

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

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2020



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

COMPANY INFORMATION

| | |
|--------------------------|--|
| Directors | D R Kilburn M J Smith |
| Registered number | 10689517 |
| Registered office | Stoneferry Road Hull East Yorkshire HU8 8DE |

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

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**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

The directors present their report and the financial statements for the year ended 30 September 2020.

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 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 2020**

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 8 March 2021 and signed on its behalf.



M J Smith
Director

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

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

Report on the audit of the financial statements

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 2020 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 30 September 2020; 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.

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 of our opinion.

Independence

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

Conclusions relating to going concern

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

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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

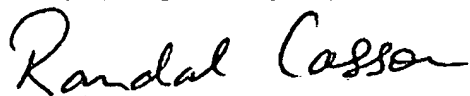
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not 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.

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: prepare financial statements in accordance with the small companies regime; 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

8 March 2021

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

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

| | Note | 2020 £ | 2019 £ |
|--------------------------------------|------|------------------|------------------|
| Turnover | 4 | 5,497,654 | 6,422,941 |
| Cost of sales | | (4,014,934) | (4,827,206) |
| Gross profit | | 1,482,720 | 1,595,735 |
| Administrative expenses | | (1,126,972) | (1,526,702) |
| Other operating income | | 39,173 | - |
| Operating profit | 5 | 394,921 | 69,033 |
| Tax on profit | 8 | (76,442) | (18,336) |
| Profit for the financial year | | 318,479 | 50,697 |

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

The notes on pages 9 to 24 form part of these financial statements.

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

BALANCE SHEET
AS AT 30 SEPTEMBER 2020

| | Note | 2020 £ | 2019 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Intangible assets | 9 | 1,482 | 2,339 |
| Tangible assets | 10 | 160,077 | 160,162 |
| | | <u>161,559</u> | <u>162,501</u> |
| Current assets | | | |
| Stocks | 11 | 379,482 | 381,307 |
| Debtors: amounts falling due within one year | 12 | 890,477 | 1,130,313 |
| Cash at bank and in hand | 13 | 600 | 600 |
| | | <u>1,270,559</u> | <u>1,512,220</u> |
| Creditors: amounts falling due within one year | 14 | (1,030,239) | (1,615,650) |
| Net current assets/(liabilities) | | <u>240,320</u> | <u>(103,430)</u> |
| Total assets less current liabilities | | <u>401,879</u> | <u>59,071</u> |
| Provisions for liabilities | | | |
| Other provisions | 17 | (224,544) | (200,215) |
| | | <u>(224,544)</u> | <u>(200,215)</u> |
| Net assets/(liabilities) | | <u>177,335</u> | <u>(141,144)</u> |
| Capital and reserves | | | |
| Called up share capital | | 20,000 | 20,000 |
| Profit and loss account | | 157,335 | (161,144) |
| | | <u>177,335</u> | <u>(141,144)</u> |

The Company's financial statements have been prepared in accordance with the provisions applicable to companies 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 8 March 2021.



M J Smith
Director

M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

| | Called up share capital | Profit and loss account | Total equity |
|-----------------------------|------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ |
| At 1 October 2018 | 20,000 | (211,841) | (191,841) |
| Profit for the year | - | 50,697 | 50,697 |
| | | | |
| At 1 October 2019 | 20,000 | (161,144) | (141,144) |
| Profit for the year | - | 318,479 | 318,479 |
| | | | |
| At 30 September 2020 | 20,000 | 157,335 | 177,335 |

The notes on pages 9 to 24 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

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.

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 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 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).

Transition from FRS101 to FRS102:

In the current year the Company has adopted FRS102. In previous years financial statements were prepared in accordance with FRS101. This change in the basis of preparation has not materially altered the recognition and measurement or disclosure requirements previously applied under FRS101.

The following principal accounting policies have been applied:

2.2 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.

2.3 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.4 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.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

| | | |
|----------|---|--------------|
| Software | - | 3 to 5 years |
|----------|---|--------------|

2.5 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.

