

# **ADI-Gardiner Limited**

## **Annual Report and Financial Statements For the year ended 31 December 2019**



## Company Information

---

### Officers and professional advisors

#### Directors

Adrian Connell  
Colin McGinty  
Hemant Trivedi  
Michael Lawrence

#### Auditor

Deloitte LLP  
Saltire Court,  
20 Castle Terrace,  
Edinburgh,  
EH1 2DB  
United Kingdom

#### Bankers

Barclays Bank  
Level 11,  
One Churchill Place,  
London,  
E14 5HP  
United Kingdom

#### Registered address

Unit 6 Broadgate Oldham,  
Broadway Business Park,  
Chadderton,  
Oldham,  
United Kingdom,  
OL9 9XA

**Strategic report***for the financial year ended 31 December 2019*

The directors present their strategic report for the financial year ended 31 December 2019.

**Principal activities**

The principal activity of the company is the wholesale distribution of security and low voltage products, electronic surveillance systems, fire detection and prevention equipment and related products.

**Review of the business and future developments**

The profit for the financial year, after taxation, is £1,672,000 (2018: £9,515,000).

The company has continued to perform well during the year which is reflected by revenue growth of 4.8%. Guided by the company's strategic drivers, the company continues to create value for customers, employees, suppliers and shareholders. The reduction in operating profit is driven by an increase in the management charge. The basis of the allocation of the charge has changed since the creation of Resideo and this is reflected in the 2019 number. The prior year reflected the management charge allocated when part of the Honeywell Group.

In March 2020, the World Health Organisation (WHO) declared that the spread of the virus COVID-19 had resulted in a global pandemic. The directors do not expect any significant impact in the operations because of COVID-19 and the directors intend that the company will continue to operate as a trading company. This is detailed in the principal risks section.

The company is in a net asset position and expects to remain so for the foreseeable future.

**Key performance indicators**

Management monitors the business using the following key indicators:

	2019	2018
	%	%
Turnover % change compared with previous year	4.8	9.0
Gross profit margin %	18.9	19.7
Operating profit margin % of turnover	3.3	6.5
Headcount % change compared with previous year	2.6	(6.0)

**Turnover**

Increase in revenue as compared to the prior year was due to a strong performance in the security and fire detection categories. Surge in security was due to market growth in the year and in fire detection was because of continuation of the strong performance in prior year mainly due to the Grenfell Tower disaster.

**Gross profit margin**

The small reduction in the gross profit margin was due to product mix as well as some price erosion.

**Operating profit margin**

The driver of the decrease in the operating profit margin is within administration costs. These increased largely because of an increased management fee from Europe, due to an updated recharge model and basis of allocation.

**Headcount**

In 2018 recruitment was put on hold while the spin off from Honeywell occurred. This wasn't repeated in 2019.

## Strategic report

for the financial year ended 31 December 2019

---

### Strategy

The company maintains market share and sustainable growth through the following strategies:

- providing the highest standard of product, service and delivery to its customer at a competitive cost;
- productivity and process improvement;
- new product introductions;
- continued expansion into current and new markets;
- proactive alignment of its business structure to meet changing market demands;
- defending and extending the installed base through productivity improvements; and
- strong brand recognition through brand and channel management.

### Financial risk management, objectives and policies

#### *Interest risks*

The company is exposed to interest rate risk arising out of amounts owed by and to group undertakings. The exposures to interest rate risks have not been hedged as there is no net interest rate risk at group level on account of intra group loan balances.

#### *Foreign currency risks*

The impact of COVID-19 and Brexit have resulted in increased volatility in foreign exchange rates thus exposing the company to increased foreign currency risks.

The company monitors and manages the foreign currency risk relating to the operations of the company, with the assistance of the treasury department of Resideo Technologies Inc.

#### *Liquidity risks*

The company ensures availability of funding for its operations through an appropriate amount of committed bank facilities on a group wide basis.

#### *Other risks*

Credit risk arises from exposures to customers. The creditworthiness of customers granted credit terms in the normal course of business is monitored continually.

The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer. Sales are not materially dependent on a single customer or a small group of customers.

In respect of intercompany receivables, the company does not have exposure to credit risk considering that we are receiving a guarantee letter from Resideo Technologies Inc. to support intercompany balances.

### Principal risks and uncertainties

In March 2020, the World Health Organisation (WHO) declared that the spread of the virus COVID-19 had resulted in a global pandemic. In many countries, this led to a period of lock-down being declared which resulted in large numbers of employees being furloughed and the total shut down of entertainment venues etc. Foreign travel was also impacted. Currently many countries are now experiencing the much anticipated second wave and the end date cannot yet be determined. The UK is now experiencing another period of lockdown, and restrictions in all countries have been increased again to mitigate the spread. This continues to significantly disrupt the global economy and results in fluctuating levels in the trading of goods and services.

## Strategic report

*for the financial year ended 31 December 2019*

---

During the initial lockdown, in ADI Gardiner Limited a number of employees were furloughed but the branches throughout the UK all maintained normal business hours, so from a customer operational perspective it has been business as usual. Naturally customers were reluctant to spend cash and so were buying less during this time as some business experienced reduced trading, and total shutdowns in some instances. Q2 revenue was impacted as expected and saw a 20% decline versus the prior year. This was however offset in the remainder of the year with full year revenue stable when compared with 2019.

