

**Crescent Building Supplies (Ruislip)
Limited**

Annual report and financial statements
Registered number 04850331
Year ended 31 December 2019



Crescent Building Supplies (Ruislip) Limited
Registered number 04850331
Annual report and financial statements
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Crescent Building Supplies (Ruislip) Limited
Registered number 04850331
Annual report and financial statements
Year ended 31 December 2019

Directors and Company Information

Directors

J Sowton
J Maisey

Secretary

Grafton Group Secretarial Services Limited

Company Number

04850331

Registered Office

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

Independent Auditors

Cooper Parry Group Limited
Sky View, Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

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 duties to promote the success of Crescent Building Supplies (Ruislip) Limited ("the Company").

Principal activity

The principal activity of the Company during the year under review continues to be that of Builders Merchants.

Business review

In 2019 the Company turnover increased against market trends. The market has remained volatile with confidence remaining fragile over the uncertainty of Brexit and the UK economy.

Health and Safety

There were no major incidents in the year to 31 December 2019. There was one major incident to report in the year to 31 December 2018. The incident took place at the Uxbridge branch and was settled in 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 | 2018 |
|---------------------------|--------|--------|
| Turnover (£'000) | 13,601 | 13,242 |
| Operating profit (£'000) | 798 | 981 |
| Operating margin | 5.9% | 7.4% |
| Current Liquidity ratio | 2.29 | 2.64 |
| Total Shareholders' funds | 5,795 | 5,154 |

Principal risks and uncertainties

The main challenge affecting the Company during the year, and continuing into the future, is the uncertainty and confidence over the economic situation of the country due to Brexit, and now more recently Covid-19. Although supplier price increases haven't been as aggressive as previously noted, passing the increases on and maintaining sales and margin remain a very challenging prospect in a very competitive market both locally and with increasing Internet offerings. Now with the Covid pandemic in 2020, the market will remain in a state of uncertainty, which may mean some consumers holding onto cash rather than investing into their property and projects.

Strategic Report (*continued*)

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.

Post balance sheet events & future developments

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.

This report was approved by the Board of Directors and signed on its behalf by:

Joe Sowton

J Sowton
Director

Date: 15 October 2020

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Directors' report

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

Strategic report

The directors confirm that they have prepared a Strategic Report in accordance with Section 414A of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2014.

Results and dividends

The Company's profit for the financial year is £641k (2018: £783k). No dividends were paid or proposed in 2019 (2018: £nil).

Directors

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

J Sowton
K Tinsley (resigned 2 April 2019)
J Maisey (appointed 2 April 2019)

Political and charitable contributions

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

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.

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.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

The auditors, Cooper Parry Group Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Future developments and financial risks

Details of future developments and financial risk management can be found in the Strategic Report on page 3-4 and form part of this report by cross-reference.

This report was approved by the Board of Directors and signed on its behalf by:



J Sowton
Director

Date: 15 October 2020

Crescent Building Supplies (Ruislip) Limited
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Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 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, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

This report was approved by the Board of Directors and signed on its behalf by:

Joe Sowton

J. Sowton
Director

Date: 15 October 2020

Crescent Building Supplies (Ruislip) Limited
Registered number 04850331
Annual report and financial statements
Year ended 31 December 2019

Independent auditors' report to the members of Crescent Building Supplies (Ruislip) Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statement of The Crescent Building Supplies (Ruislip) 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 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with 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 Auditors' 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.

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 Auditors' 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.

Independent auditors' report to the members of Crescent Building Supplies (Ruislip) Limited (continued)

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 has 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 Directors' report or Strategic 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 the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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Independent auditors' report to the members of Crescent Building Supplies (Ruislip) Limited (continued)

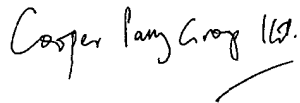
Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



Neil Calder (Senior Statutory Auditor)
For and on behalf of Cooper Parry Group Limited
Chartered Accountants
Statutory Auditor
Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 20 October 2020

Crescent Building Supplies (Ruislip) Limited
Registered number 04850331
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Profit and Loss Account
for the year ended 31 December 2019

| | Note | 2019 £000 | 2018 £000 |
|--------------------------------------|------|--------------|--------------|
| Turnover | 2 | 13,601 | 13,242 |
| Cost of sales | | (10,207) | (9,969) |
| Gross profit | | 3,394 | 3,273 |
| Administrative expenses | | (2,596) | (2,292) |
| Operating profit | | 798 | 981 |
| Profit before taxation | 3 | 798 | 981 |
| Tax on profit | 5 | (157) | (198) |
| Profit for the financial year | | 641 | 783 |

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

All amounts relate to the continuing operations of the Company.