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.

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.7 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.

2.8 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Profit and loss account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and loss account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.8 Financial instruments (continued)

net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.9 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.

2.10 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.

2.11 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.

2.12 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and loss account in the same period as the related expenditure.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.13 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.

2.14 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.

2.15 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

2. Accounting policies (continued)

2.16 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.

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-terminous with the company'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 judgement 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

5. Operating profit

The operating profit is stated after charging:

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| Depreciation of tangible fixed assets | 38,287 | 43,732 |
| Amortisation of intangible assets, including goodwill | 1,857 | 1,642 |
| Defined contribution pension cost | 15,375 | 15,068 |
| Government grants | (39,173) | - |

6. Auditors' remuneration

| | 2020 £ | 2019 £ |
|---|-----------|-----------|
| 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.

7. Employees

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

| | 2020 No. | 2019 No. |
|--------------------------|-------------|-------------|
| Selling and distribution | 15 | 18 |
| Administration | 2 | 3 |
| | <u>17</u> | <u>21</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

8. Taxation

| | 2020 £ | 2019 £ |
|--|-----------------------|-----------------------|
| Corporation tax | | |
| Current tax on profits for the year | 50,000 | 10,000 |
| | <u>50,000</u> | <u>10,000</u> |
| Group taxation relief | 27,537 | 10,514 |
| | <u>77,537</u> | <u>20,514</u> |
| Foreign tax | | |
| Group Relief - prior year | - | (381) |
| | <u>-</u> | <u>(381)</u> |
| Total current tax | <u><u>77,537</u></u> | <u><u>20,133</u></u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (1,095) | (2,052) |
| Adjustments in respect of previous periods | - | 255 |
| Total deferred tax | <u><u>(1,095)</u></u> | <u><u>(1,797)</u></u> |
| Taxation on profit on ordinary activities | <u><u>76,442</u></u> | <u><u>18,336</u></u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - *higher than*) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

| | 2020 £ | 2019 £ |
|--|----------------------|----------------------|
| Profit on ordinary activities before tax | <u>394,921</u> | <u>69,033</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%) | 75,035 | 13,116 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 1,733 | 5,104 |
| Adjustments to tax charge in respect of prior periods | - | (126) |
| Other differences leading to an increase (decrease) in the tax charge | (326) | 242 |
| Total tax charge for the year | <u>76,442</u> | <u>18,336</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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

9. Intangible assets

| | Software £ |
|-----------------------|-----------------------|
| Cost | |
| At 1 October 2019 | 5,079 |
| Additions | 1,000 |
| | <hr/> |
| At 30 September 2020 | 6,079 |
| | <hr/> |
| Amortisation | |
| At 1 October 2019 | 2,740 |
| Charge for the year | 1,857 |
| | <hr/> |
| At 30 September 2020 | 4,597 |
| | <hr/> |
| Net book value | |
| At 30 September 2020 | 1,482 |
| | <hr/> <hr/> |
| At 30 September 2019 | 2,339 |
| | <hr/> <hr/> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

10. Tangible fixed assets

| | Leasehold Property £ | Plant & machinery £ | Fixtures & fittings £ | Total £ |
|-------------------------------------|----------------------------|---------------------------|-----------------------------|------------|
| Cost or valuation | | | | |
| At 1 October 2019 | 64,803 | 154,354 | 33,381 | 252,538 |
| Additions | 6,144 | 32,059 | - | 38,203 |
| At 30 September 2020 | 70,947 | 186,413 | 33,381 | 290,741 |
| Depreciation | | | | |
| At 1 October 2019 | 7,285 | 63,255 | 21,836 | 92,376 |
| Charge for the year on owned assets | 3,458 | 25,526 | 9,304 | 38,288 |
| At 30 September 2020 | 10,743 | 88,781 | 31,140 | 130,664 |
| Net book value | | | | |
| At 30 September 2020 | 60,204 | 97,632 | 2,241 | 160,077 |
| At 30 September 2019 | 57,519 | 91,099 | 11,544 | 160,162 |

