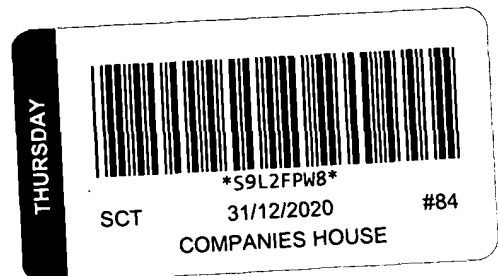


**REGISTERED NUMBER: SC050397 (Scotland)**

John Davidson (Pipes) Limited

Annual Report and

Financial Statements for the Year Ended 31 December 2019



John Davidson (Pipes) Limited

Contents of the Annual Report and Financial Statements  
for the Year Ended 31 December 2019

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John Davidson (Pipes) Limited

Directors and Advisers

for the Year Ended 31 December 2019

**DIRECTORS:**

S A Haspeslagh (Belgium)  
D Rickards

**SECRETARY:**

I McGuiness

**REGISTERED OFFICE:**

1 Exchange Crescent  
Conference Square  
Edinburgh  
Scotland  
EH3 8UL

**REGISTERED NUMBER:**

SC050397 (Scotland)

**INDEPENDENT AUDITORS:**

KPMG LLP  
319 St Vincent Street  
Glasgow  
G2 5AS

**BANKERS:**

Barclays Bank plc  
Multinational Corporate Team  
Level 28  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

## John Davidson (Pipes) Limited

### Strategic Report for the Year Ended 31 December 2019

The directors present the Strategic Report of John Davidson (Pipes) Limited ('the Company') for the year ended 31 December 2019.

#### COMPANY PERFORMANCE

The Company has achieved another satisfactory result for the year to 31 December 2019. "Like for Like" operating profit increased from £1,066,000 in the previous year to £1,080,000 in the current year (including immediate group management charge of £67,000 (2018: £373,000)). Profit before tax (including all group management charges) increased by £393,000 to £964,000.

The Company has net assets of £13,977,000 (2018: £13,236,000).

The directors believe that the Company has benefited from a diverse customer base in building, construction and agricultural markets. It is believed that market share has grown in 2019.

Key areas of strategic development and performance of the business include:

- Sales and marketing: new and replacement business is being won continually; new markets have been developed in line with the Group's (Tessenderlo Chemie NV Group in which the company is party to) strategy; key customer relationships are monitored on a regular basis.
- Manufacturing in the parent company: new products continue to be developing for both existing and development markets; production efficiencies have been gained and new initiatives for process and efficiency improvements are constantly being developed. The Company benefits from an exclusive position bringing these developments to the UK market as appropriate.
- Training and staff development are considered key to the success of the business.
- Health and Safety: accident and absenteeism rates are under constant review and John Davidson (Pipes) Limited and other fellow group companies ('Group') to seek ways of ensuring that a safe and healthy working environment is progressively improved.
- Competitive advantage: the Group focuses on areas where it has a competitive advantage including systems to aid sustainability in drainage and pollution control. These activities are significant areas of growth and concern in the business environment.

#### KEY PERFORMANCE INDICATORS

Key financial performance indicators include the monitoring of the management of profitability and working capital.

##### Financial

	2019	2018	Measure
Return on capital	7%	4%	Profit before tax/net assets
Current ratio	2.33	2.46	Current assets/current liabilities
Stock turnover	5.48	5.86	Cost of sales/inventories
Days debtors (days)	32	48	Trade debtors/turnover
Days creditors (days)	60	51	Trade creditors/cost of sales
Sales per employee (£000)	£225	£223	Turnover/average number of employees
Operating profit per employee (£000)	£4.12	£2.74	Operating profit/average number of employees

##### Non-financial

Number of branches	26	26
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## John Davidson (Pipes) Limited

### Strategic Report - continued for the Year Ended 31 December 2019

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The principal risks and uncertainties affecting the business include the following:

- Raw material availability and prices, particularly for plastic polymers can have a strong effect on our cost prices both from our Group factories and third party suppliers. Such increases have been very apparent in the period under review and can challenge the Company to defend margins against resistant customers.
- Debtors: the Group maintains strong relationships with each of its key customers and has established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- Competitive risk: the Group operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the Company. The diversity of operations reduces the possible effect of action by any single competitor.