The notes on pages 13 to 26 form part of the financial statements.

Crescent Building Supplies (Ruislip) Limited
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Balance sheet
as at 31 December 2019

| | Note | 2019 | 2018 |
|---|------|------------------|------------------|
| | | £000 | £000 |
| Fixed assets | | | |
| Tangible assets | 6 | 930 | 930 |
| Right of use assets | 7 | 1,540 | - |
| | | <hr/> | <hr/> |
| | | 2,470 | 930 |
| Current assets | | | |
| Stocks | 8 | 1,403 | 1,353 |
| Debtors | 9 | 5,047 | 5,129 |
| Cash at bank and in hand | | 1,725 | 348 |
| | | <hr/> | <hr/> |
| Creditors: amounts falling due within one year | 10 | 8,175 (3,570) | 6,830 (2,590) |
| | | <hr/> | <hr/> |
| Net current assets | | 4,605 | 4,240 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 7,075 | 5,170 |
| Provisions for liabilities | | | |
| Deferred taxation | 11 | (5) | (16) |
| Lease liabilities | 13 | (1,275) | - |
| | | <hr/> | <hr/> |
| Net assets | | 5,795 | 5,154 |
| | | <hr/> | <hr/> |
| Capital and reserves | | | |
| Called up share capital | 12 | - | - |
| Profit and loss account | 12 | 5,795 | 5,154 |
| | | <hr/> | <hr/> |
| Total shareholders' funds | | 5,795 | 5,154 |
| | | <hr/> | <hr/> |

The notes on pages 13 to 26 form part of these financial statements.

These financial statements were approved by the board of directors on 15 October 2020 and were signed on its behalf by:

Joe Sowton

J Sowton
Director

Date: 15 October 2020

Crescent Building Supplies (Ruislip) Limited
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Statement of Changes in Equity
for the year ended 31 December 2019

| | Called up share capital £000 | Profit and loss account £000 | Total shareholders' funds £000 |
|--|---|---|---|
| Balance at 1 January 2019 | - | 5,154 | 5,154 |
| Comprehensive income for the financial year | | | |
| Profit for the financial year | - | 641 | 641 |
| | | | |
| Total comprehensive income for the financial year | | | |
| Transactions with owners, recorded directly in equity | | | |
| Dividends paid | - | - | - |
| | | | |
| Balance at 31 December 2019 | - | 5,795 | 5,795 |

| | Called up share capital £000 | Profit and loss account £000 | Total shareholders' funds £000 |
|--|---|---|---|
| Balance at 1 January 2018 | - | 4,371 | 4,371 |
| Comprehensive income for the financial year | | | |
| Profit for the financial year | - | 783 | 783 |
| | | | |
| Total comprehensive income for the financial year | - | 783 | 783 |
| Transactions with owners, recorded directly in equity | | | |
| Dividends paid | - | - | - |
| | | | |
| Balance at 31 December 2018 | - | 5,154 | 5,154 |

Notes

(forming part of financial statements)

1 Accounting policies

Crescent Building Supplies (Ruislip) Limited (the "Company") is a private Company limited by shares, incorporated and domiciled in the UK. The address of its registered office is: Ground Floor, Boundary House, 2 Wythall Green Way, Wythall, Birmingham, B47 6LW, England, United Kingdom.

Basis of preparation

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.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") and makes amendments where necessary to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

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 and are available to the public and may be obtained from Grafton Group plc, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.

As the consolidated financial statements of Grafton Group plc include the equivalent disclosures permitted by FRS 101, the company has taken advantage of some of the disclosure exemptions available under that standard. The key exemptions taken are as follows:

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

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.

Notes

(forming part of financial statements)

1 Accounting policies (continued)

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 significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 16.

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.

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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Financial instruments

IFRS 9 Financial instruments was effective from 1 January 2019, and addresses the classification, measurement and recognition of financial assets and financial liabilities. It retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost; fair value through other comprehensive income; and fair value through profit or loss. Investments in equity instruments are measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income, not recycling. An expected credit losses model replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there are no changes to classification and measurement, except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

The classification and measurement basis for the Company's financial assets and liabilities has remained unchanged. The implementation of the expected loss model when calculating provisions against Trade Receivables had no impact on the profits of the Company.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other debtors, cash and cash equivalents 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 income statement 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.

Notes (continued)
(forming part of financial statements)

1 Accounting policies (continued)

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.

Cash and Cash Equivalents

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

Tangible fixed assets

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

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

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

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 land and buildings | Nil |
| • Leasehold buildings | Length of lease |
| • Equipment, machinery and furniture | 5-10 years |
| • Motor vehicles | 5-7 years |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS17, which were off-balance sheet. The Company has applied IFRS 16 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 properties and motor vehicles. 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.

