

Company Registration Number 13651604

DEVON TOPCO LIMITED
(formerly Hamsard 5653 Limited)

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the period from 29 September 2021 to 31 December 2022



Devon Topco Limited (formerly Hamsard 3653 Limited)
Company Information

Director	Mr G D Campbell Mr G R Allen Mr R Aujla Mr G F Ball
Company Number	13651604
Registered Office	40 Wharfedale Road Euroway Industrial Estate Bradford BD4 6SG
Independent Auditors	Brown Butler Chartered Accountants Leigh House 28-32 St Paul's Street Leeds LS1 2JT

Devon Topco Limited (formerly Hamsard 3653 Limited)
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Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Group Strategic Report
For the period ended 31 December 2022

Introduction

The directors present the strategic report and financial statements for the period from 29 September 2021 to 31 December 2022.

Fair review of the business

The company was incorporated 29 September 2021, with the intended use that of a holding company.

On 11 March 2022 Devon Topco Limited through the subsidiary undertaking Devon Bidco Limited acquired Barwick Bathrooms Limited and Barwick of Bradford Limited. Barwick Bathrooms Limited and Barwick of Bradford Limited are the members of Barwick Bathroom Distribution LLP. These consolidated financial statements represent this newly formed group.

The group are pleased to report a strong performance in 2022. For Barwick Bathroom Distribution LLP, sales in the 12 months to December 2022 increasing by 10.5% to £65,169,779 (2021: £58,977,358) and underlying EBITDA increasing by £730,263 to £6,306,084 (2021: £5,575,821).

The figures for the group below reflect the trade since acquisition in March 2022. During the period ended 31 December 2022 the group has generated a profit before taxation of £1,057,886.

While we envisage market conditions for bathroom distribution to tighten in 2023 due to macro-economic factors, we remain optimistic about our future prospects and our ability to outperform the wider market. Cash flow has continued to be managed actively and the directors believe that the groups capital base leaves it well positioned to take advantage of business opportunities that may arise in the future.

Key Performance Indicators

The group's key KPI's considered to manage performance of the business are:

	2022
Turnover	52,376,088
Gross Margin	27.6%
Underlying EBITDA (Note 4)	4,806,694

Principal risks and uncertainties

The principal activity of the group is the distribution of luxury bathroom fixtures. Market demand is impacted by the performance of the overall UK economy, and as such, any economic downturn will have a negative impact on demand for the products and services which the company provides. The company manages this risk by providing excellent service levels and holding excellent relationships with both customers and suppliers, allowing the company to continually outperform the overall market.

Credit Risk

The Group's credit risk relates primarily to its trade receivables. The group has robust procedures for setting up and continually monitoring customer credit limits based on credit reference checks and continual review of payment history. The Group also has credit insurance in place, limiting the group's own exposure.

Liquidity Risk

The Group continually prepares cashflow forecasts to ensure that the Group has sufficient debt facilities and working capital to meet its requirements.

This report was approved by the board and signed on its behalf by:


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Director
Date: 22/09/2023

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Directors' Report
For the period ended 31 December 2022

The directors present their report and the financial statements for the period from 29 September 2021 to 31 December 2022.

Incorporation

The company was incorporated on 29 September 2021 and commenced trading on 11 March 2022 through the acquisition of Barwick Bathroom Distribution LLP.

Principal activity

The principal activity of the company is that of a holding company.

The principal activity of the Group is that of distributors of luxury bathroom fixtures.

Dividends

No dividends have been declared in the period and the directors do not propose the payment of a final dividend.

Directors

The directors who held office during the period were as follows:

Mr G D Campbell (appointed 11 March 2022)

Mr G R Allen (appointed 25 February 2022)

Mr R Aujla (appointed 25 February 2022)

Mr G F Ball (appointed 11 March 2022)

Mr J J Jones (appointed 29 September 2021 and resigned 25 February 2022)

Squire Patton Boggs Directors Limited (appointed 29 September 2021 and resigned 25 February 2022)

Disclosure of information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company and the Group'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 and the Group's auditors are aware of that information.