#### **FUTURE OUTLOOK**

The outlook for the markets in which the Company operates continues to be challenging and we continue to focus on developing and growing the sales and profitability of the business.

#### **Section 172 of the Companies Act 2006**

The Leadership Team of John Davidson (Pipes) Limited (JDP) considers the ongoing engagement of its key stakeholders to be of primary importance. Formal and informal methods of communication are used to ensure that stakeholder groups are kept regularly informed of material matters that will affect them in both the long and short term.

During the Covid crisis we have had to adapt our ways of working to the prevailing circumstances with digital media playing a vital role in maintaining contact with our stakeholders where face to face relationships are not possible.

The following stakeholder groups according to Section 172(1) of the Companies Act 2006 were identified as relevant for JDP.

##### *Employees.*

The loyalty, commitment, experiences and skills of its employees are instrumental in the company's ability to deliver its future business strategy. Communication of Health and Safety product training, Company Strategy, short, medium and long term targets and performance is communicated on a regular basis both formally and informally using the following channels:

- Companywide presentations of JDP's strategy and budget at the start of the financial year to set clear direction and goals;
- Online training system delivering new modules and updates;
- Monthly communication of wider and long term group strategy, initiatives and results using digital media;
- In-house printed news bulletin, The Davy Mail and online portal 'Compass';
- Informal regular visits by the LT to all locations at least 2 times per year;
- Daily sales performance updates to all customer facing and operational teams;
- Monthly updates on new and departing colleagues;
- Regular visits to all JDP sites throughout the year by the management team (currently on hold due to Coronavirus);
- JDP on-boarding process for new members of staff.

##### *Customers*

JDP has a broad range of customers spanning a number of Industry Segments. The company employs both traditional face to face and digital platforms to communicate relevant information with customer intimacy as the goal.

These include:-

- Regular direct contact through our branches and external and internal sales teams to communicate JDP offers and initiatives but also to gain customer insight to inform our customer development programs;
- Indirect contact through traditional marketing communications or digital social media channels including LinkedIn and Facebook;
- Website resources showcasing JDPs specialism and knowledge base;
- Technical support and expertise available as an added value service to JDP key customers.

John Davidson (Pipes) Limited

Strategic Report - continued  
for the Year Ended 31 December 2019

**Section 172 of the Companies Act 2006 - continued**

*Suppliers*

JDP sees suppliers as a key component of its supply chain and selects them with a view to long term, trusting partnerships where possible. Selection is based on a desire for the continuity of supply, quality, value for money and excellent service.

As a key stakeholder group the company invests significant time in fostering cooperative but robust relationships through regular contact including day to day trading discussions and more formal annual, quarterly or monthly performance reviews. To ensure our goals are met each supplier is scored each month on a series of measures including, availability, commercial communications and delivery quality.

*Community*

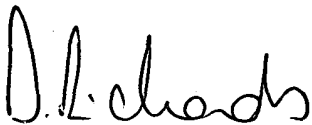
JDP takes its role within the 26 communities in which it operates seriously. Community engagement is recognised as important to employees and those communities alike. JDP seeks to recruit locally, retain a skilled local workforce, build relationships with local organisations and to support charitable initiatives and events where it can. Any change in activity or operations which may have an impact on the local community is fully considered and assessed.

*Industry engagement*

Through engagement with Water Authorities and other legislative authorities JDP both advise and seek advice to ensure products and services are not only fit for purpose, but also lead the way in driving sustainability and health and safety within construction.

JDP provide CPD training to consultants and architects on new legislation and products that meet changing industry needs and challenges.

**Approved by the Board and signed on its behalf by:**



.....  
D Rickards - Director

1 Exchange Crescent  
Conference Square  
Edinburgh  
Scotland  
EH3 8UL

Date: .....

18/12/2020

## John Davidson (Pipes) Limited

### Directors' Report for the Year Ended 31 December 2019

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

#### **PRINCIPAL ACTIVITIES**

The principal activity of the Company is the distribution of pipes and associated products for use in building, civil engineering and agriculture.

