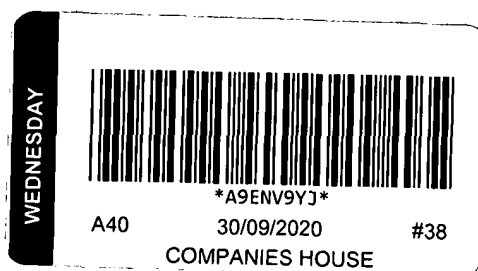


Bathroom Distribution Group UK Limited

Annual report and financial statements

Registered number 01367550

31 December 2019



Bathroom Distribution Group UK Limited
Registered number 01367550
Annual report and financial statements
Year ended 31 December 2019

Contents	Page
Directors and Company Information	1
Strategic Report	2
Directors' Report	5
Statement of Directors' Responsibilities	7
Independent Auditors' Report	8
Profit and Loss Account	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes Forming Part of the Financial Statements	15

Bathroom Distribution Group UK Limited
Registered number 01367550
Annual report and financial statements
Year ended 31 December 2019

Directors and company information

Directors

G Slark
C Rinn
N Jefferson
G Jones

Secretary

Grafton Group Secretarial Services Limited

Registered office

Ground Floor Boundary House
2 Wythall Green Way
Wythall
Birmingham
B47 6LW
United Kingdom

Independent auditor

Cooper Parry Group Limited
Chartered Accountants & Statutory Advisors
Sky View
Argosy Road
East Midland Airport
Castle Donington
Derby
DE74 2SA

Registered number

01367550

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Strategic Report

Introduction

This Strategic Report has been prepared in accordance with the requirements of Section 414A of the Companies Act 2006. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of Bathroom Distribution Group UK Limited ("the Company").

Principal activities

The principal activity of the Company during the year under review was that of distributors of bathroom equipment.

Review of business

In 2019, trading proved challenging especially in the second half in the run up to Brexit resulting in lower sales for 2019. However gross profit margin remained consistent varying from 31% (2018) to 29% (2019). The loss for the year was attributable to fees incurred in relation to the new office site. Despite this, the directors were pleased with the performance of the business given the uncertainty that was faced.

Health and Safety

There were no major incidents to report in the year to 31 December 2019.

Key Performance Indicators

The Directors believe that the following indicators will provide stakeholders with sufficient information to assess how effectively the Company is performing.

	2019 £000's	2018 £000's
Turnover	£17,614	£18,732
Operating (loss) / profit	£(20)	£1,100
Operating margin	(0.11)%	5.87%
Current ratio	1.10	1.16

Post balance sheet events

The full impact of the COVID-19 pandemic is currently unknown. Post year end the pandemic and the resulting government measures imposed have impacted the business from late March 2020 when those measures came into force. Whilst the pandemic and the resulting economic uncertainty are likely to have further impact on the company's operations we are very encouraged by the performance of the Group in recent months as it emerged in a strong position from the Covid-19 lockdown.

Principal risks and uncertainties

Trading in the business is influenced by the macro economic environment in the UK. The level of activity in the residential and non-residential construction market and in the residential repair, maintenance and improvement markets in particular influence demand. Demand in these markets is sensitive to economic conditions generally including economic growth, interest rate movements, inflation, unemployment and demographic trends.

Section 172 (1) statement

The directors have acted in the way they consider, in good faith, promotes the success of the company for the benefit of its members as a whole, and in doing so have given regard to (amongst other matters):

Business relationships

The need to build strong long standing relationships with both our clients and suppliers is paramount to the success of the company and its longevity.

Strategic Report (continued)

Our people

The company provides employees with information on matters of concern to them, consulting them regularly so that their views can be taken into account when making decisions that are likely to affect their interests. The company encourages the involvement of employees by means of regular employee meetings and engagement in the decision-making process for items that impact directly upon the employees.

Disabled employees

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. Particular attention is given to the training and promotion of disabled employees to ensure that their career development is not unfairly restricted by their disability, or perceptions to it.

