

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	D R Kilburn M J Smith
<b>Registered number</b>	10689517
<b>Registered office</b>	Stoneferry Road Hull East Yorkshire HU8 8DE

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**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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## **M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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The directors present their report and the financial statements for the year ended 30 September 2019.

#### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

#### **Directors**

The directors who served during the year were:

D R Kilburn  
M J Smith

#### **Disclosure of information to auditors**

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**COVID-19**

The COVID-19 virus pandemic is impacting all companies, employees, suppliers and customers on a worldwide basis and provides uncertainty over the ability for companies to operate. As a result, it may impact suppliers and

customers behaviours due to the isolation measures, both locally and nationally within the UK, as well as the disease impact of the virus on the general population. The MKM Group has worked hard to ensure that appropriate COVID-19 safe operating procedures have been implemented throughout the business to keep both

customers and employees safe. The Company will continue to monitor the situation regarding the wider impact of the virus and constantly changing pandemic environment.

**Going Concern**

Although the company is in a net current liabilities position, the directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support from the parent company, M.K.M. Building Supplies (Group) Limited, supported by the cash flows of the Group. Management has produced forecasts for the Group that have also been sensitised to reflect severe yet plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

**Auditors**

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 30 September 2011.

**Small companies note**

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 13 July 2020 and signed on its behalf.



M J Smith  
Director

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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**Report on the audit of the financial statements**

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**Opinion**

In our opinion M.K.M. Building Supplies (Newent) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2019 and its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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**Basis for opinion**

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

*Independence*

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

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**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which 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.

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

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## **M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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#### **Reporting on other information**

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

#### *Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the year ended 30 September 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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#### **Responsibilities for the financial statements and the audit**

##### *Responsibilities of directors for the financial statements*

As explained more fully in the Directors' responsibilities statement, 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.

##### *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.

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**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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

*Use of this report*

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

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**Other required reporting**

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**Companies Act 2006 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

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**Entitlement to exceptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Randal Casson (Senior statutory auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds

13 July 2020



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**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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	Note	2019 £	2018 £
Turnover	4	6,422,941	4,673,847
Cost of sales		(4,827,206)	(3,516,299)
<b>Gross profit</b>		<b>1,595,735</b>	<b>1,157,548</b>
Administrative expenses		(1,526,702)	(1,216,684)
<b>Operating profit/(loss)</b>	5	<b>69,033</b>	<b>(59,136)</b>
Tax on profit/(loss)	8	(18,336)	6,777
<b>Profit/(loss) for the financial year</b>		<b>50,697</b>	<b>(52,359)</b>

There were no recognised gains and losses for 2019 or 2018 other than those included in the profit and loss account.

The notes on pages 9 to 25 form part of these financial statements.

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**  
**REGISTERED NUMBER: 10689517**

**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2019**

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Intangible assets	9	2,339	2,632
Tangible assets	10	160,162	202,437
		<u>162,501</u>	<u>205,069</u>
<b>Current assets</b>			
Stocks	11	381,307	380,043
Debtors: amounts falling due within one year	12	1,130,313	918,033
Cash at bank and in hand	13	600	600
		<u>1,512,220</u>	<u>1,298,676</u>
Creditors: amounts falling due within one year	14	(1,615,650)	(1,581,159)
<b>Net current liabilities</b>		<u>(103,430)</u>	<u>(282,483)</u>
<b>Total assets less current liabilities</b>		<u>59,071</u>	<u>(77,414)</u>
<b>Provisions for liabilities</b>			
Other provisions	17	(200,215)	(114,427)
		<u>(200,215)</u>	<u>(114,427)</u>
<b>Net liabilities</b>		<u>(141,144)</u>	<u>(191,841)</u>
<b>Capital and reserves</b>			
Called up share capital		20,000	20,000
Profit and loss account		(161,144)	(211,841)
		<u>(141,144)</u>	<u>(191,841)</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to entities subject to the small companies regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 July 2020.

  
**M J Smith**  
 Director

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total equity £</b>
<b>At 1 October 2017</b>	<b>1</b>	<b>(159,482)</b>	<b>(159,481)</b>
Loss for the year	-	(52,359)	(52,359)
Shares issued during the year	19,999	-	19,999
<b>At 1 October 2018</b>	<b>20,000</b>	<b>(211,841)</b>	<b>(191,841)</b>
Profit for the year	-	50,697	50,697
<b>At 30 September 2019</b>	<b>20,000</b>	<b>(161,144)</b>	<b>(141,144)</b>

The notes on pages 9 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**1. General information**

The Company is a Limited company, limited by shares, incorporated and domiciled in England, UK. The registered address of the M.K.M. Building Supplies (Newent) Limited is as per the Company information.