#### **DIVIDENDS**

The Company did not pay a dividend in the year (2018: £nil).

#### **GOING CONCERN**

The financial statements have been prepared on going concern basis. More details are provided in note 1 to the financial statements.

#### **DIRECTORS**

The directors of the Company during the year and to the date of this report, unless otherwise stated, were as follows:

S A Haspeslagh

M S McLellan (resigned 31 March 2019)

D Rickards (appointed 1 April 2019)

#### **PRINCIPAL RISKS AND UNCERTAINTIES FACING THE BUSINESS**

Details of the principal risks and uncertainties facing the business can be found in the Strategic Report on page 3.

#### **FUTURE OUTLOOK**

Details of the Company's future outlook can be found in the Strategic Report on page 3.

#### **POLITICAL CONTRIBUTIONS**

The Company made no political donations during the year (2018: £nil).

#### **CHARITABLE CONTRIBUTIONS**

The Company made charitable donations of £3,000 during the year (2018: £1,750).

#### **DIRECTORS' INDEMNITIES**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the current year and remain in force at the date of this report.

#### **POST BALANCE SHEET EVENTS**

Since the period under review, the rapid spreading of COVID-19 has become a significant emerging risk to the global economy.

##### *The extent of operational disruption*

The imposed lockdown of 23rd March 2020 impacted the Company's ability to trade through the closure of its 26 branches. Once clarification of builders' merchant's essential services status was understood the Company moved back to branches being fully opened over the following weeks.

There was some disruption to supply chains but the Company's high branch inventory levels and ability to arrange 'direct to site' customers' deliveries meant that supply issues were limited.

The Company has not experienced any labour shortages due to COVID-19 and with the exception of branch locations the key support functions of the business have been able to adapt successfully to remote working

The Company leadership team quickly and successfully moved to remote working from lockdown and utilised twice daily videoconferencing to manage the business both internally and externally.

John Davidson (Pipes) Limited

Directors' Report - continued  
for the Year Ended 31 December 2019

**POST BALANCE SHEET EVENTS - continued**

*Potential diminished demand for products and services*

The Company's website and social media presence have allowed clear communication with its customer base over the crisis period. The website has seen an increase in traffic and the eShop saw an increase in orders in the first weeks of lockdown.

Lockdown impacted the ability of certain customer segments to travel to the Company's branches but the designation of construction as an essential service together with the easing of lockdown diminished this risk significantly

Post lockdown saw a rapid increase in demand which quickly approached 2019 values before levelling off. The construction market was subdued for the second half of 2020 but expects a gradual recovery in 2021. Over this period the Company leadership team expect the business to outperform the market due to continuing investments in people, systems and stock.

*Contractual obligations due now or within 1 year*

The Company was supported tremendously by our key leasing partners and property landlords by agreeing to payment breaks, discounts and holidays.

The Company was committed to honour all payment terms to our key suppliers and the majority of our customers continued to pay to terms.

Considering all the above aspects, the directors continue to monitor the impact of the virus on the business operations as more information about the epidemic emerges but at the time of signing the directors do not consider COVID-19 to impact the Company's ability to continue as a going concern.

The ongoing project which started in November 2019 (pre-Covid) to streamline the Company by investing in new technology and focus on systems improvement was finally bedded in during 2020, resulting in increased efficiency and ultimately we have been successful in reducing our indirect costs by reducing our headcount by 25. This is a non-adjusting post balance sheet event.

**INDEPENDENT AUDITORS**

Each of the persons who are directors at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each of the directors has taken all reasonable steps to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

During the year, PricewaterhouseCoopers LLP resigned and were appointed by the directors as auditors of the Company. A resolution to reappoint KPMG LLP will be proposed at the forthcoming Annual General Meeting.

**Approved by the Board and signed on its behalf by:**



.....  
D Rickards - Director

1 Exchange Crescent  
Conference Square  
Edinburgh  
Scotland  
EH3 8UL

Date: .....

