

**Company Registration No. NI029742 (Northern Ireland)**

**MERIT RETAIL LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

# **MERIT RETAIL LIMITED**

## **CONTENTS**

---

	<b>Page</b>
Company information	1
Strategic report	2
Directors' report	3 - 4
Independent auditor's report	5 - 6
Statement of comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Statement of cash flows	10
Notes to the financial statements	11 - 23

---

# **MERIT RETAIL LIMITED**

## **COMPANY INFORMATION**

---

<b>Directors</b>	Mr J Conway Mrs M Conway Mrs O McElwee Ms T Conway Mr P J Conway
<b>Secretary</b>	Mrs M Conway
<b>Company number</b>	NI029742
<b>Registered office</b>	58 Moneymore Road Magherafelt County Londonderry BT45 6HG
<b>Auditor</b>	Moore (NI) LLP 32 Lodge Road Coleraine Co. Londonderry BT52 1NB
<b>Bankers</b>	Danske Bank 14 Broad Street Magherafelt Co. Londonderry BT45 6EA
<b>Solicitors</b>	MKB Law 14 Great Victoria Street Belfast BT2 7BA

# **MERIT RETAIL LIMITED**

## **STRATEGIC REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

---

The directors present the strategic report and financial statements for the year ended 31 December 2018.

### **Principal activities**

The principal activities of the company are those of the operation of residential nursing homes.

### **Review of business**

The company's turnover has increased due to the addition of a new home, Ailsa Lodge and an increase in rates charged. The directors consider the results for the period to be satisfactory. The company will continue to seek every opportunity to increase profitable turnover.

### **Risks and uncertainties**

The company's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs.

Given the size of the company, the directors have assumed responsibility for the monitoring of financial risk management.

### **Price risk**

The company is exposed to commodity price risk. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The directors will keep this policy under review having regard to the company's operations and any change in size or nature.

### **Credit risk**

The company is exposed to credit risk due to its policy of giving credit to residents. However given the nature of the company's activities, the exposure to credit risk is minimal.

### **Liquidity risk**

The company has financing facilities in place that are designed to ensure there are sufficient available funds for operations and planned expansions.

### **Interest rate cash flow risk**

The company has interest bearing liabilities. The company has a policy of monitoring its debt finance to ensure certainty of future interest cash flows. The directors will revisit this policy should the company's operations change in size or nature or otherwise be deemed necessary.

### **Key performance indicators**

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPI's is not necessary for an understanding of the development, performance or position of the business.

On behalf of the board

Mr P J Conway

**Director**

28 June 2019

# **MERIT RETAIL LIMITED**

## **DIRECTORS' REPORT**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

---

The directors present their annual report and financial statements for the year ended 31 December 2018.

### **Principal activities**

The principal activity of the company continued to be that of the rental of property and operation of nursing homes.

### **Directors**

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J Conway  
Mrs M Conway  
Mrs O McElwee  
Ms T Conway  
Mr P J Conway

### **Results and dividends**

The results for the year are set out on page 7.

No interim dividends were paid. The directors do not recommend payment of a final dividend.

### **Auditor**

The auditors, Moore (NI) LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

### **Statement of directors' responsibilities**

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 Accounting Practice, including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS102). 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 accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

**MERIT RETAIL LIMITED**

**DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2018***

---

On behalf of the board

Mr P J Conway  
**Director**

28 June 2019

# **MERIT RETAIL LIMITED**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBER OF MERIT RETAIL LIMITED**

---

#### **Opinion**

We have audited the financial statements of Merit Retail Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

#### **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.

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.

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our 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.

## **MERIT RETAIL LIMITED**

### **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

#### **TO THE MEMBER OF MERIT RETAIL LIMITED**

---

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

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 material misstatements in the strategic report and the directors' report.

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

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

##### **Responsibilities of directors**

As explained more fully in the 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 Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

This report is made solely to the company's member in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's member 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 member for our audit work, for this report, or for the opinions we have formed.

