

PDS Logistics Ltd
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Company Registration No. 02235950 (England and Wales)

STAX TRADE CENTRES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2019

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STAX TRADE CENTRES LIMITED

COMPANY INFORMATION

Directors	E J Brady D G Hibbert S J Wright N J Wright T Ball D R Butler A Gardiner A Hibbert W T Boyd	(Appointed 10 September 2019)
Secretary	D G Hibbert	
Company number	02235950	
Registered office	Holloway Drive Wardley Industrial Estate Worsley Manchester M28 2LA	
Auditor	Alexander & Co LLP 17 St Ann's Square Manchester M2 7PW	
Bankers	HSBC plc 8 High Street Manchester M60 4AJ	
Solicitors	Myerson Solicitors LLP Grosvenor House 20 Barrington Road Altrincham Cheshire WA14 1HB	

STAX TRADE CENTRES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 5
Independent auditor's report	6 - 8
Profit and loss account	9
Group statement of comprehensive income	10
Group balance sheet	11
Company balance sheet	12
Group statement of changes in equity	13
Company statement of changes in equity	14
Group statement of cash flows	15
Notes to the financial statements	16 - 38

STAX TRADE CENTRES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The directors present the strategic report for the year ended 31 August 2019.

Fair review of the business

These results for the year outlined below are masked by two key events; a significant one off incident that occurred in May 2019; and also purposely incurring additional costs (revenue investment for the future) in building further capability to support delivered services in line with a market shift.

In May 2019 the company suffered a virus attack on our core IT systems that significantly impacted performance for several months and which we estimate cost us sales of c £3.8m and £0.9m in margin during the first 14-week period of significant disruption. We also incurred additional operating costs to recover from the event of circa £150k.

Before the cyber-attack last year, the business had cumulative growing like for like sales of 2.2%, with like for like performance during the fourteen weeks of -13.4% with several weeks down by around 30%.

The virus impacted a number of core operational IT supported processes (purchase replenishment, sales and web order fulfilment and data feeds to our customers) and we lost visibility around our stock position. A response to this to minimise business disruption was carrying too much stock through to the year-end of circa £2m impacting our year end cash position.

This event should provide us with a natural recovery in terms of sales, profit and cash this year.

We had also committed additional revenue costs in branch labour and management, contracted distribution infrastructure and a growing sales team to enhance our capability within the delivered business in our sector (in the region of £750k). Having established this capability, we have been able to focus on its efficiency, reduction of any channel labour duplication and realignment to our changing customer and channel mix in the current year. This fundamental realignment has identified annual savings of over £1.5m p.a. implemented from period 5 this year.

The business sold a property this year and invested the money in the acquisition of M.P. Smith & Co. Limited, a key supplier to wholesalers in the hardware sector with a quality brand. The business has been stable both in terms of EBITDA c £0.6m and sales over a number of years and we plan to implement a number of product development, sourcing and customer growth opportunities.

The results for year ended August 2019 therefore reflect the one off impact of the cyber-attack and additional costs building delivery channel capability. The group achieved turnover of £116.0m, (2018: £118.6m) with an operating profit of £237k (including the profit on sale of Bristol property of £697k); operating loss excluding this is £460k (2018: £987k profit).

In the current year we have recovered to a normal stock position both as a result of this and other measures significantly improved our cash position, lowered our cost base, recovered profitability and are experiencing cumulative sales growth whilst managing the impacts of COVID-19 whilst being fortunately positioned as an essential business supplying key products.

The directors utilise various KPIs in order to assess the performance of the business. These include:

Turnover per employee (£'000) 183, (2018: 187)

Capital expenditure as a % of turnover 0.4% (2018: 0.2%)

EBITDA for the year was (£'000) £1,226 (2018: £2,010); after adjusting for the impact of the key events, outlined above, the directors consider that an EBITDA of (£'000) £2,926 was achieved for the year under review.

STAX TRADE CENTRES LIMITED

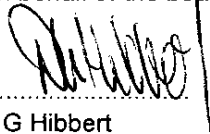
STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Principal risks and uncertainties

The principle risk to the business is that we continue to trade in a very challenging market. However, through proactively strengthening our offer to reflect customer wants and needs we are able to reduce this risk and uncertainty to acceptable levels. We have reviewed the potential impact of COVID-19 on the business and are actively working with suppliers and customers to ensure no disruption in supplies. The directors are satisfied that the steps being taken mitigates against the risk.

On behalf of the board



D G Hibbert

Director

29 May 2020

STAX TRADE CENTRES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 AUGUST 2019

The directors present their annual report and financial statements for the year ended 31 August 2019.