18/12/2020



John Davidson (Pipes) Limited

Directors' Responsibilities Statement  
for the Year Ended 31 December 2019

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of  
John Davidson (Pipes) Limited

**Opinion**

We have audited the financial statements of John Davidson (Pipes) Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditors' Report to the Members of  
John Davidson (Pipes) Limited - continued

**Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.



Lyn Nicolls (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
319 St Vincent Street  
Glasgow  
G2 5AS

Date: 21 December 2020

John Davidson (Pipes) Limited

Profit and Loss Account

for the Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>TURNOVER</b>	2	55,561	56,507
Cost of sales		(40,103)	(41,463)
<b>GROSS PROFIT</b>		15,458	15,044
Distribution costs		(8,135)	(8,021)
Administrative expenses		(6,310)	(6,330)
<b>OPERATING PROFIT</b>	3	1,013	693
Interest receivable and similar income	5	62	32
Interest payable and similar expenses	6	(111)	(154)
<b>PROFIT BEFORE TAXATION</b>		964	571
Tax on profit	7	(223)	(180)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		741	391

All of the amounts relate to continuing operations.

The notes on pages 13 to 25 form part of these financial statements.

There were no recognised income and expenses other than the profit for the current year and prior year as shown above. Accordingly, no separate Statement of Other Comprehensive Income is presented.

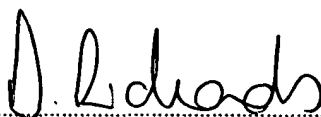
John Davidson (Pipes) Limited

Balance Sheet

As at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	100	146
Tangible assets	9	1,765	2,061
		<u>1,865</u>	<u>2,207</u>
<b>CURRENT ASSETS</b>			
Inventories	10	7,318	7,080
Debtors: amounts falling due within one year	11	13,845	13,571
Debtors: amounts falling due after more than one year	11	101	109
Cash at bank and in hand	13	206	119
		<u>21,470</u>	<u>20,879</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	(9,210)	(9,702)
<b>NET CURRENT ASSETS</b>		<u>12,260</u>	<u>11,177</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		14,125	13,384
<b>CREDITORS</b>			
Amounts falling due after more than one year	15	(148)	(148)
<b>NET ASSETS</b>		<u>13,977</u>	<u>13,236</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	16	10	10
Profit and loss account	16	13,967	13,226
<b>TOTAL SHAREHOLDER'S FUNDS</b>		<u>13,977</u>	<u>13,236</u>

The financial statements of John Davidson (Pipes) Limited (registered number: SC050397) were approved and authorised for issue by the Board of Directors on 18/12/2020 and were signed on its behalf by:



D Rickards - Director

John Davidson (Pipes) Limited

Statement of Changes in Equity  
for the Year Ended 31 December 2019

	<b>Called-up share capital £'000</b>	<b>Profit and loss account £'000</b>	<b>Total £'000</b>
<b>Balance at 1 January 2018</b>	10	12,835	12,845
Profit and total comprehensive income for the year	-	391	391
<b>Balance at 31 December 2018</b>	10	13,226	13,236
Profit and total comprehensive income for the year	-	741	741
<b>Balance at 31 December 2019</b>	10	13,967	13,977

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

**1.1 General information and basis of accounting**

John Davidson (Pipes) Limited ('the Company') is a private company, limited by shares, registered in Scotland and is incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The Company's principal activities have been disclosed in the Directors' Report on page 5.

The financial statements have been prepared under the historical cost convention, and in accordance with the provisions of Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) issued by the Financial Reporting Council and the requirements of under the Companies Act 2006.

The functional currency of John Davidson (Pipes) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates. All the amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Tessenderlo Chemie NV, includes the Company in its consolidated financial statements. The consolidated financial statements of Tessenderlo Chemie NV are available to the public and may be obtained from its registered office at Headquarters, Rue du Trone 130, B-1050 Brussels. In these financial statements, the Company is considered to be a qualifying entity for the purposes of this FRS and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the year;
- Cash Flow Statement and related notes;
- Key management personnel compensation.

As the consolidated financial statements of Tessenderlo Chemie NV include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

**1.2 Change in accounting estimate**

In these financial statements the Company has not changed its accounting policies nor has there been any prior year adjustments.