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

| | 2020 £ | 2019 £ |
|----------------|-----------|-----------|
| Long leasehold | 60,204 | 57,519 |
| | 60,204 | 57,519 |

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

**NOTES TO THE FINANCIAL STATEMENTS
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11. Stocks

| | 2020 | 2019 |
|-------------------------------------|-----------------------|-----------------------|
| | £ | £ |
| Finished goods and goods for resale | 379,482 | 381,307 |
| | <u>379,482</u> | <u>381,307</u> |

Finished goods and goods for resale are stated net of accumulated impairment of £11,824 (2019 - £21,937).

12. Debtors

| | 2020 | 2019 |
|--------------------------------|-----------------------|-------------------------|
| | £ | £ |
| Trade debtors | 861,522 | 1,066,728 |
| Prepayments and accrued income | 25,081 | 60,806 |
| Deferred taxation | 3,874 | 2,779 |
| | <u>890,477</u> | <u>1,130,313</u> |

13. Cash and cash equivalents

| | 2020 | 2019 |
|--------------------------|-------------------|-------------------|
| | £ | £ |
| 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
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

14. Creditors: Amounts falling due within one year

| | 2020 £ | 2019 £ |
|------------------------------------|------------------|------------------|
| Amounts owed to group undertakings | 999,042 | 1,596,898 |
| Corporation tax | 5,541 | 10,000 |
| Other creditors | 24,298 | 6,529 |
| Accruals and deferred income | 1,358 | 2,223 |
| | <u>1,030,239</u> | <u>1,615,650</u> |

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

15. Financial instruments

| | 2020 £ | 2019 £ |
|---|--------------------|--------------------|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | 600 | 600 |
| Financial assets that are debt instruments measured at amortised cost | 861,522 | 1,066,728 |
| | <u>862,122</u> | <u>1,067,328</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>(1,000,400)</u> | <u>(1,599,121)</u> |

16. Deferred taxation

| | 2020 £ | 2019 £ |
|----------------------------|--------------|--------------|
| At beginning of year | 2,779 | 982 |
| Credited to profit or loss | 1,095 | 1,797 |
| At end of year | <u>3,874</u> | <u>2,779</u> |

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

16. Deferred taxation (continued)

The deferred tax asset is made up as follows:

| | 2020 £ | 2019 £ |
|--------------------------------|--------------|--------------|
| Accelerated capital allowances | 3,874 | 2,779 |
| | <u>3,874</u> | <u>2,779</u> |

17. Provisions

| | Future minimum rent increase £ |
|---------------------------|--|
| At 1 October 2019 | 200,215 |
| Charged to profit or loss | 24,329 |
| | <u>224,544</u> |
| At 30 September 2020 | <u>224,544</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 £110,000,000 (2019 - £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 £15,375 (2019 - £15,068).

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

20. Commitments under operating leases

At 30 September 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2020 £ | 2019 £ |
|--|------------------|------------------|
| Land and Buildings | | |
| Not later than 1 year | 147,500 | 147,500 |
| Later than 1 year and not later than 5 years | 651,379 | 631,996 |
| Later than 5 years | 2,318,134 | 2,485,017 |
| | <u>3,117,013</u> | <u>3,264,513</u> |
| | 2020 £ | 2019 £ |
| Other | | |
| Not later than 1 year | 65,538 | 67,498 |
| Later than 1 year and not later than 5 years | 90,088 | 155,626 |
| | <u>155,626</u> | <u>223,124</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:

| | 2020 Balance £ | 2019 Balance £ |
|--|----------------------|----------------------|
| Amounts owed to M.K.M. Building Supplies Limited | <u>999,042</u> | <u>1,596,898</u> |

No provisions or write off to these balances has been made during the year (2019 - £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.

| |
|--|
| M.K.M. BUILDING SUPPLIES (NEWENT) LIMITED |
|--|

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2020**

22. 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 Mukah (BC) Sarl incorporated in Luxemburg. 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.