Auditors

The auditors, Brown Butler, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board on 22/09/23 and signed on its behalf.


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Director

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Directors' Responsibilities Statement
For the period ended 31 December 2022

The directors are responsible for preparing the Group strategic report, the Director's report and the consolidated 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 the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud the other irregularities.

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Independent Auditor's Report to the members of Devon Topco Limited

Opinion

We have audited the financial statements of Devon Topco Limited (the "parent company") and its subsidiaries (the "Consolidated") for the period ended 31 December 2022, which comprise the Consolidated Profit and Loss account, the Consolidated and Company Balance Sheet, the Consolidated Statement of cash flows, the Consolidated and Company Statement of changes in equity and the related notes to the financial statements, including 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 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's profit for the period 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 of opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Continued on next page

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Independent Auditor's Report to the members of Devon Topco Limited

Continued from previous page

Opinions 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 Group Strategic Report and the Directors' Report for the period for which the financial statements are prepared is consistent with the financial statements; and
- the Group Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group's Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Independent Auditor's Report to the members of Devon Topco Limited

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Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The key laws and regulations we have considered in this context included the Companies Act, pension and tax legislation. In addition, we have considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Using our general commercial and sector experience and through discussions with the director and other management, we identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements as well as those arising from management's own assessment of the risks that irregularities may occur either as a result of fraud or error.
- We examined the group's regulatory and legal correspondence and discussed with the directors and other management any known or suspected instances of fraud or non-compliance with laws and regulations.
- We communicated and discussed identified laws and regulations and potential fraud risks with all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- In addressing the risk of management override of controls, we tested the appropriateness of journal entries. We also challenged assumptions and judgements made by management in their significant accounting estimates and judgements. We also discussed related party relationships and transactions involving them.

There are inherent limitations in the audit procedures described above and the more that compliance with laws and regulations is removed from the events and transactions reflected in the financial statements, the less likely we would become aware of instances of non-compliance. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentation, or through collusion.

Use of our report

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

Brown Butler

Linda Cooper (Senior Statutory Auditor)
For and on behalf of Brown Butler,
Chartered Accountants and Statutory Auditor
Leigh House
28-32 St Paul's Street
Leeds
LS1 2JT

22 September 2023

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Consolidated Profit and Loss Account
For the period ended 31 December 2022

	Note	Period from 29 September 2021 31 December 2022 £
Turnover	3	52,376,088
Cost of sales		(37,911,238)
Gross profit		14,464,850
Distribution costs		(6,449,390)
Administrative expenses - normal		(4,408,755)
Administrative expenses – exceptional items		(651,256)
Operating profit	5	2,955,449
Interest payable and similar expenses	8	(1,897,563)
Profit before tax		1,057,886
Tax on profit	9	(545,954)
Profit for the period		511,932

The underlying EBITDA for the period amounted to £4,806,694.

There was no other comprehensive income for 2022.

The above results were derived from continuing operations.

The notes on pages 13 to 30 form part of these financial statements.

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Registered Number: 13651604
Consolidated Balance Sheet
As at 31 December 2022

	Note	2022 £
Fixed assets		
Intangible assets	11	13,134,099
Tangible assets	12	968,681
		<u>14,102,780</u>
Current assets		
Stocks	14	11,408,526
Debtors: amounts falling due within one year	15	7,602,476
Cash at bank and in hand	16	563
		<u>19,011,565</u>
Creditors: amounts falling due within one year	17	<u>15,974,994</u>
Net current assets		<u>3,036,571</u>
Total assets less current liabilities		<u>17,139,351</u>
Creditors: amounts falling due after more than one year	18	(16,615,093)
Provisions for liabilities		
Deferred tax	20	<u>(2,461)</u>
Net assets		<u><u>521,797</u></u>
Capital and reserves		
Called up share capital	21	9,865
Profit and loss account		<u>511,932</u>
		<u><u>521,797</u></u>

The financial statements were approved and authorised for issue by the boards and signed on its behalf on 22 September 2023.