**1.3 Measurement convention**

The financial statements are prepared on the historical cost basis.

**1.4 Going concern**

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The Company utilises a cash pooling facility from the ultimate parent company, which is repayable to the Company on demand. The Company has no bank facilities.

The directors have prepared cash flow forecasts for a period of twelve months (ending 31 December 2021) from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds to meet its liabilities as they fall due. These forecasts include a reduction in expected revenues and expected additional operating costs as a result of the COVID-19 crisis that the Company is likely to incur in order to maintain the continuity of business. The Company is expected to continue to operate all of its branches and is forecasted to remain profitable and cash generative throughout the forecast period. The directors have considered the impact of the COVID-19 crisis and are of the view that, given the nature of the business, its continued impact will be limited.

1. **ACCOUNTING POLICIES - continued**

**1.4 Going concern - continued**

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**1.5 Intangible fixed assets**

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

*Amortisation*

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software                      3 - 5 years

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

**1.6 Tangible fixed assets**

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

Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases.

The Company assesses at each reporting date whether tangible assets are impaired.

Depreciation is charged to the Profit and Loss Account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- Freehold buildings                      30 years (Land is not depreciated)
- Leasehold improvements              Shorter of 30 years and term of the lease
- Motor vehicles                          4 years
- Plant and machinery                   4 years
- Fixtures and fittings                    3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

**1.7 Inventories**

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average method and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.



**1. ACCOUNTING POLICIES - continued**

**1.8 Impairment excluding inventories and deferred tax assets**

*Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date, to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

*Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

**1.9 Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1. **ACCOUNTING POLICIES - continued**

**1.10 Basic financial instruments**

*Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example, if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

*Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

*Investments in preference and ordinary shares*

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

**1.11 Other financial instruments**

*Financial instruments not considered to be basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit and loss except as follows:

- investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less impairment.

**1.12 Expenses**

*Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the Profit and Loss Account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

*Interest receivable and Interest payable*

Interest payable and similar charges include interest payable, finance charges and net foreign exchange losses that are recognised in the Profit and Loss Account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

1. **ACCOUNTING POLICIES - continued**

**1.13 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**1.14 Foreign currencies**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account.

**1.15 Employee benefits**

*Defined contribution plans and other long term employee benefits*

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Profit and Loss Account in the periods during which services are rendered by employees.

**1.16 Significant judgement and accounting estimates**

In preparing these financial statements, the directors do not consider that they have made any accounting estimates or judgements which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

2. **TURNOVER**

Turnover represents the amounts derived from one class of business, being the sale of pipes and associated products, for use in building, civil engineering and agriculture. It is stated net of discounts and value added tax and is derived almost exclusively in the United Kingdom. Turnover is recognised at the point when invoice is issued to customer.

John Davidson (Pipes) Limited

Notes to the Financial Statements – continued  
for the Year Ended 31 December 2019

3. **OPERATING PROFIT**

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

	2019	2018
	£'000	£'000
Depreciation - owned assets	394	437
Gain on disposal of fixed assets	(3)	(16)
Amortisation of intangible assets	46	47
Operating lease rental	1,826	1,628

**Auditors' remuneration:**

	£'000	£'000
Fees payable to the Auditors for the audit of the Company's financial statements.	30	26

4. **STAFF NUMBERS AND COSTS**

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	6,753	6,689
Social security costs	642	603
Other pension costs	243	234

The average monthly number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2019	2018
Administration	30	30
Sales and distribution	216	223

Two (2018: only one) directors received remuneration in respect of services to the Company, remuneration in the year was as follows:

	2019	2018
	£'000	£'000
Directors' remuneration	216	199

Company contributions to money purchase pension schemes	19	29
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John Davidson (Pipes) Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

5. **INTEREST RECEIVABLE AND SIMILAR INCOME**

	2019	2018
	£'000	£'000
Bank interest receivable	27	18
Foreign exchange gains	35	14
	<u>62</u>	<u>32</u>

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2019	2018
	£'000	£'000
Bank interest	<u>111</u>	<u>154</u>

7. **TAX ON PROFIT**

**Analysis of the tax charge**

The tax charge on the profit for the year was as follows:

	2019	2018
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax on profit for the year	<u>215</u>	<u>160</u>
<b>Deferred tax:</b>		
Origination/reversal of timing differences	10	(4)
Adjustments in respect of prior periods	-	24
Effect of changes in tax rates	(2)	-
Total deferred tax	<u>8</u>	<u>20</u>
Tax on profit	<u>223</u>	<u>180</u>

**Reconciliation of total tax charge included in profit and loss**

The tax charge for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK at 19% (2018: 19%).