**John Love (Senior Statutory Auditor)**  
for and on behalf of Moore (NI) LLP

28 June 2019

**Chartered Accountants**  
**Statutory Auditor**

32 Lodge Road  
Coleraine  
Co. Londonderry  
BT52 1NB



## MERIT RETAIL LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	4,889,809	3,886,456
Cost of sales		(192,312)	(150,495)
<b>Gross profit</b>		<b>4,697,497</b>	<b>3,735,961</b>
Administrative expenses		(3,894,974)	(2,810,712)
Other operating income		270,214	264,445
<b>Operating profit</b>	<b>4</b>	<b>1,072,737</b>	<b>1,189,694</b>
Interest receivable and similar income	6	271,580	-
Interest payable and similar expenses	7	(144,930)	(110,784)
<b>Profit before taxation</b>		<b>1,199,387</b>	<b>1,078,910</b>
Tax on profit	8	(154,019)	(12,230)
<b>Profit for the financial year</b>		<b>1,045,368</b>	<b>1,066,680</b>

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

# MERIT RETAIL LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Fixed assets</b>					
Goodwill	9	728,993		-	
Tangible assets	10	6,249,517		5,403,803	
Investment properties	11	1,039,174		1,039,174	
		<u>8,017,684</u>		<u>6,442,977</u>	
<b>Current assets</b>					
Stocks	13	1,000		1,000	
Debtors	14	4,941,347		10,141,522	
Cash at bank and in hand		927,121		325,002	
		<u>5,869,468</u>		<u>10,467,524</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(2,751,953)</u>		<u>(3,311,118)</u>	
<b>Net current assets</b>		<u>3,117,515</u>		<u>7,156,406</u>	
<b>Total assets less current liabilities</b>		<u>11,135,199</u>		<u>13,599,383</u>	
<b>Creditors: amounts falling due after more than one year</b>	16	-		(3,442,929)	
<b>Provisions for liabilities</b>	19	(183,500)		(250,123)	
<b>Net assets</b>		<u>10,951,699</u>		<u>9,906,331</u>	
<b>Capital and reserves</b>					
Called up share capital	22	100,000		100,000	
Profit and loss reserves		10,851,699		9,806,331	
<b>Total equity</b>		<u>10,951,699</u>		<u>9,906,331</u>	

The financial statements were approved by the board of directors and authorised for issue on 28 June 2019 and are signed on its behalf by:

Mr P J Conway  
Director

Company Registration No. NI029742

## MERIT RETAIL LIMITED

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 January 2017	100,000	8,739,651	8,839,651
Year ended 31 December 2017:			
Profit and total comprehensive income for the year	-	1,066,680	1,066,680
Balance at 31 December 2017	100,000	9,806,331	9,906,331
Year ended 31 December 2018:			
Profit and total comprehensive income for the year	-	1,045,368	1,045,368
Balance at 31 December 2018	100,000	10,851,699	10,951,699

# MERIT RETAIL LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	26	6,159,871		227,820	
Interest paid		(144,930)		(110,784)	
Income taxes paid		(215,567)		(1)	
<b>Net cash inflow from operating activities</b>		<b>5,799,374</b>		<b>117,035</b>	
<b>Investing activities</b>					
Purchase of intangible assets		(809,992)		-	
Purchase of tangible fixed assets		(881,008)		(3,358)	
Interest received		271,580		-	
<b>Net cash used in investing activities</b>		<b>(1,419,420)</b>		<b>(3,358)</b>	
<b>Financing activities</b>					
Repayment of bank loans		(3,775,094)		(245,573)	
Payment of finance leases obligations		(2,741)		(2,990)	
<b>Net cash used in financing activities</b>		<b>(3,777,835)</b>		<b>(248,563)</b>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>602,119</b>		<b>(134,886)</b>	
Cash and cash equivalents at beginning of year		325,002		459,888	
<b>Cash and cash equivalents at end of year</b>		<b>927,121</b>		<b>325,002</b>	

# **MERIT RETAIL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**

---

### **1 Accounting policies**

#### **Company information**

Merit Retail Limited is a private company limited by shares incorporated in Northern Ireland. The registered office is 58 Moneymore Road, Magherafelt, County Londonderry, BT45 6HG.