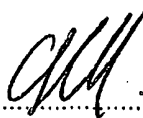

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Director

The notes on pages 13 to 30 form part of these financial statements.

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Registered Number: 13651604
Company Balance Sheet
As at 31 December 2022

	Note	2022 £
Fixed assets		
Investments	13	<u>1</u>
Current assets		
Debtors	15	25,920
Creditors: amounts falling due within one year	17	<u>157,120</u>
Net current liabilities		<u>(131,200)</u>
Total assets less current liabilities		<u>(131,199)</u>
Creditors: amounts falling due after more than one year	18	<u>-</u>
Net liabilities		<u><u>(131,199)</u></u>
Capital and reserves		
Called up share capital		9,865
Other reserves		-
Profit and loss account		<u>(141,064)</u>
		<u><u>(131,199)</u></u>

The financial statements were approved and authorised for issue by the board and signed on its behalf on 22 September 2023.



 Director

The notes on pages 13 to 30 form part of these financial statements.

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Consolidated Statement of Changes in Equity
For the period ended 31 December 2022

	Called Up share capital £	Profit and account £	Total equity £
Profit for the period	-	511,932	511,932
New share capital subscribed	9,865	-	9,865
At 31 December 2022	<u>9,865</u>	<u>511,932</u>	<u>521,797</u>

The notes on pages 13 to 30 form part of these financial statements.

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Company Statement of Changes in Equity
For the period ended 31 December 2022

	Called up share capital £	Profit and account £	Total equity £
Profit for the period	-	(141,064)	(141,064)
New share capital subscribed	9,865	-	9,865
Dividends	-	-	-
At 31 December 2022	<u>9,865</u>	<u>(114,064)</u>	<u>(131,199)</u>

The notes on pages 13 to 30 form part of these financial statements.

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Consolidated Statement of Cash Flows
Period ended 31 December 2022

	2022 £
Cash flows from operating activities	
Profit for the financial period	511,932
Adjustments for:	
Amortisation of intangible assets	1,067,458
Depreciation of tangible assets	156,999
Profit on disposal of tangible assets	(13,947)
Interest paid	1,897,563
Taxation charge	545,954
(Increase)/decrease in stocks	(1,995,402)
(Increase)/decrease in debtors	1,246,386
Increase in creditors	(2,648,737)
Corporation tax paid	(11,506)
Movement on foreign exchange	30,183
Net cash generated from operating activities	<u>824,727</u>
Cash flows from investing activities	
Purchase of tangible fixed assets	(269,355)
Acquisition of subsidiary companies	(14,620,213)
Net cash from investing activities	<u>(14,889,568)</u>
Cash flows from financing activities	
Invoice discounting payment	(2,402,947)
Proceeds from new loan	16,502,832
Receipts from finance lease advances	120,520
Payments to finance lease creditors	(178,108)
Net cash used in financing activities	<u>14,042,297</u>
Net decrease in cash and cash equivalents	(22,544)
Cash and cash equivalents at date of acquisition	23,107
Cash and cash equivalents at the end of the period	<u><u>563</u></u>
Cash and cash equivalents at the end of the period comprise:	
Cash at bank and in hand	563
	<u><u>563</u></u>

Devon Topco Limited (formerly Hamsard 3653 Limited)
Report and Consolidated Financial Statements
Notes to the Financial Statements
For the period ended 31 December 2022

1. General information

Devon Topco Limited is a private company limited by shares and incorporated in England and Wales under company number 13651604.

The address of its registered office and principal place of business is:
40 Wharfedale Road
Euroway Industrial Estate
Bradford
BD4 6SG

2. Summary of significant accounting policies

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards including; Financial Reporting Standard 102 (2022) "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The presentation currency is £ sterling and the financial statements have been rounded to the nearest £1.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of profit and loss account.

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The directors are of the opinion that there are no areas of estimation uncertainty and critical judgements that affect materially the accounting policies and the reported amounts of assets, liabilities, income and expenses in the current period.