	2019	2018
	£'000	£'000
Profit before tax	<u>964</u>	<u>571</u>
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	183	108
Effects of:		
Expenses not deductible for tax purposes	41	48
Adjustments to tax charge in respect of prior periods	-	24
Tax rate changes	(1)	-
Total tax charge	<u>223</u>	<u>180</u>

John Davidson (Pipes) Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

7. **TAX ON PROFIT - continued**

*Factors that may affect future current and total tax charges*

Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK corporation tax rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The rate of change will affect the size of the Company's deferred tax assets and liabilities in the future.

8. **INTANGIBLE ASSETS**

	<b>Software</b> <b>£'000</b>
<b>COST</b>	
At 1 January 2019	
and 31 December 2019	230
<b>ACCUMULATED AMORTISATION</b>	
At 1 January 2019	84
Amortisation for year	46
At 31 December 2019	130
<b>NET BOOK VALUE</b>	
At 31 December 2019	100
At 31 December 2018	146

John Davidson (Pipes) Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

9. TANGIBLE ASSETS

	Freehold land and buildings £'000	Leasehold improvements £'000	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<b>COST</b>						
At 1 January 2019	2,030	2,363	22	929	1,035	6,379
Additions	-	7	-	75	16	98
Disposals	-	(37)	(20)	(35)	(163)	(255)
At 31 December 2019	2,030	2,333	2	969	888	6,222
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2019	1,280	1,458	22	699	859	4,318
Charge for year	60	186	-	87	61	394
Eliminated on disposal	-	(37)	(20)	(35)	(163)	(255)
At 31 December 2019	1,340	1,607	2	751	757	4,457
<b>NET BOOK VALUE</b>						
At 31 December 2019	690	726	-	218	131	1,765
At 31 December 2018	750	905	-	230	176	2,061

The Company has granted a fixed and floating charge over part of its property.

John Davidson (Pipes) Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

10. **INVENTORIES**

	2019	2018
	£'000	£'000
Finished goods and goods for resale	7,318	7,080
	<u>7,318</u>	<u>7,080</u>

The cost of inventories recognised as an expense and included in 'cost of sales' amounted to £40.1 million (2018: £41.5 million).

11. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	4,893	7,401
Amounts owed by Group undertakings	6,435	3,637
Other debtors	-	12
Prepayments and accrued income	2,517	2,521
	<u>13,845</u>	<u>13,571</u>

	2019	2018
	£'000	£'000
Amounts falling due after more than one year:		
Deferred tax (see note 12)	101	109
Aggregate amounts	<u>13,946</u>	<u>13,680</u>

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

12. **DEFERRED TAX ASSET**

	2019	2018
	£'000	£'000
At beginning of year	109	130
Adjustment in respect of prior years	1	(24)
Charge for the year	(9)	3
At end of year	<u>101</u>	<u>109</u>
<i>Analysed as:</i>		
	£'000	£'000
Capital allowances in excess of depreciation	73	73
Other timing differences	28	36
Deferred tax asset/(liability)	<u>101</u>	<u>109</u>



John Davidson (Pipes) Limited

Notes to the Financial Statements - continued  
for the Year Ended 31 December 2019

12. **DEFERRED TAX ASSET - continued**

The net deferred tax asset expected to reverse in 2020 is £28,000 (2019: £36,000). This primarily relates to the reversal of timing difference on capital allowances.

Deferred tax asset was classed as amounts falling due after one year in the prior year.

