Exol Lubricants Limited, All Saints Road, Darlaston, Wednesbury, West Midlands, England, WS10 9LL.

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. 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 ultimate parent undertaking, Philmar (Holdings) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of Philmar (Holdings) Limited 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 year;
- 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 years 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 pages 1 to 3. In addition, the financial statements include the principal risks and uncertainties facing the business, details of its financial instruments and the company exposures to credit risk and liquidity risk, where applicable.

The company had profit before tax of £4,781,271 (2019: £3,067,063) and generated positive cash flows from operating activities. At the balance sheet date there are net current assets of £4,792,554 (2019: £3,335,683).

The company has rolling banking facilities in place comprising a commercial finance agreement (17% 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 business.

The directors have prepared forecasts that extend to at least 12 months from the approval date of these financial statements. These forecasts comprise projected profit and cash flow information with appropriate sensitivities around operational performance and banking facilities. Based on these forecasts, the directors have a full expectation that the company has adequate resources to continue as a going concern. These forecasts incorporate the expected impact of another national lockdown and have assumed this could look similar to that experienced in early 2021.

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.

The company is applying section 11 and 12 of FRS 102.

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.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of such derivatives is not significant to the accounts as at the year end and also in prior years, however this value will be assessed on an annual basis going forward.

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 and machinery	10% - 33.5% on costs
Fixtures and fittings	10% - 33.5% on costs
Motor vehicles	15% - 25% on costs
Freehold land	No depreciation

Notes *(continued)*

1 Accounting policies *(continued)*

Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

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.

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 years 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.

Turnover

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

Research and development

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

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the years in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance leases recognised in profit or loss, overdraft interest, discounting interest and loan interest using the effective interest method.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Foreign currency exchange

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.

Notes *(continued)*

2 Turnover

	2020	2019
	£	£
Analysis of turnover by geographical market		
UK	**65,796,802**	64,365,813
Rest of Europe	**5,090,873**	4,822,429
Rest of World	**3,777,581**	4,295,099
	74,665,256	73,483,341

All sales are made in one type of activity

3 Operating profit

	2020	2019
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation		
Tangible fixed assets owned	**333,987**	327,274
Tangible fixed assets held under finance leases and hire purchase contracts	**237,576**	214,676
Hire of plant and equipment under operating leases	**130,363**	120,265
Gain on sale of fixed asset	**(16,000)**	(26,657)
Gain on foreign exchange	**(541,609)**	(300,164)
Auditors' remuneration:		
Audit of these financial statements	**35,669**	22,129
Taxation compliance services	**10,933**	15,942

4 Interest payable and similar expenses

	2020	2019
	£	£
Finance charges in respect of finance leases and hire purchase contracts	**20,706**	23,613
Other interest payable and similar charges	**85,619**	176,407
	106,325	200,020

Notes *(continued)*

5 Staff numbers and costs

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

	2020 No.	2019 No.
Production	**37**	34
Sales and distribution	**34**	34
Administration	**27**	27
	98	95

The aggregate payroll costs of these persons were as follows:

	2020 £	2019 £
Wages and salaries	**7,060,522**	5,532,698
Social security costs	**840,388**	624,806
Other pension costs	**130,447**	95,098
	8,031,357	6,252,602

6 Directors' remuneration

Remuneration in respect of directors was as follows:

	2020 £	2019 £
Emoluments	**3,780,278**	2,224,591
Company contributions to pension schemes	**30,809**	32,600
	3,811,087	2,257,191

During the year three directors *(2019: Three)* participated in the company pension scheme.

Highest paid director:	2020 £	2019 £
Emoluments	**3,158,796**	1,829,139
Company contributions to pension schemes	**5,500**	10,000
	3,164,296	1,839,139

Notes *(continued)*

7 Tax on profit

Taxation	**2020 £**	**2020 £**	2019 £	2019 £
Current tax				
UK corporation tax on profits for the year	**902,132**		581,572	
Adjustments in respect of previous years	**19,358**		-	
		921,490		581,572
Deferred tax (see note 14)				
Origination and reversal of timing differences in year	**25,558**		46,374	
Adjustments in respect of prior year	**8,084**		-	
		33,642		46,374
Tax on profit on ordinary activities		**955,132**		627,946

The current tax charge is higher *(2019: higher)* than 19% (*2019: 19%)* for the reasons stated below:

Profit on ordinary activities before tax	**4,781,271**	3,067,063
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% *(2019: 19%)*	**908,441**	582,742
Effects of:		
Expenses not deductible for tax purposes	**19,249**	45,204
Adjustments in respect of previous years	**27,442**	-
Total tax expense recognised in profit and loss	**955,132**	627,946

In the Spring Budget 2021, the government announced that from 1 April 2023 the headline corporation tax rate will increase to 25%. As the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would not be material to disclose.