In conclusion, the directors do not foresee a significant impact from COVID-19 on the operations or the financial results of the company.

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). As a result, the UK left the EU on 31 January 2020. Considering the transition period for Brexit negotiation completed on 26 December 2020, the directors are trying to anticipate the potential impact of the Brexit deal on the company's activities and the wider Resideo Group's operations.

### **Statement by the director in performance of their statutory duties in accordance with s172(1) of Companies Act 2006**

ADI-Gardiner Limited is a subsidiary of Resideo Technologies, Inc ("Resideo") which is listed on the New York Stock Exchange. Resideo is the parent company of a multinational group of companies that were spun out of Honeywell International Inc. in 2018. ADI Global Distribution is the security distribution division of Resideo.

We recognise that the success of our business depends on the support of all of our stakeholders and we therefore work with them to build long term sustainable success.

Our Company's structure and operating practices reflect those of Resideo's regional businesses and of ADI's Global business. The Company's principal business is the wholesale distribution of security and low voltage products, electronic surveillance systems, fire detection and prevention equipment and related products. Our local leadership team has delegated decision-making responsibility to work in close cooperation with all stakeholders. They work hard to ensure that proper consideration is given to key stakeholder interests in all decision making, and that regular feedback is received on stakeholder opinions and goals which is used as part of its own decision-making process.

Our local leadership teams provide strategy and performance information and targets to the management of ADI's Global Distribution business that is fed into Resideo's five-year strategic planning process that is implemented on a worldwide basis, including by the Company in the United Kingdom.

It is a requirement that all decisions are made in accordance with the highest standards of business conduct, and in particular in accordance with the Resideo Code of Conduct. On-line training on the Resideo Code of Conduct is provided to employees, and in addition management employees are required to take further on-line training courses on compliance matters such as bribery and corruption.

Details of the Company's key stakeholders and how we engage with them are set out below:

#### *Shareholders*

As stated above we regularly report to our ultimate shareholder, Resideo, with regard to business performance and strategy, and Resideo regularly reports to us its global policies and strategies covering a wide range of topics including financial performance, strategy, outlook, governance and ethical practices, which we take into account in all business decision-making. As a New York Stock Exchange listed company, Resideo has an ongoing dialogue with its shareholders through quarterly investor webcasts and its filings with the Securities and Exchange Commission in the United States of America, and regularly meets with key shareholders. Resideo's webcasts are accessible in real time and recordings are made available after the sessions.

## Strategic report

for the financial year ended 31 December 2019

---

### Staff

We regard our people as key to our success. We communicate our performance and strategy with our staff at quarterly global Town Halls presented by Resideo's CEO and at ADI's UK Town Halls which are held monthly. Staff are encouraged to ask questions of senior management at Town Halls. Our staff may join Resideo's regular investor conference calls. Our staff regularly participate in employee surveys conducted by Resideo, whether ad hoc on specific issues or routinely to gauge their sentiment towards the Company generally. In addition, Resideo has launched an on-line tool by which employees can suggest opportunities to improve business efficiencies, to drive additional value for the Company and the Resideo group. Members of staff may raise issues with senior management through on-line tools and a hotline telephone numbers which enable anonymous reporting. We have a strong industrial relations presence, working with the Resideo European Works Council, local employee representatives and Trades Unions at our sites, as appropriate.

### Customers

Our focus is to continually meet our customers' needs by building strong lasting relationships with them. Our branch staff and other sales teams are devoted to understanding their current and future requirements, and how we can improve our service to them. We work with a large number of customers from multi-national contractors to small one-man installers. We support our customers during the working day through an extensive network of branches, an internal sales team, regional account managers, and our online platform. This detailed understanding of our customers' requirements enables us to tailor our product lines and commercial offerings to their needs.

### Suppliers

Our local leadership and Product Management teams work proactively and closely with the regional procurement team to ensure that the Company's supply requirements are met. All suppliers are subject to a detailed review before they are engaged, and following engagement our regional procurement team conducts regular reviews with them and supports our interaction with them. Our core focus is on the quality of products supplied to us, and their compliance with all international standards, including those applicable to the health, safety and the environment.


### Communities

We have a strong Health, Safety and Environment team that ensures that we minimise our environmental impact on the communities around us and comply with all applicable regulations.

### Decision-making in practice

One of the major decisions made by the Company this year was to relocate our distribution centre from Rochdale to Oldham, which is a distance of around 6 miles. In making this decision the Board considered the interests of and the impact on all stakeholders, but with particular focus on our employees. The Company had operated from the Rochdale site for 30 years, but it was no longer large enough to accommodate the Company's stockholding requirements. In addition, the office accommodation was split across two sites in Rochdale and Bury. By moving to a larger building in Oldham we have addressed the warehouse space issue and can now accommodate all office-based staff on the same site. Having consulted with our employees the Board purposely sought a site very close geographically to the previous sites to minimise impact on our employees and provided a shuttle service between the old and new sites for an interim period to help employees with the transition.