The HR procedures made clear that full and fair consideration must be given to applications made by and the promotion of disabled persons. Where an employee becomes disabled whilst employed by the company, the HR procedures also require that reasonable effort is made to ensure they have the opportunity for continued employment within the company. Retraining of employees who become disabled whilst employed by the company is offered where appropriate.

Employee involvement

During the period, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance.

Community, charity and environment

The company is undertaking to support community and charity on an ongoing basis. The Company recognises the importance of supplying renewable and sustainable products and consciously makes an effort to source ethically. LED lighting has been installed to promote energy saving and vehicles are preferably sourced with low CO2 emission. Waste is recycled where possible and we endeavour to reduce landfill.

Culture and values

The company endeavours to maintain the highest levels of confidentiality and good business ethics at all times, by employing fair and honest methodologies and ensuring that our staff are aware of and comply with all relevant legislation and internal policies.

Shareholders

The management is committed and openly engaged with our Shareholders through regular Board Meetings and effective dialogue. The shareholders and their representatives are actively engaged in understanding our strategy, culture, people and the performance of our shared objectives for the short, mid and longer terms.

Bathroom Distribution Group UK Limited
Registered number 02533308
Annual report and financial statements
Year ended 31 December 2019

Strategic Report (*continued*)

Future developments

The Company will continue to innovate and lead the market with various initiatives and new products. With a better service proposition, and a desire to adapt to the emergent market, opportunities should be maximised

On behalf of the board

Gareth Jones

G Jones
Director

30 September 2020

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Strategic Report

The review of the business and future developments, principal risks and uncertainties and key performance indicators are not shown in the directors' report as they are shown in the strategic report in accordance with S414C (11) of the Companies Act 2006.

Results and dividends

The Company's loss for the financial year is £96,000 (2018: profit of £894,000).

A dividend of £1,000,000 was declared and paid during the year (2018: £1,000,000). The directors have not proposed the payment of a final dividend.

Directors

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

G Slark
C Rinn
N Hall (resigned 31/12/2019)
N Jefferson
G Jones
M Sammon (resigned 3 July 2020)

Going concern

The Directors have considered the financial position and future prospects of the company for twelve months from the date of signing the accounts and believe that, with the support of the wider Grafton Group, the company has access to sufficient resources to manage its business successfully, despite the ongoing coronavirus pandemic. Accordingly, the financial statements are prepared under the going concern basis.

Political and charitable contributions

The Company made no political contributions during the year (2018: £Nil). Donations to UK charities amounted to £Nil (2018: £Nil).

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The Company adopts a prudent approach to liquidity management and to mitigate against cash flow and liquidity risk continuously monitors forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations. The Company's main exposure to credit risk is its provision of short-term credit to customers with the company carrying the associated credit risk. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counter party is subject to a limit, which is reassessed periodically by the management of the company.

Directors' indemnities

The Company maintained indemnity liability insurance for its directors and officers throughout the financial year, which is still in force at the date of approving the Directors' report and which is a qualifying third party indemnity provision for the purposes of 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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Directors' Report (*continued*)

Independent Auditors

PricewaterhouseCoopers LLP resigned as auditors of the company during the year and Cooper Parry Group Limited were appointed as auditors of the company.

The auditor, Cooper Parry Group Limited, will be proposed for reappointment in accordance with section 486 of the Companies Act 2006.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk:

Price risk

The company's business may be affected by fluctuations in prices. The company employs policies and practices to mitigate these risks where possible.

Credit risk

Credit risk applies to financial instruments such as trade receivables. Policies and procedures exist to ensure the management of trade receivables minimises as far as is reasonably practicable the company's exposure to credit risk. These policies include the requirement of appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counter party is subject to a limit, which is reassessed periodically by the management of the company.

Liquidity risk

The Company adopts a prudent approach to liquidity management and to mitigate against cash flow and liquidity risk continuously monitors forecasted and actual cash flows and maintains sufficient cash reserves to meet its obligations.