#### **1.1 Accounting convention**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

#### **1.2 Going concern**

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business.

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its nursing home services, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **1.4 Intangible fixed assets - goodwill**

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

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

#### **1.5 Tangible fixed assets**

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

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

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

Land and buildings Freehold	Depreciation is provided on the asset value within property cost, which qualifies for capital allowances on a straight line basis of 10% per annum
Plant and machinery	15% straight line
Fixtures, fittings & equipment	25% straight line

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

#### 1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in profit or loss.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

#### 1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.8 Stocks

Stocks are stated at the lower of cost and net realisable value.

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

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### 1.9 Cash at bank and in hand

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

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

##### **Impairment of financial assets**

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

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

##### **Derecognition of financial assets**

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

##### **Classification of financial liabilities**

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

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs.

Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

#### 1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the 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 years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

##### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.



# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 Accounting policies

(Continued)

#### 1.13 Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### 1.15 Leases

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

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

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

### 2 Judgements and key sources of estimation uncertainty

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

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

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
<b>Turnover analysed by class of business</b>		
Rendering of services	<b>4,889,809</b>	3,886,456

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 3 Turnover and other revenue (Continued)

	2018	2017
	£	£
<b>Other significant revenue</b>		
Interest income	271,580	-

	2018	2017
	£	£
<b>Turnover analysed by geographical market</b>		
United Kingdom	4,889,809	3,886,456

### 4 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging:		
Fees payable to the company's auditor for the audit of the company's financial statements	6,000	6,000
Depreciation of owned tangible fixed assets	35,293	29,991
Depreciation of tangible fixed assets held under finance leases	-	3,056
Amortisation of intangible assets	80,999	-
Cost of stocks recognised as an expense	192,312	150,495

### 5 Employees

The average monthly number of persons (including directors) employed by the company during the year, which is made up of all employees including non-FTE, was:

2018	2017
Number	Number
176	143

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	2,748,947	2,343,335
Social security costs	173,313	138,197
Pension costs	24,981	14,708
	2,947,241	2,496,240

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 6 Interest receivable and similar income

	2018	2017
	£	£
Interest income		
Other interest income	271,580	-
	<u>271,580</u>	<u>-</u>

### 7 Interest payable and similar expenses

	2018	2017
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	65,737	110,222
Interest on finance leases and hire purchase contracts	515	562
Interest payable to group undertakings	78,678	-
	<u>144,930</u>	<u>110,784</u>

### 8 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	220,642	-
Adjustments in respect of prior periods	-	(10,170)
Total current tax	<u>220,642</u>	<u>(10,170)</u>
Deferred tax		
Origination and reversal of timing differences	(66,623)	22,400
Total tax charge	<u>154,019</u>	<u>12,230</u>

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 8 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2018 £	2017 £
Profit before taxation	1,199,387	1,078,910
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.00%)	227,884	204,993
Adjustments in respect of prior years	-	(10,170)
Group relief	-	(180,869)
Permanent capital allowances in excess of depreciation	(7,242)	(24,124)
Deferred tax charge	(66,623)	22,400
Taxation charge for the year	154,019	12,230

### 9 Intangible fixed assets

	Goodwill £
<b>Cost</b>	
At 1 January 2018	500,000
Additions - separately acquired	809,992
At 31 December 2018	1,309,992
<b>Amortisation and impairment</b>	
At 1 January 2018	500,000
Amortisation charged for the year	80,999
At 31 December 2018	580,999
<b>Carrying amount</b>	
At 31 December 2018	728,993
At 31 December 2017	-

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 10 Tangible fixed assets

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>				
At 1 January 2018	5,342,365	313,121	572,487	6,227,973
Additions	861,000	-	20,008	881,008
At 31 December 2018	6,203,365	313,121	592,495	7,108,981
<b>Depreciation and impairment</b>				
At 1 January 2018	-	312,028	512,143	824,171
Depreciation charged in the year	-	279	35,014	35,293
At 31 December 2018	-	312,307	547,157	859,464
<b>Carrying amount</b>				
At 31 December 2018	6,203,365	814	45,338	6,249,517
At 31 December 2017	5,342,365	1,093	60,345	5,403,803

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2018 £	2017 £
Fixtures, fittings & equipment	-	5,348

Freehold land and buildings with a carrying amount of £6,203,365 (2017 - £5,472,365) have been pledged to secure borrowings of the company.