Principal activities

The principal activity of the company and group continued to be that of DIY and hardware wholesalers.

Directors

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

E J Brady
D G Hibbert
S J Wright
N J Wright
T Ball
D R Butler
H L Mayers
A Gardiner
A Hibbert
G M Askew
W T Boyd

(Resigned 31 May 2019)

(Appointed 31 May 2019 and resigned 29 August 2019)
(Appointed 10 September 2019)

Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £211,055. The directors do not recommend payment of a further dividend.

Supplier payment policy

The company attempts to establish continuing relationships with its suppliers by agreeing mutually acceptable purchasing arrangements on an individual basis. Accordingly, the directors consider that the adoption of any external standard or code would prejudice the flexibility that individual arrangements can achieve for the benefit of both parties.

At the year end, the company had an average of 40 days of purchases outstanding in trade creditors (2018 - 38 days).

Disabled persons

It is the company's policy to offer equal opportunities to disabled persons applying for vacancies and to provide them with the same opportunities for employment, training, career development and promotion as are available to all employees, within the limitations of their aptitude and abilities.

Employee involvement

The company continued to develop its practices in the area of employee involvement. The company is committed to improving its participative and consultative arrangements with all employees.

STAX TRADE CENTRES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Future developments

The year under review ended with the sale of the Bristol property to fund the purchase of M.P. Smith & Co. Limited, a privately owned company that is a key supplier in the Hardware and Ironmongery sector, providing loose and pre packed products under the Securit brand to wholesalers and online traders across the UK. Stax plan to introduce new lines into the range and concentrate on improving buying terms with Indian and Chinese manufacturers using Stax's extensive network of sourcing and quality control contacts in Asia.

During the latter half of the year under review, Stax were hit by a major computer hack that had a significant impact on the company's ability to trade but, as a result, has led to an overhaul of the entire network, leaving the company in a much more secure position to deal with any future events.

In the current year the senior management team has embarked on a programme of improvement throughout the business that has already seen major results in cost efficiency, working capital improvement, and re alignment of our labour force in light of the changes to our customer and channel mix.

The impact of COVID-19 has highlighted the benefit of the Stax online offer and further investment is planned to include online payments and customer account management. Digital promotions are likely to replace more of the printed communications throughout this year giving improved ROI on Stax comprehensive promotional campaigns.

Auditor

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STAX TRADE CENTRES LIMITED


DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Statement of disclosure to auditor

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

On behalf of the board



D G Hibbert
Director

Date: 29 May 2020

STAX TRADE CENTRES LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF STAX TRADE CENTRES LIMITED

Opinion

We have audited the financial statements of Stax Trade Centres Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 August 2019 which comprise the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, 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 FRS 102 *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 group's and the parent company's affairs as at 31 August 2019 and of the group's profit 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 UK, including the FRC'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 group's or the parent 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.

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.

STAX TRADE CENTRES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF STAX TRADE CENTRES LIMITED

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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 group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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.

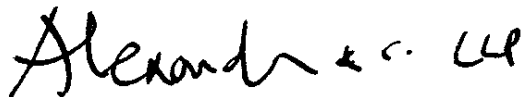
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

STAX TRADE CENTRES LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF STAX TRADE CENTRES LIMITED

Use of our report

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



Gary Kramrisch (Senior Statutory Auditor)
for and on behalf of Alexander & Co LLP

29 May 2020

Chartered Accountants
Statutory Auditor

17 St Ann's Square
Manchester
M2 7PW

STAX TRADE CENTRES LIMITED

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £	2018 £
Turnover	3	116,038,333	118,629,924
Cost of sales		(88,653,905)	(90,742,821)
Gross profit		27,384,428	27,887,103
Administrative expenses		(27,147,321)	(26,899,781)
Operating profit	4	237,107	987,322
Interest receivable and similar income	8	-	4
Interest payable and similar expenses	9	(86,956)	(150,904)
Profit before taxation		150,151	836,422
Tax on profit	10	109,881	(225,671)
Profit for the financial year		260,032	610,751

Profit for the financial year is all attributable to the owners of the parent company.

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

STAX TRADE CENTRES LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 AUGUST 2019

	2019 £	2018 £
Profit for the year	260,032	610,751
	<u> </u>	<u> </u>
Other comprehensive income		
Revaluation of tangible fixed assets	-	3,343,226
Tax relating to other comprehensive income	-	(166,544)
	<u> </u>	<u> </u>
Other comprehensive income for the year	-	3,176,682
	<u> </u>	<u> </u>
Total comprehensive income for the year	260,032	3,787,433
	<u> </u>	<u> </u>

Total comprehensive income for the year is all attributable to the owners of the parent company.