Approved by the board of directors and signed on its behalf by:

DocuSigned by:  
  
E3DDA37C3B8743D...  
Adrian Connell  
Director

1/31/2021

## **Directors' report**

*for the financial year ended 31 December 2019*

---

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

### **Business review and future developments**

A review of the business of the company and future developments is included in the strategic report on page 1.

### **Results and dividends**

The company's profit for the financial year, after taxation was £1,672,000 (2018: £9,515,000) which will be transferred to reserves. The results for the financial year are shown on page 11.

The directors do not recommend the payment of a dividend (2018: £nil).

### **Financial risk management, objectives and policies**

The details of the financial risk management of the company are included in the strategic report on page 2.

### **Directors of the company**

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

Adrian Connell  
Colin McGinty  
Hemant Trivedi  
Michael Lawrence (appointed on 17 July 2020)  
Peter O'Toole (resigned on 4 June 2020)

### **Directors' indemnities**

Pursuant to the company's articles of association, the directors were throughout the financial year ended 31 December 2019 and are at the date of this report entitled to a qualifying indemnity provision as defined in section 234 of the Companies Act 2006.

### **Going concern**

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Resideo Technologies Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the 2019 and Q3 YTD 2020 operating results and financial performance of Resideo Technologies Inc. as well as representations and initiatives of Resideo Executive Leadership. The directors have further relied on forward looking assessments provided by Resideo Technologies Inc under various possible COVID-19 scenarios and are satisfied that the ultimate parent company can provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Resideo Technologies Inc, as well as the group's cash, cash equivalents and short-term investments balance at 26 September 2020 of \$260M which helps to maximize flexibility, liquidity and resilience.

The directors, have a reasonable expectation that the company has adequate resources, including support from Resideo Technologies Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## **Directors' report**

*for the financial year ended 31 December 2019*

---

### **Disclosure of information to auditor**

In the case of each of the persons who is a director at the time this report is approved:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

### **Events since the balance sheet date**


Other than the impact of COVID-19 and Brexit, discussed earlier, which are non-adjusting events, there have been no other material adjusting or non-adjusting events.

### **Independent auditor**

Deloitte LLP were appointed as auditors on 14 April 2020.

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the board of directors and signed on its behalf by:

DocuSigned by:  
  
E3DDA37C3B8743D...

Adrian Connell  
Director

1/31/2021



**Directors' responsibilities statement***for the financial year ended 31 December 2019*

---

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework.'

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

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

- select suitable accounting policies 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 company will continue in business.

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

To assist them in discharging these responsibilities, the directors have engaged a number of third-party providers including accounting firms who are engaged to prepare the company's financial statements, as well as Resideo Technologies Inc.'s own finance shared service centre located in Czech Republic. Resideo operates a country controllership model under which an identified senior finance representative is responsible for all of the UK and Ireland entities, supported by a wider finance team and under the supervision of the EMEA Finance Controller for Europe. The directors have ensured that adequate processes are in place to maintain oversight and supervision over these various providers and processes and to ensure there is clear linkage with the company's activities.

## Independent auditor's report

to the members of ADI-Gardiner Limited

---

### Report on the audit of the financial statements

#### Qualified Opinion

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements of ADI-Gardiner Limited (the 'company')

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for qualified opinion

We were not appointed as auditor of the company until after 31 December 2019 and thus did not observe the counting of physical inventories at the end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 December 2019, which were included in the balance sheet at £16,832,000, by using other audit procedures. Consequently, we were unable to determine whether any adjustment to this amount was necessary. In addition, were any adjustment to the inventory balance or related balances such as cost of sales, to be required, the strategic report would also need to be amended.

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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 qualified opinion.

#### Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**Independent auditor's report**  
*to the members of ADI-Gardiner Limited*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £16,832,000 held at 31 December 2019. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**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 financial statements.

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

**Report on other legal and regulatory requirements****Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept.

## **Independent auditor's report**

*to the members of ADl-Gardiner Limited*

---

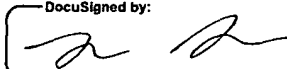
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

### **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.

DocuSigned by:  
  
282542CEE66A4A3...

James Boyle CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Edinburgh, United Kingdom  
-----2021

1/31/2021

**Profit and loss account***for the financial year ended 31 December 2019*

		2019	2018
	Notes	£000s	£000s
Turnover	5	154,197	147,120
Cost of sales		(124,995)	(118,125)
<b>Gross profit</b>		<b>29,202</b>	<b>28,995</b>
Distribution expenses		(14,108)	(13,288)
Administrative expenses		(9,968)	(6,124)
<b>Operating profit</b>	7	<b>5,126</b>	<b>9,583</b>
Interest receivable	10	123	29
Interest payable and similar charges	11	(936)	(105)
<b>Profit before taxation</b>		<b>4,313</b>	<b>9,507</b>
Tax on profit	12	(2,641)	8
<b>Profit for the financial year</b>		<b>1,672</b>	<b>9,515</b>


No separate statement of comprehensive income has been presented because the company has no other comprehensive income other than profit for the financial year.