The financial statements, for the year ended 30 September 2019 are prepared in accordance with United Kingdom generally accepted accounting practice (UK GAAP). The company's financial statements have been prepared in accordance with FRS101.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.2 Financial reporting standard 101 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- the requirements of paragraph 33(c) of IFRS 5 Non Current Assets Held For Sale and Discontinued Operations
- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
  - paragraphs 76 and 79(d) of IAS 40 Investment Property; and
  - paragraph 50 of IAS 41 Agriculture
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

**2.3 Impact of new international reporting standards, amendments and interpretations**

**IFRS 9**

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 9 from 01 October 2018.

**IFRS 15**

From 01 October 2018, the Company has applied IFRS 15 using the cumulative effect method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**Impact of new international reporting standards, amendments and interpretations**

**2.3 (continued)**

There have been no material impacts on the Company's financial statements as a result of adopting IFRS 15 from 01 October 2018.

**2.4 Going concern**

Although the company is in a net current liabilities position, the directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support from the parent company, M.K.M. Building Supplies (Group) Limited, supported by the cash flows of the Group. Management has produced forecasts for the Group that have also been sensitised to reflect severe yet plausible downside scenarios as a result of the COVID-19 pandemic and its impact on the global economy, which have been reviewed by the directors. These demonstrate the Group is forecast to generate profits and cash and that the Group has sufficient cash reserves to enable the Group to meet its obligations as they fall due for a period of at least 12 months from the date of signing of these financial statements.

**2.5 Turnover**

Revenue comprises the fair value of consideration receivable for goods and services supplied to external customers in the ordinary course of the company's activities and excludes inter-company revenue and value added tax. In general, revenue is recognised to the extent that it is subject to reliable measurement, that it is probable that economic benefits will flow to the company and that the significant risks and rewards of ownership have passed to the buyer. 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. Revenues are recorded based on the price specified in the sales invoices/contracts net of actual returns and any discounts granted.

**2.6 Intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows:

Software	3 to 5 years
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**2.7 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.7 Tangible fixed assets (continued)**

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold Property	- Remaining period of lease
Plant & machinery	- Between 3 and 10 years
Fixtures & fittings	- Between 3 and 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss account.

**2.8 Stock**

Stocks are stated at the lower of cost and net realisable value. Cost is based on weighted average price 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 after making due allowance for obsolete and slow moving items.

**2.9 Supplier arrangements**

Supplier incentives, rebates and discounts are collectively referred to as supplier income. Supplier income is recognised as a deduction from cost of sales on an accruals basis based on the expected entitlement which has been earned up to the year end date for each relevant supplier contract. The accrued incentives, rebates and discounts receivable at year end are included within other receivables. Where goods on which rebate has been earned remain in inventory at the year end, an appropriate rebate deduction is made from the gross balance sheet carrying value of that inventory. The rebate deduction is only released to the profit and loss account when the goods are ultimately sold.

**2.10 Financial instruments**

The Company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets and financial liabilities are initially measured at fair value.

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either fair value or amortised cost, depending on the classification of the financial assets.

**Fair value through profit or loss**

All of the Company's financial assets are subsequently measured at fair value at the end of each

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.10 Financial instruments (continued)**

reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

**Impairment of financial assets**

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

**Financial liabilities**

**Fair value through profit or loss**

Financial liabilities are classified as at fair value through profit or loss, when the financial liability is held for trading, or is designated as at fair value through profit or loss. This designation may be made if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, or the financial liability forms part of a group of financial instruments which is managed and its performance is evaluated on a fair value basis, or the financial liability forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss. Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

**At amortised cost**

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

**2.11 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**2. Accounting policies (continued)**

**2.12 Share-based payments**

Share-based payment arrangements are fair valued using option pricing models. Equity-settled share-based payment arrangements are fair valued as at the point of granting of the award to the employee. The fair values of the awards are charged to the income statement over the vesting period in line with how the employee services are received by the Company. Changes in the expecting vesting period and/or the number of awards that are expected to vest are adjusted in the charge to the income statement. The awards vest at the next exit event of the group; the time to the next exit event is an important component of both the fair value of the awards and the computation of the annual charge to the income statement. If the assumed period to the next exit event was to increase/decrease from year to year then it is likely that the annual charge would decrease/increase. The Branch Directors of this subsidiary of M.K.M. Building Supplies Limited have been issued with equity share-based awards. The Directors have assessed the fair value of these awards to be immaterial and not accounted for in these financial statements.