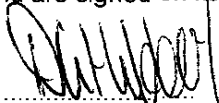
STAX TRADE CENTRES LIMITED

GROUP BALANCE SHEET

AS AT 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	12		1,951,568		728,771
Tangible assets	13		12,276,285		15,038,821
Investments	14		15,000		15,000
			<u>14,242,853</u>		<u>15,782,592</u>
Current assets					
Stocks	17	22,486,876		18,009,934	
Debtors	18	11,252,862		8,303,914	
Cash at bank and in hand		936,269		2,033,725	
		<u>34,676,007</u>		<u>28,347,573</u>	
Creditors: amounts falling due within one year	19	(24,163,643)		(21,309,902)	
Net current assets			<u>10,512,364</u>		<u>7,037,671</u>
Total assets less current liabilities			<u>24,755,217</u>		<u>22,820,263</u>
Creditors: amounts falling due after more than one year	20		(3,649,917)		(1,512,891)
Provisions for liabilities	23		(277,530)		(528,579)
Net assets			<u>20,827,770</u>		<u>20,778,793</u>
Capital and reserves					
Called up share capital	25		105,176		105,176
Share premium account			732,655		732,655
Revaluation reserve			1,548,964		3,288,005
Capital redemption reserve			10,861		10,861
Profit and loss reserves			18,430,114		16,642,096
Total equity			<u>20,827,770</u>		<u>20,778,793</u>

The financial statements were approved by the board of directors and authorised for issue on 29 May 2020 and are signed on its behalf by:



D G Hibbert
Director

STAX TRADE CENTRES LIMITED

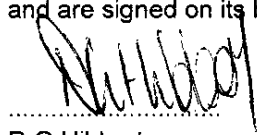
COMPANY BALANCE SHEET

AS AT 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Goodwill	12		671,613		728,771
Tangible assets	13		10,535,563		14,912,435
Investments	14		8,591,681		15,001
			<u>19,798,857</u>		<u>15,656,207</u>
Current assets					
Stocks	17	20,127,117		18,009,934	
Debtors	18	10,373,988		8,613,666	
Cash at bank and in hand		82,032		1,631,250	
		<u>30,583,137</u>		<u>28,254,850</u>	
Creditors: amounts falling due within one year	19	(25,815,311)		(21,100,724)	
Net current assets			<u>4,767,826</u>		<u>7,154,126</u>
Total assets less current liabilities			<u>24,566,683</u>		<u>22,810,333</u>
Creditors: amounts falling due after more than one year	20		(3,649,917)		(1,512,891)
Provisions for liabilities	22		(247,923)		(528,579)
Net assets			<u>20,668,843</u>		<u>20,768,863</u>
Capital and reserves					
Called up share capital	25		105,176		105,176
Share premium account			732,655		732,655
Revaluation reserve			1,548,964		3,288,005
Capital redemption reserve			10,861		10,861
Profit and loss reserves			<u>18,271,187</u>		<u>16,632,166</u>
Total equity			<u>20,668,843</u>		<u>20,768,863</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £111,035 (2018 - £600,821).

The financial statements were approved by the board of directors and authorised for issue on 29 May 2020 and are signed on its behalf by:



D G Hibbert
Director

Company Registration No. 02235950

STAX TRADE CENTRES LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 27 August 2017		105,176	732,655	111,323	10,861	16,300,444	17,260,459
Year ended 1 September 2018:							
Profit for the year		-	-	-	-	610,751	610,751
Other comprehensive income:							
Revaluation of tangible fixed assets		-	-	3,343,226	-	-	3,343,226
Tax relating to other comprehensive income		-	-	(166,544)	-	-	(166,544)
Total comprehensive income for the year	11	-	-	3,176,682	-	610,751	3,787,433
Dividends		-	-	-	-	(269,099)	(269,099)
Balance at 1 September 2018		105,176	732,655	3,288,005	10,861	16,642,096	20,778,793
Year ended 31 August 2019:							
Profit and total comprehensive income for the year		-	-	-	-	260,032	260,032
Dividends	11	-	-	-	-	(211,055)	(211,055)
Transfers		-	-	-	-	1,739,041	1,739,041
Other movements		-	-	(1,739,041)	-	-	(1,739,041)
Balance at 31 August 2019		105,176	732,655	1,548,964	10,861	18,430,114	20,827,770