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.

Notes (continued)
(forming part of financial statements)

1 Accounting policies (continued)

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.

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.

Revenue from contracts with customers

IFRS 15 Revenue from Contracts with Customers effective 1 January 2018, deals with revenues recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The company carried out a review of existing contractual arrangements and determined that there was no material impact for the Company's revenue streams.

Turnover

Turnover relates to the principal activity of the Company and arise wholly within the UK. Revenues are recorded based on the price specified in the sales invoices/ contracts net of actual and estimated returns, rebates and any discounts granted and in accordance with the terms of sale. Accumulated experience is used to estimate returns, rebates and discounts using the expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Revenue is recognised to the extent that the Group has satisfied its performance obligations to the buyer and the buyer has obtained control of the goods or services being transferred. In the case of sales of goods, this generally arises when products have either been delivered to or collected by a customer and there is no unfulfilled obligation that could affect the acceptance of the products.

Notes (continued)
(forming part of financial statements)

1 Accounting policies (continued)

Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, and finance leases recognised in profit or loss using the effective interest method, 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 or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Income tax in the profit and loss account represents the sum of current tax and deferred tax.

Income tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is based on taxable profit and represents the expected tax payable 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 certain items that are not tax deductible including property depreciation. The Company's liability for current tax is calculated using rates that have been enacted or substantially enacted at the balance sheet date. The Company's income tax charge reflects various allowances and reliefs and planning opportunities available in the tax jurisdictions in which the Company operates. The determination of the Company's charge for income tax in the profit and loss account requires estimates to be made, on the basis of professional advice, in relation to certain matters where the ultimate outcome may not be certain and where an extended period may be required before such matters are determined. The estimates for income tax included in the financial statements are considered appropriate but no assurance can be given that the final determination of these matters will not be materially different to the estimates included in the financial statements.

Deferred tax is provided, using the liability method, on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled based on rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax assets and liabilities are not recognised for the following temporary differences:

- Temporary differences associated with investments in subsidiaries in which case deferred tax is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred tax asset to be utilised.

2 Turnover

Turnover relates to the principal activity of the Company and arises wholly within the UK.

Notes (continued)
(forming part of financial statements)

3 Profit before taxation

| | 2019 £000 | 2018 £000 |
|---|--------------|--------------|
| <i>Profit before taxation is stated after charging:</i> | | |
| Depreciation and other amounts written off tangible fixed assets: | | |
| Owned | 205 | 198 |
| Right of Use Assets | 287 | - |
| Auditor's remuneration for the audit of the financial statements | 11 | 12 |
| Operating lease costs: | | |
| Leasehold properties | - | 355 |
| Amount of stock recognised as an expense | 10,207 | 9,969 |

4 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 |
| Merchanting | 56 | 61 |

The aggregate payroll costs of these persons were as follows:

| | 2019 £000 | 2018 £000 |
|-----------------------------------|--------------|--------------|
| Wages and salaries | 1,625 | 1,626 |
| Social security costs | 146 | 141 |
| Other pension costs (see note 14) | 31 | 36 |
| | 1,802 | 1,803 |

The emoluments of the directors are paid by other group companies. A recharge is made to the subsidiary by other group companies, but the management charge includes other costs and the emoluments cannot be separately identified. The directors are also directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the company's directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the parent company.

Notes (continued)
(forming part of financial statements)

5 Tax on profit

| | 2019 £'000 | 2019 £'000 | 2018 £000 | 2018 £000 |
|--|---------------|---------------|--------------|--------------|
| Current tax: | | | | |
| Current year charge | 170 | | 199 | |
| Adjustment in respect of prior periods | (3) | | (14) | |
| | | | | |
| Total current tax | | 168 | | 185 |
| Deferred tax: | | | | |
| Current year charge | (17) | | (7) | |
| Adjustment in respect of prior periods | 6 | | 20 | |
| | | | | |
| Total deferred tax | | (11) | | 13 |
| | | | | |
| Total tax charge | | 157 | | 198 |

Factors affecting the tax charge for the current year

The total tax charge for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

| | 2019 £'000 | 2018 £'000 |
|---|---------------|---------------|
| Profit before taxation | 798 | 981 |
| | | |
| Profit before taxation multiplied by standard rate of corporation Tax in the UK of 19% (2018: 19%) | 152 | 186 |
| | | |
| <i>Effects of:</i> | | |
| Expenses not deductible for tax purposes | 1 | 5 |
| Adjustments to current tax charge in respect of prior periods | (3) | (14) |
| Impact of change in UK tax rate | 1 | 1 |
| Adjustments to deferred tax in respect of previous periods | 6 | 20 |
| | | |
| Total tax charge (see above) | 157 | 198 |

Factors which may affect future tax charges

A reduction in the UK corporation tax rate 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. This 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 had been substantively enacted at the current balance sheet date the deferred tax liability would have been increased by £0.5k.