**2.13 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**2.14 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

**2.15 Pensions**

**Defined contribution pension plan**

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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**2. Accounting policies (continued)**

**2.16 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

**2.17 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

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**3. Judgments in applying accounting policies and key sources of estimation uncertainty****Supplier arrangements - supplier rebates**

The value of supplier rebates included in the income statement is generally calculated by applying an agreed percentage to the gross supplier invoice price of the goods purchased. The majority of supplier rebates, are determined by reference to "guaranteed" rates of rebate, the remainder are subject to stepped targets, the net rebate percentage increasing as values or volumes purchased reach pre-agreed targets. A significant proportion of the rebate agreements are not co-terminus with the Group's year end and are on a calendar year as such caution is applied to ensure that supplier rebate income is not recognised until all the risk and rewards are guaranteed. Amounts receivable under most Supplier Arrangements are earned and settled monthly, although some agreements may also stipulate quarterly, bi-annual or annual payment.

As a result, the key judgements made is to determine the value of rebates to be immediately recognised in the profit and loss account.

**4. Turnover**

The whole of the turnover is attributable to sales of building materials to third parties in the United Kingdom.

**5. Operating profit/(loss)**

The operating profit/(loss) is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets	43,732	41,467
Amortisation of intangible assets, including goodwill	1,642	985
Defined contribution pension cost	15,068	7,554

**6. Auditors' remuneration**

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	4,020	4,020

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**7. Employees**

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Selling and distribution	18	16
Administration	3	3
	<u>21</u>	<u>19</u>

**8. Taxation**

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	10,000	-
	<u>10,000</u>	<u>-</u>
Group taxation relief	10,514	(6,086)
	<u>20,514</u>	<u>(6,086)</u>
<b>Foreign tax</b>		
Group Relief - prior yr	(381)	-
	<u>(381)</u>	<u>-</u>
<b>Total current tax</b>	<u>20,133</u>	<u>(6,086)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(2,052)	(691)
Adjustments in respect of previous periods	255	-
	<u>(1,797)</u>	<u>(691)</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>18,336</u>	<u>(6,777)</u>

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**8. Taxation (continued)**

**Factors affecting tax charge for the year**

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

	2019 £	2018 £
Profit on ordinary activities before tax	<u>69,033</u>	<u>(59,136)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	13,116	(11,236)
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,104	4,378
Adjustments to tax charge in respect of prior periods	(126)	-
Other differences leading to an increase (decrease) in the tax charge	242	81
<b>Total tax charge for the year</b>	<u><u>18,336</u></u>	<u><u>(6,777)</u></u>

**Factors that may affect future tax charges**

The standard rate of UK corporation tax is 19% and this took effect from 1 April 2017. The 2016 Finance Act introduced a UK corporation tax rate of 17% from 1 April 2020. Accordingly, these rates are applicable in the measurement of deferred tax assets and liabilities at 30 September 2019 with deferred tax provided at 17%, being the rate at which temporary differences are expected to reverse. The Budget which took place on 11 March 2020 confirmed the rate of corporation tax will remain at 19% from 1 April 2020, cancelling the enacted rate reduction to 17%. The rate reduction reversal was substantively enacted on 17 March 2020 by way of a special resolution. Had the 19% rate been substantively enacted at the balance sheet date, the impact on the closing deferred tax balances at 30 September 2019 would be immaterial.

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**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**9. Intangible assets**

	Software £
<b>Cost</b>	
At 1 October 2018	3,729
Additions - external	1,350
	<hr/>
At 30 September 2019	5,079
	<hr/>
<b>Amortisation</b>	
At 1 October 2018	1,098
Charge for the year	1,642
	<hr/>
At 30 September 2019	2,740
	<hr/>
<b>Net book value</b>	
At 30 September 2019	2,339
	<hr/> <hr/>
At 30 September 2018	2,632
	<hr/> <hr/>

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**10. Tangible fixed assets**

	Leasehold Property £	Plant & machinery £	Fixtures & fittings £	Total £
<b>Cost or valuation</b>				
At 1 October 2018	64,803	152,897	33,381	251,081
Additions	-	1,456	-	1,456
At 30 September 2019	<u>64,803</u>	<u>154,353</u>	<u>33,381</u>	<u>252,537</u>
<b>Depreciation</b>				
At 1 October 2018	4,043	32,774	11,827	48,644
Charge for the year on owned assets	3,241	30,480	10,010	43,731
At 30 September 2019	<u>7,284</u>	<u>63,254</u>	<u>21,837</u>	<u>92,375</u>
<b>Net book value</b>				
At 30 September 2019	<u>57,519</u>	<u>91,099</u>	<u>11,544</u>	<u>160,162</u>
At 30 September 2018	<u>60,760</u>	<u>120,123</u>	<u>21,554</u>	<u>202,437</u>

The net book value of land and buildings may be further analysed as follows:

	2019 £	2018 £
Long leasehold	57,519	60,762
	<u>57,519</u>	<u>60,762</u>

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**11. Stocks**

	2019 £	2018 £
Finished goods and goods for resale	381,307	380,043
	<u>381,307</u>	<u>380,043</u>

Finished goods and goods for resale are stated net of accumulated impairment of £21,937 (2018 - £17,659).