Cash flow risk

The company's policy is to ensure that it always has sufficient cash to allow it to meet its liabilities when they become due. This risk is mitigated through budgeting and forecasting and a regular review of cash requirements.

On behalf of the board



G. Jones
Director

30 September 2020

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Statement of directors' responsibilities in respect of 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 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, 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 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. 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.

On behalf of the board



G. Jones
Director

30 September 2020

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Independent auditor's report to the members of Bathroom Distribution Group UK Limited

Opinion

We have audited the financial statements of Bathroom Distribution Group UK Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Independent auditor's report to the members of Bathroom Distribution Group UK Ltd (*continued*)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Bathroom Distribution Group UK Limited

Registered number 02533308

Annual report and financial statements

Year ended 31 December 2019

Independent auditor's report to the members of Bathroom Distribution Group UK Ltd (continued)

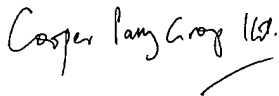
Auditor's responsibilities for the audit of the financial statements

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 auditor's 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.

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

Use of our report

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



Katharine Warrington (Senior Statutory Auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants and Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 30 September 2020

Profit and Loss Account
for the year ended 31 December 2019

	Note	2019 £000's	2018 £000's
Turnover	2	17,614	18,732
Cost of sales		(12,589)	(12,938)
Gross profit		5,025	5,794
Administrative expenses		(5,045)	(4,694)
Operating (loss) / profit		(20)	1,100
Interest receivable		10	1
Interest payable	4	(81)	-
(Loss) / Profit before taxation	3	(91)	1,101
Tax on (loss) / profit	7	(5)	(207)
(Loss) / profit for the financial year		(96)	894

All amounts relate to continuing operations.

There was no other comprehensive income in the current or prior year.

The notes on pages 15 to 28 form part of the financial statements.

Bathroom Distribution Group UK Limited
Registered number 01367550
Annual report and financial statements
Year ended 31 December 2019

Balance Sheet
as at 31 December 2019

	Note	2019 £000's	2019 £000's	2018 £000's	2018 £000's
Fixed assets					
Tangible assets	8	1,017		1,086	
Right of use asset	9	2,007		-	
			3,024		1,086
Current assets					
Stocks	10	4,002		4,222	
Debtors	11	2,698		9,110	
Cash at bank and in hand		1,090		293	
		7,790		13,625	
Creditors: amounts falling due within one year	12	(7,050)		(11,715)	
Net current assets			740		1,910
Total assets less current liabilities			3,764		2,996
Creditors: amounts falling due after more than one year	12	(1,864)		-	
Net assets			1,900		2,996
Capital and reserves					
Called-up share capital	15	10		10	
Capital contribution reserve		3		3	
Profit and loss account		1,887		2,983	
Total shareholders' funds			1,900		2,996

These financial statements were approved by the board of directors on 30 September 2020 and were signed on its behalf by:

Gareth Jones

G. Jones
Director

The notes on pages 15 to 28 form part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Called-up share capital £000's	Capital contribution reserve £000's	Profit and loss account £000's	Total equity £000's
Balance at 1 January 2019	10	3	2,983	2,996
Loss for the financial year	-	-	(96)	(96)
Dividends paid (note 20)	-	-	(1,000)	(1,000)
Share based payment charge	-	-	-	-
Transfer from capital contribution reserve	-	-	-	-
Total comprehensive (expense) for the financial year	-	-	(1,096)	(1,096)
Balance at 31 December 2019	10	3	1,887	1,900

The notes on pages 15 to 28 form part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2018

	Called-up share capital £000's £000's	Capital contribution reserve £000's £000's	Profit and loss account £000's £000's	Total equity £000's £000's
Balance at 1 January 2018	10	6	3,082	3,098
Profit for the financial year	-	-	894	894
Dividends paid (note 20)	-	-	(1,000)	(1,000)
Share based payment charge	-	4	-	4
Transfer from capital contribution reserve	-	(7)	7	-
Total comprehensive income / (expense) for the financial year	-	3	(99)	(102)
Balance at 31 December 2018	10	3	2,983	2,996

The notes on pages 15 to 28 form part of the financial statements.