Notes *(continued)*

8 Dividends

The aggregate amount of dividends comprises:

	2020	2019
	£	£
Dividends authorised and no longer at the discretion of the company	**2,300,000**	1,288,913

9 Tangible assets

	Freehold Land and Buildings	Plant and machinery	Fixtures And fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2020	3,934,000	2,663,750	972,394	1,576,539	9,146,683
Additions	26,694	269,460	26,401	243,339	565,894
Disposals	-	-	-	(163,130)	(163,130)
At 31 December 2020	3,960,694	2,933,210	998,795	1,656,748	9,549,447
Accumulated Depreciation					
At 1 January 2020	521,803	1,735,149	614,528	969,117	3,840,597
Charged in the year	75,995	205,402	96,405	193,761	571,563
Disposals	-	-	-	(163,130)	(163,130)
At 31 December 2020	597,798	1,940,551	710,933	999,748	4,249,030
Net book value					
31 December 2020	**3,362,896**	**992,659**	**287,862**	**657,000**	**5,300,417**
Net book value					
31 December 2019	3,412,197	928,601	357,866	607,422	5,306,086

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 £951,822 (2019: £975,968). The depreciation charge on these assets amounted to £237,576 (2019 £214,676).

Notes *(continued)*

10 Stocks

	2020 £	2019 £
Raw materials	**958,863**	904,622
Manufactured stock	**2,490,493**	2,391,326
	3,449,356	3,295,948

11 Debtors

	2020 £	2019 £
Trade debtors	**14,101,916**	12,983,303
Directors loans	**275,000**	-
Amounts owed by group undertakings	**3,968,173**	-
Prepayments	**234,062**	164,700
	18,579,151	13,148,003

All debtors are due within one year.

Trade debtors are stated after provisions for impairment of £44,025 (2019: £134,492).

Directors loans and amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

12 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	**1,986,867**	2,013,690
Amounts owed to group undertakings	**5,085,690**	1,147,403
Other taxations and social security	**2,161,214**	841,737
Corporation tax	**527,456**	366,647
Hire purchase creditors	**342,139**	328,975
Other creditors	**44,828**	50,259
Commercial finance advances	**-**	5,879,605
Dividends payable	**6,000,000**	1,048,910
Accruals	**3,802,854**	2,232,985
	19,951,048	13,910,211

The amounts owed to group undertakings are unsecured, do not carry an interest rate and are repayable on demand. Hire purchase creditors are secured against the assets to which they relate. Commercial finance advances are secured by a charge over trade debtors and other assets. Dividends payable include dividends of £3,700,000 payable on behalf of Exol Lubricants (Rotherham) Limited and John Brindle Oil & Chemical Limited.

Notes *(continued)*

13 Creditors: amounts falling due after more than one year

	2020 £	2019 £
Amounts due under finance leases and hire purchase contracts	**185,073**	293,652
	185,073	293,652

Analysis of debt:

	2020 £	2019 £
Debt can be analysed as falling due:		
In one year or less, or on demand	**342,139**	6,208,580
Between one and two years	**114,625**	234,222
Between two and five years	**70,448**	59,430
	527,212	6,502,232

The finance leases primarily relate to vehicles and machinery which are leased from a specialist leasing company. The remaining lease terms range between 1 and 3 years. At the end of the lease terms the title of the assets is transferred to the company.

14 Provisions for liabilities

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

	Deferred taxation £	Total £
At beginning of year	248,254	248,254
Recognised during the year	33,642	33,642
At end of year	**281,896**	**281,896**

The net deferred tax liability expected to reverse within 3-5 years. This primarily relates to the reversal of timing differences on tangible assets and capital allowances through depreciation, offset by expected tax deductions when payments are made to utilise provisions.

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 £1,207,330 *(2019 £5,090,751).*

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 £1,424,060 *(2019 £150,831).*

16 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made are as £nil. (*2019: nil*)

b) Non-cancellable operating leases are payable as follows:

	2020 Land and buildings £	**2020 Other £**	2019 Land and buildings £	2019 Other £
Less than one year	**-**	**107,290**	-	108,157
Between one and five years	**-**	**191,513**	-	95,843
	-	**298,803**	-	204,000

During the year, £130,363 was recognised as an expense in the profit and loss account in respect of operating leases *(2019: £120,265).*

c) 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:

2020

Date	**Euro**	**Rate**	**GBP**
14/01/21	€1,600,000	1.1094	£1,442,235
12/02/21	€1,600,000	1.1087	£1,443,099

2019

There were no such items in 2019.

The fair value of these derivatives is not significant to the accounts as at the year end and also in prior years, however this value will be assessed on an annual basis going forward.

Notes *(continued)*

17 Called up share capital

	2020	2019
	£	£
Allotted, called up and fully paid		
401,000 *(2019: 401,000)* Ordinary shares of £1 each	**401,000**	401,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

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 £130,497 (*2019 £95,098).* At the end of the year there were outstanding pension contributions of £19,999 *(2019 £11,097).*

19 Ultimate parent undertaking

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.

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.