STAX TRADE CENTRES LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 27 August 2017		105,176	732,655	111,323	10,861	16,300,444	17,260,459
Year ended 1 September 2018:							
Profit for the year		-	-	-	-	600,821	600,821
Other comprehensive income:							
Revaluation of tangible fixed assets		-	-	3,343,226	-	-	3,343,226
Tax relating to other comprehensive income		-	-	(166,544)	-	-	(166,544)
Total comprehensive income for the year		-	-	3,176,682	-	600,821	3,777,503
Dividends	11	-	-	-	-	(269,099)	(269,099)
Balance at 1 September 2018		105,176	732,655	3,288,005	10,861	16,632,166	20,768,863
Year ended 31 August 2019:							
Profit and total comprehensive income for the year		-	-	-	-	111,035	111,035
Dividends		-	-	-	-	(211,055)	(211,055)
Transfers	11	-	-	-	-	1,739,041	1,739,041
Other movements		-	-	(1,739,041)	-	-	(1,739,041)
Balance at 31 August 2019		105,176	732,655	1,548,964	10,861	18,271,187	20,668,843

STAX TRADE CENTRES LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 AUGUST 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	31		(2,444,593)		983,372
Interest paid			(86,956)		(150,904)
Income taxes paid			(323,943)		(161,685)
Net cash (outflow)/inflow from operating activities			(2,855,492)		670,783
Investing activities					
Acquisition of subsidiary (net of cash acquired)		(3,038,202)		19,358	
Purchase of tangible fixed assets		(500,048)		(283,244)	
Proceeds on disposal of tangible fixed assets		4,662,533		-	
Interest received		-		4	
Net cash generated from/(used in) investing activities			1,124,283		(263,882)
Financing activities					
Repayment of bank loans		(726,888)		(726,962)	
Dividends paid to equity shareholders		(211,055)		(269,099)	
Net cash used in financing activities			(937,943)		(996,061)
Net decrease in cash and cash equivalents			(2,669,152)		(589,160)
Cash and cash equivalents at beginning of year			(2,482,368)		(1,893,208)
Cash and cash equivalents at end of year			(5,151,520)		(2,482,368)
Relating to:					
Cash at bank and in hand			936,269		2,033,725
Bank overdrafts included in creditors payable within one year			(6,087,789)		(4,516,093)

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

Company information

Stax Trade Centres Limited ("the company") is a private limited company domiciled and incorporated in England and Wales. The registered office is Holloway Drive, Wardley Industrial Estate, Worsley, Manchester, M28 2LA.

The group consists of Stax Trade Centres Limited and all of its subsidiaries.

1.1 Accounting convention

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

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

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

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Investments in subsidiaries, joint ventures and associates are accounted for at cost less impairment.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Stax Trade Centres Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 August 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

M.P. Smith & Co. Limited has been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of M.P. Smith & Co. Limited for the 1 month period from its acquisition on 2 August 2019. The purchase consideration has been allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

1.3 Going concern

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

1.4 Turnover

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

Turnover represents the amount derived from the provision of DIY products which fall within the company's ordinary activities. Sales are recognised at the date of in-store purchase or at the time of delivery to customers.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill on the acquisition of M.P. Smith & Co. Limited is being amortised in equal instalments over its estimated useful life which the directors consider to be 20 years.

The remaining goodwill represents Stax Trade Centres Limited's investment in its former subsidiary undertaking. It is being amortised in equal instalments over its estimated useful economic life which the directors consider to be 20 years.

1.6 Tangible fixed assets

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

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

Freehold land and buildings	2% straight line
Leasehold land and buildings	10% straight line
Leasehold improvements	15% on reducing balance
Plant and equipment	20% on reducing balance
Fixtures and fittings	15-25% straight line
Computers	50% on reducing balance
Motor vehicles	20-25% straight line

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

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

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

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

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

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

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

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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

1.10 Cash at bank and in hand

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

1.11 Financial instruments

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

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

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

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price. Financial liabilities classified as payable within one year are not amortised.

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

Derecognition of financial liabilities

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

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.12 Equity instruments

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

1.13 Taxation

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

Current tax

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

Deferred tax

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

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

1.14 Employee benefits

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

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

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

1.15 Retirement benefits

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

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

1 Accounting policies

(Continued)

1.17 Foreign exchange

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

1.18 Rebates

Rebates received from suppliers mainly comprise volume related rebates on the purchase of stock. Rebates are recognised on an accrued basis based on actual purchases made in the period based on individual agreements made with suppliers.