Notes (forming part of the financial statement)

1. Accounting policies

Bathroom Distribution Group UK Limited (the "Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom under Companies Act 2006. The address of the registered office is given on the contents page and the nature of the company's operations is a distributor of bathroom equipment.

1.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS101).

The financial statements have been prepared in accordance with Companies Act 2006 as applicable to Companies using FRS101 and under the historical cost accounting rules.

The principal accounting policies are summarised below. They have been consistently applied throughout the year and all years presented, unless otherwise stated.

The Company's ultimate parent undertaking, Grafton Group plc includes the Company in its consolidated financial statements. The consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with International Financial Reporting Standards as adopted by the EU. These are available to the public and may be obtained from www.graftonplc.com

As the consolidated financial statements of Grafton Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

IFRS 3 - not to restate business combinations before the date of transition

IFRS 7 – financial instrument disclosures

IFRS 13 - disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities

IAS 1 – Information on management of capital

IAS 7 – statement of cash flows

IAS 8 - disclosures in respect of new standards and interpretations that have been issued but are not yet effective

IAS 24 - disclosure of key management compensation and for related party disclosures entered into between two or more members of a group;

IAS 1 - the requirement to present roll forward reconciliations in respect of share capital and

IAS 16 - the requirement to present roll forward reconciliations in respect of property, plant and equipment

IFRS 15 – paragraphs 110b, 113a, 114, 115, 118, 119 a-c, 121-127, 129

1.2 Adoption of new and revised Standards

The company has applied IFRS16 "Leases" (which replaces IAS17) for the first time for the reporting period commencing 1 January 2019. IFRS 16 has had a material impact on the company – note 13.

1.3 New Standards, Amendments and Interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the company.

1.4 Measurement convention

The financial statements are prepared on the historical cost basis. Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 18.

Notes (forming part of the financial statement)

1 Accounting policies (*continued*)

1.5 Going concern

The Directors have considered the financial position and future prospects of the company for twelve months from the date of signing the accounts and believe that, with the support of the wider Grafton Group, the company has access to sufficient resources to manage its business successfully, despite the ongoing coronavirus pandemic. Accordingly, the financial statements are prepared under the going concern basis.

1.6 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies 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.

1.7 Financial Instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and Other Receivables and Payables

Trade and other receivables and payables are stated at amortised cost (less any impairment losses), which approximates to fair value given the short-term nature of these assets and liabilities.

Trade receivables are carried at original invoice amount less an allowance for potentially uncollectable debts. Provision is made when there is objective evidence that the company will not be in a position to collect all of its receivables when they fall due. Bad debts are written-off in the Profit and Loss Account on identification.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes all expenditure incurred in acquiring the inventories and bringing them to their present location and condition. Net realisable value is the estimated proceeds of sale less all further costs to completion and less all costs to be incurred in marketing, selling and distribution.

1.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances held for the purposes of meeting short-term cash commitments.

Notes (forming part of the financial statement)

1 Accounting policies (*continued*)

1.10 Tangible assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Certain items of tangible fixed assets that had been revalued to fair value on or prior to 1st January 2014, the date of transition to FRS 101, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

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. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|------------------------------------|-----------|
| • Leasehold improvements | 10 years |
| • Plant and machinery | 5 years |
| • Fixtures, fittings and equipment | 10 years |
| • Motor vehicles | 4-5 years |

Depreciation methods, useful lives and residual values are reviewed at each Balance Sheet date.

1.11 Employee benefits

Defined contribution plans

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

1.12 Turnover

Turnover relates to the principal activity of the Company, and arise wholly within the United Kingdom.