### 11 Investment property

	2018 £
<b>Fair value</b>	
At 1 January 2018 and 31 December 2018	1,039,174

Investment property comprises land and buildings held to earn rental income. The directors deem initial cost to be a fair reflection of market value, based on market evidence of transaction prices for similar properties.

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 12 Financial instruments

	2018 £	2017 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	4,882,008	10,115,720
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	2,514,935	6,500,358

### 13 Stocks

	2018 £	2017 £
Finished goods and goods for resale	1,000	1,000

### 14 Debtors

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Trade debtors	52,711	14,043
Amounts owed by group undertakings	4,829,297	9,621,854
Other debtors	-	479,823
Prepayments and accrued income	59,339	25,802
	4,941,347	10,141,522

### 15 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	-	332,165
Obligations under finance leases	18	-	2,741
Trade creditors		106,602	74,892
Amounts owed to group undertakings		1,884,796	2,415,339
Corporation tax		216,827	211,753
Other taxation and social security		20,191	41,936
Other creditors		-	13,896
Accruals and deferred income		523,537	218,396
		2,751,953	3,311,118

### 16 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	17	-	3,442,929

# MERIT RETAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

### 17 Loans and overdrafts

	2018 £	2017 £
Bank loans	-	3,775,094
Payable within one year	-	332,165
Payable after one year	-	3,442,929

### 18 Finance lease obligations

	2018 £	2017 £
Future minimum lease payments due under finance leases:		
Within one year	-	3,256
Less: future finance charges	-	(515)
	-	2,741

### 19 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	20	183,500	250,123

### 20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2018 £	Liabilities 2017 £
<b>Balances:</b>		
Accelerated capital allowances	183,500	250,123
<b>Movements in the year:</b>		2018 £
Liability at 1 January 2018		250,123
Credit to profit or loss		(66,623)
Liability at 31 December 2018		183,500

## MERIT RETAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

---

#### 21 Retirement benefit schemes

	2018	2017
	£	£
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<b>24,981</b>	14,708

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

#### 22 Share capital

	2018	2017
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
100,000 Ordinary shares of £1 each	<b>100,000</b>	100,000

The company has one class of ordinary shares which carry full voting rights, entitles the holders to full rights to participate in dividends as voted and entitles holders to full rights to participate in a distribution.

#### 23 Acquisition of a business

On 18th April 2018, the company acquired the business of Ailsa Lodge Nursing Home, purchasing property, plant and equipment and inventories. The goodwill arising on the acquisition is attributable to the anticipated profitability of the business.

#### 24 Related party transactions

The company has taken advantage of the exemption not to disclose related party transactions with other members of the group under S33.1A of FRS 102, as all group members are wholly owned subsidiaries.

#### 25 Ultimate controlling party

The parent company of Merit Retail Limited is Brooklands Healthcare Limited and its registered office is 58 Moneymore Road, Magherafelt, BT45 6HG.



## MERIT RETAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

#### 26 Cash generated from operations

	2018 £	2017 £
Profit for the year after tax	1,045,368	1,066,680
<b>Adjustments for:</b>		
Taxation charged	154,019	12,230
Finance costs	144,930	110,784
Investment income	(271,580)	-
Amortisation and impairment of intangible assets	80,999	-
Depreciation and impairment of tangible fixed assets	35,293	33,047
<b>Movements in working capital:</b>		
Decrease/(increase) in debtors	5,200,175	(542,743)
(Decrease) in creditors	(229,333)	(452,178)
<b>Cash generated from operations</b>	<b>6,159,871</b>	<b>227,820</b>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.