2 Judgements and key sources of estimation uncertainty

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

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

3 Turnover and other revenue

	2019 £	2018 £
Turnover analysed by class of business		
Derived from principal activity	116,038,333	118,629,924
	<u>116,038,333</u>	<u>118,629,924</u>
	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	114,273,739	117,240,131
Europe	1,547,601	1,234,907
Rest of World	216,993	154,886
	<u>116,038,333</u>	<u>118,629,924</u>

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	932,000	962,945
(Profit)/loss on disposal of tangible fixed assets	(689,958)	530
Amortisation of intangible assets	57,158	59,788
Cost of stocks recognised as an expense	88,275,882	90,445,765
Operating lease charges	1,637,689	1,547,400

Included above is the profit from the sale of the Bristol property which totalled £696,732.

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	34,000	34,000
For other services		
Other taxation services	6,200	6,700
Services relating to corporate finance transactions	27,500	-
All other non-audit services	15,980	20,135
	49,680	26,835

6 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Management	48	46	46	44
Administration and supervisors	59	55	50	52
Selling and distribution	547	533	523	524
Production	28	-	-	-
	682	634	619	620

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	15,633,912	15,246,597	15,224,109	14,967,775
Social security costs	1,531,090	1,383,722	1,524,652	1,370,990
Pension costs	374,440	342,043	358,988	335,985
	<u>17,539,442</u>	<u>16,972,362</u>	<u>17,107,749</u>	<u>16,674,750</u>

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	1,899,933	1,824,394
Company pension contributions to defined contribution schemes	9,163	14,600
	<u>1,909,096</u>	<u>1,838,994</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 3).

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

	2019 £	2018 £
Remuneration for qualifying services	<u>499,299</u>	<u>412,057</u>

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	<u>-</u>	<u>4</u>

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	178,966	148,878
Interest on finance leases and hire purchase contracts	181	2,026
Other interest	(92,191)	-
Total finance costs	<u>86,956</u>	<u>150,904</u>

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	86,798	254,340
Adjustments in respect of prior periods	69,608	2,287
Total current tax	<u>156,406</u>	<u>256,627</u>
Deferred tax		
Origination and reversal of timing differences	(266,287)	(30,956)
Total tax (credit)/charge	<u>(109,881)</u>	<u>225,671</u>

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

	2019 £	2018 £
Profit before taxation	<u>150,151</u>	<u>836,422</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	28,529	158,920
Tax effect of expenses that are not deductible in determining taxable profit	29,052	28,852
Tax effect of income not taxable in determining taxable profit	(17,516)	-
Adjustments in respect of prior years	69,608	-
Depreciation on assets not qualifying for tax allowances	26,637	35,612
Under/(over) provided in prior years	-	2,287
Deferred tax adjustments in respect of prior years	(166,544)	-
Other timing differences	(79,647)	-
Taxation (credit)/charge	<u>(109,881)</u>	<u>225,671</u>

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on:		
Revaluation of property	-	166,544

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

11 Dividends

	2019 £	2018 £
Final paid	211,055	269,099

12 Intangible fixed assets

Group	Goodwill £
Cost	
At 2 September 2018	1,908,958
Additions - separately acquired	1,279,955
At 31 August 2019	3,188,913
Amortisation and impairment	
At 2 September 2018	1,180,187
Amortisation charged for the year	57,158
At 31 August 2019	1,237,345
Carrying amount	
At 31 August 2019	1,951,568
At 1 September 2018	728,771

The goodwill acquired in the year relates to the company's investment in its subsidiary undertaking, M.P. Smith & Co. Limited and is being amortised over the directors' estimate of its useful economic life of 20 years. The goodwill has a carrying value of £1,279,955 and has a remaining amortisation period of 20 years.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

12 Intangible fixed assets

(Continued)

Company	Goodwill £
Cost	
At 2 September 2018 and 31 August 2019	1,906,328
Amortisation and impairment	
At 2 September 2018	1,177,557
Amortisation charged for the year	57,158
At 31 August 2019	1,234,715
Carrying amount	
At 31 August 2019	671,613
At 1 September 2018	728,771

The goodwill relates to the company's investment in its former subsidiary undertaking and is being amortised over the directors' estimate of its useful economic life of 20 years. The goodwill has a carrying value of £671,613 (2018: £728,771) and has a remaining amortisation period of 12 years.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