Going Concern

The board have prepared detailed forecasts to December 2024. The board, with reference to these forecasts and additional funding secured, in all reasonably foreseeable scenarios considered, believe that the group is able to operate within its banking facilities and meet its liabilities as they fall due.

At the time of approving the financial statements, the board have a reasonable expectation that the group has adequate resources to continue in operational existence for at least twelve months from signing of financial statements. The board continue to adopt the going concern basis of accounting in preparing these financial statements.

2. Summary of significant accounting policies - continued

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for sale of goods in the ordinary nature of the business, net of rebates, exclusive of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Intangible fixed assets – goodwill

Goodwill represents the excess of the cost of acquisition of incorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Tangible fixed assets

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

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

Warehouse equipment and showroom	25% reducing balance calculated on a monthly basis
Office equipment, fixtures and fittings	20% reducing balance calculated on a monthly basis
Motor vehicles	25% reducing balance calculated on a monthly basis

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

Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined on a first in first out basis.

2. Summary of significant accounting policies - continued

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Basic financial assets

Basic financial assets, which include trade and other debtors, accrued income, and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, accruals, bank loans, and loans and other debts due from members, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

2. Summary of significant accounting policies - continued

Derecognition of financial liabilities

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

Employee benefits

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

Retirement benefits and post retirement payments

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

2. Summary of significant accounting policies - continued

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the period. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from associates that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

2.1 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Classification of leases

In categorising leases as finance leases or operating leases, the board makes judgements as to whether significant risks and rewards of ownership have transferred to the group as lessee. At 31 December 2022, the group had total obligations under finance leases of £246,572 and future commitments under operating leases of £2,982,137.

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2.1 Judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. The carrying value of tangible assets subject to estimation uncertainty at 31 December 2022 was £955,311.

3. Turnover

An analysis of turnover by class of business is as follows:

	Period ended 31 December 2022 £
Sale of goods	52,376,088
	<u>52,376,088</u>

Analysis of turnover by country of destination:

	Period ended 31 December 2022 £
United Kingdom	51,591,761
Rest of world	784,327
	<u>52,378,088</u>

4. Exceptional Administrative Costs

	2022 £
Exceptional Administrative costs	651,256
	<u>651,256</u>

Exceptional costs relate to one-off transaction costs, stock write off, and one-off cost of living subsidies provided to employees.

Underlying EBITDA (Operating Profit before depreciation, amortisation and exceptional items) was £4,806,694.

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5. Operating profit

The operating profit is stated after charging:

	Period ended 31 December 2022 £
Auditor's fees for the audit of the Group	42,038
Auditor's remuneration – other services	-
Depreciation of owned tangible assets	109,616
Depreciation of tangible fixed assets held under finance leases	47,383
Foreign exchange gains	30,183
Other operating lease rentals	821,767
Profit on disposal of property, plant and equipment	(13,947)
Amortisation	<u>1,067,458</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2022 £
Wages and salaries	5,279,248
Social security costs	567,426
Cost of defined contribution scheme	<u>159,338</u>
	<u>6,006,012</u>

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

	Period ended 31 December 2022 No
Selling and distribution	116
Office and administration	43
Management	<u>8</u>
	<u>167</u>

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7. Directors' remuneration

The directors remuneration for the year was as follows:

	Period ended 31 December 2022
	£
Wages and salaries	273,406
Cost of defined contribution scheme	24,923
Benefits in kind	18,036
Fees	54,287
	<u>370,651</u>

8. Interest payable

	Period ended 31 December 2022
	£
Bank interest payable	68,540
Loan interest	1,804,674
Finance lease interest	24,349
	<u>1,897,563</u>

9. Taxation

	Period ended 31 December 2022
	£
Corporation tax	
Current tax on profits for the year	546,783
	<u>546,783</u>
Total current tax	<u>546,783</u>
Origination and reversal of timing differences	(829)
Total deferred tax	<u>(829)</u>
Taxation on profit on ordinary activities	<u>545,954</u>

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9. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	Period ended 31 December 2022 £
Profit on ordinary activities before tax	1,057,886
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	200,998
Effects of:	
Non-tax deductible amortisation of goodwill	197,404
Expenses not deductible for tax purposes, other than goodwill amortisation	128,557
Tax adjustment for LLP profit share (pre-acquisition)	19,194
Origination of timing differences	(199)
Total tax charge for the period	545,954

Deferred tax is calculated at 25% in line with the change of UK corporation rate which is effective from 31/03/2023 onwards.

10. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the period was £141,065.

11. Intangible assets

Group	Goodwill £
Cost	
On acquisition of subsidiaries	350,000
Addition	13,851,557
At 31 December 2022	14,201,557
Amortisation	
Amortisation at acquisition of subsidiaries	24,468
Charge for the period on owned assets	1,042,990
At 31 December 2022	1,067,458
Net book value	
At 31 December 2022	13,134,099

The amortisation of goodwill is included within administrative expenses.

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12. Tangible fixed assets

Group

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
Additions at acquisition	1,428,106	738,326	315,512	2,481,944
Additions	97,100	172,255	-	269,355
Disposals	-	-	(196,932)	(196,932)
At 31 December 2022	<u>1,525,206</u>	<u>910,581</u>	<u>118,580</u>	<u>2,554,367</u>
Depreciation				
Depreciation at acquisition	1,045,527	347,675	165,431	1,558,633
Charge for year	94,676	41,539	20,784	156,999
Eliminated on disposal	-	-	(129,946)	(129,946)
At 31 December 2022	<u>1,140,203</u>	<u>389,214</u>	<u>56,269</u>	<u>1,585,686</u>
Net book value				
At 31 December 2022	<u>385,003</u>	<u>521,367</u>	<u>62,311</u>	<u>968,681</u>

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts, the depreciation charge in respect of such assets amounted to £47,383 (2021: £65,653);

	2022 £
Warehouse equipment and showroom	117,368
Computer equipment	340,000
	<u>457,368</u>

13. Fixed asset investments

Company

	Investment in subsidiary company £
Cost or valuation	
Additions	1
At 31 December 2022	<u>1</u>

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13. Fixed asset investments (Continued)

Direct subsidiary undertaking

The following is a direct subsidiary undertaking of the Company:

Name	Registered office	Class shares	Holding
Devon Bidco Limited	40 Wharfedale Road Euroway Industrial Estate Bradford BD4 6SG	Ordinary	100%

The following are indirect subsidiary undertakings of the Company:

Barwick of Bradford Limited	40 Wharfedale Road Euroway Industrial Estate Bradford BD4 6SG	Ordinary	100%*
Barwick Bathrooms Limited	40 Wharfedale Road Euroway Industrial Estate Bradford BD4 6SG	Ordinary	100%*
Barwick Bathroom Distribution LLP	40 Wharfedale Road Euroway Industrial Estate Bradford BD4 6SG	Ordinary	100%*

Barwick of Bradford Limited is owned 100% by Devon Bidco Limited.

Barwick Bathrooms Limited is owned 100% by Devon Bidco Limited.

Barwick of Bradford Limited and Barwick Bathrooms Limited are the members of Barwick Bathroom Distribution LLP.

14. Stocks

	Group 2022 £
Goods for resale	11,408,526
	<u>11,408,526</u>

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15. Debtors

	Group 2022 £	Company 2022 £
Trade debtors	7,069,448	-
Other debtors	16,056	16,055
Amounts due from group undertakings	-	9,865
Prepayments	473,448	-
Corporation tax debtor	43,524	-
	<u>7,602,476</u>	<u>25,920</u>

16. Cash and cash equivalents

	Group 2022 £
Cash at bank and in hand	<u>563</u>

17. Creditors: Amounts falling due within one year

	Group 2022 £	Company 2022 £
Finance lease liabilities	134,311	-
Trade creditors	5,164,985	-
Amounts owed to Group undertakings	-	150,620
Corporation Tax	546,783	-
Other taxation and social security	650,510	-
Other creditors	2,863	-
Invoice discounting advances	3,457,427	-
Accruals	2,518,118	6,500
Deferred Consideration	3,500,000	-
	<u>15,974,994</u>	<u>157,120</u>