Notes (continued)
(forming part of financial statements)

6 Tangible assets

| | Leasehold land and buildings | Equipment, machinery and furniture | Motor Vehicles | Total |
|--|---|---|---------------------------|--------------|
| | £000 | £000 | £000 | £000 |
| <i>Cost or valuation</i> | | | | |
| At 1 January 2019 | 24 | 918 | 1,548 | 2,490 |
| Additions | - | - | 304 | 304 |
| Disposals | - | (17) | (413) | (430) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2019 | 24 | 901 | 1,439 | 2,364 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Accumulated depreciation</i> | | | | |
| At 1 January 2019 | - | 563 | 997 | 1,560 |
| Charge for year | - | 77 | 128 | 205 |
| Depreciation on disposals | - | (17) | (314) | (331) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2019 | - | 623 | 811 | 1,434 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | |
| At 31 December 2019 | 24 | 278 | 628 | 930 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2018 | 24 | 355 | 551 | 930 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Notes (continued)
(forming part of financial statements)

7 Right of use assets

| | Property & land leases £'000 | Vehicles £'000 | Total £'000 |
|--|------------------------------------|-------------------|----------------|
| Recognised at 1 January 2019 | 1,784 | 27 | 1,811 |
| Additions | - | 16 | 16 |
| Disposals | - | - | - |
| Depreciation charge | (277) | (10) | (287) |
| | <u>1,507</u> | <u>33</u> | <u>1,540</u> |
| Closing carrying value at 31 December 2019 | | | |

The average lease term is 52.875 years

The amounts recognised in the income statement include:

| | 2019 £000 |
|---|--------------|
| Depreciation expense on right-of-use assets | 287 |
| Interest expense on lease liabilities | 60 |
| | <u></u> |

The total cash outflow for leases amounted to £329k.

There have been no sale and leaseback transactions in the current year.

8 Stocks

| | 2019 £000 | 2018 £000 |
|-------------------------------------|--------------|--------------|
| Finished goods and goods for resale | <u>1,403</u> | <u>1,353</u> |

Finished goods recognised as cost of sales in the year amounted to £10.2m (2018: £9.9m). The write-down of stocks to net realisable value amounted to £396k (2018: £383k).

In the opinion of the directors there is no material difference between the replacement cost of stocks and the balance sheet amounts.

Notes (continued)
(forming part of financial statements)

9 Debtors

| | 2019 £000 | 2018 £000 |
|----------------------------------|--------------|--------------|
| Trade debtors | 859 | 886 |
| Amounts due from group companies | 4,177 | 4,167 |
| Prepayments and accrued income | 11 | 76 |
| | <hr/> | <hr/> |
| | 5,047 | 5,129 |
| | <hr/> | <hr/> |

Amounts due from group companies are unsecured, interest free and repayable on demand. All amounts included above fall due within one year.

Trade debtors are stated after provisions for impairment of £75k (2018: £58k).

10 Creditors: amounts falling due within one year

| | 2019 £000 | 2018 £000 |
|---------------------------------|--------------|--------------|
| Trade creditors | 1,136 | 1,206 |
| Amounts due to group companies | 1,791 | 1,187 |
| Other taxes and social security | 75 | 67 |
| Accruals & other creditors | 314 | 130 |
| Lease Liability | 254 | - |
| | <hr/> | <hr/> |
| | 3,570 | 2,590 |
| | <hr/> | <hr/> |

Amounts due to group companies are unsecured, interest free and repayable on demand.

Included within Accruals & other creditors is an amount of £NIL (2018: £8k) relating to expected rebates payable to customers.