The notes on pages 14 to 33 form an integral part of the financial statements.

**Balance Sheet***as at 31 December 2019*

	<i>Notes</i>	<i>2019 £000s</i>	<i>2018 £000s</i>
<b>Fixed assets</b>			
Intangible assets	13	32	46
Tangible assets	14	1,995	325
Right-of-use assets	15	5,882	-
		<u>7,909</u>	<u>371</u>
<b>Current assets</b>			
Stocks	16	16,832	13,450
Debtors: amounts falling due within one year	17	70,437	51,564
Cash at bank and in hand		6,067	13,266
		<u>93,336</u>	<u>78,280</u>
<b>Creditors: amounts falling due within one year</b>	18	(66,890)	(51,568)
<b>Net current assets</b>		<u>26,446</u>	<u>26,712</u>
<b>Total assets less current liabilities</b>		<u>34,355</u>	<u>27,083</u>
Creditors: amounts falling due after more than one year	19	(5,671)	-
<b>Net assets</b>		<u>28,684</u>	<u>27,083</u>
<b>Capital and reserves</b>			
Called-up share capital	21	100	100
Profit and loss account		28,584	26,983
<b>Total shareholders' funds</b>		<u>28,684</u>	<u>27,083</u>

The financial statements on pages 11 to 33 were approved by the board of directors on \_\_\_\_\_ and signed on \_\_\_\_\_  
its behalf by:

DocuSigned by:  
  
E3DDA37C3B8743D...

Adrian Connell  
Director

1/31/2021

**Statement of changes in equity**  
*for the financial year ended 31 December 2019*

	<i>Called-up share capital</i>	<i>Profit and loss account</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
At 1 January 2018	100	17,468	17,568
Profit for the financial year	-	9,515	9,515
<b>At 31 December 2018</b>	<b>100</b>	<b>26,983</b>	<b>27,083</b>
Impact of change in accounting policy*	-	(71)	(71)
<b>At 1 January 2019</b>	<b>100</b>	<b>26,912</b>	<b>27,012</b>
Profit for the financial year	-	1,672	1,672
<b>At 31 December 2019</b>	<b>100</b>	<b>28,584</b>	<b>28,684</b>

\*The company has applied IFRS 16 using the cumulative effects method, the comparative information is not restated. Refer to note 22.

**Notes to the financial statements***for the financial year ended 31 December 2019***1. General information**

ADI-Gardiner Limited is a private company limited by shares which is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The nature of the company's operations and its principal activities are set out in the strategic report on page 1.

The immediate parent undertaking is ADI-Gardiner EMEA Limited, a company incorporated in the United Kingdom. The registered address of the parent is Unit 6 Broadgate Oldham, Broadway Business Park, Chadderton, Oldham, United Kingdom, OL9 9XA.

The company's results are included in the consolidated financial statements of Resideo Technologies Inc., a company registered in the USA. Resideo Technologies Inc. is the company's ultimate parent company and controlling party, heading up the smallest and largest group to consolidate these financial statements. The registered office of the ultimate parent company is located at 1985, Douglas Drive North Golden Valley, MN 55422 United States, USA. The financial statements of Resideo Technologies Inc. are publicly available and can be obtained from Corporate Publications, PO Box 2245, Morristown, New Jersey 07962-2245, USA or from the Internet at [www.resideo.com](http://www.resideo.com).

**2. Significant accounting policies**

The accounting policies that have been applied consistently throughout the financial year and in the preceding year are set out below:

*Basis of preparation*

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

These financial statements are prepared on a going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and FRS 101. The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, paragraph 73(e) of IAS 16 Property, Plant and Equipment, paragraph 118(e) of IAS 38 Intangible Assets and paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraph 52 of IFRS 16 Leases; and
- The requirements of paragraph 58 of IFRS 16, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.



**Notes to the financial statements***for the financial year ended 31 December 2019****Going concern***

The company's business activities, together with the factors likely to affect its future development and position, are set out in the strategic report.

The ultimate parent company, Resideo Technologies Inc. has indicated that it will provide financial support to the company for at least one year from the date of signing these financial statements. While considering the ability of the ultimate parent company to provide financial support, the directors, have reviewed the 2019 and Q3 YTD 2020 operating results and financial performance of Resideo Technologies Inc. as well as representations and initiatives of Resideo Executive Leadership. The directors have further relied on forward looking assessments provided by Resideo Technologies Inc under various possible COVID-19 scenarios and are satisfied that the ultimate parent company can provide the necessary financial support. As part of their consideration, the directors have acknowledged the cost control measures already taken across Resideo Technologies Inc, as well as the group's cash, cash equivalents and short term investments balance at 26 September 2020 of \$260M which helps to maximize flexibility, liquidity and resilience.

The directors, have a reasonable expectation that the company has adequate resources, including support from Resideo Technologies Inc. to continue in operational existence for the foreseeable future being a period of at least 12 months from the date of these financial statements.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

***Turnover and revenue recognition***

Turnover comprises revenue from sales to customers net of value added tax.