18. Creditors: Amounts falling due after more than one year

	Group 2022 £	Company 2022 £
Finance lease liabilities	112,261	-
Other loans and borrowings	16,502,832	-
	<u>16,615,093</u>	<u>-</u>

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19. Loans and other borrowings

Analysis of the maturity of loans is given below:

	Group 2022 £	Company 2022 £
Amounts due within one year		
Finance lease liabilities	134,311	-
Deferred consideration	3,500,000	-
Invoice discounting	3,457,427	-
	<u>7,091,738</u>	<u>-</u>
Non-current loans and borrowings		
Finance lease liabilities	112,261	-
Other borrowings – loan notes	16,502,832	-
	<u>16,615,093</u>	<u>-</u>

Contractual terms of interest-bearing loans and borrowings (measured at amortised cost):

Other borrowings:

£3,500,000 of deferred consideration is in relation to the acquisition of the subsidiary during the period. The deferred consideration and accrued interest has been paid post period end in full.

£16,123,941 of secured investor loan notes that are repayable in 2029. Interest continues to accrue at the current rate of 12% pa on the unpaid portion of the principal and will be paid immediately following payment of the last instalment.

£378,891 of secured manager loan notes that are repayable in 2029. Interest continues to accrue at the current rate of 12% pa on the unpaid portion of the principal and will be paid immediately following payment of the last instalment.

Within accruals (note 17) above is accrued interest. Interest charged in respect of the loan notes for the period was £1,605,974 and deferred consideration was £198,686.

The loan stock is not publicly traded and therefore the directors consider that the fair value is the same as cost.

Finance lease liabilities:

Finance lease payments represent rentals payable by the limited liability partnership for certain items of plant and machinery, fixtures and fittings and motor vehicles. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under hire purchase agreements are secured against the assets to which they relate.

Invoice Discounting

The invoice discounting advances are secured against trade debtors.

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20. Deferred taxation

Group	2022 £
Charged to profit or loss	2,461
Arising on business combinations	-
At end of year	<u>2,461</u>
 Represented by:	 Liability £
Capital allowances in excess of depreciation	2,461
	<u>2,461</u>

21. Share capital

	2022 £
Allotted, called up and fully paid	
A Ordinary shares of £1.00 each	8,305
B Ordinary shares of £1.00 each	195
C Ordinary shares of £1.00 each	1,365
	<u>9,865</u>

Upon incorporation 1 Ordinary share was issued, at par, for a total consideration of £1. On 11 March 2022 the ordinary share was converted to A Ordinary Share.

On 13 April 2022, 9,864 shares were issued, classified as 8,304 A Ordinary shares, 195 B Ordinary shares and 1,365 C Ordinary shares.

Rights, preferences and restrictions

Voting rights:

All classes of the ordinary shares in issue are classified as voting shares.

A Ordinary shares and B Ordinary shares hold the right to vote.

In the event of a 'Material Default' as defined in the company's Articles of Association, the holders of the A Ordinary shares would be entitled to exercise enhanced voting rights. The B Ordinary shares will immediately cease to entitle the holders to vote.

C ordinary shares hold no right to vote but can be invited to vote at the discretion of the A and B Ordinary share holders.

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21. Share capital (continued)

Dividends:

All classes of share in issue have a right to participate in any distribution of profit, subject to necessary investor approval.

Such dividends shall be declared pari passu across share classes, though the board, with investor approval, may resolve to pay a dividend to the holders of A Ordinary shares, B Ordinary shares and C Ordinary shares.