13 Tangible fixed assets

Group	Freehold land and buildings	Leasehold land and buildings	Leasehold improvements	Plant and equipment	Fixtures and fittings	Computers	Motor vehicles	Total
	£	£	£	£	£	£	£	£
Cost or valuation								
At 2 September 2018	11,700,000	3,645,243	90,592	165,831	7,182,214	23,489	89,580	22,896,949
Additions	-	-	-	-	494,993	5,055	-	500,048
Disposals	(4,000,000)	-	-	-	(12,510)	(2,394)	-	(4,014,904)
On acquisition of subsidiary	1,575,000	-	-	292,240	156,864	113,931	85,282	2,223,317
At 31 August 2019	9,275,000	3,645,243	90,592	458,071	7,821,561	140,081	174,862	21,605,410
Depreciation and impairment								
At 2 September 2018	-	1,782,682	60,786	86,629	5,888,326	6,111	33,594	7,858,128
Depreciation charged in the year	142,000	262,519	4,471	16,737	472,988	10,502	22,783	932,000
Eliminated in respect of disposals	(34,200)	-	-	-	(5,988)	(2,141)	-	(42,329)
On acquisition of subsidiary	-	-	-	266,188	133,652	112,086	69,400	581,326
At 31 August 2019	107,800	2,045,201	65,257	369,554	6,488,978	126,558	125,777	9,329,125
Carrying amount								
At 31 August 2019	9,167,200	1,600,042	25,335	88,517	1,332,583	13,523	49,085	12,276,285
At 1 September 2018	11,700,000	1,862,561	29,806	79,202	1,293,888	17,378	55,986	15,038,821

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

Company	Freehold land and buildings	Leasehold land and buildings	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 2 September 2018	11,700,000	3,645,243	7,182,214	89,580	22,617,037
Additions	-	-	494,993	-	494,993
Disposals	(4,000,000)	-	(12,510)	-	(4,012,510)
At 31 August 2019	7,700,000	3,645,243	7,664,697	89,580	19,099,520
Depreciation and impairment					
At 2 September 2018	-	1,782,682	5,888,326	33,594	7,704,602
Depreciation charged in the year	142,000	262,519	472,629	22,395	899,543
Eliminated in respect of disposals	(34,200)	-	(5,988)	-	(40,188)
At 31 August 2019	107,800	2,045,201	6,354,967	55,989	8,563,957
Carrying amount					
At 31 August 2019	7,592,200	1,600,042	1,309,730	33,591	10,535,563
At 1 September 2018	11,700,000	1,862,561	1,293,888	55,986	14,912,435

The carrying value of land and buildings comprises:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Freehold	7,592,200	11,700,000	7,592,200	11,700,000
Short leasehold	1,600,042	1,862,561	1,600,042	1,862,561
	9,192,242	13,562,561	9,192,242	13,562,561

Freehold land and buildings situated in Manchester and Bristol were last valued professionally by Nolan Redshaw, Chartered Surveyors in November 2018. The valuations were £7,700,000 for Manchester and £4,000,000 for Bristol. The valuations were carried out on a market value basis and were in accordance with RICS Valuation - Global Standards 2017. The valuations have been incorporated into these financial statements. During the year, the freehold land and buildings situated in Bristol were sold.

Freehold land and buildings acquired on the acquisition of M.P. Smith & Co. Limited were last professionally valued by Walker Singleton, independent Chartered Valuers, in March 2019. The valuation conforms to International Valuation Standards and was based on market transactions on arm's length terms for similar properties. The valuation has been incorporated into these financial statements.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

13 Tangible fixed assets

(Continued)

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Cost	11,531,618	12,658,550	10,335,613	12,658,550
Accumulated depreciation	(1,982,905)	(1,731,220)	(1,431,438)	(1,731,220)
Carrying value	9,548,713	10,927,330	8,904,175	10,927,330

14 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	15	-	-	8,576,681	1
Unlisted investments		15,000	15,000	15,000	15,000
		15,000	15,000	8,591,681	15,001

Movements in fixed asset investments Group

	Investments other than loans £
Cost or valuation	
At 2 September 2018 and 31 August 2019	15,000
Carrying amount	
At 31 August 2019	15,000
At 1 September 2018	15,000

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

14 Fixed asset investments

(Continued)

Movements in fixed asset investments

Company	Shares in group undertakings	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 2 September 2018	1	15,000	15,001
Additions	8,576,680	-	8,576,680
At 31 August 2019	8,576,681	15,000	8,591,681
Carrying amount			
At 31 August 2019	8,576,681	15,000	8,591,681
At 1 September 2018	1	15,000	15,001

15 Subsidiaries

Details of the company's subsidiaries at 31 August 2019 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held	
				Direct	Indirect
PDS Logistics Limited	1	Warehouse and distribution	Ordinary	100.00	-
M.P. Smith & Co. Limited	1	Hardware wholesalers	Ordinary	100.00	-

Registered office addresses (all UK unless otherwise indicated):

1 Holloway Drive, Wardley Industrial Estate, Worsley, Manchester, M28 2LA

The above subsidiaries are included in the consolidated financial statements.