**12. Debtors**

	2019 £	2018 £
Trade debtors	1,066,728	890,653
Other debtors	-	3,005
Prepayments and accrued income	60,806	23,393
Deferred taxation	2,779	982
	<u>1,130,313</u>	<u>918,033</u>

**13. Cash and cash equivalents**

	2019 £	2018 £
Cash at bank and in hand	600	600
	<u>600</u>	<u>600</u>



**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Creditors: Amounts falling due within one year**

	2019 £	2018 £
Trade creditors	-	(1)
Amounts owed to group undertakings	1,596,898	1,571,727
Corporation tax	10,000	-
Other creditors	6,529	5,358
Accruals and deferred income	2,223	4,075
	<u>1,615,650</u>	<u>1,581,159</u>

Amounts owed to Group undertakings are interest free, unsecured and repayable on demand.

**15. Financial instruments**

	2019 £	2018 £
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	600	600
Financial assets that are debt instruments measured at amortised cost	1,066,728	893,658
	<u>1,067,328</u>	<u>894,258</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(1,599,121)</u>	<u>(1,575,800)</u>

**16. Deferred taxation**

	2019 £	2018 £
At beginning of year	982	291
Charged to profit or loss	1,797	691
<b>At end of year</b>	<u>2,779</u>	<u>982</u>

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 SEPTEMBER 2019**

**16. Deferred taxation (continued)**

The deferred tax asset is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	2,779	982
	<u>2,779</u>	<u>982</u>

**17. Provisions**

	Future minimum rent increase £
At 1 October 2018	114,427
Charged to profit or loss	85,788
<b>At 30 September 2019</b>	<u><u>200,215</u></u>

**18. Contingent liabilities**

The company's principal bankers have committed facilities secured by fixed and floating charges over the assets of the Company.

The company has entered into an omnibus guarantee set off arrangement with other Group undertaking in respect of bank borrowings, which total £100,000,000 (2018 - £100,000,000).

**19. Pension commitments**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £15,068 (2018 - £7,545).

**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**20. Commitments under operating leases**

At 30 September 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
<b>Land and Buildings</b>		
Not later than 1 year	147,500	86,042
Later than 1 year and not later than 5 years	631,996	612,613
Later than 5 years	2,485,017	2,651,899
	<u>3,264,513</u>	<u>3,350,554</u>
	2019 £	2018 £
<b>Other</b>		
Not later than 1 year	67,498	84,872
Later than 1 year and not later than 5 years	155,626	296,200
Later than 5 years	-	7,223
	<u>223,124</u>	<u>388,295</u>

**21. Related party transactions**

During the year shareholders made purchases from the company, on terms no better than available to all employees, and had amounts outstanding at the year end as follows. In addition, a management charge was made from the company's immediate parent:

	2019 Balance £	2018 Balance £
Amounts owed from M.K.M. Building Supplies Limited	-	-
Amounts owed to M.K.M. Building Supplies Limited	<u>1,596,898</u>	<u>1,008,887</u>

No provisions or write off to these balances has been made during the year (2018 - £Nil). The company holds no bank accounts. All transactions which are cash settled are made on the company's behalf by its immediate parent, M.K.M. Building Supplies Limited, with an associated balance due to or from M.K.M. Building Supplies Limited being recognised in the company.

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**M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**22. Post balance sheet events**

The outbreak of COVID-19 in early 2020 has affected business and economic activity around the world, including U.K. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 30 September 2019. Given the spread of COVID-19, the range of potential outcomes for the economy are difficult to predict at this point in time and consequently the impact on the balance sheet cannot be determined. The Company as part of the Group continues to monitor the developments closely and has worked hard to ensure that appropriate COVID-19 safe operating procedures have been implemented throughout the business to keep both customers and employees safe. The Company will continue to monitor the situation regarding the wider impact of the virus and constantly changing pandemic environment.

**23. Controlling party**

The parent undertaking of the largest group of undertakings for which consolidated group financial statements were drawn up and of which M.K.M. Building Supplies (Newent) Limited was a member, was M.K.M. Building Supplies (Group) Limited incorporated in England. The parent undertaking of the smallest such group was M.K.M. Building Supplies Limited, incorporated in England. M.K.M. Building Supplies Limited is also the immediate parent undertaking.

Publicly available financial statements for the parent company may be obtained from:

Stoneferry Road  
Hull  
HU8 8DE

The ultimate parent company is Mukah (BC) Sarl, a company incorporated in Luxemburg. The group is controlled by funds advised by Bain Capital Private Equity, L.P. and its affiliates.