The company recognises revenue when it satisfies an identified performance obligation by transferring a promised good to a customer excluding amounts collected on behalf of third parties. The company measures revenue at the transaction price, excluding estimates of variable considerations. A good is considered to be transferred when the customer obtains control. IFRS 15 states that "control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset". Control also means the ability to prevent others from directing the use of, and receiving the benefit from, a good.

As per IFRS 15, the performance obligations are deemed to be satisfied as follows:

**Type of sale****Recognition**

Distribution

On dispatch from the warehouse

***Volume rebates***

The company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

***Warranty obligations***

The service-type warranties are sold together with the sale of goods and not sold separately. These are aligned to the manufacturer's warranty in a back to back arrangement which means that the company is not left with any obligation in this regard.

**Notes to the financial statements***for the financial year ended 31 December 2019*

---

*Contract balances**Trade receivables*

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in financial instruments – initial recognition and subsequent measurement.

*Interest receivable*

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

*Leases – as lessee*

The company has adopted IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16.

The company assesses whether a contract is or contains a lease, at inception of a contract. The company recognises a right-of-use asset and a corresponding lease liability for all leasing arrangements, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (less than £5,000). For these leases, the company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

*Lease liability – Initial measurement*

The lease liability is initially measured at the present value of the lease payments, excluding payments made at or before the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments); and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments are not included in the determination of the lease liability and are charged to the profit and loss in the period that they arise. (applicable for car lease rentals)

*Lease liability – Subsequent measurement*

The lease liability is subsequently measured at amortised cost.

The lease liability is remeasured, with a corresponding adjustment to the related right-of-use asset, whenever:

- the lease term has changed in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

*Right-of-use assets*

The right-of-use asset is initially measured at the initial amount of the lease liability adjusted for:

- lease payments made at or before the commencement day, less any lease incentives received;
- any initial direct costs;
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The company also assesses the right-of-use asset for impairment when such indicators exist.

**Notes to the financial statements***for the financial year ended 31 December 2019***Operating leases – Accounting policies applied until 31 December 2018**

- Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight-line basis over the lease term.

**Foreign currency translation**

The company's financial statements are presented in Sterling, which is also the company's functional currency.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**Taxation**

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

**Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

The useful life of the asset is:

Capitalised software

8 years

**Notes to the financial statements***for the financial year ended 31 December 2019**Tangible assets and depreciation*

Tangible assets are stated at historical purchase cost less accumulated depreciation. Depreciation is calculated using the straight-line method at rates calculated to write down the cost to the estimated residual value over the estimated useful life. Cost comprises of purchase costs together with any incidental expenses of acquisition. The annual depreciation rates used for the major assets are:

Land and buildings	5 - 12 years
Fixtures and fittings	5 - 15 years

Depreciation is not provided on construction in progress until the asset is completed.

Land is not depreciated.

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period.

*Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the profit and loss account. The company also assess the right-of-use asset for impairment when such indicators exists.

*Financial instruments*

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

*Financial asset – recognition and measurement**Initial recognition and measurement*

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attribute able to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

All recognised financial assets are subsequently measured in their entirety at amortised cost.

*Classification of financial assets*

Classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Currently, all financial assets meet the following conditions and hence are classified at amortised cost:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

**Notes to the financial statements***for the financial year ended 31 December 2019*

This category is the most relevant to the company. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the company's balance sheet) when:

- The rights to receive cash flows from the asset have expired, or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Impairment of financial assets*

In accordance with IFRS 9, the company applies expected credit loss (ECL) model for measurement and recognition of impairment loss on all financial assets not measured at fair value.

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required.

ECL is the weighted average of difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive, discounted at the original effective interest rate, with the respective risks of default occurring as the weights. When estimating the cash flows, the company is required to consider:

- All contractual terms of the financial assets (including prepayment and extension) over the expected life of the assets.
- Cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*Financial liabilities - recognition and measurement**Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or financial liabilities at amortised cost as appropriate

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The company's financial liabilities comprise of loans and borrowings and trade and other payables.

*Subsequent measurement*

After initial recognition, financial liabilities at amortised cost are measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss account when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest payable in the profit and loss account.

*De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

**Notes to the financial statements***for the financial year ended 31 December 2019*

---

**Stocks**

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value. Provisions for obsolete and slow moving stocks are made where appropriate.

The cost of raw materials, consumables and goods for resale is the purchase cost on a first-in, first-out basis. The cost of work in progress and finished goods is the cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**3. Judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 2, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Judgements**

There are no judgements that have a significant effect on amounts recognised in the financial statements.

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the company.

*(i) Impairment of financial assets*

The company estimates the expected credit loss in relation to its financial assets considering the nature of business, past history and other mitigating factors. The company reviews this policy annually, if required.

In respect of other financial assets which primarily comprises of amounts owed from group undertakings, a letter of guarantee has been provided by the ultimate parent company, Resideo Technologies Inc. indicating that support will be given in order to settle these amounts should it be necessary. Accordingly, the company has recognised a provision for expected credit loss amounting to £186,000 (2018: £193,000).