Turnover represents the fair value of goods, excluding value added tax, net of rebates and discounts, delivered to or collected by customers in the year. Goods are deemed to have been delivered to customers when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in those benefits.

Customer rebates paid and payable are deducted from turnover. Supplier rebates received and receivable in respect of goods which have been sold to the Company's customers are deducted from cost of sales in the Profit and Loss Account.

Notes (forming part of the financial statement)

1 Accounting policies (*continued*)

1.13 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in Profit and Loss Account as it accrues, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

1.14 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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.15 Leases

IFRS16 changes how the Company accounts for leases previously classified as operating leases under IAS17, which were off-Balance Sheet. The Company has applied IFRS16 using the modified retrospective approach, but has not restated comparative information, as permitted under the specific transition provisions in the standard. In respect of those leases the Company previously treated as operating leases, the Company has elected to measure its right of use assets arising from property leases using the approach set out in IFRS16.C8(b)(ii). Under IFRS16C8(b)(ii) right of use assets are set equal to the lease liability, adjusted for prepaid or accrued lease payments, including un-amortised lease incentives.

The Company leases various assets. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Notes (forming part of the financial statement)

1 Accounting policies (continued)

1.15 Leases (continued)

Lease are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company (note 13). Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs;
- Restoration costs.

Payments associated with short term leases and leases of low value assets are recognised on a straight line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low value assets comprise IT equipment and small items of office furniture

2. Turnover

Turnover and profit before taxation relate to the principal activity of the Company, and arises wholly within the United Kingdom.

3. (Loss) / Profit before taxation

	2019 £000's	2018 £000's
(Loss) / profit before taxation is stated after charging/ (crediting):		
Auditors' remuneration:		
Audit of these financial statements	13	17
Depreciation and other amounts written off tangible fixed assets:		
Owned	190	90
Right of use asset	305	-
Profit on disposal of tangible fixed assets	-	(8)
	<hr/>	<hr/>

Notes (forming part of the financial statement)

4. Interest payable

	2019 £000's	2018 £000's
Interest expense on lease liabilities	(81)	-

5. Staff numbers and costs

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

	Number of employees	
	2019	2018
Administrative and management	29	37
Sales and distribution	66	67
	95	104

The aggregate payroll costs of these persons were as follows:

	2019 £000's	2018 £000's
Wages and salaries	2,159	2,302
Social security costs	176	197
Share based payments	-	4
Other pension costs (see note 16)	53	46
	2,388	2,549

6. Remuneration of director

	2019 £000's	2018 £000's
Director remuneration	102	125
Company contributions to money purchase schemes	7	6
	109	131

	Number of Directors	
	2019	2018
Retirement benefits are accruing to the following number of directors under money purchase schemes	1	1

Notes (forming part of the financial statement)

7. Tax on profit

	2019		2018
	£000's	£000's	£000's
Current tax :			
Current year charge	-		189
Adjustment in respect of prior years	(1)		(4)
Total current tax		(1)	185
Deferred tax :			
Current year charge	7		22
Adjustment in respect of prior years	(1)		-
Total deferred tax		6	22
Total tax charge		5	207

Factors affecting the tax charge for the current year

The total tax charge for the year is higher (2018: lower) than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below.

	2019	2018
	£000's	£000's
(Loss) / Profit before taxation	(91)	1,101
(Loss) / Profit multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	(17)	209
<i>Effects of:</i>		
Expenses not deductible for tax	(21)	3
Group relief not paid for	39	-
Depreciation on non-qualifying assets	7	2
Adjustments to current tax charge in respect of prior years	(1)	(4)
Change in UK tax rate	(1)	(3)
Adjustments to deferred tax in respect of prior years	(1)	-
Total tax charge for year	5	207

Factors which may affect future tax charges

A reduction in the UK corporation tax charge from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset as at 31 December 2019 has been calculated based on this rate. In the 11 March 2020 Budget it was announced that the UK tax rate will remain at the current 19% and not reduce to 17% from 1 April 2020. The retention of the 19% rate was substantively enacted on 17th March 2020 and will have a consequential effect on the company's future tax charge. If this rate change has been substantively enacted at the current balance sheet date the deferred tax asset would have been increased by £4.2k.