Notes (continued)

(forming part of financial statements)

11 Deferred taxation

| | 2019 | | | 2018 | | |
|---|--------------------------------|--------------------------------------|--|--------------------------------|---|--|
| | Deferred tax asset £'000 | Deferred tax liabilities £'000 | Net deferred tax (asset)/ liabilities £'000 | Deferred tax asset £'000 | Deferred tax liabilities £'000 | Net deferred tax (asset)/ liabilities £'000 |
| Tangible fixed asset timing differences | | 10 | 10 | - | 10 | 10 |
| Provisions/accruals | (5) | | (5) | - | 6 | 6 |
| | (5) | 10 | 5 | - | 16 | 16 |

Movement in deferred tax during the year

| | 1 January 2019 £'000 | Recognised in income £'000 | Recognised in equity £'000 | 31 December 2019 £'000 |
|---|----------------------------|----------------------------------|----------------------------------|------------------------------|
| Tangible fixed asset timing differences | 10 | 0 | | 10 |
| Provisions/accruals | 6 | (11) | | (5) |
| | 16 | (11) | | 5 |

Movement in deferred tax during the year

| | 1 January 2018 £'000 | Recognised in income £'000 | Recognised in equity £'000 | 31 December 2018 £'000 |
|---|----------------------------|----------------------------------|----------------------------------|------------------------------|
| Tangible fixed asset timing differences | 10 | - | - | 10 |
| Provisions/accruals | (7) | 13 | - | 6 |
| | 3 | 13 | - | 16 |

Deferred tax assets have been recognised in respect of certain timing differences 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.

Notes (continued)
(forming part of financial statements)

12 Capital and reserves

| Share Capital | 2019 | 2018 |
|---|-------|-------|
| | £ | £ |
| Authorised | | |
| 2 (2018: 2) ordinary shares of £1 each | 2 | 2 |
| | <hr/> | <hr/> |
| Allotted, called-up and fully paid | | |
| 2 (2018: 2) ordinary shares of £1 each | 2 | 2 |
| | <hr/> | <hr/> |

Profit and Loss Account

The profit and loss account records retained earnings and accumulated losses.

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 3.515%.

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.

Details of the right-of-use asset are set out in Note 7.

Notes (continued)
(forming part of financial statements)

13 Leases (continued)

Total commitments payable under non-cancellable operating lease in 2018 are as follows:

| | 2018 Leasehold properties £000 |
|--------------------------------------|---|
| Operating leases which expire: | |
| Within one year | 394 |
| Between two and five years inclusive | 1,220 |
| Over five years | 649 |
| | <hr/> 2,263 <hr/> |

The table below reconciles the Company's operating lease obligations at 31 December 2018 to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019.

| | £000 |
|---|--------------------------|
| Operating lease commitments as 31 December 2018 | 2,263 |
| Additional operating leases identified at 31 December 2018 | 27 |
| Difference due to extensions, terminations etc | (507) |
| Other adjustments to operating lease commitments | - |
| Restate 31 December 2018 operating lease commitments | <hr/> 1783 <hr/> |
| Impact of discounting on leases | - |
| IFRS 16 lease liability at 1 January 2019 | <hr/> <u>1,783</u> <hr/> |

14 Pension scheme

The company contributes to the personal pension schemes of certain employees. The charge for the year amounted to £31k (2018: £36k).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

15 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.

Notes (continued)

(forming part of financial statements)

16 Accounting estimates and judgements

The Company's main accounting policies affecting its results and financial condition are set out on pages 13 to 17. 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:

Rebate income

Rebates from suppliers represent a significant source of income for the Company each year. The nature of the arrangements in place means that a large proportion of the rebates due to the Company are not collected until after the year end. The calculation of rebate income in the year and the rebate receivable at year end is based on the agreements in place with suppliers. Rebate is accrued in the year as it is earned. Due to the supplier specific nature of each arrangement the calculations can be complex and requires management to make estimates in the absence of supplier confirmations.

Stock provisioning

The company maintains inventory which is subject to changing customer demands. As a result, it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. Management consider the nature and condition of inventory, as well as apply assumptions around expected future demand for the inventory, when calculating the level of inventory provisioning. See note 8 for the net carrying value of inventory and associated provision.

Leases

Where the Company has an option to extend or terminate a lease, management uses its judgement to determine whether such an option would be reasonably certain to be exercised. Management considers all facts and circumstances, including past practice and costs that would be incurred if an option were to be exercised, to help them determine the lease term. Management have also applied judgements in assessing the discount rate, which are based on the incremental borrowing rate. Such judgements could impact lease terms and associated lease liabilities. The Company have availed of the practical expedient available on transition to IFRS16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and the guidance in IFRS4 will continue to be applied to those leases entered into or modified before 1 January 2019.

17 Ultimate parent company

The company's immediate parent undertaking is Grafton Group (UK) plc which is incorporated in the United Kingdom.

The Company's ultimate parent undertaking is and controlling party is Grafton Group plc, a company incorporated in the Republic of Ireland. Grafton Group plc is the largest and smallest company that prepares consolidated financial statements which include the financial statements of the Company. Copies of the financial statements of Grafton Group plc may be obtained from Grafton Group Secretarial Services Limited, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18.