**4. New and amended standards and interpretations**

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard or amendment is described below:

***IFRS 16 Leases***

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

**Notes to the financial statements***for the financial year ended 31 December 2019*

Under previous standards, leases where the lessor retained a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable were charged to the profit and loss account on a straight-line basis over the lease term. Under IFRS 16 the company is required to recognise a right-of-use asset and related lease liability for all leases, including those previously classified as operating leases, except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the company has elected to follow the approach in IFRS 16.C8 (b)(i), whereby the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings.

On transition to IFRS 16, the company recognised £2,022,000 of right-of-use assets, £2,093,000 of lease liability and a net reduction in retained earnings of 71,000 as at 1 January 2019. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account.

The company also applied the available practical expedients wherein it:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

**5. Turnover**

	2019	2018
	£000s	£000s
<i>Analysis of turnover by geographical market</i>		
United Kingdom	150,835	143,066
Rest of Europe	2,523	3,724
Other	839	330
<i>Total turnover by geographical market</i>	<u>154,197</u>	<u>147,120</u>
<i>Analysis of turnover by category</i>		
Safety and security solutions	154,197	147,120
<i>Total turnover by category</i>	<u>154,197</u>	<u>147,120</u>
<i>Timing of revenue recognition</i>		
Point of time	154,197	147,120
<i>Total revenue from contracts with customers</i>	<u>154,197</u>	<u>147,120</u>

**Notes to the financial statements***for the financial year ended 31 December 2019***6. Disclosures in respect of contracts with customers**

The following table provides information about amounts recognised in the profit and loss arising from contracts with customers:

	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Revenue from contracts with customers (note 5)	154,197	147,120

The following table provides information about receivables, contracts assets and contract liabilities:

	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Trade debtors (note 17)	33,612	29,821

There are no contract assets and contract liabilities in the company.

**7. Operating profit**

	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
This is stated after charging/(crediting):		
<i>Depreciation and amortisation</i>		
Intangible assets (note 13)	14	13
Tangible assets – owned (note 14)	29	45
Right-of-use assets (note 15)	785	-
<i>Lease rental charges</i>		
Under operating lease	-	689
Payments on short term leases	313	-
Reorganisation and redundancy	50	-
(Gain)/loss on foreign exchange	(608)	501



**Notes to the financial statements***for the financial year ended 31 December 2019***8. Auditor's remuneration**

The remuneration of the statutory auditor is further analysed as follows:

	2019	2018
	£000s	£000s
Audit of the financial statements	25	55
<i>Total auditor remuneration</i>	<u>25</u>	<u>55</u>

There are no non audit services fees payable to the auditor (2018: £nil).

**9. Employees and directors***(a). Staff costs*

	2019	2018
	£000s	£000s
Wages and salaries	8,341	8,547
Social security costs	963	920
Contributions to defined contribution pension plans	946	541
<i>Total staff costs</i>	<u>10,250</u>	<u>10,008</u>

The average monthly number of employees during the financial year was made up as follows:

(including executive directors)

	2019	2018
	No.	No.
Indirect	240	234
<i>Total monthly average number of employees</i>	<u>240</u>	<u>234</u>

*(b). Directors' remuneration*

	2019	2018
	£000s	£000s
Aggregate emoluments	110	106
Pension costs- defined contribution	5	5
<i>Total payments to directors</i>	<u>115</u>	<u>111</u>

**Notes to the financial statements***for the financial year ended 31 December 2019*

Highest paid director

Aggregate emoluments	110	106
----------------------	-----	-----

<i>Total payments to highest paid director</i>	110	106
--	-----	-----

During the financial year, the highest paid director did not (2018: did not) exercise options over shares of Resideo Technologies Inc., the ultimate parent company

In 2019, three directors (2018: two directors) were remunerated by other group companies for their services to the group as a whole.

**10. Interest receivable**

	2019	2018
	£000s	£000s
Interest receivable from group undertakings	123	29
<i>Total interest receivable</i>	123	29

**11. Interest payable and similar charges**

	2019	2018
	£000s	£000s
Interest payable to group undertakings	616	98
Interest expense on lease liability	320	-
Interest payable other	-	7
<i>Total interest expense and similar expenses</i>	936	105

**12. Taxation***(a). Tax charged in the profit and loss account*

	2019	2018
	£000s	£000s
<i>Current tax:</i>		
UK corporation tax on profit for financial year	818	-
Adjustments in respect of prior years	1,816	-
<i>Total current tax</i>	2,634	-

**Notes to the financial statements**  
*for the financial year ended 31 December 2019**Deferred tax:*

Origination and reversal of temporary differences	7	(5)
Adjustments in respect of prior years	-	(3)
<b>Total deferred tax</b>	<b>7</b>	<b>(8)</b>
<b>Total tax expense/(credit) in the profit and loss account</b>	<b>2,641</b>	<b>(8)</b>

*(b). Reconciliation of the total tax charge*

The tax expense in the profit and loss account for the financial year is lower than the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019	2018
	£000s	£000s
Profit before income tax	4,313	9,507
Profit multiplied by the effective rate of corporation tax in the UK of 19% (2018:19%)	819	1,806
<i>Effects of:</i>		
Expenses not deductible for tax purposes and other permanent differences	7	6
Effect of change in tax laws and rates	(1)	-
Adjustments in respect of prior years	1,816	(3)
Group relief not paid for	-	(1,817)
<b>Total tax expense/(credit) reported in the profit and loss account</b>	<b>2,641</b>	<b>(8)</b>

*(c). Factors affecting tax charge for the financial year*

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, as per the budget announced on 11 March 2020, it was decided to maintain the UK corporation tax rate at 19%.