Notes (forming part of the financial statement)

8. Tangible assets

	Plant & Machinery	Leasehold improvements	Fixtures, fittings and equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's	£000's
Cost					
At beginning of year	13	420	373	713	1,519
Additions	-	-	-	121	121
Disposals	-	-	-	(59)	(59)
At end of year	13	420	373	775	1,581
Accumulated depreciation					
At beginning of year	13	34	23	363	433
Charge for year	-	39	36	115	190
Disposals	-	-	-	(59)	(59)
At end of year	13	73	59	419	564
At 31 December 2019	-	347	314	356	1,017
At 31 December 2018	-	386	350	350	1,086

Notes (forming part of the financial statement)

9. Right-of-Use Asset

	Buildings	Equipment	Office equipment	Motor vehicles	Total
	£000's	£000's	£000's	£000's	£000's
Cost					
Recognised on transition to IFRS 16 at 1 January 2019	2,214	39	18	41	2,312
Additions	-	-	-	-	-
Right of Use Asset end of lease	-	-	-	(11)	(11)
At end of year	2,214	39	18	30	2,301
Accumulated depreciation					
Opening	-	-	-	-	-
Charge for year	252	12	6	35	305
Disposals	-	-	-	(11)	(11)
At end of year	252	12	6	24	294
At 31 December 2019	1,962	27	12	6	2,007
At 1 January 2019	2,214	39	18	41	2,312

The average lease term remaining as at 31 December 2019 is 25 months.

The amounts recognised in the income Profit and Loss Account include:

	2019 £000
Depreciation expense on right-of-use assets	306
Interest expense on lease liabilities	81
Expense relating to short-term lease	100

The total cash outflow for leases amounted to £453,000. There have been no sale and leaseback transactions in the current year.

Notes (forming part of the financial statement)

10. Stocks

	2019 £000's	2018 £000's
Finished goods and goods for resale	4,002	4,222

Finished goods recognised as cost of sales in the year amounted to £12.6 million (2018: £13.1 million).
The write-down of stocks to net realisable value amounted to £Nil (2018: Nil).

The directors consider that the replacement value of stock is not significantly different from the carrying value in the accounts.

11. Debtors

	2019 £000's	2018 £000's
Trade debtors	2,364	2,534
Amounts due from group companies	106	5,966
Deferred tax asset (note 14)	36	42
Prepayments and accrued income	192	568
	2,698	9,110

All amounts included above fall due within one year.

Amounts due from group companies are unsecured, interest free and repayable on demand. Trade debtors are stated after provisions for impairment of £24,000 (2018: £24,000).

12. Creditors

	2019 £000's	2018 £000's
Amounts falling due within one year:		
Trade creditors	1,142	1,592
Amounts due to group companies	4,887	9,417
Lease liability (note 13)	267	-
Accruals	754	706
	7,050	11,715

	2019 £000's	2018 £000's
Amounts falling due after one year:		
Lease liability	1,864	-

Notes (forming part of the financial statement)

13. Leases

The company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening Balance Sheet on 1 January 2019.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.586%.

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019;
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- Excluding initial direct costs for the measurement of the right-of-use asset at the date on initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The amounts recognised in the financial statements in relation to the leases are as follows:

i) Amounts recognised in the Balance sheet

The lease liability was equal to the right of use asset as at 1 January 2019 a breakdown of the right of use asset can be seen in note 9:

ii) Amounts recognised in the Profit and Loss Account and Other Comprehensive Income

Future minimum leases payments are as follows:

	2019 £'000
Less than one year	267
In the second to fifth years inclusive	1,081
Over five years	783
Total Payments	<u>2,131</u>

Notes (forming part of the financial statement)