Capital:

Subject to various restrictions as set out in the Articles of Association of the company, on the occasion of a significant event such as liquidation, capital reduction, sale or listing of the company, capital will be distributed:

- a. to the holders of the A Ordinary shares and B Ordinary shares, by pro rata between such holders to their respective shares
- b. to the holders of the C Ordinary shares, by pro rata between such holders to their respective shares

22. Capital and reserves

Called-up share capital – represents the nominal value of shares that have been issued.

Profit and loss account – includes all current period retained profits and losses.

23. Analysis of net debt

	Cash flows £	Acquisition of subsidiary £	At 31 December 2022 £
Cash at bank and in hand	(22,544)	23,107	563
Debt due after 1 year	(7,555,776)	(9,059,317)	(16,615,093)
Debt due within 1 year	(5,573,787)	(1,517,951)	(7,091,738)
	<u>(13,152,107)</u>	<u>(10,554,161)</u>	<u>(23,706,268)</u>

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24. Business combinations

Devon Topco Limited acquired 100% of the share capital of Barwick of Bradford Limited on 11 March 2022 via its subsidiary Devon Bidco Limited.

Acquisition of Barwick of Bradford Limited

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value £
Fixed assets		
Tangible	17,450	17,450
LLP Capital Account (See note 24.1)	4,139,453	4,139,453
Current assets		
Debtors	220,711	220,711
Cash at bank and in hand	164	164
Creditors		
Due within one year	(82,727)	(82,727)
Deferred tax	(3,288)	(3,288)
Total identifiable net assets	<u>4,291,763</u>	<u>4,291,793</u>
Goodwill		<u>13,851,557</u>
Total purchase consideration		<u>18,143,320</u>
Consideration		£
Cash		13,530,822
Deferred Consideration		3,500,000
Directly attributable costs		<u>1,112,498</u>
Total purchase consideration		<u>18,143,320</u>
Cash outflow on acquisition		£
Purchase consideration settled in cash, as above		<u>14,643,320</u>
Less: Cash and cash equivalents acquired		<u>(23,107)</u>
Net cash outflow on acquisition		<u>14,620,213</u>

The goodwill arising on acquisition is attributable to future benefits from the new Group trade.

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24.1 Investment in Barwick Bathroom Distribution LLP

	Book value £	Fair value £
Fixed assets		
Intangible	978,363	978,363
Tangible	325,532	325,532
Current assets		
Stock	9,413,124	9,413,124
Debtors	9,183,411	9,183,411
Cash at bank and in hand	22,943	22,943
Creditors		
Due within one year	(15,567,740)	(15,567,740)
Due over one year	(216,284)	(216,284)
Total identifiable net assets	<u>4,139,349</u>	<u>4,139,349</u>

25. Leasing commitments

Operating leases	2022 £
Within one year	759,118
Between one and five years	2,222,065
After five years	954
	<u>2,982,137</u>

26. Contingent Liabilities

Devon Bidco Limited, a subsidiary company, has loans from its investors which have been guaranteed by Devon Topco Limited and secured on the company's assets. The groups amount guaranteed is £16,502,832.

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27. Related party transactions

The company has taken the exemption available not to disclose transactions with other wholly owned members of the Group.

M G Barwick, J Barwick and R B Bower were members of Barwick Bathroom Distribution LLP and directors of Barwick of Bradford Limited until 11 March 2022. The profit share for the year was £1,312,755 and they are the providers of the deferred consideration.

M G Barwick, J Barwick and R B Bower are directors of Barwick Ventures Limited. During the year, the LLP paid rent of £114,976 to the company, paid expenses on behalf of the company of £2,917. At the year end, the LLP owed £nil to Barwick Ventures Ltd.

Details of interest payable and other finance charges in relation to the deferred consideration and loan note holders, together with the valuation of deferred consideration and loan notes outstanding, are disclosed in notes 7 and 18.

TPA Capital LLP charges in the period amounted to £80,278.

Key management compensation

Key management includes the senior management of the LLP. The compensation paid or payable to key management for employee services during the period was £1,026,628.

28. Controlling party

TPA Capital LLP are the parent undertakings of Devon Topco Limited.

The ultimate controlling party is G R Allen.