The company has guaranteed the liabilities of PDS Logistics Limited in order that they qualify for the exemption from audit under Section 479A of the Companies Act 2006 in respect of the year ending 31 August 2019.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

16 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	9,066,043	7,049,474	n/a	n/a
Equity instruments measured at cost less impairment	15,000	15,000	n/a	n/a
Carrying amount of financial liabilities				
Measured at amortised cost	25,690,149	21,114,700	n/a	n/a

As permitted by the reduced disclosure framework within FRS 102, the company has taken advantage of the exemption from disclosing the carrying amount of certain classes of financial instruments, denoted by 'n/a' above.

17 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	22,486,876	18,009,934	20,127,117	18,009,934

18 Debtors

	Group 2019 £	2018 £	Company 2019 £	2018 £
Amounts falling due within one year:				
Trade debtors	9,066,043	7,049,474	8,170,806	7,004,837
Corporation tax recoverable	-	6	-	-
Amounts owed by group undertakings	-	-	203,628	443,009
Prepayments and accrued income	2,186,819	1,247,672	1,999,554	1,165,820
	11,252,862	8,297,152	10,373,988	8,613,666
Deferred tax asset (note 23)	-	6,762	-	-
	11,252,862	8,303,914	10,373,988	8,613,666

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

19 Creditors: amounts falling due within one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	21	6,437,077	5,242,951	6,437,077	5,242,951
Trade creditors		12,427,605	11,823,980	12,448,783	11,772,160
Amounts owed to group undertakings		-	-	2,000,000	-
Corporation tax payable		203,089	254,340	65,857	254,340
Other taxation and social security		1,920,322	1,453,753	1,855,688	1,370,980
Other creditors		717,175	-	710,384	-
Accruals and deferred income		2,458,375	2,534,878	2,297,522	2,460,293
		<u>24,163,643</u>	<u>21,309,902</u>	<u>25,815,311</u>	<u>21,100,724</u>

20 Creditors: amounts falling due after more than one year

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	21	1,163,573	1,512,891	1,163,573	1,512,891
Other creditors		2,486,344	-	2,486,344	-
		<u>3,649,917</u>	<u>1,512,891</u>	<u>3,649,917</u>	<u>1,512,891</u>

Other creditors totalling £3,196,728 (2018 - £nil) are secured by way of fixed and floating charges over the company's freehold properties.

Amounts included above which fall due after five years are as follows:

Payable by instalments	<u>223,474</u>	<u>465,999</u>	<u>223,474</u>	<u>465,999</u>
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21 Loans and overdrafts

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	1,512,861	2,239,749	1,512,861	2,239,749
Bank overdrafts	6,087,789	4,516,093	6,087,789	4,516,093
	<u>7,600,650</u>	<u>6,755,842</u>	<u>7,600,650</u>	<u>6,755,842</u>
Payable within one year	6,437,077	5,242,951	6,437,077	5,242,951
Payable after one year	<u>1,163,573</u>	<u>1,512,891</u>	<u>1,163,573</u>	<u>1,512,891</u>

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

21 Loans and overdrafts

(Continued)

The company's borrowings totalling £7,600,650 (2018 - £6,755,842) are secured by way of fixed and floating charges over the assets of the company, including fixed charges over the company's freehold properties and a debenture giving rise to a fixed charge over freehold and leasehold property and a fixed and floating charge over all other assets of the company, both present and future.

There were two loans outstanding at the year end. The first loan of £127,500 is repayable over 10 years from the date of drawdown (September 2009). Interest is charged at 2.25% per annum over LIBOR together with an additional regulatory cost rate.

The second loan of £1,385,361 is repayable over 10 years from the date of drawdown (June 2015). Interest is charged at 1.5% per annum over the Bank of England Base Rate.

Interest is also charged on the company's overdraft at 1.5% per annum over the Bank of England Base Rate.

22 Provisions for liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Deferred tax liabilities	23	277,530	528,579	247,923	528,579

23 Deferred taxation

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

Group	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	293,015	372,160	-	(10,485)
Tax losses	-	-	-	17,247
Revaluations	-	166,544	-	-
Retirement benefit obligations	(15,485)	(10,125)	-	-
	<u>277,530</u>	<u>528,579</u>	<u>-</u>	<u>6,762</u>

Company	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	263,070	372,160	-	-
Revaluations	-	166,544	-	-
Retirement benefit obligations	(15,147)	(10,125)	-	-
	<u>247,923</u>	<u>528,579</u>	<u>-</u>	<u>-</u>

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2019

23 Deferred taxation	(Continued)	
Movements in the year:	Group 2019 £	Company 2019 £
Liability at 2 September 2018	521,817	528,579
Credit to profit or loss	(77,743)	(114,112)
Transfer on disposal	(166,544)	(166,544)
Liability at 31 August 2019	277,530	247,923

The deferred tax liability set out above in relation to accelerated capital allowances is expected to reverse within 60 months.