*d). Deferred tax*

	2019	2018
	£000s	£000s
<i>The deferred tax included in the balance sheet is as follows:</i>		
Deferred tax asset		
Differences between capital allowances and depreciation	100	113
Other short term timing differences	30	24
<b>Total deferred tax asset</b>	<b>130</b>	<b>137</b>

**Notes to the financial statements**  
*for the financial year ended 31 December 2019*

	<i>Total</i>
	<i>£000s</i>
<i>Movements in deferred tax</i>	
At 1 January 2019	137
Charge to the profit and loss account	(7)
At 31 December 2019	130

The deferred tax asset is recognised because it is more likely than not that there will be sufficient taxable profits in the future to recover the assets.

The deferred tax asset has been calculated at 17%, since this was the enacted rate at the balance sheet date expected to be in place when the deferred tax asset reverses. In his Budget on 11 March 2020, the Chancellor indicated that the rate reduction of 2% would be removed and therefore the deferred tax is likely to unwind in future when the corporation tax rate is 19%. Had the deferred tax been calculated at 19%, then the tax credit in profit and loss account would have been £8,000 and the deferred tax asset £145,000.

**13. Intangible assets**

	<i>Software</i>
	<i>£000s</i>
<i>Cost</i>	
At 1 January and 31 December 2019	77
<i>Accumulated amortisation</i>	
At 1 January 2019	31
Provided during the financial year	14
At 31 December 2019	45
<i>Net book value:</i>	
At 31 December 2019	32
At 31 December 2018	46

**Notes to the financial statements***for the financial year ended 31 December 2019***14. Tangible assets**

	<i>Land and buildings</i>	<i>Fixtures and fittings</i>	<i>Construction in progress</i>	<i>Total</i>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
<b>Cost</b>				
At 1 January 2019	934	100	248	1,282
Additions	-	-	1,699	1,699
At 31 December 2019	934	100	1,947	2,981
<b>Accumulated depreciation</b>				
At 1 January 2019	872	85	-	957
Provided during the financial year	27	2	-	29
At 31 December 2019	899	87	-	986
<b>Net book value:</b>				
At 31 December 2019	35	13	1,947	1,995
At 31 December 2018	62	15	248	325
<i>The above figures include:</i>				
			<b>2019</b>	<b>2018</b>
			<b>£000s</b>	<b>£000s</b>
Short leasehold land and buildings, at net book value			35	62

**Notes to the financial statements***for the financial year ended 31 December 2019***15. Right-of-use assets**

	<i>Land and buildings</i>
	<i>£000s</i>
<i>Cost</i>	
At 1 January 2019	-
Transition to IFRS 16 (note 22)	2,022
Additions	4,645
At 31 December 2019	<u>6,667</u>
<i>Accumulated depreciation</i>	
At 1 January 2019	-
Provided during the financial year	785
At 31 December 2019	<u>785</u>
<i>Net book value:</i>	
At 31 December 2019	<u>5,882</u>

The company has entered into commercial leases on several properties around the UK. This is due to the retail nature of the organisation, and the properties represent branches that the company operates from.

The average lease term is 6 years. Many of the leases include "break" options as well as renewal options. Due to the time negotiations for this type of lease can take some properties that are on a holdover lease.

There are no restrictions placed upon the lessee by entering into these leases.

**16. Stocks**

	<i>2019</i>	<i>2018</i>
	<i>£000s</i>	<i>£000s</i>
Finished goods	16,832	13,450
<i>Total stocks</i>	<u>16,832</u>	<u>13,450</u>
The amount of inventories recognised as an expense during the year	131,065	123,880
The amount inventories written down recognised as an expense in the year	558	48

**Notes to the financial statements**  
*for the financial year ended 31 December 2019***17. Debtors**

	2019	2018
	£000s	£000s
<i>Amounts falling due within one year</i>		
Trade debtors	33,612	29,821
Amounts owed by group undertakings	35,862	21,374
Deferred tax asset (note 12)	130	137
Other debtors	209	232
Income tax recoverable	624	-
<i>Total amounts falling due within one year</i>	<u>70,437</u>	<u>51,564</u>

Amounts owed by group undertakings include the following interest bearing loans and other borrowings:

Receivable	Currency	Interest terms	2019	2018
			£000s	£000s
On demand	GBP	3 Month Libor Plus 2%	3,813	-
On demand	PLN	3 Month Wibor Plus 0.25%	626	1,039
On demand	HUF	3 Month Bubor Plus 0.25%	9,965	8,899
On demand	AED	3 Month Libor Plus 0.25%	-	1,668

All amounts owed by group undertakings are payable on demand and unsecured.

**Notes to the financial statements***for the financial year ended 31 December 2019*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses.