13. **CASH AND CASH EQUIVALENTS**

	2019	2018
	£'000	£'000
Cash at bank and in hand	206	119

14. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2019	2018
	£'000	£'000
Trade creditors	6,544	7,829
Amounts owed to Group undertakings	1,337	516
Other creditors including taxation and social security	844	591
Accruals and deferred income	485	766
	9,210	9,702

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2019	2018
	£'000	£'000
Amounts owed to Group undertakings	148	148

Amounts owed to Group undertakings are unsecured and interest free.

16. **CALLED-UP SHARE CAPITAL**

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2019	2018
			£'000	£'000
10,000 (2018: 10,000)	Ordinary shares	£1 each	10	10

The profit and loss account represents cumulative profit or losses, net of dividends paid and other adjustments.

17. **PENSION**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in a separately administered fund. The pension charge represents contributions payable by the Company to the fund and, for the year, amounted to £243,000 (2018: £234,000). The total of pension contributions outstanding at the year end was £34,000 (2018: £33,000).

18. **OPERATING LEASES**

The Company's total future minimum lease payments under non-cancellable operating lease at 31 December, are payable as follows:

	2019 £'000	2018 £'000
- Within one year	2,259	1,620
- between two and five years	2,634	1,790
- after five years	4,302	3,980
	<u>9,195</u>	<u>7,390</u>

19. **POST BALANCE SHEET EVENTS**

Since the period under review, the rapid spreading of COVID-19 has become a significant emerging risk to the global economy.

*The extent of operational disruption*

The imposed lockdown of 23rd March 2020 impacted the Company's ability to trade through the closure of its 26 branches. Once clarification of builders' merchant's essential services status was understood the Company moved back to branches being fully opened over the following weeks.

There was some disruption to supply chains but the Company's high branch inventory levels and ability to arrange 'direct to site' customers' deliveries meant that supply issues were limited.

The Company has not experienced any labour shortages due to COVID-19 and with the exception of branch locations the key support functions of the business have been able to adapt successfully to remote working

The Company leadership team quickly and successfully moved to remote working from lockdown and utilised twice daily videoconferencing to manage the business both internally and externally.

*Potential diminished demand for products and services*

The Company's website and social media presence have allowed clear communication with its customer base over the crisis period. The website has seen an increase in traffic and the eShop saw an increase in orders in the first weeks of lockdown.

Lockdown impacted the ability of certain customer segments to travel to the Company's branches but the designation of construction as an essential service together with the easing of lockdown diminished this risk significantly

Post lockdown saw a rapid increase in demand which quickly approached 2019 values before levelling off. The construction market was subdued for the second half of 2020 but expects a gradual recovery in 2021. Over this period the Company leadership team expect the business to outperform the market due to continuing investments in people, systems and stock.

**19. POST BALANCE SHEET EVENTS - continued**

*Contractual obligations due now or within 1 year*

The Company was supported tremendously by our key leasing partners and property landlords by agreeing to payment breaks, discounts and holidays.

The Company was committed to honour all payment terms to our key suppliers and the majority of our customers continued to pay to terms.

In addition the Company received significant Government COVID-19 financial assistance via the 'Job Retention Scheme'.

Considering all the above aspects, the directors continue to monitor the impact of the virus on the business operations as more information about the epidemic emerges but at the time of signing the directors do not consider COVID-19 to impact the Company's ability to continue as a going concern.

The ongoing project which started in November 2019 (pre-Covid) to streamline the company by investing in new technology and focus on systems improvement was finally bedded in during 2020, resulting in increased efficiency and ultimately we have been successful in reducing our indirect costs by reducing our headcount by 25. This is a non-adjusting post balance sheet event.

**20. ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER**

The intermediate parent undertaking is John Davidson (Holdings) Limited, a company registered in Scotland and has a 100% interest in the equity share capital of John Davidson (Pipes) Limited. The directors consider the ultimate holding company to be Tessenderlo Chemie NV which is incorporated in Belgium. Copies of the Company's financial statements are available from its registered office at Headquarters, Rue du Trone 130, B-1050 Brussels.

The Company has taken advantage of the exemption granted within Section 33 of FRS 102, which does not require the disclosure of transactions between a subsidiary undertaking and other wholly owned Group undertakings, as 100% of the Company's voting rights are controlled within the Group headed by Tessenderlo Chemie NV and the Company is included in its consolidated financial statements.