13. Leases (*continued*)

iii) **Measurement of lease liabilities**

	£'000
Operating lease commitments as 31 December 2018	2,550
Additional operating leases identified at 31 December 2018	-
Difference due to extensions, terminations etc	-
Restate 31 December 2018 operating lease commitments	2,550
Impact of discounting on leases	(238)
IFRS 16 lease liability at 1 January 2019	2,312

14. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Deferred Tax Assets	Deferred Tax Liabilities	Net deferred tax (asset) / liability	Deferred Tax Assets	Deferred Tax Liabilities	Net deferred tax (asset)/ liability
	2019 £000's	2019 £000's	2019 £000's	2018 £000's	2018 £000's	2018 £000's
Tangible fixed assets timing differences	(36)	-	(36)	(42)	-	(42)
Accruals/provisions	-	-	-	-	-	-
Net tax liabilities/(assets)	(36)	-	(36)	(42)	-	(42)

Movement in deferred tax during the year

	1 January 2019 £000's	Recognised in income £000's	Recognised in equity £000's	31 December 2019 £000's
Tangible fixed assets	(42)	6	-	(36)
	(42)	6	-	(36)

Notes (forming part of the financial statement)

14. Deferred tax assets and liabilities (*continued*)

Movement in deferred tax during the prior year

	1 January 2018 £000's	Recognised in income £000's	Recognised in equity £000's	31 December 2018 £000's
Tangible fixed assets	(64)	22	-	(42)
	<u>(64)</u>	<u>22</u>	<u>-</u>	<u>(42)</u>

Deferred tax assets have been recognised in respect of certain fixed asset timing differences and accruals where it is probable that they will be utilised against taxable profits in the foreseeable future. The carrying value of these deferred tax assets was assessed based on estimates and judgements of the availability of future taxable profits.

15. Called up share capital

	2019 £	2018 £
Authorised, Allotted, called up and fully paid 10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

16. Retirement benefit scheme

The Company contributes to the personal retirement benefit schemes of certain employees. The charge for the year amounted to £53,000 (2018: £46,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17. Guarantees

The Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for the group bank and US Private Placement borrowings which drawn at the Balance Sheet date amounted to £341.4 million (2018: £275.8 million). Undrawn committed facilities at the Balance Sheet date amounted to £271.4 million (2018: £356.8 million).

In addition, the Company, along with other subsidiaries of Grafton Group plc, acts as a guarantor for other group bank overdraft facilities of £41.2 million (2018: £46.4 million) which were undrawn at the year end.

18. Accounting estimates and judgements

Judgements and assumptions have been made by management by applying the Company's accounting policies in certain areas. Actual results may differ from estimates calculated using these judgements and assumptions. Key sources of estimation uncertainty and critical accounting judgements are as follows:

Amounts due from group companies

A key judgement impacting this Company is over the recoverability of amounts due from group companies. The Directors' have assessed the amounts due from group companies and believe that all balances will be recovered in full in the future.

Notes (forming part of the financial statement)

19. Ultimate parent company

The company's immediate parent undertaking is Grafton Group (UK) plc.

The company is a subsidiary undertaking of Grafton Group plc, which is the ultimate parent company and controlling party incorporated in the Republic of Ireland. The largest and smallest group in which the results of the company are consolidated is that headed by Grafton Group plc. No other group financial statements include the results of the company. The consolidated financial statements of these groups are available to the public and may be obtained from Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland.

20. Dividend on equity shares

	2019 £000's	2018 £000's
Interim dividend for the year ended 31 December 2019 of £100 (2018: £100) per Ordinary share	1,000	1,000

21. Events after the balance sheet date

The full impact of the COVID-19 pandemic is currently unknown. Post year end the pandemic and the resulting government measures imposed have impacted the business from late March 2020 when those measures came into force. Whilst the pandemic and the resulting economic uncertainty are likely to have further impact on the company's operations we are very encouraged by the performance of the Group in recent months as it emerged in a strong position from the Covid-19 lockdown.