**Trade receivables**

	Gross carrying amount at risk of default £000s	2019 Expected credit loss rate %	Expected credit loss £000s	Gross carrying amount at risk of default £000s	2018 Expected credit loss rate %	Expected credit loss £000s
Amounts due:						
Not due	30,977	0.00	-	28,341	0.01	3
within 30 days	496	0.01	-	1,214	0.08	1
30 – 60 days	954	0.13	1	177	1.18	2
61 – 90 days	1,067	0.14	1	66	1.29	1
After 90 days	304	60.40	184	216	86.11	186
Total	33,798		186	30,014		193

**18. Creditors: amounts falling due within one year**

	2019 £000s	2018 £000s
Trade creditors	23,482	25,811
Amounts owed to group undertakings	40,917	18,310
Taxation and social security	791	5,452
Accrued expenses	1,170	1,597
Other payables	-	398
Lease liability (note 20)	530	-
	<b>66,890</b>	<b>51,568</b>

Amounts owed to group undertakings include the following loans and other borrowings:

Payable	Currency	Interest terms	2019 £000s	2018 £000s
On demand	USD	3 Month Libor Plus 0.25%	30,871	15,578

All amounts owed to group undertakings are payable on demand and unsecured.



**Notes to the financial statements***for the financial year ended 31 December 2019***19. Creditors: amounts falling due after more than one year**

	2019	2018
	£000s	£000s
Lease liability (note 20)	5,671	-

**20. Lease liabilities**

	2019
	£000s
Non-current (note 19)	5,671
Current (note 18)	530
<b>Total</b>	<b>6,201</b>

The non-cancellable lease payments are due

	2019
	£000s
Within 1 year	530
Between 1 and 5 years	2,405
After 5 years	3,266
<b>Total</b>	<b>6,201</b>

The company has entered into commercial leases on several properties around the UK. This is due to the retail nature of the organisation, and the properties represent branches that the company operates from.

The average lease term is 6 years. Many of the leases include "break" options as well as renewal options. Due to the time negotiations for this type of lease can take some properties that are on a holdover lease.

There are no restrictions placed upon the lessee by entering into these leases. The total cash outflow for leases amount to £857,000 (2018: £689,000).

**21. Called-up share capital**

	2019	2018
	£000s	£000s
<i>Authorised and allotted, called-up and fully paid</i>		
100,000 (2018: 100,000) ordinary shares of £1 each at 1 January	100	100

**Notes to the financial statements***for the financial year ended 31 December 2019***22. Change in accounting policies**

Except for the changes below, the company has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

**IFRS 16 Leases**

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The company has applied IFRS 16 using the modified retrospective approach, without restatement of the comparative information. For leases previously treated as operating leases, the company has elected to follow the approach in IFRS 16.C8 (b)(i), whereby the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings.

On transition to IFRS 16, the company recognised £2,022,000 of right-of-use assets, £2,093,000 of lease liability and a net reduction in retained earnings of £71,000 as at 1 January 2019. This resulted in an additional depreciation charge on right-of-use assets and interest expense on the lease liability instead of rental expense which was being charged to the profit and loss account.

**Impact on financial statements**

*Effect of adoption of IFRS 16 on the balance sheet as at 1 January 2019:*

	As reported	Adjustments	Balances without IFRS 16
	£000s	£000s	£000s
Right-of-use assets	2,022	2,022	-
<b>Total assets</b>	<b>2,022</b>	<b>2,022</b>	-
Lease liabilities	2,093	2,093	-
<b>Total liabilities</b>	<b>2,093</b>	<b>2,093</b>	-
Retained earnings	(71)	(71)	-
<b>Total capital and reserves</b>	<b>(71)</b>	<b>(71)</b>	-

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	£000s
Operating lease commitments at 31 December 2018 under IAS 17	2,116
Effect of discounting	(23)
Total lease liabilities recognised at 1 January 2019	<u>2,093</u>

**Notes to the financial statements***for the financial year ended 31 December 2019**Effect of adoption of IFRS 16 on the balance sheet as at 31 December 2019:*

	<b>As reported</b>	<b>Adjustments</b>	<b>Balances without IFRS 16</b>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Right-of-use assets	5,882	5,882	-
<b>Total assets</b>	<b>5,882</b>	<b>5,882</b>	-
Lease liabilities	6,201	6,201	-
<b>Total liabilities</b>	<b>6,201</b>	<b>6,201</b>	-

*Effect of adoption of IFRS 16 on the statement of profit and loss for the year ending 31 December 2019:*

	<b>As reported</b>	<b>Adjustments</b>	<b>Balances without IFRS 16</b>
	<i>£000s</i>	<i>£000s</i>	<i>£000s</i>
Depreciation	785	785	-
Interest payable on lease liabilities	320	320	-
Rental expense	313	(857)	1,170
Profit before tax	(4,313)	248	(4,561)
Income tax expense	2,641	-	2,641
Profit for the year	(1,672)	248	(1,920)

**23. Events after balance sheet date**

Other than the impact of COVID-19 and Brexit, discussed earlier, which are non-adjusting events, there have been no other material adjusting or non-adjusting events.