The deferred tax asset set out above relating to retirement benefit obligations is expected to reverse within 12 months.

24 Retirement benefit schemes	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	374,440	342,043

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

25 Share capital	Group and company 2019 £	
Ordinary share capital		
Issued and fully paid		
52,588 Ordinary "A" shares of £1 each	52,588	52,588
52,588 Ordinary "B convertible" shares of £1 each	52,588	52,588
	105,176	105,176

The 'B' convertible ordinary shares rank pari passu with the 'A' ordinary shares except as set out below:-

- i) Each 'A' share shall confer on the holder one vote at any general meeting of the company.
- ii) The 'B' shares do not carry any voting rights.
- iii) The profits of the company available for distribution shall be applied in paying income to the holders of 'A' and 'B' shares pari passu as if the same constituted one class of share.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

26 Acquisitions

On 2 August 2019 the group acquired 100% of the issued capital of M.P. Smith & Co. Limited.

	Book Value £	Adjustments £	Fair Value £
Property, plant and equipment	1,641,991	-	1,641,991
Inventories	2,299,507	-	2,299,507
Trade and other receivables	1,361,461	-	1,361,461
Cash and cash equivalents	2,341,750	-	2,341,750
Trade and other payables	(209,692)	-	(209,692)
Tax liabilities	(116,292)	-	(116,292)
Deferred tax	(22,000)	-	(22,000)
Total identifiable net assets	7,296,725	-	7,296,725
Goodwill			1,279,955
Total consideration			8,576,680
The consideration was satisfied by:			£
Cash			5,379,952
Deferred consideration			3,196,728
			8,576,680
Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:			£
Turnover			334,044
Profit after tax			43,255

Goodwill on the acquisition of M.P. Smith & Co. Limited is being amortised in equal instalments over its estimated useful life which the directors consider to be 20 years.

27 Financial commitments, guarantees and contingent liabilities

The company's subsidiary, PDS Logistics Limited, has taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the company has guaranteed the year-end liabilities of the subsidiary until they are settled in full.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

28 Operating lease commitments

Lessee

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	1,752,972	1,656,260	1,432,814	1,395,939
Between two and five years	3,962,415	4,609,414	3,119,575	3,672,351
In over five years	3,239,269	3,884,340	3,239,269	3,884,340
	<u>8,954,656</u>	<u>10,150,014</u>	<u>7,791,658</u>	<u>8,952,630</u>

29 Related party transactions

Remuneration of key management personnel

	2019 £	2018 £
Aggregate compensation	<u>1,909,096</u>	<u>1,838,994</u>

During the year the company made payments of £730,157 to W E Merris Pension Scheme in respect of property rentals (2018: £730,157). The Bristol property was sold to W E Merris Pension Scheme during the year for a total of £5,602,532. The scheme is a small self-administered pension fund of which E J Brady, D G Hibbert, N J Wright and S J Wright are members.

During the year the company purchased goods to the value of £10,137,709 (2018: £8,672,488) from Munro Importers Limited, a company in which E J Brady & S J Wright have a beneficial interest. At the balance sheet date an amount of £1,002,758 (2018: £1,228,574) was due to the company and was included in trade creditors.

30 Controlling party

In the opinion of the directors, there is no overall controlling party of the company.

STAX TRADE CENTRES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2019

31 Cash (absorbed by)/generated from group operations

	2019 £	2018 £
Profit for the year after tax	260,032	610,751
Adjustments for:		
Taxation (credited)/charged	(109,881)	225,671
Finance costs	86,956	150,904
Investment income	-	(4)
(Gain)/loss on disposal of tangible fixed assets	(689,958)	530
Amortisation and impairment of intangible assets	57,158	59,788
Depreciation and impairment of tangible fixed assets	932,000	962,945
Movements in working capital:		
Increase in stocks	(2,177,435)	(470,041)
(Increase)/decrease in debtors	(1,594,255)	415,437
Increase/(decrease) in creditors	790,790	(972,609)
Cash (absorbed by)/generated from operations	(2,444,593)	983,372